



*The education and empowerment of women throughout the world cannot fail to result in a more caring, tolerant, just and peaceful life for all.*

*-Aung San Suu Kyi*

**6** Years of  
Belief & Commitment



*The empowered woman is  
powerful beyond measure &  
beautiful beyond description.*

*– Steve Maraboli*



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## ABOUT MIDLAND MICROFIN

MML is the first Punjab based Microfinance Institution (MFI) having its Head Office at Jalandhar, Punjab and is working towards Financial & Social Empowerment of Women by way of extending small Business Loans. The Company is registered as an 'NBFC – MFI' with the Reserve Bank of India (RBI) and has been fulfilling all the compliances accordingly since inception.

With a vision to be a world class, role model, techno savvy international Microfinance Institution providing support to progressive poor at low cost, MML came into existence in January 2011 to contribute in the eradication of global poverty. At present MML has got a network of 75 branches, which is spread out in 3 States and 1 Union Territory viz. Punjab, Haryana, Rajasthan and Chandigarh. We have opened a Regional Office in Jaipur in this Financial Year to smoothen the operations and monitor the business progress effectively.

We encourage entrepreneurship amongst women as a sustainable source of livelihood by providing loans for working capital. These loans give economically active women an access to finance in order to support their micro enterprises. We offer a range of products and services which have been developed on the basis of financial needs of progressive poor working women.



## PRODUCTS

**Business  
Loan**



**Sewing  
Machine  
Loan**



**Water  
Purifier  
Loan**



## Products to be introduced

- Individual Loan
- Solar Product Loan
- House Repair / Renovation Loan

# CORPORATE INFORMATION



Corporate Office - The AXIS, BMC Chowk, G.T. Road, Jalandhar

## Chairman

Vijay Kumar Bhandari

## Managing Director

Amardeep Singh Samra

## Directors

Shant Gupta - Independent Director  
Kamna Raj Aggarwalla - Independent Director  
Harpal Singh - Non-Executive Director  
Janak Raj Gupta - Independent Director  
Sachin Nithyanad Kamath - Nominee Director

## Chief Financial Officer & EVP

Amitesh Kumar

## Company Secretary & Manager Compliance

Sonia Dua

## Auditors

M/s S.R. Batliboi & Associates LLP,  
Chartered Accountants,  
Gurgaon, Haryana, India

## Secretarial Auditor

M/s Harsh Goyal & Associates  
Company Secretaries,  
Ludhiana, Punjab, India.

## Registrar & Share Transfer Agents (RTA)

Skyline Financial Services Pvt. Limited  
D-153/A, Phase I, Okhla Industrial Area,  
New Delhi - 110020, INDIA  
Phone: 011 3085 7575  
Email - viren@skylinerta.com

## Debenture Trustee

Centbank Financial Services Ltd.  
(Wholly Owned Subsidiary of Central Bank of India)  
3rd Floor (East Wing),  
Central Bank of India MMO Building,  
55 M G Road, Fort, Mumbai, 400 001.

## Board Committees

### Audit Committee

Vijay Kumar Bhandari  
Shant Gupta  
Janak Raj Gupta  
Sachin Nithyanad Kamath  
Kamna Raj Aggarwalla

### Nomination & Remuneration Committee

Vijay Kumar Bhandari  
Shant Gupta  
Janak Raj Gupta  
Sachin Nithyanad Kamath

### Investors/ Stakeholders

#### Grievance Committee

Amardeep Singh Samra  
Vijay Kumar Bhandari  
Shant Gupta

### Core Management Committee

Amardeep Singh Samra  
Vijay Kumar Bhandari  
Shant Gupta  
Sachin Nithyanad Kamath

### Board Management Committee

Amardeep Singh Samra  
Shant Gupta  
Amitesh Kumar

### Head Office Executive Committee

Amardeep Singh Samra  
Amitesh Kumar  
Gagan Deep Sharma  
Anjali Jindal  
Gopesh Gupta

### CSR Committee

Amardeep Singh Samra  
Sachin Nithyanad Kamath  
Kamna Raj Aggarwalla

# ■ Vision | Mission

To be a world class, role model, techno savvy international Micro Finance Institution providing support to progressive poor at low cost.

