



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



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

23rd

ANNUAL REPORT

2017-18



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

Mrs. Indrani Bhagwan Singh	Chairman & Managing Director
Mr. J. Bradley Swanson	Investor's Nominee Director
Mr. Aleem Remtula	Investor's Nominee Director
Mr. P. Murali Srinivas	Independent Director
Mr. Rajan Samuel	Independent 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, India.

REGISTERED & CORPORATE OFFICE

'The Galaxy' No.30, 48th Street,
9th Avenue, Ashok Nagar,
Chennai- 600083,
Tamilnadu, India.

REGIONAL OFFICE

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

REGISTRAR AND TRANSFER AGENT

EQUITY SHARES

Cameo Corporate Services Limited

Subramanian Building,
No.1, Club House Road,
Near Spencers Signal on Anna Salai,
Chennai, Tamil Nadu 600002

LISTED DEBT SECURITIES

Cameo Corporate Services Limited

Subramanian Building,
No.1, Club House Road,
Near Spencers Signal on Anna Salai,
Chennai, Tamil Nadu 600002

UNLISTED DEBT SECURITIES

Karvy Computershare Private Limited

7th floor, 701 Hallmark Business Plaza
Sant Dnyaneshwar Mark,
Off Bandra Kurla Complex
Bandra East, Mumbai - 400 051

OUR FUNDERS

TERM LOANS

BANKS

Andhra Bank
Axis Bank Ltd
Bank of Baroda
Bank of India
Bank of Maharashtra
Canara Bank
Dhanlaxmi Bank Ltd
IDBI Bank Ltd
Indian Bank
Karnataka Bank Ltd
Kotak Mahindra Bank Ltd
Oriental Bank of Commerce
RBL Bank Ltd
State Bank of India
Syndicate Bank
The Catholic Syrian Bank Ltd
The Lakshmi Vilas Bank Ltd
The South Indian Bank Ltd
Union Bank of India
Vijaya Bank

NBFCs/ FINANCIAL INSTITUTIONS

Capital First Limited
Hero FinCorp Limited
Hinduja Leyland Finance Limited
IFMR Capital Finance Private Limited
Maanaveeya Development & Finance Pvt. Ltd
Muthoot Capital Services Ltd
Nabkisan Finance Limited
Nabsamruddhi Finance Limited
Nabard Financial Services Limited
Religare Finvest Limited
SIDBI

CASH CREDIT

State Bank of India

NON CONVERTIBLE DEBENTURES

IFMR FImpact Long Term Multi Asset Class Fund
IFMR FImpact Medium Term Multi Asset Class Fund
IFMR Capital Finance Private Limited
Hinduja Leyland Finance Limited
Mahindra & Mahindra Financial Services Limited
Japan ASEAN Women Empowerment Fund
MIFA Debt fund SA, SICAV-SIF

DEBENTURE TRUSTEES

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, Bandra Kurla Complex,
Bandra East, Mumbai, Maharashtra-400051

IDBI Trusteeship Services Limited

Asian Building, Ground Floor,
17, R. Kamani Marg,
Ballard Estate, Mumbai – 400 001

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Aleem Remtula, Nominee Director of DWM
Mr. Rajan Samuel, Independent Director
Mr. Murali Srinivas, Independent Director

SHARE ALLOTMENT & TRANSFER COMMITTEE

Mrs. Indrani Bhagwan Singh, Chairman
Mr. J. Bradley Swanson, Nominee Director of DWM
Mr. Aleem Remtula, Nominee Director of DWM

NOMINATION & REMUNERATION COMMITTEE

Mrs. Indrani Bhagwan Singh, Chairman
Mr. Aleem Remtula, Nominee Director of DWM
Mr. Rajan Samuel, Independent Director
Mr. Murali Srinivas, Independent Director

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE)

Mrs. Indrani Bhagwan Singh, Chairman
Mr. Rajan Samuel, Independent Director
Mr. Murali Srinivas, Independent Director

STAKEHOLDER RELATIONSHIP COMMITTEE

Mrs. Indrani Bhagwan Singh, Chairman
Mr. Aleem Remtula, Nominee Director of DWM

BORROWING & INVESTMENT COMMITTEE

Mrs. Indrani Bhagwan Singh, Chairman
Mr. J. Bradley Swanson, Nominee Director of DWM
Mr. Aleem Remtula, Nominee Director of DWM
Mr. Murali Srinivas, Independent Director
Mr. Rajan Samuel, Independent Director

CREDIT & NON-PERFORMING ASSETS REVIEW COMMITTEE

Mrs. Indrani Bhagwan Singh, Chairman
Mr. J. Bradley Swanson, Nominee Director of DWM
Mr. Aleem Remtula, Nominee Director of DWM
Mr. Murali Srinivas, Independent Director

ASSET LIABILITY MANAGEMENT & RISK MANAGEMENT COMMITTEE

Mrs. Indrani Bhagwan Singh, Chairman
Mr. J. Bradley Swanson, Nominee Director of DWM
Mr. Aleem Remtula, Nominee Director of DWM
Mr. Rajan Samuel, Independent Director
Mr. Murali Srinivas, Independent Director

NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of S.M.I.L.E. MICROFINANCE LIMITED will be held on Tuesday, the 18th September, 2018, at 11:00 a.m. at Hotel Gokulam Park - Gayathri Hall - 4th Floor, No. 67, 1st Avenue, Ashok Nagar, Chennai -600083 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, 2018 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. Issue of Non - Convertible Debenture

To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 23, 42 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014 and the Companies (Share Capital and Debentures) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and subject to the provisions of the Articles of Association of the Company, consent of the members be and is hereby accorded to the Board of Directors of the Company to offer, issue and allot, in one or more tranches Secured, unsecured, rated, listed/unlisted, non-convertible, cumulative, redeemable, taxable debentures (NCD), on private placement basis during the Financial Year 2018-19 for an amount not exceeding Rs.200 Crores (Rupees Two Hundred Crores) on such terms and conditions and at such times at par or at such premium, as may be decided by the Board of Directors to such person or persons, including one or more companies, bodies corporate(s), statutory corporations, commercial banks, lending agencies, financial institutions, insurance companies, mutual funds, alternative investment funds, pension/provident funds and individuals, as the case may be or such other person/persons as the Board of Directors may decide so.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to offer, issue and allot, in one or more tranches Secured, unsecured, rated, listed/unlisted, non-convertible, cumulative, redeemable, taxable debentures (NCD), on private placement basis during the Financial Year 2018-19 for an amount not exceeding Rs.200 Crores (Rupees Two Hundred Crores) on such terms and conditions and at such times at par or at such premium, as may be decided by the board of directors to such person or persons, including one or more companies, bodies corporate(s), statutory corporations, commercial banks, lending agencies, financial institutions, insurance companies, mutual funds, alternative investment funds, pension/provident funds and individuals, as the case may be or such other person/persons and to finalize the documents for creating the mortgages, charges, pledges and/or hypothecations and to negotiate, modify, finalize and sign the documents, and to do all such acts, deeds, matters and things as may be necessary for giving effect to the above resolutions."

4. To consider, and if thought fit, to pass with or without modification the following resolution as **ORDINARY RESOLUTION.**

Revision in the remuneration of Mrs. Indrani Bhagwan Singh (DIN: 02973901), Chairman and Managing Director 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 for revision in the remuneration of Mrs. Indrani Bhagwan Singh [DIN:02973901], Chairman and Managing Director of the Company, on the terms and conditions including remuneration as mentioned below for the FY 2018-19 w.e.f. 1st April 2018, exgratia amount if any paid by the Company for the FY 2018-19 plus annual performance incentive of one month gross for the year 2017-18 of Rs. 2,93,140.:

Description	Amount in (Rs.) Per month w.e.f. April 01, 2018
Basic Pay	1,96,992.00
House Rent Allowance	98,496.00
Conveyance Allowance	1,600.00
Medical Allowance	1,250.00
Special Allowance	29,582.00
Educational Allowance	400.00
Total salary per month	3,28,320.00

5. To consider, and if thought fit, to pass with or without modification the following resolution as **ORDINARY RESOLUTION**.

“RESOLVED THAT pursuant to provisions of Section 196, 197, 203 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification or re-enactment thereof) read with Schedule V thereof, the recommendations of Nomination & Remuneration Committee and the Board of Directors, the consent of Members of the Company be and is hereby accorded to the re-appointment of Mrs. Indrani Bhagwan Singh (DIN 02973901) as Managing Director of the Company for a period of two years with effect from 27th August, 2018 on the terms and conditions as set out below:

TERMS AND CONDITIONS OF APPOINTMENT:

- (a) Term - Two years from 27th August 2018.
- (b) Compensation - She will be paid a compensation of 3.28 lakh per month plus exgratia amount and annual performance incentive if any provided by the Company.
- (c) Leave/Holiday- She is eligible for leave / holiday as per company policy.
- (d) Office Vehicle- She can use company-owned vehicle with driver.
- (e) Termination - Termination of contract can be done by giving one month notice to either party in writing at any time during the tenure of the appointment.

“RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard.”

- By order of the Board –
For S.M.I.L.E. MICROFINANCE LIMITED

Sd/-
INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

Place: Chennai

Date: 05 July 2018

NOTES:

1. Pursuant to Section 102 of the Companies Act, 2013, the Explanatory Statement setting out material facts, related particulars and reasons for the proposed Special Business are appended herein.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the company. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the company. Member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder. Proxies in order to be effective must be deposited at the registered office of the company, duly completed and signed not less than 48 (forty eight) hours before the annual general meeting. Proxies submitted on behalf of the Companies, Societies etc., must be supported by an appropriate resolution/authority, as applicable.
3. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company has also extended e-voting facility as an alternate for its Members to enable them to cast their votes electronically on the proposed resolution in this notice. The e-voting shall be open from 13th September, 2018 9:00 a.m. IST to 17th September, 2018 till 5:00 p.m. IST. The Members will not be able to cast their vote electronically beyond the date and time mentioned above and the e-voting system shall be disabled for voting thereafter.
4. Necessary arrangements have been made by the Company with CDSL to facilitate e-voting.

INSTRUCTIONS FOR E-VOTING ARE AS UNDER:

- (i) Open your web browser during the voting period and log on to the e-voting website www.evotingindia.com.
- (ii) Now click on "Shareholders" to cast your votes
- (iii) Now, select the Electronic Voting Sequence Number – "EVS" along with "S.M.I.L.E MICROFINANCE LIMITED" from the dropdown menu and click on "SUBMIT"
- (iv) Now, fill up the following details in the appropriate boxes:
- (v) For Members holding shares in Physical Form:- Folio Number registered with the Company is your user id.
- (vi) Details with respect to EVSN, User ID, Password, PAN (dummy PAN generated by CDSL) is provided in the Proxy / Attendance form annexed to this notice.
- (vii) After entering these details appropriately, click on "SUBMIT" tab.
- (viii) Members holding shares in Physical form will then reach directly to the voting screen.
- (ix) You can also update your mobile number and e-mail ID in the user profile details of the folio which may be used for sending communication(s) regarding CDSL e-voting system in future. The same may be used in case the Member forgets the password and the same needs to be reset.
- (x) For Members holding shares in physical form, the password and default number can be used only for e-voting on the resolutions contained in this Notice.
- (xi) On the voting page, you will see Resolution Description and against the same the option 'YES/NO' for voting. Enter the number of shares (which represents number of votes) under YES/NO or alternatively you may partially enter any number in YES and partially in NO, but the total number in YES and NO taken together should not exceed your total shareholding.
- (xii) Click on the Resolution File Link if you wish to view the entire Notice.
- (xiii) 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.
- (xiv) Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
- (xv) The e-voting period commences on 13th September, 2018 9:00 a.m. IST to 17th September, 2018 till 5:00 p.m. IST. In case you have any queries or issues regarding e-voting, please contact helpdesk.evoting@cdslindia.com
- (xvi) The Company has appointed Mr. S. Thangavelu of M/s. Velmurugan & Co, Practicing Chartered Accountant as the Scrutinizer for conducting the e-voting process in fair and transparent manner. His email id is thangavelu46@gmail.com.
- (xvii) [A copy of this notice has been placed on the website of the Company and the website of CDSL.](#)

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

SPECIAL BUSINESS

Item No. 3

In order to meet the working capital requirements of the Company during FY 2018-19, the Board of Directors of the Company at its meeting held on 05th July, 2018 has, subject to the approval of Members, propose to issue Non-convertible Debentures to various person(s) on private placement basis, at such terms and conditions and at such price(s) in compliance with the requirements of regulatory authorities, if any and as may be finalized by the Board of Directors. The amount to be raised by way of issue of Non-convertible Debentures on a private placement basis however shall not exceed Rs. 200 crore (Rs. Two Hundred Crore) in aggregate.

Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 prescribed under Section 42 and other applicable provisions, if any, of the Companies Act, 2013 of the Act deals with private placement of securities by a company. Sub-rule (2) of the said Rule 14 states that in case of an offer or invitation to subscribe for non-convertible debentures on private placement, the company shall obtain previous approval of its members by means of a special resolution once in a year for all the offers or invitations for such debentures during the year. Rule 18 of the Companies (Share Capital and Debentures) Rules, 2014 deals with issue of debentures. In order to augment long term resources for financing, inter alia, for the strategic business expansion in future and for general corporate purposes, the Board, may at an appropriate time, offer or invite subscription for secured, redeemable nonconvertible debentures, in one or more series / tranches on private placement.

Accordingly, consent of the members is sought for passing the Special Resolution as set out at Item No. 4 of the Notice. This resolution is an enabling resolution and authorises the Board of Directors of the Company to offer or invite subscription for non-convertible debentures, as may be required by the Company, from time to time for the Financial year 2018-19.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 3 of the Notice.

The Board recommends passing of this Resolution.

None of the Directors are concerned or interested in the proposed Resolution.

Item No. 4

The Board of Directors at their meeting held on 17th May, 2018 revised the remuneration of Mrs. Indrani Bhagwan Singh, Chairman and Managing Director of the Company to Rs. 3.28 lakh per month an increase of 12% from the current salary for the FY 2018-19 with effect from 1st April 2018 on the basis of recommendation of Nomination & Remuneration Committee.

The aggregate of the remuneration as aforesaid shall be 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 Mrs. Indrani Bhagwan Singh, to whom the resolution relates, is interested or concerned in the resolution.

The Board recommends the passing of the resolution as set out under Item No. 4 as an ordinary resolution.

Item No. 5

The Board of Directors at their meeting held on 17th May, 2018 re-appointed Mrs. Indrani Bhagwan Singh (DIN 02973901) as Managing Director of the Company with effect from 27th August, 2018 for a period of two years on the basis of recommendation of Nomination & Remuneration Committee and subject to approval of the shareholders.

TERMS AND CONDITIONS OF RE-APPOINTMENT:

- (a) Term - Two years from 27th August 2018.
- (b) Compensation - She will be paid a compensation of 3.28 lakh per month plus exgratia amount and annual performance incentive if any provided by the Company.
- (c) Leave/Holiday- She is eligible for leave / holiday as per company policy.
- (d) Office Vehicle- She can use company-owned vehicle with driver.
- (e) Termination - Termination of contract can be done by giving one month notice to either party in writing at any time during the tenure of the appointment.

No Director, Key Managerial Personnel, or their relatives, except Mrs. Indrani Bhagwan Singh, to whom the resolution relates, is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item No. 6 for the approval of the members.

- By order of the Board –
For S.M.I.L.E. MICROFINANCE LIMITED
Sd/-

INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

Place: Chennai
Date: 05 July 2018

DIRECTORS' REPORT

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

Your Directors are pleased to present the twenty third Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended, 31st March 2018.