## VISION

Encourage micro enterprise as source of sustainable livelihood, with special emphasis on women by providing financial services with the help of technology. Work for financial and social empowerment of women. Provide easy access to financial services for low income entrepreneurs so they can improve their standard of living and create sustainable assets for themselves.

## MISSION





# Managing Director's Note ■



However, the brighter side is that demonetisation has been a learning experience for the sector. We are able to see a bigger picture in the right perspective.

Dear Patrons,

Financial year 2016-17 was indeed an eventful year, in the first half the company progressed at a very fast pace. By the end of Quarter 2 Midland Microfin Ltd (MML) crossed the landmark of Rs. 600 Crores with regard to cumulative disbursement. The rating of the Company was upgraded to BBB from BBB- by CARE Ratings which is highest amongst the peer group. The Institutional Grading got upgraded to MF2. To upgrade itself on the technological front, MML tied-up with Jayam Solutions Pvt. Ltd, Hyderabad to provide an application, which could enhance the productivity, business intelligence and provide complete solution for its Processes and Risk Management. By end of the financial year under review, the company successfully migrated to this new software E-fimo by Jayam Solutions.

In the second half of the financial year under review, the Microfinance Industry faced the challenges of Demonetisation, which adversely affected the profitability and growth in the sector and MML was no exception. In the first few weeks post Demonetisation, which was announced on Nov 8, 2016, the repayments and disbursements were severely affected. I am glad to share this with you that our dedicated team has ably handled the challenges that had cropped up. However, the brighter side is that demonetisation has been a learning experience for the sector. We are able to see a bigger picture in the right perspective. The regions which are overleveraged and politically vulnerable have surfaced. However, this whole situation made way for innovations as various cashless methods are being introduced with a giant leap towards digitisation.

As the sector is coming back to its usual pace, we believe that there will be more effectiveness and efficiency in the operational and financial working of our institution as well as the industry as a whole. In line with the vision of the Government to promote digitisation, Midland Microfin has introduced various Cashless methods. We have successfully launched cashless disbursements for our members and we have provided POS machines at our branches for card based repayments. The response that we have received from our members is overwhelming which has helped us believe stronger that members too are enthusiastic about digitisation.

The Company is now ready to start a new journey in the Financial year 2017-18. Your company has reorganised itself to meet the future contingencies. Having ambitious plans for future growth, MML intends to bring in new products, enter new geographies and introduce 'Tab' based mobility solution for ultimate efficiency at field level. The company focuses on converting the realm of possibilities into the real outcome and actually play a key role in lifting up millions of our fellow citizens out of poverty and towards their pathways to prosperity.

**Amardeep Singh Samra**  
Managing Director

# ■ Directors' Report

## Dear Members

Your Directors take pleasure in presenting the Annual Report of your Company along with Audited Financial Statement of Accounts and Auditors' Report for the year ended March 31, 2017.

This is our Sixth year of operation in Microfinance sector as we completed 5 years of impressive work by providing easy access to financial services to the unbanked. Year 2016 marked the Dawn of the new Era due to Central Government's decision to term Rs. 500/- and Rs. 1000/- notes as 'not legal tender' anymore from midnight of November 08, 2016. Microfinance Sector despite being hailed as the saviour of the poor had a turbulent ride with the said decision of the Government. More than 80% transactions of the Microfinance sector were cash based as most of the borrowers of the MFIs are based in rural areas and they borrow and repay in cash. Therefore Microfinance sector was initially thrown out of gear. Due to liquidity crunch, repayments were abruptly disrupted in the initial phase of demonetisation which pulled the average repayment rate of the Microfinance Sector from approximately 98.5% to 12%. Even disbursements came to a standstill. The ratio of disbursements to Collections fell to around 30% by the second week of December 2016 from around 80% in the first two weeks after demonetisation. The main reason for this significant drop in disbursements was due to the focus of MFIs shifting from disbursements to collections and they also adopted a wait and watch approach in order to comprehend the situation.