FINANCIAL SUMMARY

(Rs. in Lakh)

Particulars	2017-18	2016-17
Interest Income	9962.04	7024.19
Other Income	199.57	106.57
Total Income	10161.61	7130.76
Less		
Expenses	7708.60	5723.05
Profit before Tax	2453.01	1407.71
Less		
Provisions for:		
Income Tax	970.00	577.13
Short provision for tax relating to prior years	2.07	
Deferred Tax	-202.57	-3.64
Profit after Tax	1683.51	834.22
Add:		
Balance b/f from previous years	2996.54	2329.17
Amount available for Appropriation	4680.05	3163.38
Appropriations:		
Statutory Reserve	336.70	166.84
Dividend & Distribution Tax		-
Balance carried to Balance Sheet	4343.35	2996.54
Equity Share Capital	1733.96	1733.96
Reserves	9187.69	7504.17
CRAR (Capital to Risk-weighted Asset Ratio)	23.29%	26.54%

Financial Overview:

During the year, your company earned a GROSS INCOME of Rs. 101.62 Cr (Previous Year Rs. 71.31 Cr) and PROFIT BEFORE TAX (PBT) of Rs. 24.53 Cr (Previous Year Rs. 14.08 Cr), with expenditures of Rs. 77.09 Cr (Previous Year Rs. 57.23 Cr). The Company earned a PROFIT AFTER TAX (PAT) of Rs. 16.84 Cr (Previous year Rs. 8.34 Cr). The amount transferred to Statutory Reserve is Rs. 3.37 Cr (Previous year Rs. 1.67 Cr).

Operational review:

Year ended March 31	FY March 31, 2018	FY March 31, 2017
Number of Branches	100	96
Number of Members	2,97,476	2,83,548
Number of employees	559	512
Number of States	3	3
Amount Disbursed (₹ In Crore)	706.15	564.09
Portfolio Outstanding (₹ In Crore)	473.84	346.17

TRANSFER TO RESERVES

The Company transferred Rs.3.37 Cr to Statutory Reserves - Transfer of 20% of the Profit after Tax to the statutory reserves in accordance with the provisions of section 45 – IC Reserve Bank of India Act, 1934.

CHANGE IN STATUS OF THE COMPANY

During the year your Company has listed its Non- Convertible Debentures with Stock Exchange (BSE Limited) (Scrip Code: 956942) and become listed Company (Debt Segment).

GRADING AND CREDIT RATING

ICRA has assigned BBB- rating to SMILE in August 2017 for its Long Term Bank Facilities of Rs. 250 crore. ICRA has assigned the MFI grade of M2.

CAPITAL ADEQUACY

The Capital Adequacy Ratio of the company was 23.29% as of March 31, 2018 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. 187.50 Cr through Term Loan; Rs. 5.00 Cr through Cash Credit enhancement; Rs.84.50 Cr through NCD and Rs. 22.35 Cr through Securitisation and the Company disbursed 3.35 lakh loans (previous year 3.06 lakh loans) amounting to Rs. 706.15 Cr (previous year Rs. 564.09 Cr). Average loan size increased to Rs. 27,258 from Rs. 22,372 in the previous year.

ASSETS UNDER MANAGEMENT (AUM)

The total Loan Assets under management of the Company increased to Rs. 473.84 Cr (Previous year Rs. 346.17 Cr), an increase of Rs.127.66 Cr (37%);

Current Year: Loan Assets under management Rs. 473.84 Cr (On Book Portfolio Rs. 471.47 Cr + Managed Portfolio Rs. 2.37 Crore).

Previous Year: Loan Assets under management Rs. 346.19 Cr (On Book Portfolio Rs. 307.81 Cr + Managed Portfolio Rs. 38.38 Crore).

SECURITISATION

During the year, the Company did one securitization deal. 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.58.36 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. 91.08 Lakh representing 0.19% of the portfolio. PAR >30 days amounted to Rs.74.57 Lakh representing 0.16% of the Portfolio. The Company made a Loan Loss Provision of Rs. 48.48 Lakh and Standard Asset provision of Rs.422.81 Lakh.

Bad Debts written off during the year is Rs 47.61 Lakh (Previous year Rs 6.36 Lakh).

LOAN SERVICING

During the year, the Company serviced all its Loans promptly and made Principal repayments of Rs.132.45 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.58.36 Cr.

PRUDENTIAL NORMS AND GUIDELINES

The Company continues to adhere to the guidelines/Directives of the RBI with regard to prudential norms, capital adequacy, Fair practices code and all other norms as applicable to non-deposit taking NBFC-MFIs.

MICROFINANCE SECTOR SCENARIO

According to MFIN report, the microfinance industry had a total portfolio of Rs.1,36,633 crores as at 31st March 2018. Banks (including BC portfolio) hold the largest share of of 38% of the total portfolio, with NBFC-MFI's and SFB's contribute about 28% and 27% of the portfolio respectively. The rest of the portfolio is contributed by NBFC's and non-profit organizations.

NBFC-MFI industry

The aggregate gross loan portfolio (GLP) of MFIs stood at Rs 48,094 Cr as on 31 March 2018. This represents a YoY growth of 50% as compared to 31 March 2017. An amount of Rs.59,629 crores was disbursed in financial year 2017-18 representing an increase of 49% as compared to the financial year 2016-17. NBFC-Mfi serves a client base of 2.53 crores as at March 19 representing an increase of 25% YoY. Average amount of loan disbursed per account increased to Rs.22,273 representing an increase of 19% as compared to the previous year. Portfolio at Risk (PAR) > 30 as on 31 March 2018 is 4.44% showing a significant decrease compared to previous financial year PAR>30 which stood at 11.05%

DIVIDEND

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

SHARE CAPITAL

The paid up equity capital as on March 31, 2018 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, commensurate 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.

(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.

Expenditure Incurred In Foreign Currency	
Particulars	For the year ended 31 March 2018 Amount In Rs.
Reimbursement of Travelling Expenses	3,67,897

DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the FY 2017-18 there were no changes in composition of the Board.

The Current Board of Directors and Key Managerial Personnel of the Company:

S.no	Name of the Director/Key Managerial Personnel	Designation
1	Mrs Indrani Bhagwan Singh	Chairman & Managing Director
2	Mr Bradley Swanson	Nominee Director
3	Mr Aleem Remtula	Nominee Director
4	Mr Murali Srinivas	Independent Director
5	Mr Rajan Samuel	Independent Director
6	Mr V T Prabakaran	Chief Financial Officer
7	Mr R Venkatasubramanian	Company Secretary & Compliance Officer

DIRECTORS RETIRING BY ROTATION

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

MEETINGS

During the year 13 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.

DIRECTOR'S 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;
- (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 has occurred between the end of the financial year of the Company i.e. March 31, 2018 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 1" Directors' Report.

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

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

AUDITOR'S 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 2017-18 as required under Section 204 of the Companies Act, 2013 and the Rules made there under. The Secretarial Audit Report for FY 2017-18 is attached as "Annexure 2" Directors' Report.

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 2017-18.

VIGIL MECHANISM

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

The RM Policy ensures that 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. The Policy is under the supervision of the Audit Committee and the Board.

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. The Company has not received any complaints during the period under review.

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, 2018 in form MGT 9 has been annexed as Annexure - 3 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) 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>1. A brief outline of the company's CSR policy 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"> ✓ Support the health, education and community welfare activities. ✓ Protect the environment by adopting "Go Green" culture in work place. ✓ Provide suitable facilities to people with special needs and facilitate their requirements ✓ Partner with community development authorities to promote, support and participate in community development initiatives. <p>2. Composition Mrs. Indrani Bhagwan Singh, Chairman Mr. Rajan Samuel, Independent Director Mr. Murali Srinivas, Independent Director</p>	<p>3. Average net profit of the Company for the last 3 financial years Rs. 6.21 Crs</p> <p>4. Prescribed CSR Expenditure (2% of the amount as in above) allocated Rs. 12.42 lakh</p> <p>5. Details of CSR Spent during the financial year</p> <table border="1"> <thead> <tr> <th>Activity</th><th>Amount Spent in Rs.</th></tr> </thead> <tbody> <tr> <td>Natural Calamities (Flood, Fire, Eviction)</td><td>62,050</td></tr> <tr> <td>Vocational Guidance & Training Centre</td><td>1,01,470</td></tr> <tr> <td>Health Camps & Hygiene</td><td>95,059</td></tr> <tr> <td>Awareness programs & Skill Development</td><td>2,72,401</td></tr> <tr> <td>Prize money for school toppers</td><td>7,31,778</td></tr> <tr> <td>TOTAL</td><td>12,62,758</td></tr> </tbody> </table> <p>a. Total amount to be spent for the financial year: Rs. 12.42 lakh</p> <p>b. Amount unspent, if any: NIL</p>	Activity	Amount Spent in Rs.	Natural Calamities (Flood, Fire, Eviction)	62,050	Vocational Guidance & Training Centre	1,01,470	Health Camps & Hygiene	95,059	Awareness programs & Skill Development	2,72,401	Prize money for school toppers	7,31,778	TOTAL	12,62,758
Activity	Amount Spent in Rs.														
Natural Calamities (Flood, Fire, Eviction)	62,050														
Vocational Guidance & Training Centre	1,01,470														
Health Camps & Hygiene	95,059														
Awareness programs & Skill Development	2,72,401														
Prize money for school toppers	7,31,778														
TOTAL	12,62,758														

C. Manner in which the amount spent during the financial year is detailed below:							
(1) S. No	(2) CSR project or activity identified.	(3) Sector in which the Project is covered	(4) Projects or Programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	(5) Amount outlay (budget) project or programs wise (in Rs.)	(6) Amount spent on the projects or Programs Subheads: (1) Direct expenditure on projects or programs. (2) Overheads: (in Rs.)	(7) Cumulative expenditure upto to the reporting period (in Rs.)	(8) Amount spent: Direct or through implementing agency *
1	Natural Calamities (Flood, Fire, Eviction)	Eradicating Extreme hunger and Poverty Sanitation and health care	Tamilnadu, Chennai & Madurai	50,000	62,050	62,050	Direct
2	Vocational Guidance & Training Centre	Employment enhancing vocational skills	Tamilnadu, Chennai & Madurai	1,55,000	1,01,470	1,01,470	Direct
3	Health Camps & Hygiene	Promoting health care including preventive health care	Tamilnadu, Chennai & Madurai	1,00,000	95,059	95,059	Implementing agency
4	Awareness programs & Skill Development	Promoting gender equality and empowering women	Tamilnadu, Chennai & Madurai	1,50,000	2,72,401	2,72,401	Direct
5	Prize money for school toppers	Promoting education	Tamilnadu, Chennai & Madurai	7,87,784	7,31,778	7,31,778	Direct

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:

The Company has spent the two per cent of the average net profit of the last three financial years.

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.

DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS

<p>The Board of Directors M/s S.M.I.L.E. Microfinance Limited</p> <p>Dear Sir,</p> <p>I undertake to comply with the conditions laid down in section 149 and Schedule IV of the Companies Act, 2013 in relation to conditions of independence and in particular:</p> <p>(a) I declare that upto the date of this certificate, apart from receiving director's remuneration/sitting fees, I did not have any material pecuniary relationship or transactions with the Company, its promoter, its directors, senior management or its holding Company, its subsidiary and associates as named in the Annexure thereto which may affect my independence as director on the Board of the Company. I further declare that I will not enter into any such relationship/transactions. However, if and when I intend to enter into such relationships/transactions, whether material or non-material I shall keep prior approval of the Board. I agree that I shall cease to be an independent director from the date of entering into such relationship/transaction.</p> <p>(b) I declare that I am not related to promoters or persons occupying management positions at the Board level or at one level below the board and also have not been executive of the Company in the immediately preceding three financial years.</p> <p>(c) I was not a partner or an executive during the preceding three years, of any of the following:</p> <p>(i) the statutory audit firm or the internal audit firm that is associated with the Company and</p> <p>(ii) the legal firm(s) and consulting firm(s) that have a material association with the company</p> <p>(d) I have not been a material suppliers, service provider or customer or lessor or lessee of the company, which may affect independence of the director, and was not a substantial shareholder of the Company i.e., owning two percent or more of the block of voting shares.</p> <p style="text-align: right;">Thanking You.</p> <p style="text-align: right;">Yours Faithfully, P Murali Srinivas (Independent Director)</p> <p>Date: 29 May 2018 Place: Chennai</p>	<p>The Board of Directors M/s S.M.I.L.E. Microfinance Limited</p> <p>Dear Sir,</p> <p>I undertake to comply with the conditions laid down in section 149 and Schedule IV of the Companies Act, 2013 in relation to conditions of independence and in particular:</p> <p>(a) I declare that upto the date of this certificate, apart from receiving director's remuneration/sitting fees, I did not have any material pecuniary relationship or transactions with the Company, its promoter, its directors, senior management or its holding Company, its subsidiary and associates as named in the Annexure thereto which may affect my independence as director on the Board of the Company. I further declare that I will not enter into any such relationship/transactions. However, if and when I intend to enter into such relationships/transactions, whether material or non-material I shall keep prior approval of the Board. I agree that I shall cease to be an independent director from the date of entering into such relationship/transaction.</p> <p>(b) I declare that I am not related to promoters or persons occupying management positions at the Board level or at one level below the board and also have not been executive of the Company in the immediately preceding three financial years.</p> <p>(c) I was not a partner or an executive during the preceding three years, of any of the following:</p> <p>(i) the statutory audit firm or the internal audit firm that is associated with the Company and</p> <p>(ii) the legal firm(s) and consulting firm(s) that have a material association with the company</p> <p>(d) I have not been a material suppliers, service provider or customer or lessor or lessee of the company, which may affect independence of the director, and was not a substantial shareholder of the Company i.e., owning two percent or more of the block of voting shares.</p> <p style="text-align: right;">Thanking You.</p> <p style="text-align: right;">Yours Faithfully, Rajan Samuel (Independent Director)</p> <p>Date: 29 May 2018 Place: Chennai</p>
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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/-
INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

Place: Chennai
Date: 29 May 2018

Annexure 1

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 arms 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	Nature of Arrangements	Transaction value (in Rs.)
1	Indrani Bhagwan Singh, <i>Chairman & Managing Director</i>	Remuneration	35,17,680
		Exgratia	2,93,140
2	P Murali Srinivas, <i>Independent Director</i>	Sitting Fees	3,15,000
3.	Rajan Samuel, <i>Independent Director</i>	Sitting Fees	2,62,500
4.	V T Prabakaran, <i>Chief Financial Officer</i>	Remuneration	23,10,000
		Exgratia	1,92,500
5	R Venkatasubramanian, <i>Company Secretary & Compliance Officer</i>	Remuneration	10,80,000
		Exgratia	90,000

Annexure 2

FORM NO. MR - 3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
S.M.I.L.E. MICROFINANCE LIMITED
Chennai – 600 083

I 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 my opinion thereon.

Based on my 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, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31/03/2018 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:

I have examined the 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 31/03/2018 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the rules made thereunder;
The company has complied with the procedure laid under the Companies Act 2013; forms, returns in this connection have been filed within due dates, *except there was delay in filing certain forms.*
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; *Provisions of these regulations are not applicable to the company.*
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; *Provisions of these regulations are not applicable to the company.*
4. Foreign Exchange Management Act, 1999 and RBI Master directions and the rules and regulations made thereunder. *During the course of Audit it was reviled*

that there are delay in filing of forms under the FEMA Compliance.

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.
6. As informed to me the following other Laws specifically applicable to the Company as under
 1. Payment of Wages Act, 1936
 2. The Minimum Wages Act, 1948
 3. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
 4. Employees' State Insurance Act, 1948
 5. Equal Remuneration Act, 1976
 6. Shop & Establishment Act, 1948
 7. The Payment of Bonus Act, 1965
 8. The Payment of Gratuity Act, 1972
 9. The Contract Labour (Regulation and Abolition) Act, 1970
 10. The Maternity Benefit Act, 1961
 11. The Child Labour Prohibition and Regulation Act, 1986
 12. The Employee Compensation Act, 1923
 13. Income Tax Act 1961.
 14. GST

I 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

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observation.