Nonetheless the Microfinance Industry took this challenge in a positive manner and so did your Company. Having successfully navigated through demonetisation phase, the Company is now geared up for growth and providing more value added services to our expanding customer base. Similarly, looking on the brighter side of demonetisation the Microfinance market in India has become very transparent and crystal clear as various loopholes have been detected. Negative and risk prone areas have surfaced and it has curtailed over-aggressive/unhealthy growth. It has even strengthened the Banking system of India. Moreover, demonetisation has created a tremendous impetus towards greater financial Inclusion and digitisation. It has operationalised the Jan-Dhan accounts with around Rs. 210 billion (figures till January 2017) in deposits, various digital modes have been introduced.

***"The secret of change is to focus all of your energy not on fighting the old, on building the new" – Socrates.***

Microfinance has been recognised as an important channel in achieving financial inclusion. After the demonetisation phase, the MFIs have adopted various cashless means to empower the members towards digitisation, which eventually helped to make members aware about the benefits of cashless channels. Your company has also contributed their part by introducing various channels of cashless means, we have collaborated with DCB Bank to facilitate members with the Prepaid card services and introduced AADHAR PAYMENT BRIDGE SYSTEM (APBS) through collaboration with YES Bank. Your Company has also introduced digitalisation in disbursement process and has tied up with UCO Bank for collection through POS terminals. The Company is also accepting cheques as the cashless mode of repayment. Response received from our members towards cashless modes is enough to make our belief stronger that members are too enthusiastic towards the financial inclusion & digitisation. The curiosity members are showing for the cashless means is working as a helping hand to move a bit more towards our goal of 'Cashless India'.

## FINANCIAL HIGHLIGHTS

Your Company has made a reasonable growth in the financial year 2016-17. Yet the impact of demonetisation is evident on the results of the financial year 2016-17.

The summarised financial results for the year ended March 31, 2017 and the previous years are as under:

(Figures in Rs. Crores)

| Particulars   | Year Ended       | Year Ended       | Year Ended       | CAGR    |
|---|------------------|------------------|------------------|---------|
|   | March 31<br>2017 | March 31<br>2016 | March 31<br>2015 |         |
| 1. Total Gross Income   | 46.62            | 30.69            | 15.40            | 74.00%  |
| 2. Interest Expended  | 24.00            | 13.54            | 7.22             | 82.33%  |
| 3. Operating Exp. (i)+(ii)  | 15.33            | 10.77            | 6.04             | 59.31%  |
| (i) Employees cost  | 9.41             | 6.76             | 3.80             | 57.40%  |
| (ii) Other operating exp.   | 5.92             | 4.01             | 2.24             | 62.50%  |
| 4. Total Expenditure (2)+(3)<br>(Excluding provisions and Contingencies)  | 39.33            | 24.31            | 13.26            | 72.23%  |
| 5. Operating Profit (1-4)<br>(Profit before Provisions and Contingencies) | 7.29             | 6.38             | 2.14             | 84.58%  |
| 6. Provisions (other than tax) and contingencies (Net)                    | 0.75             | 0.76             | 0.37             | 42.92%  |
| 7. Profit before Tax (5-6)  | 6.53             | 5.62             | 1.77             | 92.15%  |
| 8. Tax Expense  | 2.22             | 1.91             | 0.40             | 135.77% |
| 9. Net Profit from Ordinary Activities after Tax (7 - 8)                  | 4.31             | 3.71             | 1.37             | 77.41%  |
| 10. Net Profit/(Loss) for the period                                      | 4.31             | 3.71             | 1.37             | 77.41%  |
| 11. Paid-up equity share capital (Face value Rs.10/- per share)           | 18.71            | 18.71            | 8.61             | 47.41%  |
| 12. Reserves & Surplus excluding revaluation reserves                     | 21.41            | 14.99            | 1.04             | 353.68% |
| 13. Dividend %  | 9%,17%, 0.02%    | 9%               | NA               | NA      |
| Preference  | (Proposed)       |                  |                  |         |
| Equity  | 6%               | 8%               | 5%               | NIL     |
|   | (Proposed)       |                  |                  |         |
| 14. Net Worth   | 44.36            | 35.56            | 9.62             | 114.74% |
| 15. Earnings Per Share  | 2.17             | 3.28             | 1.93             | 6.04%   |
| 16. Capital Adequacy Ratio (in %)   | 42.63            | 28.21            | 18.82            | 50.50%  |
| 17. Operating expenses (Opex) Ratio (in %)                                | 11.92            | 10.93            | 12.73            | 3.34%   |
| 18. Gearing (in times)  | 3.68             | 3.92             | 7.4              | 41.80%  |
| 19. Return on Total Assets (in %)   | 2.10             | 2.85             | 2.31             | 4.62%   |
| 20. Return on AUM (in %)  | 3.35             | 3.51             | 2.71             | 11.23%  |
| 21. Return on Equity (in %)   | 11.71            | 16.51            | 16.26            | 15.16%  |
| 22. Operating Self Sufficiency (OSS) Ratio (in %)                         | 116.30           | 122.15           | 112.97           | 1.46%   |