- i. The Company has received notices from the Registrar of companies, Regional Director and Reserve Bank of India. The company has submitted their reply to all the authorities.
- ii. The Company has received a Demand Notice from Service Tax Department. However company

has replied to the same and made an appeal against such Demand.

- iii. It was found that there were legal cases which are long pending for the final hearing and*
- iv. Share transfers register was not updated fully.*

I further report that:

There were no changes made in the composition of the Board during the period under review.

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 are duly recorded.

Decision is carried through while the dissenting members' views are captured and recorded as part of the Minutes.

Annexure 'A'

**To,
The Members,
S.M.I.L.E. MICROFINANCE LIMITED
Chennai – 600 083**

My 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. My responsibility is to express an opinion on these secretarial records based on the Secretarial Audit.
2. I 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. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

I 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.

I 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.

**V.Esaki
C P No. 11022
25/05/2018**

4. Wherever required, I 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. My 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.

**V.Esaki
C P No. 11022
25/05/2018**

Annexure 3

FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN
As on financial year ended 31.03.2018

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	'The Galaxy' No.30, 48th Street, 9th Avenue, Ashok Nagar, Chennai-600083
6.	Whether listed company	Yes (Debt Listed)
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	-NA-

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 / services	NIC Code of the Product/service	% to total turnover of the company
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/ Associate	% of Shares Held	Applicable Section
1	-NA-	-NA-	-NA-	-NA-	-NA-

IV. VI. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2017]				No. of Shares held at the end of the year[As on 31-March-2018]				Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	Nil	3219997	3219997	18.57%	Nil	3219997	3219997	18.57%	Nil
Total shareholding of Promoter (A)	0	3219997	3219997	18.57%	0	3219997	3219997	18.57%	Nil
B. Public Shareholding									
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%	Nil	11554639	11554639	66.64%	Nil
Total Public Shareholding (B)	Nil	14119642	14119642	81.43%	Nil	14119642	14119642	81.43%	Nil
C. Shares held by Custodian for GDRs & ADRs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A+B+C)	Nil	17339639	17339639	100.00%	Nil	17339639	17339639	100.00%	Nil

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
Total		1380497	3219997	18.57	Nil	18.57	Nil	Nil

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 2017-18					

D) Shareholding Pattern of top ten Shareholders:

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

SN	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	KOTHAI.S	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
Indebtedness at the beginning of the financial year				
i) Principal Amount	249,05,88,859	44,80,61,228		293,86,50,087
ii) Interest due but not paid				
iii) Interest accrued but not due	42,43,242	7,94,762		50,38,004
Total (i+ii+iii)	249,48,32,101	44,88,55,990		294,36,88,091
Change in Indebtedness during the financial year				
* Addition				
* Reduction				
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount	398,41,76,945	40,00,00,000		438,41,76,945
ii) Interest due but not paid				
iii) Interest accrued but not due	3,08,02,889	-		3,08,02,889
Total (i+ii+iii)	401,49,79,834	40,00,00,000		441,49,79,834

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/WT/ Manager	Total Amount in Rs.
1	Gross salary	Mrs. Indrani Bhagwan Singh (Chairman & Managing Director)	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		35,17,680
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		Nil
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		Nil
2	Stock Option		Nil
3	Sweat Equity		Nil
4	Commission - as % of profit - others, specify...		Nil
5	Others		2,93,140
	Total (A)		38,10,820
	Ceiling as per the Act	Within the prescribed limits of the Companies Act.	

B. Remuneration to other Directors

SN.	Particulars of Remuneration	Name of Directors		Total Amount
		Mr. Murali Srinivas	Mr. Rajan Samuel	
1	Independent Directors			
	Fee for attending board & committee meetings	Rs. 3,15,000	Rs. 2,62,500	Rs.5,77,500
	Commission	Nil	Nil	Nil
	Others, please specify	Nil	Nil	Nil
	Total (1)	Rs. 3,15,000	Rs. 2,62,500	Rs.5,77,500
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
	Total Managerial Remuneration	Rs. 3,15,000	Rs. 2,62,500	Rs.5,77,500
	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

Amount inRs.

SN	Particulars of Remuneration	Key Managerial Personnel		Total
		Company Secretary	Chief Financial Officer	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	10,80,000	23,10,000	33,90,000
	(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, please specify	90,000	1,92,500	2,82,500
	Total	11,70,000	25,02,500	36,72,500

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There were no penalties, punishment or compounding of offences during the year ended March 31, 2018

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. It is estimated by Sa-Dhan, a self-regulatory organization that the total number of microfinance clients in India touched the figure of 30 million in 2018.

The industry being predominantly cash driven faced temporary setback post the demonetization of high value currency notes. The industry overcame the shock and bounced back very strongly in a short period of time. The borrowers continued to repay micro-loans albeit with minor hiccups in the repayment schedule. There was also some contraction in loan portfolios observed as demonetization hurt the poor the most. However the sector has resumed its high growth trajectory, which shows the strength of the industry.

Opportunities and Threats

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

The threats of industry include high level of competition. With RBI granting licenses to 6 small finance banks 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 in delinquency levels.

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 2017-18, SMILE offered 335290 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
IGP Loan- Income generation program loan	Minimum Rs.15000/- to Max Rs.50000/- Tenure: Minimum 25 fortnights to 52 fortnights. Purpose: Income generation loan for livelihood.
AIGP Loan- Additional IGP loan.	Rs.5000/- Tenure: Minimum 25 fortnights to 52 fortnights Purpose: Additional credit line/top-up to meet working capital requirements.

In FY-2017-18, SMILE granted loans to members in different loan products as follows:

PARTICULARS	IGP Loans						AIGP Loans
Loan Size	15000	20000	25000	30000	40000	50000	5000
No. of loans granted	2928	79832	64763	105298	5023	1217	76229
Amount disbursed (In Crs)	4.39	159.66	161.91	315.89	20.09	6.09	38.11

Risks and concerns

The primary risk in the company includes the following.

1. Geographical concentration- The Company has been predominantly operating in Tamil Nadu. There is an urgent need for diversifications.
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 in the near future to maintain capital adequacy ratio stipulated by the Reserve Bank of India.
4. Technology up gradation with adoption of digital technology for cashless collection and disbursements could be a need of the hour.

Internal audit and controls

SMILE has a robust internal audit system since its inception. The department is headed by a Chartered accountant with an experienced team of 35 audit executives. Each branch of the company gets audited once in a quarter and 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.

Risk Management:

The company has an effective Risk management department 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 2018, SMILE has presence across 28 districts of Tamil Nadu, Puducherry & Kerala, with ~ 3 lakh poor families and with a portfolio outstanding of INR 474 Cr, managed through a network of 100 branches and a team of ~533 employees. The portfolio quality continues to remain excellent, evidenced in a repayment rate of >99% on-time and a Portfolio at risk (principal balance of loans overdue by >30 days) at 0.16% of the total portfolio outstanding. The Company registered all-round growth in FY 2017-18; disbursement increased by 25%, Portfolio outstanding increased by 37% and PAT increased from INR 8.34 Cr to INR 16.84 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 selection of apt candidates for the Organization. The able work force is the strength of the Organization.

To all newly recruited Staff SMILE provides an extensive class room Training for 4 days. In addition all FDOs have to undergo 2 weeks of "On the Job Training" in the field. There will be reviews in between and final assessment 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.

As on March 2018, SMILEs total staff headcount is 559 and 100 branches being operated across Tamilnadu, Kerala and Pondicherry. During the FY 2017-18, SMILE has opened 4 new branches in Tamilnadu and Staff Strength increased from 512 to 559.

Information Technology

SMILEs core MIS Software Name: Bankers Realm.Net (BR.Net). It is a loan management software 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) Software as a Service (SaaS) in the year 2012.

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 an 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/-
INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

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	Mrs. Indrani Bhagwan Singh	Chairman & Managing Director
2	Mr Bradley Swanson	Non- Executive & Nominee Director of DWM Investments (Cyprus) Limited
3	Mr Aleem Remtula	Non- Executive & Nominee Director of DWM Investments (Cyprus) Limited
4	Mr Murali Srinivas	Independent Director
5	Mr Rajan Samuel	Independent Director

During the Financial Year ended 31st March 2018, thirteen (13) Board Meetings were conducted on the following dates viz., 11th April 2017, 08th June 2017, 6th July 2017, 24th August 2017, 15th September 2017, 21st September 2017, 05th October 2017, 27th November 2017, 18th December 2017, 29th December 2017, 25th January 2018, 1st February 2018, 28th March 2018, 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	
Mrs. Indrani Bhagwan Singh	Chairman & Managing Director	13	22	Nil
Mr. Bradley Swanson	Non-Executive & Nominee of DWM Investments (Cyprus) Limited	1	3	Nil
Mr. Aleem Remtula	Non-Executive & Nominee of DWM Investments (Cyprus) Limited	10	17	1
Mr. P. Murali Srinivas	Independent	13	25	1
Mr. Rajan Samuel	Independent	8	19	1

COMMITTEES OF BOARD

The Board has currently Eight Committees, namely, Asset Liability Management & Risk Management Committee (ALCO); Audit Committee; Borrowing & Investment Committee; Credit & Non-Performing Assets Review Committee; Nomination & Remuneration Committee; Share Allotment & Transfer Committee, Corporate Social Responsibility Committee and Stakeholder Relationship Committee. The Board is responsible for constituting, assigning and co-opting the members of these Committees. The Board fixes the Terms of Reference of 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. Aleem Remtula, Nominee Director of DWM
Mr. Rajan Samuel, Independent Director
Mr. Murali Srinivas, Independent Director

Meetings

The Audit Committee met four (4) times during the Financial Year 2017-18 viz., on 08th June 2017, 20th September 2017, 1st February 2018 and 28th March 2018

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

Mrs. Indrani Bhagwan Singh, Chairman
Mr. J. Bradley Swanson, Nominee Director of DWM
Mr. Aleem Remtula, Nominee Director of DWM
Mr. Murali Srinivas, Independent Director
Mr. Rajan Samuel, Independent Director

Meetings

The Committee met Eleven (11) times during the Financial Year 2017-18 viz., 11th April 2017, 30th Jun 2017, 17th July 2017, 31st July 2017, 7th September 2017, 20th September 2017, 27th November 2017, 18th December 2017, 01st February 2018, 20th February 2018, 28th March 2018.

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 for availment.

CREDIT & NON-PERFORMING ASSETS REVIEW COMMITTEE

Composition

Mrs. Indrani Bhagwan Singh, Chairman
Mr. J. Bradley Swanson, Nominee Director of DWM
Mr. Aleem Remtula, Nominee Director of DWM
Mr. Murali Srinivas, Independent Director

The Committee met three (3) times during the Financial Year 2016-17 viz., on 08th June 2017, 20th September 2017, and 1st February 2018.

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 & RISK MANAGEMENT COMMITTEE (ALCO)

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

Composition

Mrs. Indrani Bhagwan Singh, Chairman
Mr. J. Bradley Swanson, Nominee Director of DWM
Mr. Aleem Remtula, Nominee Director of DWM
Mr. Rajan Samuel, Independent Director
Mr. Murali Srinivas, Independent Director

The Committee met three (3) times during the Financial Year 2016-17 viz., on 08th June 2017, 20th September 2017, and 1st February 2018.

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.

SHARE ALLOTMENT & TRANSFER COMMITTEE

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

Composition

Mrs. Indrani Bhagwan Singh, Chairman
Mr. J. Bradley Swanson, Nominee Director of DWM
Mr. Aleem Remtula, Nominee Director of DWM

The Committee met once during the Financial Year 2017-18 viz., 11th April, 2017.

Share Allotment & Transfer Committee:

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.

The Company received a request from one shareholder during the Financial Year 2017-18.

NOMINATION & REMUNERATION COMMITTEE

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

Composition

1. Mrs. Indrani Bhagwan Singh, Chairman
2. Mr. Aleem Remtula, Nominee Director of DWM
3. Mr. Rajan Samuel, Independent Director
4. Mr. Murali Srinivas, Independent Director

The Committee met one (1) time during the Financial Year 2017-18 viz., on 08th June 2017.

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

1. Mrs. Indrani Bhagwan Singh, Chairman
2. Mr. Rajan Samuel, Independent Director
3. Mr. Murali Srinivas, Independent Director

The Committee met three (3) times during the Financial Year 2016-17 viz., on 08th June 2017, 20th September 2017, and 1st February 2018.

Terms of Reference

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

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

DEBENTURE HOLDER DETAILS

Name of Debenture Holder	Address	Number of Non Convertible Debentures (NCDs)
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
Hinduja Leyland Finance Limited	No 27 A Developed Industrial Estate, South Phase, Guindy, Chennai, 600032	250
Mahindra & Mahindra Financial Services Limited	2nd Floor Sadhana House, Behind Mahindra Tower, Worli, Mumbai, 400018	150
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, 8 th floor, 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai – 400021
Vistra ITCL (India) Limited	IL & FS Financial Centre, Plot No C22, G Block, Bandra Kurla Complex, Bandra East, Mumbai- 400051
IDBI Trusteeship Services Limited	Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai – 400 001.

REGISTRAR AND TRANSFER AGENT

Particulars	Name and Address of the RTA
Equity Shares	Cameo Corporate Services Limited Subramanian Building, No.1, Club House Road, Near Spencers Signal on Anna Salai, Chennai, Tamil Nadu 600002
Listed Debt Securities	Cameo Corporate Services Limited Subramanian Building, No.1, Club House Road, Near Spencers Signal on Anna Salai, Chennai, Tamil Nadu 600002
Unlisted Debt Securities	Karvy Computershare Private Limited 7th floor, 701 Hallmark Business Plaza Sant Dnyaneshwar Mark, Off Bandra Kurla Complex Bandra East, Mumbai - 400 051

GENERAL SHAREHOLDER INFORMATION

Financial year: 1st April to 31st March: Shareholding pattern as on 31st March 2018

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

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
'The Galaxy' No.30, 48th Street,
9th Avenue, Ashok Nagar,
Chennai- 600083

- By order of the Board
For S.M.I.L.E. MICROFINANCE LIMITED
Sd/-
INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

CMD / 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 2018 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/-

Indrani Bhagwan Singh
Chairman & Managing Director

Sd/-

V.T. Prabakaran
Chief Financial Officer

Place: Chennai

Date: 29th May 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of S.M.I.L.E. MICROFINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of S.M.I.L.E. MICROFINANCE LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended ("Accounting Standards"), 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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act.