The Company opened 8 new branches in financial year 2016-17. The majority of the branches were opened in the states of Haryana and Rajasthan with an objective for regional diversification. The Company has made a cumulative disbursement of Rs.663.14 Crores as on March 31, 2017. The Company has disbursed loans of Rs. 230.88 Crores during the financial year 2016-17.

The company has been achieving a growth rate of 100% or above till the last financial year. Demonetisation has emerged as a threat which has pulled down the growth rate of the Company to 51% as compared to previous years in terms of net profits of the Company. The Company has projected to achieve a Gross Loan Portfolio of Rs. 280 Crores as on March 31, 2017. In Quarter 3 and Quarter 4 of the financial year 2016-17 the disbursement of the Company came to a stand still due to demonetisation as the focus of the Company shifted from

## Directors' Report

disbursements to repayments, and hence the Company has only been able to achieve a Gross Loan Portfolio of Rs. 113 Crores as on March 31, 2017.

Situation of Liquidity Crunch emerged in the Indian Economy due to demonetisation which held back the MFI borrowers to repay their loans. This situation rose the Non-Performing Assets of the MFI sector by 7-10%. Your Company still has the privilege of being a ZERO NPA company even during the phase of demonetisation. Though some temporary arrears have cropped up due to demonetisation which are expected to fade away in near future.

During the year 2016-17, the company has earned Profit before tax of Rs 6.54 Crores as against Rs 5.62 Crores for the previous year registering a Growth of 16.37%. The Net Profit after Tax is Rs.5.05 Crores as against 3.61 Crores of the same period resulting a growth of 16.17%. The Company has provided a sum of Rs. 1.06 crores additional provision on Standard Assets to provide cushion for the arrears, which arose during demonetisation. However, the company is aggressively following up for the recovery. The Profit has largely been impacted due to demonetisation.

The Authorised Capital of the Company has increased to Rs. 42 Crores from 22 Crores during the period under review. The Paid up Capital of the Company has increased from 20.71 Crores to 22.95 Crores. During the Period under review your Company has issued Unsecured Redeemable Non-Convertible Subordinated Debt Bonds (Series iii), in the nature Of Unsecured Redeemable Non-Convertible Debentures amounting to Rs. 12 Crores. The Company has also issued 22,45,000 Non-Convertible Redeemable Cumulative Preference Shares ("NCRCPs") of Rs. 10/- each at premium of Rs. 10/- i.e. total issue price of Rs. 20/- per share, aggregating to Rs. 4,49,00,000/- in financial year 2016-17.

### OPERATIONAL HIGHLIGHTS

The operational highlights for the financial year ended on March 31, 2017:

- 53 branches across 3 States (Punjab, Haryana and Rajasthan) and 1 Union Territory (Chandigarh).
- Customer base of 236102 and cumulative disbursements of Rs. 663.14 Crores.
- Loan Disbursed during the financial year Rs. 230.88 Crores.