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Accounting Standards and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by 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, and the Cash Flow Statement 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 Accounting Standards prescribed under section 133 of the Act.
- e) On the basis of the written representations received from the directors of the Company as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 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 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 has made provision, as required under the applicable laws or accounting standards, for material foreseeable losses on long-term contracts. The Company does not have any derivative contracts.
 - iii. There were no amounts which were 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)
Geetha Suryanarayanan
 (Partner)
 (Membership No. 29519)

Place: Chennai
 Date: May 29, 2018

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1(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, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) 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 an audit of 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. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised

acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, 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, 2018, 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)

Place: Chennai

Date: May 29, 2018

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.
 - (b) The property plant and equipment 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 at reasonable intervals. According to the information and explanation 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 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, Service 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, Service Tax, Goods and Services Tax, Cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable except for the following:

Name of Statute	Nature of Dues	Amount (Rs.)	Period to which the Amount Relates	Due Date	Date of subsequent payment
The Central Goods and Services Tax Act, 2017	GST Payable	3,28,831	July and August 2017	Various	NA

- (c) Details of dues of Income-tax and Service Tax, which have not been deposited as on March 31, 2018 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	2,90,380	2,90,380
Income Tax Act, 1961	Income Tax	Assistant Commissioner of Income Tax	Assessment year 2014-15	3,21,150	2,73,284
Service Tax	Service Tax	Assistant Commissioner of CGST & Central Excise	Period 2009-10 to 2013-14	48,25,949	48,25,949

*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.1,81,365 (Refer Note 41 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 Order is 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)

Place: Chennai

Date: May 29, 2018

Balance Sheet as at 31 March 2018			
Particulars	Note No.	As at 31 March 2018 Amount in Rs.	As at 31 March 2017 Amount in Rs.
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	3	17,33,96,390	17,33,96,390
Reserves and Surplus	4	91,87,68,509	75,04,17,445
		1,09,21,64,899	92,38,13,835
Non-Current Liabilities			
Long-Term Borrowings	5	2,55,67,48,719	1,74,65,69,822
Long-Term Provisions	6	1,47,70,750	34,97,168
		2,57,15,19,469	1,75,00,66,990
Current Liabilities			
Short-Term Borrowings	7	9,35,75,695	4,80,61,228
Current Maturities of Long-Term Borrowings	8	1,73,38,52,531	1,14,40,19,037
Trade Payables			
(i) Total Outstanding dues of micro enterprises and small enterprises	9.1	-	-
(ii) Total Outstanding dues of creditors other than micro enterprises and small enterprises	9.2	1,05,92,561	70,50,040
Other Current Liabilities	10	8,67,87,688	13,82,84,871
Short-Term Provisions	11	5,44,38,871	5,80,60,038
		1,97,92,47,346	1,39,54,75,214
TOTAL		5,64,29,31,714	4,06,93,56,039
ASSETS			
Non-Current Assets			
Property, plant & equipment			
- Tangible Assets	12.1	61,10,959	74,66,015
- Intangible Assets	12.2	6,03,425	9,86,195
		67,14,384	84,52,210
Deferred Tax Assets	13	2,25,33,460	22,76,680
Long-Term Receivables Under Financing Activities	14	38,02,46,300	28,16,47,400
Long-Term Loans and Advances	15	1,00,00,000	1,01,43,008
Other Non-Current Assets	16	21,31,86,981	17,48,80,362
		63,26,81,125	47,73,99,660
Current Assets			
Short-Term Receivables Under Financing Activities	17	4,33,25,72,005	2,79,41,58,537
Inventories	18	-	2,40,219
Cash and Bank Balances	19	63,08,42,792	73,92,99,253
Short-Term Loans and Advances	20	1,09,99,299	1,12,45,376
Other Current Assets	21	3,58,36,493	4,70,12,994
		5,01,02,50,589	3,59,19,56,379
TOTAL		5,64,29,31,714	4,06,93,56,039
See accompanying notes forming part of the Financial Statements			

Per our report of even date

for and on behalf of the Board

For Deloitte Haskins & Sells LLP

Sd/-

Geetha Suryanarayanan

Partner

Sd/-

INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

DIN: 02973901

Sd/-

V.T.PRABAKARAN
CHIEF FINANCIAL OFFICER
PAN:AKOPP2826M

Sd/-

P. MURALI SRINIVAS

DIRECTOR

DIN: 00554309

Sd/-

R. VENKATASUBRAMANIAN
COMPANY SECRETARY
PAN: AJGPV8188H

Place : Chennai

Dated : May 29, 2018

Statement of Profit and Loss for the year ended 31 March 2018			
Particulars	Note No.	For the Year Ended 31 March 2018 Amount in Rs.	For the Year Ended 31 March 2017 Amount in Rs.
REVENUE			
Revenue from Operations	22	99,62,04,195	70,24,19,023
Other Income	23	1,99,57,135	1,06,57,727
		1,01,61,61,330	71,30,76,750
EXPENSES			
Finance costs	24	47,90,86,415	32,43,29,417
Provisions and Write Offs	25	1,30,76,589	2,55,90,403
Employee benefits expense	26	18,85,36,095	14,06,13,381
Depreciation and amortisation expense	12	25,54,669	34,50,200
Other expenses	27	8,76,06,336	7,83,22,124
		77,08,60,104	57,23,05,525
Profit Before Tax		24,53,01,226	14,07,71,225
Tax Expense			
Current Tax		9,70,00,000	5,77,13,096
Short provision for tax relating to prior years		2,06,942	-
Deferred Tax	13	(2,02,56,780)	(3,63,630)
Net Tax Expense		7,69,50,162	5,73,49,466
Profit After Tax		16,83,51,064	8,34,21,759
Earnings Per Equity Share. Face Value - Rs.10 each	33		
- Basic- in Rs.		9.71	4.81
- Diluted- in Rs.		9.71	4.81
See accompanying notes forming part of the Financial Statements			

Per our report of even date

for and on behalf of the Board

For Deloitte Haskins & Sells LLP

Sd/-

Geetha Suryanarayanan

Partner

Sd/-

INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

DIN: 02973901

Sd/-

V.T.PRABAKARAN
CHIEF FINANCIAL OFFICER
PAN:AKOPP2826M

Sd/-

P. MURALI SRINIVAS
DIRECTOR

DIN: 00554309

Sd/-

R. VENKATASUBRAMANIAN
COMPANY SECRETARY
PAN: AJGPV8188H

Place : Chennai

Dated : May 29, 2018

Cash Flow Statement for year ended 31 March 2018		
Particulars	For the Year Ended 31 March 2018 Amount in Rs.	For the Year Ended 31 March 2017 Amount in Rs.
A Cash Flow from Operating Activities		
Profit Before Tax	24,53,01,226	14,07,71,225
<u>Adjustments for:</u>		
Depreciation and Amortisation Expense	25,54,669	34,50,200
Contingent Provision for Standard Receivables under Financing Activities (Net)	42,15,566	2,47,77,308
Provision for Non Performing Assets	41,00,349	1,76,726
Finance Costs	47,90,86,415	32,43,29,417
Loss Assets Written Off (Net)	47,60,674	6,36,369
Income Tax Refund Receivable written off	1,43,008	-
(Profit) / Loss on Sale Of Assets (Net)	(1,43,091)	1,01,153
Gain on sale of current investments in Mutual Funds	(1,48,75,474)	(58,95,440)
Interest Income on Deposits with Banks / Others	(1,92,90,239)	(2,57,97,955)
Interest Spread on Securitisation / Assignment of Receivables (Net)	(4,20,00,324)	(6,18,80,724)
Operating Profit before Changes in Working Capital	66,38,52,779	40,06,68,279
<u>Changes in Working Capital:</u>		
Adjustments for (increase) / decrease in operating assets:		
Long-Term Receivables Under Financing Activities	(9,85,98,900)	(19,24,77,889)
Long-Term Loans and Advances	-	(41,149)
Other Non-Current Assets	-	-
Short-Term Receivables Under Financing Activities	(1,54,31,74,142)	(1,50,44,90,611)
Short-Term Loans and Advances	2,46,077	(6,44,584)
Other Current Assets	24,72,886	(2,29,50,242)
Inventories	2,40,219	73,791
Bilateral Securitisation of assets (net)	3,66,97,416	6,71,83,632
<u>Adjustments for increase / (decrease) in operating liabilities:</u>		
Trade Payables	35,42,521	7,57,051
Other Current Liabilities	(7,19,59,160)	(1,79,32,462)
Short-Term Provisions	72,32,387	-
Long- Term Provisions	1,09,68,287	-
Cash Flow used in Operations	(98,84,79,630)	(1,26,98,54,184)
Direct Taxes Paid (Net)	(11,60,71,116)	(3,71,62,459)
Finance Costs paid	(43,37,89,955)	(32,65,23,325)
Interest received on deposits	1,36,60,255	2,93,39,472
Net Cash Flow Used in Operations	(1,52,46,80,446)	(1,60,42,00,496)
B Cash Flow from Investing Activities		
Capital Expenditure including capital advances	(8,35,797)	(6,19,450)
Proceeds from Sale of Fixed Assets	1,62,045	2,06,646
Bank deposits not considered as Cash and Cash Equivalents (Net)	(1,47,14,526)	6,82,49,202
Proceeds on sale of Investments (Net)	1,48,75,474	58,95,440
Net Cash Flow (Used in) / from Investing Activities	(5,12,804)	7,37,31,838
C Cash Flow from Financing Activities		
Proceeds from Long Term Borrowings	2,54,60,37,975	2,72,25,36,930
Long-Term Borrowings Repaid	(1,14,60,25,584)	(81,43,37,274)
Short-Term Borrowings Taken / (Repaid)	4,55,14,467	(40,19,38,772)
Net Cash Flow from Financing Activities	1,44,55,26,858	1,50,62,60,884
Net Decrease in Cash and Cash Equivalents (A)+(B)+(C)	(7,96,66,392)	(2,42,07,774)
Cash and Cash Equivalents at the beginning of the year	59,24,94,216	61,67,01,990
Cash and Cash Equivalents at the end of the year	51,28,27,824	59,24,94,216

See accompanying notes forming part of the Financial Statements

Per our report of even date

for and on behalf of the Board

For Deloitte Haskins & Sells LLP

Sd/-

Geetha Suryanarayanan

Partner

Sd/-

INDRANI BHAGWAN SINGH

CHAIRMAN & MANAGING DIRECTOR

DIN: 02973901

Sd/-

V.T.PRABAKARAN

CHIEF FINANCIAL OFFICER

PAN:AKOPP2826M

Sd/-

P. MURALI SRINIVAS

DIRECTOR

DIN: 00554309

Sd/-

R. VENKATASUBRAMANIAN

COMPANY SECRETARY

PAN: AJGPV8188H

Place : Chennai

Dated : May 29, 2018

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

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 organised every fortnight near the habitats of the members.

The Company issued Non - Convertible Debentures aggregating to Rs. 84,50,00,000 on Private Placement basis. The Non- Convertible Debentures aggregating to Rs. 64,50,00,000 were listed with BSE Limited during October, 2017

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Sec 133 of the Companies Act 2013 and the relevant provisions of the Companies Act, 2013 as applicable. The financial statements have been prepared on accrual basis under the historical cost convention except interest on loans which have been classified as non-performing assets and are accounted for on realization basis. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except for change in accounting for borrowing costs as detailed in Note 24.1.

The Company is a Non-Banking Finance Company – Micro Finance Institution (NBFC-MFI).The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by the Reserve Bank of India for NBFC-MFIs as indicated in Note 2.19.

2.2 Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known /materialize.

2.3 Cash and Cash Equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.4 Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit/ (loss) before 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.

2.5 Depreciation and Amortisation

Depreciable amount for assets is the cost of an asset, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the written down value method using the rates arrived at based on the useful life of the assets prescribed under Schedule II to the Companies Act,2013. In respect of additions and sale of fixed assets, the depreciation is provided on proportionate basis from the date when the asset is put to use and till the date of sale respectively.

Assets individually costing less than Rs.5,000 each are fully depreciated in the year of capitalization

Intangible assets are amortised on a WDV basis over their estimated useful life as follows:

Software – 6 years.

2.6 Revenue Recognition

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

- a) Interest on microfinance loans is recognized on accrual basis, as per the contract with the borrowers.
- b) Processing fee is recognized based on its collections, at the time of disbursement of Loans.
- c) Interest on Non-Performing Assets, representing microfinance loans, is recognized only when received.
- d) Profit on sale of loan receivables is recognized on transfer of clear title and is apportioned on time basis/ as per the contract entered in to, during the contract period.
- e) Interest Income on deposits is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- f) All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realization/collection.

2.7 Property, Plant & Equipment (PPE) -Tangible and Intangible

Property, Plant & Equipment (PPE) is carried at cost less accumulated depreciation / amortisation and impairment losses, if any. The cost of PPE comprises its purchase price and any direct and incidental expenses related to acquisition and any directly attributable the asset ready for its intended use. Subsequent expenditure on PPE after its purchase / completion is capitalized only if such expenditure results in an increase in the future benefits from such assets beyond its previously assessed standard of performance.

2.8 Foreign currency transactions and translations
Initial recognition

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the balance sheet date

Foreign currency monetary items of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

Treatment of Exchange differences

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

2.9 Current Investments

Current Investments are carried at the lower of cost and fair value. Costs of investments include acquisition charges such as brokerage, fees and duties.

2.10 Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan:

The Company's contribution to provident fund is considered as defined contribution plan and is charged as an expense as they fall due based on the amount of contribution required to be made and when the services are rendered by the employees.

Defined benefit plans:

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in the Statement of Profit and Loss in the period in which they occur. Past Service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortised on a straight- line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Short-term employee benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include compensated absence which is expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognized as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

2.11 Borrowing Costs

Borrowing costs include interest and ancillary costs that the Company incurs in connection with the borrowings. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss at the time of avilment of the Loan.

2.12 Segment reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure.

2.13 Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease term.

2.14 Earnings per Share

Basic earnings per share is computed by dividing the profit after tax (including the post tax effect of extraordinary items, if any) by the weighted number of equity shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit after tax (including the post tax effect of extraordinary items, if any) 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 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 splits and bonus shares, as appropriate.

2.15 Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable Income tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

2.16 Impairment of Assets

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceeds the estimated recoverable amount, impairment is recognized for such excess amount. The impairment loss is recognized as an expense in the Statement of Profit and Loss.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss, to the extent the amount was previously charged to the Statement of Profit and Loss.

2.17 Provisions and Contingencies

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the notes to Financial Statements.

2.18 Service Tax and Goods & Services Tax Input Credit

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

2.19 Classification and Provisions of Loan Portfolio

- (a) Loans are classified into 'Performing and Non-Performing' assets in terms of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016, duly taking into account the requirements of Non-Banking Financial Company – Micro Finance Institutions (Reserve Bank) Directions, 2012, as amended.

Classification of Loans
Asset Classification
Period of Overdue

Standard Assets

Not Overdue or Overdue for less than 90 days

Non Performing Assets (NPA)

Overdue for 90 days and more

"Overdue" refers to interest and / or principal and / or installment remaining unpaid from the day it became receivable.

- (b) **Provisioning Norms for Loans - As Per RBI Guidelines** [Non-Banking Financial Companies - Micro Finance Institutions (Reserve Bank) Directions, 2011, as amended]

The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of the following:

1% of the outstanding loan portfolio (or)

50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.

2.20 Securitised Assets

Securitised Assets are derecognised in the books of the Company based on the principle of transfer of ownership interest over the assets.

2.21 Operating Cycle

Based on the nature of products/activities of the Company and the normal time between acquisition of assets and their realization in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of assets and liabilities as current and non-current.

2.22 Insurance claims

Insurance claims 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.

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

	Particulars	As at 31 March 2018		As at 31 March 2017	
		No. of Shares	Amount (Rs.)	No. of Shares	Amount (Rs.)
3	Share Capital				
(a)	Authorised Equity shares of Rs. 10 each	2,00,00,000	20,00,00,000	2,00,00,000	20,00,00,000
(b)	Issued, Subscribed and Fully Paid-up Equity shares of Rs. 10 each	1,73,39,639	17,33,96,390	1,73,39,639	17,33,96,390
		1,73,39,639	17,33,96,390	1,73,39,639	17,33,96,390
3.1	Reconciliation of Shares Outstanding at the beginning and at the end of the Year				
	Particulars	For the year ended 31 March 2018		For the year ended 31 March 2017	
		No. of Shares	Amount (Rs.)	No. of Shares	Amount (Rs.)
	At the Beginning of the Year	1,73,39,639	17,33,96,390	1,73,39,639	17,33,96,390
	Issued during the Year	-	-	-	-
	Outstanding at the End of the Year	1,73,39,639	17,33,96,390	1,73,39,639	17,33,96,390
3.2	Details of Shares held by the Holding Company				
	Particulars	As at 31 March 2018		As at 31 March 2017	
		No. of Shares	Amount (Rs.)	No. of Shares	Amount (Rs.)
	DWM Investments (Cyprus) Limited	1,15,54,639	11,55,46,390	1,15,54,639	11,55,46,390
3.3	Details of Shareholders holding more than 5% Shares in the Company				
	Particulars	As at 31 March 2018		As at 31 March 2017	
		No. of Shares	% Holding	No. of Shares	% Holding
	Equity Shares of Rs. 10 each				
	DWM Investments (Cyprus) Limited	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%
3.4	Terms/Rights attached to Shares.				
	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.				