The Company has made a sustainable growth in its operations, comparative operating Performance of the Company as on March 31, 2017:

| Particulars                  | Year Ended     | Year Ended     | Year Ended     | CAGR<br>% |
|------------------------------|----------------|----------------|----------------|-----------|
|                              | March 31, 2017 | March 31, 2016 | March 31, 2015 |           |
| States                       | 3              | 3              | 3              | -         |
| UT                           | 1              | 1              | 0              | -         |
| Districts                    | 32             | 30             | 20             | 26%       |
| Cities/Towns                 | 53             | 45             | 28             | 38%       |
| Villages Covered             | 6234           | 3683           | 2590           | 55%       |
| Branches                     | 53             | 45             | 28             | 38%       |
| Joint Liability Groups       | 25677          | 39793          | 23389          | 5%        |
| No. of Members               | 236102         | 167921         | 116676         | 68%       |
| Maximum Loan Amount (Rs.)    | 50000          | 50000          | 30000          | -         |
| Average Ticket Size (Rs.)    | 15636          | 13884          | 12158          | -         |
| Cumulative Loan Disbursement | 663.14         | 432.26         | 198.52         | 83%       |
| Loan Disbursed in FY         | 230.88         | 233.74         | 111.31         | 44%       |
| Equity Share Capital         | 18.71          | 18.71          | 8.61           | -         |
| Preference Share Capital     | 4.25           | 2.00           | 0.00           | -         |
| Total Assets(Estimated)      | 230.91         | 178.00         | 76.98          | 73%       |
| Non Performing Assets        | NIL            | NIL            | NIL            | -         |

During the period under review the company has migrated to a new IT application i.e. E-Fimo which has been specially developed to cater to the current as well as future IT requirements of the company. As the operations of the Company are expanding at a great pace, hence requirement for more staff at Head office was felt. Keeping in view the future requirements of the Company in coming years, the registered office of the company has been shifted to 1, Badridass Colony, B.M.C Chowk, G.T. Road, Jalandhar-144 001, Punjab which is within local limits of the same city w.e.f July 15, 2016.

### DIVIDEND

The process of demonetisation has adversely hit the profitability of the Company. Considering, the downward falling trend of the Microfinance Industry after Demonetisation your company has still been able to make a reasonable growth in profit. Though the booked profit is lesser as compared to the projected figure. During the last financial year i.e. 2015-16 your company paid a dividend of 8% to the members of the company. But this year your Directors propose a dividend of 6% on Equity Share Capital and 9% on Optionally Convertible Preference Share Capital for the year 2016-17 the Company has also issued Non-Convertible Redeemable Cumulative Preference Shares ("NCRCPs") at a premium of Rs. 10/- per share aggregating to Rs. 20/- per share at 0.02% and 17% dividend, which shall be paid on pro-rata basis. The Board is of a view that paying higher equity dividend at the said measured growth shall cause undue burden on the operating ratios and the future growth of the Company. Hence the Board has decided to retain and reinvest the current profit in the expansion of the Company. This shall help in providing increased worth to the shareholders in near future.

The dividend will be paid to those shareholders whose names appear on the Register of Members as on the record date.

### REGULATORY UPDATE

Your Company being registered as NBFC-MFI (Non-Banking Financial Company – Micro Finance Institution) has been following all the relevant guidelines and directions issued by the Reserve Bank of India from time to time and other applicable laws and regulations.

The Company has listed its debt securities i.e Non-Convertible Debentures on B.S.E. and confirms that the Company has made timely disclosures as required under SEBI (LODR) Regulations, 2015 during the financial year 2016-17.

The Company has filed all the requisite information and forms with ROC Chandigarh and Punjab as required under Companies Act, 2013 during the financial year 2016-17.

### FAIR PRACTICES CODE

Midland Microfin has adopted Board approved Fair Practices Code, which provides operating guidelines for effective dissemination and implementation of responsible business practices and grievance redressal system. Midland Microfin follows various guidelines issued by Reserve Bank of India (RBI) and MFIN on Fair Practices Code for NBFC-MFIs and has also adopted Industry Code of Conduct developed by Sa-Dhan, a self-regulatory organisation (SRO) recognised by the Reserve Bank of India.

Your Company has updated the Code of Conduct along with relevant policies in line with the RBI's amended Fair Practices Code for NBFCs as well as MFIN code of conduct for Microfinance Industry and the same has been displayed at its branches, in English as well as vernacular language.

### BORROWINGS

During the year under review your company has issued 12000 Unsecured Non-Convertible Debentures on preferential basis to meet the Teir-II capital requirements. Despite the Impact of Demonetisation on the growth rate of the company, your company has retained the trust and faith of various Banks and Non-Banking Financial Institutions and has been sanctioned various term loans worth Rs. 86.20 crores from various Banks and

## ■ Directors' Report

Non-Banking Financial Institutions.