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

Particulars	As at 31 March 2018 Amount in Rs.	As at 31 March 2017 Amount in Rs.
4 Reserves and Surplus		
Securities Premium Account	37,40,19,752	37,40,19,752
Statutory Reserve		
Opening Balance	7,67,43,839	6,00,59,399
Add: Amount Transferred during the Year from Surplus in the Statement of Profit and Loss	3,36,70,213	1,66,84,440
Closing Balance	11,04,14,052	7,67,43,839
Surplus in the Statement of Profit and Loss		
Opening Balance	29,96,53,854	23,29,16,535
Add: Profit After Tax for the year	16,83,51,064	8,34,21,759
Less: Appropriations		
- Transfer to Statutory Reserve (Refer Note No 47)	3,36,70,213	1,66,84,440
Net Surplus in the Statement of Profit and Loss	43,43,34,705	29,96,53,854
	91,87,68,509	75,04,17,445
Particulars	As at 31 March 2018 Amount in Rs.	As at 31 March 2017 Amount in Rs.
5 Long-Term Borrowings		
Redeemable Non-Convertible Debentures - (Refer Note 5.1)		
Secured	89,50,00,000	20,41,66,700
Unsecured	40,00,00,000	40,00,00,000
	1,29,50,00,000	60,41,66,700
Term Loans - Secured		
From Banks (Refer Note 5.2)	1,07,38,13,203	73,25,70,985
From Other Parties (Refer Note 5.3)	18,79,35,516	40,98,32,137
	2,55,67,48,719	1,74,65,69,822

5.1 Details of Debentures issued by the Company							
(a) Repayment terms							
Coupon Rate	Maturity Date/ Repayment Terms	Debenture details		As at 31 March 2018	As at 31 March 2017	Nature of available Options	Dates of Options available
		Nos	Face value	Amount (Rs.)	Amount (Rs.)		
A. Secured							
12.26%	Repayable in monthly instalments till 12 October 2018	100	10,00,000	2,91,66,700	7,91,66,700	Not applicable	Not applicable
11.40%	Repayable in monthly instalments till 7 March, 2019	150	10,00,000	7,50,00,000	15,00,00,000	Not applicable	Not applicable
12.64%	Repayable in half yearly instalments till 15 March, 2020	150	10,00,000	10,00,00,000	15,00,00,000	Not applicable	Not applicable
13.00%	December 18, 2020	200	10,00,000	20,00,00,000	-	Not applicable	Not applicable
12.96%	March 15, 2022 (Refer Note (c))	258	10,00,000	25,80,00,000	-	Put & Call	At the end of 36 months
12.96%	October 5, 2022 (Refer Note (c))	387	10,00,000	38,70,00,000	-	Put & Call	At the end of 36 months
Sub total				1,04,91,66,700	37,91,66,700		
	Less : Current Maturities of Long-Term Borrowings (Refer Note 8)			(15,41,66,700)	(17,50,00,000)		
	Total			89,50,00,000	20,41,66,700		
B. Unsecured - Subordinated Debt							
15.50%	August 30, 2022	200	10,00,000	20,00,00,000	20,00,00,000	Not applicable	Not applicable
15.50%	September 9, 2022	188	10,00,000	18,80,00,000	20,00,00,000	Not applicable	Not applicable
15.50%	September 9, 2022	12	10,00,000	1,20,00,000	-	Not applicable	Not applicable
	Sub total			40,00,00,000	40,00,00,000		
	Less : Current Maturities of Long-Term Borrowings (Refer Note 8)			-	-		
	Total			40,00,00,000	40,00,00,000		
5.2	(b) The Secured, Redeemable, Non-Convertible Debentures are secured by hypothecation of specified Receivables under Financing Activities.						
	(c) The above Non-Convertible Debentures are listed on BSE Limited (Bombay Stock Exchange). Further, the Company has entered into an agreement with Catalyst Trusteeship Limited to act as Debentures Trustees for the Debentures.						
	(d) The Company has not defaulted in the repayment of dues to Debenture holders.						
	(e) As per the terms of Trust deed for the NCD's issued by the Company amounting to Rs. 1,44,91,66,700 (Previous Year - Rs. 77,91,66,700) , the Company should not declare / pay dividend to the Shareholders without the express consent from the Debenture holders/Trustee in case of dues to Debenture holders/Trustee.						
	Details of Term Loans from Banks - Secured						
	(a) The loans are secured by hypothecation of specified Receivables under Financing Activities and Lien on specified Fixed Deposits with Banks (Refer Notes 16 & 19).						
	(b) The Company has not defaulted in the repayment of dues to banks.						
	(c) As per the terms of agreement entered into by the Company for Borrowings with lenders ,amounting to Rs. 2,84,02,02,786 (Previous Year - Rs. 2,10,89,46,359), the Company should not declare dividend to Shareholders for any year except out of profits relating to that year without the express consent from the Banks/ Financial Institutions after making all due and necessary provisions and provided further that no default had occurred in any repayment obligations.						

(d) The details of interest rate, tenor, repayment terms of the Term Loans from Banks are as follows:

S.No.	Tenor (in Months)	Interest Rate (%)	Repayment Terms	Rate of Interest Fixed /Floating	No. of Installments outstanding as on 31 March 2018	Loan Amount as at 31 March 2018 Rs.	Loan Amount as at 31 March 2017 Rs.
1	24	14.25%	Quarterly	Floating	-	-	62,50,000
2	24	14.25%	Quarterly	Floating	-	-	2,50,00,000
3	24	12.60%	Quarterly	Floating	4	5,00,00,000	10,00,00,000
4	33	13.50%	Quarterly	Floating	2	95,11,800	2,75,00,000
5	39	12.50%	Monthly	Floating	21	9,54,48,000	15,00,00,000
6	15	13.50%	Monthly	Floating	-	-	2,49,99,998
7	24	12.50%	Quarterly	Floating	4	2,50,00,000	5,00,00,000
8	36	12.00%	Quarterly	Floating	10	16,66,66,666	-
9	24	11.00%	Monthly	Floating	21	5,00,00,000	-
10	24	11.00%	Monthly	Floating	21	5,00,00,000	-
11	24	11.00%	Monthly	Floating	21	10,00,00,000	-
12	36	12.75%	Quarterly	Floating	-	-	60,00,000
13	36	12.25%	Quarterly	Floating	6	2,50,00,004	4,16,66,668
14	36	12.15%	Monthly	Floating	14	8,48,48,467	15,15,15,144
15	30	11.00%	Monthly	Floating	32	20,00,00,000	-
16	39	12.95%	Quarterly	Floating	7	5,75,00,000	9,15,00,000
17	36	13.55%	Monthly	Floating	11	3,33,33,334	6,96,95,556
18	24	12.65%	Quarterly	Floating	4	2,85,71,429	5,00,00,000
19	24	12.65%	Quarterly	Floating	4	2,85,71,429	5,00,00,000
20	36	13.50%	Quarterly	Floating	5	2,50,00,000	4,50,00,000
21	36	12.15%	Monthly	Floating	3	62,87,760	3,12,50,000
22	36	12.15%	Quarterly	Floating	10	8,33,41,091	-
23	36	13.25%	Quarterly	Floating	-	-	2,50,00,000
24	42	12.65%	Quarterly	Floating	4	5,00,00,000	10,00,00,000
25	42	12.65%	Quarterly	Floating	9	3,75,00,002	5,00,00,000
26	24	11.15%	Quarterly	Floating	7	20,00,00,000	-
27	36	11.00%	Monthly	Floating	33	15,00,00,000	-
28	36	12.25%	Monthly	Floating	23	7,00,00,000	10,00,00,000
29	36	12.50%	Monthly	Floating	27	3,99,90,352	4,99,99,998
30	42	11.10%	Quarterly	Floating	12	20,00,00,000	-
31	24	12.50%	Monthly	Floating	12	5,00,00,000	10,00,00,000
32	36	12.25%	Monthly	Floating	27	8,18,18,182	-
33	36	12.95%	Quarterly	Floating	4	1,92,15,097	3,63,50,000
34	27	13.45%	Quarterly	Floating	8	20,00,00,000	-
35	60	10.75%	Monthly	Fixed	10	1,44,132	3,00,950
36	60	10.75%	Monthly	Fixed	10	1,44,132	3,00,950
37	60	10.75%	Monthly	Fixed	10	1,44,132	3,00,950
38	60	11.75%	Monthly	Fixed	3	40,609	1,91,675
39	60	11.75%	Monthly	Fixed	3	40,609	1,91,675
40	60	11.50%	Monthly	Fixed	6	88,072	2,49,793
41	60	11.50%	Monthly	Fixed	6	88,072	2,49,793
42	60	9.85%	Monthly	Fixed	38	5,42,006	6,90,014
Total						2,21,88,35,377	1,38,42,03,164
Less : Current Maturities of Long-Term Borrowings (Refer Note 8)						(1,14,50,22,174)	(65,16,32,179)
Long Term Borrowings from Banks						1,07,38,13,203	73,25,70,985
Notes: (i) Interest rates are on floating / fixed rate basis and is payable on monthly basis. The interest rates disclosed above represents the rate of interest as at 31 March 2018. The repayment of principal portion is on monthly, quarterly and / or bullet basis.							

5.3 Details of Term Loans from Other Parties - Secured

- (a) The loans are secured by hypothecation of specified Receivables under Financing Activities and Lien on specified Inter-Corporate Deposits (Refer Notes 15, 16 & 19).
- (b) The Company has not defaulted in the repayment of dues relating to Term Loans from other parties.
- (c) The details of interest rate, tenor, repayment terms of the Term Loans from other parties are as follows:

S. No.	Tenor (in Months)	Interest Rate (%)	Repayment Terms	Rate of Interest Fixed /Floating	No. of Installments outstanding as on 31 March 2018	Loan Amount as at 31 March 2018 Rs.	Loan Amount as at 31 March 2017 Rs.
1	48	12.00%	Monthly	Floating	-	-	-
2	20	15.00%	Half - Yearly	Floating	-	-	-
3	24	14.60%	Monthly	Floating	-	-	-
4	24	14.60%	Monthly	Floating	-	-	-
1	18	15.00%	Monthly	Fixed	-	-	1,77,80,776
2	18	15.00%	Monthly	Fixed	-	-	2,63,99,840
3	24	15.00%	Monthly	Fixed	-	-	2,91,83,213
4	9	15.00%	Monthly	Fixed	9	4,10,13,233	8,90,27,249
5	12	15.25%	Monthly	Fixed	-	-	98,16,647
6	42	15.00%	Quarterly	Fixed	8	16,00,00,000	20,00,00,000
7	36	14.00%	Monthly	Fixed	13	2,20,05,792	3,95,74,763
8	24	10.95%	Monthly	Fixed	16	7,81,25,000	-
9	24	14.50%	Monthly	Fixed	12	6,49,96,000	8,00,00,000
10	36	16.00%	Quarterly	Fixed	4	3,20,00,000	6,60,00,000
11	26	13.50%	Quarterly	Fixed	7	8,75,00,000	-
12	36	14.00%	Quarterly	Fixed	6	2,49,57,112	4,16,56,507
13	36	13.50%	Quarterly	Fixed	10	4,15,87,036	-
14	36	14.50%	Quarterly	Fixed	1	1,11,15,000	2,77,80,000
15	36	13.00%	Monthly	Fixed	18	5,93,00,000	10,00,00,000
						62,25,99,173	72,72,18,995
	Less : Current Maturities of Long-Term Borrowings (Refer Note 8)					(43,46,63,657)	(31,73,86,858)
	Long Term Borrowings from Other Parties					18,79,35,516	40,98,32,137

Notes:

- (i) Interest rates are on both fixed / floating rate basis and is payable on monthly and half yearly basis. The interest rates disclosed above represents the rate of interest as at 31 March 2018. The repayment of principal portion is on monthly and half yearly basis.

Particulars		As at 31 March 2018 Rs.	As at 31 March 2017 Rs.
6 Long-Term Provisions			
Provision - Employee Benefits			
Provision for Compensated Absences (Refer Note 29.3)	1,09,68,287	-	
Provision - Others (Refer Note 37)			
Provision for Non Performing Assets	13,800	10,900	
Contingent Provision for Standard Receivables under Financing Activities	37,88,663	34,86,268	
	1,47,70,750	34,97,168	
7 Short-Term Borrowings			
Cash Credit from Bank from State Bank of India- Secured	9,35,75,695	4,80,61,228	
	9,35,75,695	4,80,61,228	

7.1 Details of cash credit from Bank - Secured

- (a) The cash credit facility is secured by hypothecation of specified Receivables under Financing Activities.
- (b) The Company has not defaulted in the repayment of dues to Bank.
- (c) The details of interest rate, tenor, repayment terms of the Short-Term Borrowings are as follows:

S.No.	Tenor	Interest Rate	Repayment Terms	As at 31 March 2018 Amount in Rs.	As at 31 March 2017 Amount in Rs.
1	NA	12.15%	Repayable on demand	9,35,75,695	4,80,61,228
				9,35,75,695	4,80,61,228

Particulars		As at 31 March 2018 Amount in Rs.	As at 31 March 2017 Amount in Rs.
8	Current Maturities of Long-Term Borrowings		
	Redeemable Non-Convertible Debentures (Refer Note 5.1)	15,41,66,700	17,50,00,000
	Term Loans - Secured		
	From Banks - (Refer Note 5.2)	1,14,50,22,174	65,16,32,179
	From Other Parties - (Refer Note 5.3)	43,46,63,657	31,73,86,858
		1,73,38,52,531	1,14,40,19,037
9	Trade Payables		
	Trade Payables (Refer Note 34)		
9.1	Dues of micro enterprises and small enterprise	-	
9.2	Dues of Creditors other than micro enterprises and small enterprise	1,05,92,561	70,50,040
		1,05,92,561	70,50,040
Note: In the considered view of the Management and as relied upon by the Auditors, there are no dues to micro enterprises and small enterprises.			
Particulars		As at 31 March 2018 Amount in Rs.	As at 31 March 2017 Amount in Rs.
10	Other Current Liabilities		
	Gratuity (Net) (Refer Note 29.2)	92,49,784	-
	Interest accrued but not due on borrowings	3,08,02,889	50,38,004
	Unamortised income		
	- Gain on Assignment of Receivables	-	53,02,908
	Statutory dues	1,14,02,742	44,21,291
	Amount payable to Special Purpose Vehicles for assets de-recognised	1,12,16,372	10,59,73,146
	Unclaimed Dividend	8,74,641	8,74,641
	Insurance proceeds payable to members	14,64,516	15,19,558
	Others*	2,17,76,744	1,51,55,323
		8,67,87,688	13,82,84,871
*includes insurance premium collected from members to be remitted to Insurance Company- Rs. 1,79,85,476 (Previous Year: Rs. 1,22,90,185)			
Particulars		As at 31 March 2018 Amount in Rs.	As at 31 March 2017 Amount in Rs.
11	Short-Term Provisions		
	Provision - Employee Benefits		
	Provision for Compensated Absences (Refer Note 29.3)	72,32,387	-
	Provision - Others (Refer Note 37)		
	Provision for Non Performing Assets	48,33,870	7,36,421
	Contingent Provision for Standard Receivables under Financing Activities	3,84,91,850	3,45,78,679
	Provision for Taxation [net of Advance Tax and Tax deducted at source Rs. 24,27,41,530 (Previous year Rs. 13,34,44,851)]	38,80,764	2,27,44,938
		5,44,38,871	5,80,60,038

12 Property, plant and equipment										
Current year 2017-18										
Particulars	Gross Block				Accumulated Depreciation and Amortisation				Net Block	
	Balance as at 1 April 2017	Additions	Disposals	Balance as at 31 March 2018	Balance as at 1 April 2017	For the year	Eliminated on Disposal of Assets	Balance as at 31 March 2018	Balance as at 31 March 2018	Balance as at 31 March 2017
12.1 Tangible Assets - Owned										
Leasehold Improvements	29,25,212	-	-	29,25,212	22,89,651	1,68,050	-	24,57,701	4,67,511	6,35,561
Computer Equipments	1,43,11,706	6,94,553	-	1,50,06,259	1,33,28,502	2,84,201	-	1,36,12,703	13,93,556	9,83,204
Furniture and Fixtures	80,87,881	1,12,744	-	82,00,625	49,34,415	8,45,129	-	57,79,544	24,21,081	31,53,466
Office Equipments	24,56,561	28,500	24,500	24,60,561	22,34,318	72,944	17,189	22,90,073	1,70,488	2,22,243
Vehicles	78,34,661	-	6,88,470	71,46,191	53,63,120	8,01,575	6,76,827	54,87,868	16,58,323	24,71,541
Sub-Total	3,56,16,021	8,35,797	7,12,970	3,57,38,848	2,81,50,006	21,71,899	6,94,016	2,96,27,889	61,10,959	74,66,015
12.2 Intangible Assets - Acquired										
Computer Software	88,64,289	-	-	88,64,289	78,78,094	3,82,770	-	82,60,864	6,03,425	9,86,195
Sub-Total	88,64,289	-	-	88,64,289	78,78,094	3,82,770	-	82,60,864	6,03,425	9,86,195
Grand Total	4,44,80,310	8,35,797	7,12,970	4,46,03,137	3,60,28,100	25,54,669	6,94,016	3,78,88,753	67,14,384	84,52,210
12 Property, plant and equipment										
Previous year 2016-17										
Particulars	Gross Block				Accumulated Depreciation and Amortisation				Net Block	
	Balance as at 1 April 2016	Additions	Disposals	Balance as at 31 March 2017	Balance as at 1 April 2016	For the year	Eliminated on Disposal of Assets	Balance as at 31 March 2017	Balance as at 31 March 2017	Balance as at 31 March 2016
Tangible Assets - Owned										
Leasehold Improvements	29,25,212	-	-	29,25,212	20,26,786	2,62,865	-	22,89,651	6,35,561	8,98,426
Computer Equipments	1,39,60,806	3,50,900	-	1,43,11,706	1,32,05,380	1,23,122	-	1,33,28,502	9,83,204	7,55,426
Furniture and Fixtures	78,35,831	2,52,050	-	80,87,881	38,42,985	10,91,430	-	49,34,415	31,53,466	39,92,846
Office Equipments	24,40,061	16,500	-	24,56,561	20,31,048	2,03,270	-	22,34,318	2,22,243	4,09,013
Vehicles	92,78,274	-	14,43,613	78,34,661	53,69,750	11,29,184	11,35,814	53,63,120	24,71,541	39,08,524
Sub-Total	3,64,40,184	6,19,450	14,43,613	3,56,16,021	2,64,75,949	28,09,871	11,35,814	2,81,50,006	74,66,015	99,64,235
Intangible Assets - Acquired										
Computer Software	88,64,289	-	-	88,64,289	72,37,765	6,40,329	-	78,78,094	9,86,195	16,26,524
Sub-Total	88,64,289	-	-	88,64,289	72,37,765	6,40,329	-	78,78,094	9,86,195	16,26,524
Grand Total	4,53,04,473	6,19,450	14,43,613	4,44,80,310	3,37,13,714	34,50,200	11,35,814	3,60,28,100	84,52,210	1,15,90,759

13	Deferred Tax Assets The Deferred Tax Asset of Rs. 2,25,33,460 as at 31 March 2018 has arisen on account of the following:																										
	<table><tr><th>Particulars</th><th>As at 1 April 2017 Amount in Rs.</th><th>Credit / (Charged) Amount in Rs.</th><th>As at 31 March 2018 Amount in Rs.</th></tr><tr><td>Deferred Tax Assets</td><td></td><td></td><td></td></tr><tr><td>Difference between depreciation as per Books of Account and Income Tax Act, 1961</td><td>22,76,680</td><td>(2,66,498)</td><td>20,10,182</td></tr><tr><td>Contingent Provision for Receivables under Financing Activities (Net)</td><td>-</td><td>1,25,29,705*</td><td>1,25,29,705</td></tr><tr><td>Provision for Employee Benefits</td><td>-</td><td>79,93,573</td><td>79,93,573</td></tr><tr><td>Deferred Tax Assets</td><td>22,76,680</td><td>2,02,56,780</td><td>2,25,33,460</td></tr></table>	Particulars	As at 1 April 2017 Amount in Rs.	Credit / (Charged) Amount in Rs.	As at 31 March 2018 Amount in Rs.	Deferred Tax Assets				Difference between depreciation as per Books of Account and Income Tax Act, 1961	22,76,680	(2,66,498)	20,10,182	Contingent Provision for Receivables under Financing Activities (Net)	-	1,25,29,705*	1,25,29,705	Provision for Employee Benefits	-	79,93,573	79,93,573	Deferred Tax Assets	22,76,680	2,02,56,780	2,25,33,460		
Particulars	As at 1 April 2017 Amount in Rs.	Credit / (Charged) Amount in Rs.	As at 31 March 2018 Amount in Rs.																								
Deferred Tax Assets																											
Difference between depreciation as per Books of Account and Income Tax Act, 1961	22,76,680	(2,66,498)	20,10,182																								
Contingent Provision for Receivables under Financing Activities (Net)	-	1,25,29,705*	1,25,29,705																								
Provision for Employee Benefits	-	79,93,573	79,93,573																								
Deferred Tax Assets	22,76,680	2,02,56,780	2,25,33,460																								
	* Includes Rs. 1,34,32,150 relating to prior years.																										
	Particulars	As at 31 March 2018 Amount in Rs.	As at 31 March 2017 Amount in Rs.																								
14	Long-Term Receivables Under Financing Activities (Represents Installments Due after one year from the reporting date) Micro Finance Loans - Unsecured Micro Finance Loans Subordinated as Credit Enhancements for Assets De-Recognised - Unsecured	38,02,46,300 - 38,02,46,300	26,24,28,200 1,92,19,200 28,16,47,400																								
	Note: Of the above: - Considered Good (Standard Assets) - Others (Non Performing Assets under Financing Activities as per Company's Provisioning Norms)	38,02,32,500 13,800	28,16,36,500 10,900																								
15	Long-Term Loans and Advances (Considered Good & Recoverable) Deposits - on lien against borrowings (Refer Note 5.3) - Unsecured, Considered Good Balances with Government Authorities - Income Tax Refund Receivable	1,00,00,000 - 1,00,00,000	1,00,00,000 1,43,008 1,01,43,008																								
16	Other Non-Current Assets Interest Accrued But Not Due - on Deposits with Banks / Others Unamortized Expenses- Processing Fee (Refer Note 24.1) Bank Deposits under Lien having Maturity after 12 months (Refer Note Below)	1,21,82,386 - 20,10,04,595 21,31,86,981	83,39,063 90,41,299 15,75,00,000 17,48,80,362																								
	Note: Bank Deposits under Lien - Cash Collateral for Term Loans obtained from Banks	20,10,04,595	15,75,00,000																								
17	Short-Term Receivables Under Financing Activities Micro Finance Loans-Unsecured -Installments due within one year from the reporting date Micro Finance Loans Subordinated as Credit Enhancements for Assets De-Recognised - Unsecured Installments overdue on Micro Finance Loans - Unsecured: - More than six months from the date they were due for payment - Others	4,29,41,70,458 3,33,95,622 15,18,886 34,87,039 4,33,25,72,005	2,73,79,73,129 5,46,20,241 88,827 14,76,340 2,79,41,58,537																								
	Note: Of the above: - Considered Good (Standard Assets) - Others (Non Performing Assets under Financing Activities as per Company's Provisioning Norms) (Refer Note 11 for Provision for Sub-Standard and Doubtful Receivables under Financing Activities)	4,32,77,38,135 48,33,870	2,79,34,22,116 7,36,421																								

Particulars		As at 31 March 2018 Amount in Rs.	As at 31 March 2017 Amount in Rs.
18 Inventories			
Stock of Stationery (Refer note below)	-	2,40,219	
	-	2,40,219	
Note: Consumed during the year and charged off as printing & stationery expenses.			
19 Cash and Bank Balances			
19.1 Cash & Cash Equivalents			
Cash on hand	4,87,411	11,62,744	
Balances with Banks			
- In Current Accounts	51,11,60,413	59,13,31,472	
- In Deposit Accounts (original maturity less than 3 months)	11,80,000	-	
	51,28,27,824	59,24,94,216	
19.2 Other Bank Balances			
- In Current Accounts- Earmarked (Refer Note (a))	8,74,641	8,74,641	
- In Deposits Accounts - Free of Lien	19,90,374	29,99,582	
- In Deposits Accounts - Under Lien (Refer Note(b))	11,51,49,953	14,29,30,814	
	11,80,14,968	14,68,05,037	
	63,08,42,792	73,92,99,253	
Notes:			
(a) Balance with current accounts- Earmarked			
-Unpaid Dividend	8,74,641	8,74,641	
(b) Deposit Accounts under lien			
-Cash Collateral for Assets De-recognized	1,02,75,576	6,61,82,301	
-Cash Collateral for Term Loans	10,48,74,377	7,67,48,513	
20 Short Term Loans and Advances			
-Unsecured, Considered Good			
Loans and Advances to Employees	18,53,279	21,22,450	
Security Deposits	71,21,110	69,70,031	
Supplier and other advances	9,61,890	5,92,340	
Prepaid Expenses	10,63,020	12,75,218	
Balances with Government Authorities			
-Service Tax Input Credit -	-	2,85,337	
	1,09,99,299	1,12,45,376	
21 Other Current Assets			
Interest Accrued But Not Due			
- on Receivables under Financing Activities	2,47,97,767	2,92,57,508	
- on Deposits with Banks / Others	90,51,871	72,65,210	
Unamortized Expenses- Processing Fee (Refer Note 24.1)	-	1,04,90,276	
Insurance Commission Receivable	19,86,855	-	
	3,58,36,493	4,70,12,994	
22 Revenue from Operations			
Interest Income from Loans	86,41,71,171	55,82,72,585	
Processing and Other Fees	7,06,14,050	5,64,06,600	
Interest spread on Securitisation / Assignment of Receivables	4,20,00,324	6,18,80,724	
Other Operating Revenues			
- Interest Income on Fixed Deposits with Banks / Others	1,92,90,239	2,57,97,955	
- Loss Assets Recovered	1,28,411	61,159	
	99,62,04,195	70,24,19,023	
23 Other Income			
Profit on Sale of PPE (net)	1,43,091	-	
Gain on sale of current investments in Mutual Funds	1,48,75,474	58,95,440	
Micro Insurance Agency Commission	33,80,720	-	
Interest Income on Loans to Employees	5,08,725	4,25,758	
Miscellaneous Income	10,49,125	43,36,529	
Total	1,99,57,135	1,06,57,727	

Particulars		As at 31 March 2018 Amount in Rs.	As at 31 March 2017 Amount in Rs.
24 Finance Costs			
Interest on Loans	28,55,38,782	23,80,99,698	
Interest on Debentures	15,04,08,934	4,25,57,544	
Documentation Charges	5,95,851	3,32,032	
Loan Processing Fees and Other Borrowing Costs (Refer Note 24.1)	4,25,42,848	4,33,40,143	
	47,90,86,415	32,43,29,417	
24.1	During the year, the Company has changed the accounting policy with respect to accounting for processing fee paid on borrowings. Hitherto, the Company amortized such payments over the tenure of the borrowings; however from the current year the amount is expensed as and when it is incurred and consequently profit before tax for the year is understated by Rs.1,99,30,105.		
25 Provisions and Write Offs			
Contingent Provision for Standard Receivables Under Financing Activities	42,15,566	2,47,77,308	
Provision for NPA	41,00,349	1,76,726	
Loss Assets Written Off	47,60,674	6,36,369	
	1,30,76,589	2,55,90,403	
26 Employee Benefits Expense			
Salaries (Refer Note 26.1)	16,70,74,546	12,19,74,340	
Contribution to Provident Fund and other funds	1,06,40,862	95,48,810	
Staff Welfare Expenses	1,08,20,687	90,90,231	
	18,85,36,095	14,06,13,381	
26.1:	Employee benefit expenses for the year ended 31 March 2018 includes Rs. 2,49,53,471 relating to prior years.		
27 Other Expenses			
Rent (Refer Note 32)	1,35,45,649	1,24,38,300	
Electricity Charges	25,04,850	21,61,904	
Rates and Taxes	46,32,809	52,88,119	
Insurance	16,88,065	24,29,027	
Software & Other Maintenance Expenses	78,29,904	57,50,517	
Repairs and Maintenance - Building	6,46,457	4,68,537	
Repairs and Maintenance - Machinery	82,54,489	66,39,663	
Travelling and Conveyance	1,41,45,780	1,26,83,976	
Communication Expenses - (Telephone , Postage and Telegram)	32,51,941	32,79,141	
Printing and Stationery	39,29,312	32,97,318	
Advertisement and Business Promotion	-	-	
Legal and Professional Charges	1,24,61,350	1,19,74,693	
Directors Remuneration and Sitting Fees	35,17,680	31,97,880	
Corporate Social Responsibility (Refer Note 46)	12,62,758	7,81,736	
Auditors' Remuneration			
- Statutory Audit	17,55,000	13,33,500	
- Tax Audit	1,80,000	1,50,000	
- Certification	1,40,000	1,14,000	
Bank Charges	2,97,146	3,19,756	
Customer Welfare Expenses	97,539	95,019	
Membership Fees	1,30,000	1,35,253	
Vehicle Maintenance	22,21,829	16,17,049	
Filing Fees	68,679	68,547	
Sitting Fees	5,77,500	6,12,500	
Security Expenses	10,16,343	9,83,049	
Meeting and Seminar Expenses	4,79,992	3,78,807	
Loss On Sale of Assets (Net)	-	1,01,153	
Miscellaneous Expenses	9,71,264	20,22,680	
	8,76,06,336	7,83,22,124	
Contribution to political parties	-	-	

28 Assignment / Securitisation

28.1 Securitization of Assets:

As per the RBI Guidelines on Securitization of Standard Assets issued on 6 February 2006, the details of Assets De-recognised by way of securitisation is as under:

Particulars	For the Year Ended 31 March 2018 Number / Rs.	For the Year Ended 31 March 2017 Number / Rs.
Total Number of Loan Assets Securitised during the Year	21,640	1,04,947
Book Value of Loans Assets Securitised during the Year	22,34,93,778	1,17,67,37,059
Micro Finance Loans Subordinated as Credit Enhancements for Assets De-Recognised	3,33,95,622	7,38,39,441
Sale Consideration Received during the Year	22,34,93,778	1,19,93,96,448
Total Gain on account of Securitisation to be amortised over the life of the Receivables	-	2,26,59,389
Quantum of Credit Enhancement provided during the Year in the form of Deposits / Corporate Guarantee	1,02,75,576	6,61,82,301
Un-amortised Income as at year end (Refer Note 10)	-	53,02,908
Interest spread Recognised in the Statement of Profit and Loss during the period (including amortization of Unamortised Income) (Refer Note 22)	4,20,00,324	6,18,80,724

28.2 Disclosures pursuant to Reserve Bank of India Guidelines on Corporate Governance - Review, RBI/2014-15/552 DNBR (PD) CC.No. 029/ 03.10.001/ 2014-15 dated 10 April 2017.

S.No.	Particulars	As at 31 March 2018 Number / Rs.	As at 31 March 2017 Number / Rs.
1	No. of Special Purpose Vehicle's (SPV's) sponsored by the NBFC for securitisation transactions (Nos.)	1	5
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	5,94,88,000	55,39,20,000
3	Total amount of exposures retained by the NBFC to comply with Minimum Retention Ratio (MRR) as on the date of balance sheet		
	a) Off-balance sheet exposures		
	- First loss		-
	- Others (Corporate Gurantee)		-
	b) On-balance sheet exposures		
	- First loss (Cash Collateral)	1,02,75,576	6,61,82,301
	- First loss (Micro Finance Loans)	3,33,95,622	7,38,39,441
	- Others (Investment in Pass through Certificates)	-	-
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	Exposure to own securitisations		
	- First loss	-	-
	- Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	- First loss	-	-
	- Others (Receivables from SPV's for Assets De-recognised)	3,25,87,000	-
	ii) Exposure to third party securitisations		
	- First loss	-	-
	- Others	-	-

Note:

The above disclosure is provided based on the certified statement provided by the Trustee of the SPV's who have purchased the Securitised Assets.

29	Employee Benefits																																																																								
29.1	<p>Defined Contribution Plans</p> <p>The Company makes Provident Fund and Employee State Insurance Scheme contributions which are defined contribution plans, for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll cost to fund the benefits. The Company recognised Rs. 78,84,308 (Previous Year: Rs. 74,37,212) for Provident Fund contributions and Rs. 27,56,554 (Previous Year: Rs. 21,11,598) for Employee State Insurance Scheme contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.</p>																																																																								
29.2	<p>Defined Benefit Plans</p> <p>The Company has a funded gratuity scheme for its employees and the Gratuity liability has been made based on the actuarial valuation done as at the year end. The details of actuarial valuation as provided by the Independent Actuary is as follows:</p> <table> <tr> <th>Particulars</th><th>For the Year Ended 31 March 2018 Amount in Rs.</th></tr> <tr> <td>Change in defined benefit obligations during the Year</td><td></td></tr> <tr> <td>Present value of Defined Benefit Obligation at beginning of the Year</td><td>2,30,46,994</td></tr> <tr> <td>Current Service Cost</td><td>26,57,165</td></tr> <tr> <td>Past Service Cost</td><td>1,36,732</td></tr> <tr> <td>Interest cost</td><td>15,43,407</td></tr> <tr> <td>Benefits Paid</td><td>(13,57,558)</td></tr> <tr> <td>Actuarial (Gains)</td><td>4,21,712</td></tr> <tr> <td>Present value of Defined Benefit Obligation at End of the Year</td><td>2,64,48,452</td></tr> <tr> <td>Change in Fair Value of Assets during the Year</td><td></td></tr> <tr> <td>Plan Assets at Beginning of the Year</td><td>1,34,98,743</td></tr> <tr> <td>Expected Return on Plan Assets</td><td>11,28,795</td></tr> <tr> <td>Actual Company Contributions</td><td>40,65,211</td></tr> <tr> <td>Benefits Paid Out of the Assets</td><td>(13,57,558)</td></tr> <tr> <td>Actuarial Gain / (Loss)</td><td>(1,36,523)</td></tr> <tr> <td>Plan Assets at End of the Year</td><td>1,71,98,668</td></tr> <tr> <td>Liability Recognised in the Balance Sheet</td><td></td></tr> <tr> <td>Present Value of Defined Benefit Obligation</td><td>2,64,48,452</td></tr> <tr> <td>Fair Value of Plan Assets</td><td>1,71,98,668</td></tr> <tr> <td>Net Liability Recognised in the Balance Sheet</td><td>92,49,784</td></tr> <tr> <td>Cost of Defined Benefit Plan for the Year</td><td></td></tr> <tr> <td>Current Service Cost</td><td>26,57,165</td></tr> <tr> <td>Past Service Cost</td><td>1,36,732</td></tr> <tr> <td>Interest Cost</td><td>15,43,407</td></tr> <tr> <td>Expected Return on Plan Assets</td><td>(11,28,795)</td></tr> <tr> <td>Net Actuarial Gains</td><td>5,58,235</td></tr> <tr> <td>Net Cost Recognized in the Statement of Profit and Loss</td><td>37,66,744</td></tr> <tr> <td>Return on Plan Assets</td><td>-</td></tr> <tr> <td>Assumptions</td><td></td></tr> <tr> <td>Discount Rate (Refer Note (b))</td><td>7.49%</td></tr> <tr> <td>Interest Rate (Rate of Return on Assets)</td><td>7.60%</td></tr> <tr> <td>Future Salary Increase (Refer Note (a))</td><td>10.00%</td></tr> <tr> <td>Mortality Table</td><td>Indian Assured Lives (2006 -08)</td></tr> <tr> <td>Attrition rate (Refer Note (a)):</td><td></td></tr> <tr> <td> Upto grade of Branch Managers</td><td>16.00%</td></tr> <tr> <td> Above grade of Branch Managers</td><td>8.00%</td></tr> </table>	Particulars	For the Year Ended 31 March 2018 Amount in Rs.	Change in defined benefit obligations during the Year		Present value of Defined Benefit Obligation at beginning of the Year	2,30,46,994	Current Service Cost	26,57,165	Past Service Cost	1,36,732	Interest cost	15,43,407	Benefits Paid	(13,57,558)	Actuarial (Gains)	4,21,712	Present value of Defined Benefit Obligation at End of the Year	2,64,48,452	Change in Fair Value of Assets during the Year		Plan Assets at Beginning of the Year	1,34,98,743	Expected Return on Plan Assets	11,28,795	Actual Company Contributions	40,65,211	Benefits Paid Out of the Assets	(13,57,558)	Actuarial Gain / (Loss)	(1,36,523)	Plan Assets at End of the Year	1,71,98,668	Liability Recognised in the Balance Sheet		Present Value of Defined Benefit Obligation	2,64,48,452	Fair Value of Plan Assets	1,71,98,668	Net Liability Recognised in the Balance Sheet	92,49,784	Cost of Defined Benefit Plan for the Year		Current Service Cost	26,57,165	Past Service Cost	1,36,732	Interest Cost	15,43,407	Expected Return on Plan Assets	(11,28,795)	Net Actuarial Gains	5,58,235	Net Cost Recognized in the Statement of Profit and Loss	37,66,744	Return on Plan Assets	-	Assumptions		Discount Rate (Refer Note (b))	7.49%	Interest Rate (Rate of Return on Assets)	7.60%	Future Salary Increase (Refer Note (a))	10.00%	Mortality Table	Indian Assured Lives (2006 -08)	Attrition rate (Refer Note (a)):		Upto grade of Branch Managers	16.00%	Above grade of Branch Managers	8.00%
Particulars	For the Year Ended 31 March 2018 Amount in Rs.																																																																								
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Expected Return on Plan Assets	(11,28,795)																																																																								
Net Actuarial Gains	5,58,235																																																																								
Net Cost Recognized in the Statement of Profit and Loss	37,66,744																																																																								
Return on Plan Assets	-																																																																								
Assumptions																																																																									
Discount Rate (Refer Note (b))	7.49%																																																																								
Interest Rate (Rate of Return on Assets)	7.60%																																																																								
Future Salary Increase (Refer Note (a))	10.00%																																																																								
Mortality Table	Indian Assured Lives (2006 -08)																																																																								
Attrition rate (Refer Note (a)):																																																																									
Upto grade of Branch Managers	16.00%																																																																								
Above grade of Branch Managers	8.00%																																																																								
	<p>Notes:</p> <p>a) In the absence of the relevant information, no disclosure has been made for experience adjustments including comparatives for the previous year.</p> <p>b) The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors. Further, the Management revisits the assumptions such as attrition rate, salary escalation etc., taking into account, the business conditions, various external/internal factors affecting the Company.</p> <p>c) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.</p> <p>d) The entire plan assets are managed by the Life Insurance Corporation of India (LIC). The details with respect to the composition of investments in the fair value of Plan Assets have not been disclosed in the absence of the necessary information.</p> <p>e) Estimated amount of contribution to the funds during the year ending 31 March 2018 as estimated by the management is Rs. 93,00,000.</p>																																																																								

29.3 Compensated Absences

The key assumptions used in the computation of provision for long term compensated absences as per the Actuarial Valuation done by an Independent Actuary are as given below:

Particulars	For the Year Ended 31 March 2018	For the Year Ended 31 March 2017
Assumptions:		
Discount Rate	7.49%	6.90%
Future Salary Increase	10.00%	10.00%
Attrition rate:		
Upto grade of Branch Managers	16.00%	19.00%
Above grade of Branch Managers	8.00%	7.00%

30 Segment Reporting

The Company is primarily engaged in the business of Micro Finance in India. All the activities of the Company revolve around the main business. As such there are no separate business and geographic reportable segments as per AS-17 "Segment Reporting".

31 Related Party Transactions

31.1 Names of Related Parties and Nature of Relationship

Description of Relationship	As at 31 March 2018	As at 31 March 2017
Holding Company	DWM Investments (Cyprus) Limited	DWM Investments (Cyprus) Limited
Key Management Personnel	Mrs.IndraniBhagwan Singh- Chairman and Managing Director	Mrs.IndraniBhagwan Singh- Chairman and Managing Director

Note:

Related party relationships are as identified by the Management and relied upon by Auditors.

31.2 Transactions with the Related Parties

Transaction	Related Party	For the Year Ended 31 March 2018 Amount in Rs.	For the Year Ended 31 March 2017 Amount in Rs.
Expenses			
Remuneration	Mrs.IndraniBhagwan Singh	38,10,820	34,64,370

32 Operating Leases

The Company has entered into operating lease arrangements for office premises. The leases are cancellable and are for a period of less than 1 year.

Particulars	As at 31 March 2018 Amount in Rs.	As at 31 March 2017 Amount in Rs.
Lease payments recognised in the statement of Profit and Loss	1,35,45,649	1,24,38,300

33 Earnings Per Share

Particulars	For the Year Ended 31 March 2018	For the Year Ended 31 March 2017
Profit after Tax - Rs.	16,83,51,064	8,34,21,759
Weighted Average Number of Equity Shares (Nos.)	1,73,39,639	1,73,39,639
Earnings Per Share		
- Basic - in Rs.	9.71	4.81
- Diluted - in Rs.	9.71	4.81
Face Value Per Share - in Rs.	10.00	10.00

34 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 year ended 31 March 2018 and 31 March 2017 are furnished below:

Particulars	For the Year Ended 31 March 2018	For the Year Ended 31 March 2017
Principal amount remaining unpaid to any supplier as at the end of the accounting year.	-	-
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. This has been relied upon by the auditors.

35 Commitments And Contingencies

Particulars	As at 31 March 2018 Amount in Rs.	As at 31 March 2017 Amount in Rs.
Contingent Liabilities:		
Motor Accidents claims (Refer Note (a) below)	25,00,000	5,00,000
Labour tribunal case (Refer Note (b) below)		
Service Tax (Refer Note (b) below)	48,25,949	-
Income Tax (Refer Note (c) below)	6,12,340	-
Commitments:		
-Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)	-	-

(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 dependants and the legal heirs of the deceased before the Motor Accidents Claims Tribunal (District Judge), Tirunelveli and decision for the same is awaited.

(b) Service Tax:

During the year, an order dated 23 February, 2018 has been 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/ securitised 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 has 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.

(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 written off. 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. There has been no further progress in this matter.

(iii) The Company received a Show Cause Notice on 20 January 2016 from the Deputy Commissioner of Income Tax, International Taxation pertaining to non deduction of TDS on dividend paid to the M/s DWM Investments (Cyprus) Limited amounting to Rs. 12,13,237. Based on professional advice the Company replied to the above show cause notice contesting the claim of the Income Tax authorities.

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.

(d) The above doesnot include show cause notices.

36 Loan Portfolio and Provision for Standard and Non Performing Assets

(a) Current Year

Asset Classification	Loan Outstanding as at 31 March 2018 (Gross) Amount in Rs.	Provision as at 31 March 2018 Amount in Rs.	Loan Outstanding as at 31 March 2018 (Net) Amount in Rs.
Receivables under Financing Activities			
Standard Assets	4,70,79,70,635	4,22,80,513	4,66,56,90,122
Non Performing Assets	48,47,670	48,47,670	-
Total	4,71,28,18,305	4,71,28,183	4,66,56,90,122

(b)	Previous Year				
	Asset Classification	Loan Outstanding as at 31 March 2017 (Gross) Amount in Rs.	Provision as at 31 March 2017 Amount in Rs.	Loan Outstanding as at 31 March 2017 (Net) Amount in Rs.	
	Receivables under Financing Activities				
	Standard Assets	3,07,50,58,616	3,80,64,947	3,03,69,93,669	
	Non- Performing Assets	7,47,321	7,47,321	-	
	Total	3,07,58,05,937	3,88,12,268	3,03,69,93,669	
37	Changes in Provisions (Refer Note 6 & 11)				
(a)	Current Year				
	Particulars	As at 1 April 2017	Provision for the Year	Utilization/ Reversal	As at 31 March 2018
	Contingent Provision for Standard Assets under Financing Activities	3,80,64,947	42,15,566	-	4,22,80,513
	Provision for Non Performing Assets	7,47,321	41,00,349	-	48,47,670
	Total	3,88,12,268	83,15,915	-	4,71,28,183
(b)	Previous Year				
	Particulars	As at 1 April 2016	Provision for the Year	Utilization/ Reversal	As at 31 March 2017
	Contingent Provision for Standard Assets under Financing Activities	1,32,87,639	2,47,77,308	-	3,80,64,947
	Provision for Non Performing Assets	5,70,595	1,76,726	-	7,47,321
	Total	1,38,58,234	2,49,54,034	-	3,88,12,268
38	Disclosure Pursuant to Reserve Bank of India Notification DNBR (PD) CC No. 002/03.10.001/2014-15 dt. 10 November, 2014				
A.	Customer Complaints				
	S.No	Particulars	For the Year Ended 31 March 2018 Number	For the Year Ended 31 March 2017 Number	
	(a)	No. of complaints pending at the beginning of the year	NIL	NIL	
	(b)	No. of complaints received during the year	112	266	
	(c)	No. of complaints redressed during the year	112	266	
	(d)	No. of complaints pending at the end of the year	NIL	NIL	
B.	Details of Registration with Financial Regulators				
	S.No	Regulator	Registration No.	Registration No.	
	1	Ministry of Company Affairs	U67190TN1995PLC030604	U67190TN1995PLC030604	
	2	Reserve Bank of India	B-07.00537	B-07.00537	
	Penalties levied by the above Regulators - Nil				
C.	Ratings assigned by Credit Rating Agencies				
	Particulars		As at 31 March 2018	As at 31 March 2017	
	Commercial paper		NA	NA	
	Working Capital Facility (Cash Credit/WCDL)		NA	NA	
	Long-Term bank facilities		[ICRA]BBB-	[ICRA]BBB-	
	Long-Term Non-Convertible Debentures		CARE BBB; stable CARE BBB; stable CARE BBB; stable	[ICRA]BBB- [ICRA]BBB- [ICRA]BBB- (SO) [ICRA]A- (SO) [ICRA]BBB-	
	MFI Grading		M2	M2	
	Subordinated Debt		NA	NA	
	Perpetual Debt		NA	NA	

D. Concentration of Advances, Exposures and NPA's				
	Particulars	For the Year Ended 31 March 2018 Number / Rs.	For the Year Ended 31 March 2018 Number / Rs.	
	Total Advances and Exposures to twenty largest borrowers	Refer Note below	Refer Note below	
	Total Exposure to top four NPA accounts	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	
The Company operates in the business of microfinance providing collateral free loans for fixed amounts ranging from Rs.5000 to Rs.50000 to women engaged in various income generating activities. As at 31 March 2018, the Company has provided loans to more than 2.9 Lakhs women and hence, the disclosure relating to concentration to advances, exposures and NPA's are not applicable to the Company.				
E. Sector-wise NPAs as on March 31, 2018				
	Sl.No	Sector	Percentage of NPAs to Total Advances in that sector as on 31 March 2018	Percentage of NPAs to Total Advances in that sector as on 31 March 2017
	1	Agriculture & allied activities	0.10%	0.02%
	2	Education	0.04%	0.02%
	3	Manufacturing	0.14%	0.00%
	4	Services	0.13%	0.03%
	5	Small Business	0.17%	0.04%
	6	Trade	0.16%	0.04%
	7	Transport	0.16%	0.00%
	8	Other loans	0.39%	0.01%
F. Movement of NPAs				
	Sl.No	Particulars	For the Year Ended 31 March 2018 Amount in Rs.	For the Year Ended 31 March 2017 Amount in Rs.
	(i)	Net NPAs to Net Advances (%)	-	-
	(ii)	Movement of NPAs (Gross)		
		(a) Opening balance	7,47,321	5,70,595
		(b) Net Additions/(Reductions)	41,00,349	1,76,726
		(c) Reductions during the year		
		(c) Closing balance (Refer Note 36)	48,47,670	7,47,321
	(iii)	Movement of NPAs (Net)		
		(a) Opening balance	-	-
		(b) Net Additions/(Reductions)	-	-
		(c) Reductions during the year	-	-
		(c) Closing balance (Refer Note 36)	-	-
	(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
		(a) Opening balance	7,47,321	5,70,595
		(b) Net Additions/(Reductions)	41,00,349	1,76,726
		(c) Write-off / write-back of excess provisions	-	-
		(c) Closing balance (Refer Note 37)	48,47,670	7,47,321
	(v)	Movement of Contingent Provision against Standard Assets		
		(a) Opening balance	3,80,64,947	1,32,87,639
		(b) Provisions made during the year	42,15,566	2,47,77,308
		(c) Write-off / write-back of excess provisions		
		(d) Closing balance (Refer Note 37)	4,22,80,513	3,80,64,947
G. Provisions & Contingencies (shown under the head Expenditure in Profit and Loss)				
	Provision for Non Performing Assets		41,00,349	1,76,726
	Provision for Standard Receivables under Financing Activities		42,15,566	2,47,77,308
	Provision for Income Tax (excl. Deferred Tax)		9,70,00,000	5,77,13,096
H. Penalties imposed by RBI and other regulators: NIL (Previous year : NIL)				

39	Disclosure Pursuant to Reserve Bank of India Notification DNBS.200/CGM (PK) – 2008 dated 1 August 2008		
39.1	Capital Adequacy Ratio		
	Particulars	As at 31 March 2018	As at 31 March 2017
	Tier I Capital	1,06,60,01,068	85,12,01,382
	Tier II Capital	4,04,97,952	-
	Total Capital	1,10,64,99,020	85,12,01,382
	Total Risk Assets	4,75,01,92,091	3,09,10,91,972
	Capital Ratios		
	Tier I Capital as a percentage of Total Risk Assets (%)	22.44%	27.54%
	Tier II Capital as a percentage of Total Risk Assets (%)	0.85%	-
	Total Capital (%)	23.29%	27.54%
39.2	Exposure to Real Estate Sector		
	The Company does not have any direct or indirect exposure to the real estate sector as at 31 March 2018 and as at 31 March 2017.		
39.3	Exposure to Capital Market		
	The Company does not have any exposure to Capital market as at 31 March 2018 and 31 March 2017.		

39.4 Asset Liability Management

(a) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2018:

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	Over 7 years to 10 years	Over 10 years	Total
Liabilities											
Borrowings from Banks	7,20,09,016	4,37,60,299	11,64,80,371	30,82,20,964	60,45,51,524	1,07,38,13,203					2,21,88,35,377
Borrowings from Other Parties	3,78,50,510	4,83,47,709	2,83,14,116	11,52,92,588	20,48,58,734	18,79,35,516					62,25,99,173
Market Borrowings	1,04,16,600	1,04,16,650	1,04,16,750	5,62,50,000	6,66,66,700	45,00,00,000	84,50,00,000				1,44,91,66,700
Total	12,02,76,126	10,25,24,658	15,52,11,237	47,97,63,552	87,60,76,958	1,71,17,48,719	84,50,00,000	-	-	-	4,29,06,01,250
Assets											
Advances (Micro Finance Loans)	49,94,28,798	54,97,77,500	46,65,68,477	1,27,10,26,030	1,54,57,71,200	38,02,46,300	-	-	-	-	4,71,28,18,305
Investments	-	-	-	-	-	-	-	-	-	-	-
Total	49,94,28,798	54,97,77,500	46,65,68,477	1,27,10,26,030	1,54,57,71,200	38,02,46,300	-	-	-	-	4,71,28,18,305
Asset Liability Management											

(b) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2017:

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	Over 7 years to 10 years	Over 10 years	Total
Liabilities											
Borrowings from Banks	3,56,52,085	4,70,69,661	6,41,66,214	17,81,48,339	32,65,95,880	71,62,23,788	1,63,47,197				1,38,42,03,164
Borrowings from Other Parties	3,59,88,248	3,49,87,637	2,18,10,826	7,19,68,991	15,26,31,156	40,98,32,137	-				72,72,18,995
Market Borrowings	1,04,16,600	1,04,16,650	1,04,16,750	5,62,50,000	8,75,00,000	20,41,66,700	40,00,00,000				77,91,66,700
Total	8,20,56,933	9,24,73,948	9,63,93,790	30,63,67,330	56,67,27,036	1,33,02,22,625	41,63,47,197	-	-	-	2,89,05,88,859
Assets											
Advances (Micro Finance Loans)	30,52,46,198	35,64,56,020	33,36,65,230	84,36,59,687	95,51,31,402	28,16,47,400					3,07,58,05,937
Investments	-	-	-	-	-	-	-	-	-	-	-
Total	30,52,46,198	35,64,56,020	33,36,65,230	84,36,59,687	95,51,31,402	28,16,47,400	-	-	-	-	3,07,58,05,937

40 Disclosure Pursuant to paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016):

	Particulars	As at 31 March 2018		As at 31 March 2017	
		Amount Outstanding in Rs.	Amount Overdue in Rs.	Amount Outstanding in Rs.	Amount Overdue in Rs.
1	Liabilities:	-	-		
	Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:				
(a)	Debentures (Refer Note Below)				
	- Secured	1,07,69,42,754	-	38,14,19,867	-
	- Unsecured	40,00,00,000	-	40,00,00,000	-
	(other than falling within the meaning of public deposits)				
(b)	Term Loans (Refer Note Below)	2,84,44,61,385	-	2,11,42,07,005	-
(c)	Inter-Corporate Loans and Borrowings	-	-	-	-
(d)	Commercial Paper	-	-	-	-
(e)	Cash Credits	9,35,75,695	-	4,80,61,228	-

Note Includes Interest Accrued but Not Due on Debentures amounting to Rs. 2,77,76,054 (Previous Year Rs. 22,53,167) and Term Loans amounting to Rs. 30,26,835 (Previous Year Rs. 27,84,846), totaling to Rs. 3,08,02,889 (Previous Year Rs. 50,38,004) as at 31 March 2018. (Refer Note 10)

	Particulars	Amount Outstanding as at 31 March 2018 Amount in Rs.	Amount Outstanding as at 31 March 2017 Amount in Rs.
2	Assets:		
	Break-up of Loans and Advances including Bills Receivables [other than those included in (3) below] :		
(a)	Secured		
(b)	Unsecured (Refer Note Below)	4,73,76,16,072	3,10,50,63,445
3	Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities		
(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	-	-

Note The above includes interest Accrued but Not Due amounting to Rs.2,47,97,767 (Previous Year: Rs. 2,92,57,508) on Loans to Borrowers and excludes Other Loans and Advances which are not in the nature of Lending. (Refer Note 21)

4	Break-up of Investments		
I	Quoted:		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Others (please specify)	-	-
II	Unquoted:		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Others (please specify)	-	-
I	Long Term Investments		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-

	(ii) Debentures and Bonds	-	-
	(iii) Units of Mutual Funds	-	-
	(iv) Government Securities	-	-
	(v) Others (please specify)	-	-
	II Unquoted:		
	(i) Shares: (a) Equity	-	-
	(b) Preference	-	-
	(ii) Debentures and Bonds	-	-
	(iii) Units of Mutual Funds	-	-
	(iv) Government Securities	-	-
	(v) Investment in Pass Through Certificates	-	-
5	Borrower Group-wise Classification of Assets Financed as in (2) and (3) above		
	Category	As at 31 March 2018 Amount Rs. (Net of Provisions) (Refer Note below)	As at 31 March 2017 Amount Rs. (Net of Provisions) (Refer Note below)
		Secured	Unsecured
1	Related Parties		
	(a) Subsidiaries	-	-
	(b) Companies in the same Group	-	-
	(c) Other Related Parties	-	-
2	Other than Related Parties	-	-
	Total		
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 2018	Book Value as on 31 March 2018
	Category	Market Value / Break up Value or Fair Value or Net Asset Value (Company's Share) as on 31 March 2017	Book Value as on 31 March 2017
1	Related Parties	NIL	NIL
	(a) Subsidiaries	NIL	NIL
	(b) Companies in the Same Group	NIL	NIL
	(c) Other Related Parties	NIL	NIL
2	Other than Related Parties	NIL	NIL
	(Refer Note Below)		
	Total	-	-
		As at 31 March 2018	As at 31 March 2017
		Amount in Rs.	Amount in Rs.
7	Other Information	Related Parties	Other than Related Parties
(i)	Gross Non-Performing Assets	-	48,47,670
(ii)	Net Non-Performing Assets (Refer Note 36)	-	-
(iii)	Assets Acquired in Satisfaction of Debt	-	-
41	Disclosures of Fraud Pursuant to Reserve Bank of India Notification DNBS.PD.CC. No. 256 /03.10.042 / 2011-12 dated 2 March 2012:		
(a)	Current Year		
	Category	More than Rs. 1 lakh	Less than Rs. 1 lakh
		Number of Instances	Amount in Rs.
	1. Embezzlement of cash by employees	1	1,72,891
		1	1,72,891
	Note:		
	The above amount has been fully recovered by the Company.		

(b) Previous Year

Category	More than Rs. 1 lakh		Less than Rs. 1 lakh	
	Number of Instances	Amount in Rs.	Number of Instances	Amount in Rs.
Cash Misappropriation	-	-	7	28,953
	-	-	7	28,953

42 Net Interest Margin during the year:

Particulars	For the Year ended 31 March 2018	For the Year ended 31 March 2017
Average Interest (a)	23.99%	23.74%
Average effective cost for borrowing Interest (b)	14.75%	16.49%
Net Interest Margin (a-b)	9.24%	7.25%

The Average interest represents the effective rate at which loans have been disbursed to the customers for the year ended 31 March 2018 and 31 March 2017.

The Average interest cost of borrowings of the Company for the year ended 31 March 2018 and 31 March 2017 has been computed based on the monthly interest cost divided by the average monthly balances of outstanding borrowings. The Average cost of borrowings include Upfront processing fees paid by the Company for availing loans.

43 Disclosures of Transactions Pursuant to clause 28 of the Debt Listing Agreement with BSE Limited

	Loans and Advances in the nature of Loans	As at 31 March 2018 Rs.		As at 31 March 2017 Rs.	
		Amount Outstanding	Maximum Amount Outstanding during the year	Amount Outstanding	Maximum Amount Outstanding during the year
(a)	From Holding Company:	-	-	-	-
(b)	To Fellow Subsidiaries	-	-	-	-
(c)	To Associates	-	-	-	-
(d)	Where there is	-	-	-	-
	- No Repayment Schedule	-	-	-	-
	- Repayment Schedule beyond seven years	-	-	-	-
	- No Interest	-	-	-	-
	- Interest below the rate as specified in section 372A of the Companies Act	-	-	-	-
(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	-	-	-	-

44 (i) Expenditure incurred in Foreign Currency

Particulars	For the year ended 31 March 2018 Amount in Rs.	For the year ended 31 March 2017 Amount in Rs.
Reimbursement of Travelling Expenses	3,67,897	-

44 (ii) The Company did not have any unhedged Foreign currency exposure as at 31 March 2018 and 31 March 2017 and the Company did not have any derivatives.

45 CSR Activities

As per Section 135 of the Companies Act 2013, the company is required to spend Rs. 12,42,366 (2% of the average net profits of the Company made during the three immediately preceding financial years) towards CSR activities for the financial year 2017-18. Break up for the same is as follows:

i) Gross Amount required to be spent during the financial year 2017-18 - Rs. 12,42,366

ii) Amount spend towards CSR Activities as per Company's CSR Policy : Rs. 12,62,758

iii) Unspent amount as on March 31, 2018 - Nil

46 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 the rate of 20% of the net profit after tax of the Company every year. Accordingly, the Company has transferred an amount of Rs.3,36,70,213 (Previous Year – Rs.1,66,84,440), out of the net profit after tax for the years ended 31 March 2018 and 31 March 2017 to Statutory Reserve.

- 47** Pursuant to the listing of the debentures with BSE Limited during October 2017 as referred to in Note 1, the Company is required to comply with publishing of the results as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Accordingly the results were published for the first time for the six months ended 31 March 2018 and for the year ended 31 March 2018 with comparatives of six months ended 31 March 2017 (unaudited) and year ended 31 March 2017. The comparative financial information for year ended 31 March 2017 were audited by the predecessor auditor who expressed an unmodified opinion on the financial statements for the year ended 31st March 2017 vide their report dated 8 June 2017.
- 48** The Board of Directors have reviewed the realisable value of all the assets of the Company (other than Property, plant and equipment) and has confirmed that the value of such assets in the ordinary course of business will not be less than the value at which these are recognised in the financial statements.
- 49** Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year classification / disclosure.

Per our report of even date	for and on behalf of the Board	
For Deloitte Haskins & Sells LLP		
Chartered Accountants		
Sd/-	Sd/-	Sd/-
Geetha Suryanarayanan	INDRANI BHAGWAN SINGH	P. MURALI SRINIVAS
Partner	CHAIRMAN & MANAGING DIRECTOR	DIRECTOR
	DIN: 02973901	DIN: 00554309
	Sd/-	Sd/-
	V.T.PRABAKARAN	R. VENKATASUBRAMANIAN
Place : Chennai	CHIEF FINANCIAL OFFICER	COMPANY SECRETARY
Dated : May 29, 2018	PAN:AKOPP2826M	PAN: AJGPV8188H

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.



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

Registered Office: The Galaxy' No.30, 48th Street, 9th Avenue, Ashok Nagar, Chennai- 600083.
CIN: U67190TN1995PLC030604

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Annual General Meeting on Sep 18, 2018

Name of the member (s):
Registered address:
E-mail Id:
Folio No:

I/We, being the member holding shares of the above named company, hereby appoint

Name: Address: E-mail Id: Signature:_____	or failin g him	Name: Address: E-mail Id: Signature:_____
--	-----------------------	--

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Extraordinary general meeting of the company, to be held on the 18th day of September 2018 at 11:00 a.m. at Hotel Gokulam Park - Gayathri Hall - 4th Floor No. 67, 1st Avenue, Ashok Nagar, Chennai -600083 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No

- 1.
- 2.
- 3.
- 4.
- 5.

Affix Rupee
1/- Revenue
Stamp

Signed this day of 2018

Signature of the Shareholder:

Signature of the Proxy:

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.



S.M.I.L.E. MICROFINANCE LIMITED
Registered Office The Galaxy' No.30, 48th Street, 9th Avenue,
Ashok Nagar, Chennai- 600083.

ATTENDANCE SLIP

Annual General Meeting on Sep 18, 2018

Registered Folio No.: _____

No. of Shares held: _____

Please (✓) in the box - ☐ Member ☐ Proxy

I hereby record my presence at the Annual General Meeting of the Company to be held at **Hotel Gokulam Park - Gayathri Hall- 4th Floor No. 67, 1st Avenue, Ashok Nagar, Chennai -600083 at 11.00 a.m. on Sep 18, 2018.**

Full name of Member :

Signature

Full name of Proxy :

Signature

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Your entry to the Meeting will be regulated by this attendance slip.