DISCLOSURES PURSUANT TO COMPANIES ACT, 2013 AND SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015.

### a) Extract of Annual Return

The extract of the Annual Return as provided under Section 92 (3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014 forms part of this report and is annexed hereto.

### b) Number of Board and Committee Meetings with dates and number of meetings attended by each Director

During the Financial year 2016-17 our Board met 4 times and the detail of the Board meetings and the No. of Directors who attended the Meetings is as follows:

| Sr.No. | Date of Board Meeting | Strength | No. of Board Members Present |
|--------|-----------------------|----------|------------------------------|
| 1.     | May 10, 2016          | 07       | 05                           |
| 2.     | August 17, 2016       | 06       | 05                           |
| 3.     | November 09, 2016     | 07       | 07                           |
| 4.     | January 25, 2017      | 07       | 06                           |

| Sr. No. | Name of the Director        | No. of Meetings Held | No. of Meetings Attended |
|---------|-----------------------------|----------------------|--------------------------|
| 1.      | Mr. Vijay Bhandari          | 04                   | 03                       |
| 2.      | Mr. Amardeep Singh Samra    | 04                   | 04                       |
| 3.      | Mr. Sachin Nithyanad Kamath | 04                   | 04                       |
| 4.      | Mr. Shant Gupta             | 04                   | 03                       |
| 5.      | Mr. Janak Raj Gupta         | 04                   | 04                       |
| 6.      | Mr. Harpal Singh            | 04                   | 03                       |
| 7.      | Mrs. Kamna Raj Aggarwalla   | 02                   | 02                       |
| 8.      | Mr. Jagdeep Singh Shergill  | 01                   | 00                       |

### Audit Committee

| Sr.No. | Date of Board Meeting | Strength | No. of Board Members Present |
|--------|-----------------------|----------|------------------------------|
| 1.     | May 09, 2016          | 03       | 02                           |
| 2.     | August 17, 2016       | 03       | 02                           |
| 3.     | November 09, 2016     | 05       | 05                           |
| 4.     | January 25, 2017      | 05       | 05                           |

| Sr. No. | Name of the Director        | No. of Meetings Held | No. of Meetings Attended |
|---------|-----------------------------|----------------------|--------------------------|
| 1.      | Mr. Vijay Bhandari          | 04                   | 03                       |
| 2.      | Mr. Shant Gupta             | 04                   | 03                       |
| 3.      | Mr. Janak Raj Gupta         | 04                   | 04                       |
| 4.      | Mr. Sachin Nithyanad Kamath | 02                   | 02                       |
| 5.      | Mrs. Kamna Raj Aggarwalla   | 02                   | 02                       |

## Nomination and Remuneration Committee

| Sr.No. | Date of Board Meeting | Strength | No. of Board Members Present |
|--------|-----------------------|----------|------------------------------|
| 1.     | August 17, 2016       | 04       | 03                           |

| Sr. No. | Name of the Director        | No. of Meetings Held | No. of Meetings Attended |
|---------|-----------------------------|----------------------|--------------------------|
| 1.      | Mr. Vijay Bhandari          | 01                   | 01                       |
| 2.      | Mr. Shant Gupta             | 01                   | 00                       |
| 3.      | Mr. Janak Raj Gupta         | 01                   | 01                       |
| 4.      | Mr. Sachin Nithyanad Kamath | 01                   | 01                       |

### c) Directors' Responsibility Statement

In accordance with the Provision of Section 134 (3) (c) of the Company Act, 2013, Your Directors state that:-

1. In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures if any;
2. The Directors have 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 statement of profit and loss of the Company for that period;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the Provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting frauds & other irregularities.
4. The annual accounts of the Company have been prepared on going concern basis.
5. The Directors have laid down adequate internal financial controls, which were fully operative during the financial year;
6. The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### d) Independent Directors' Declaration

The Company has received declaration of Independence from Mr. Shant Gupta Mr. Janak Raj Gupta and Mrs. Kamna Raj Aggarwalla that all the Independent Directors meet the criteria of independence as laid down under Section 149 (6) of the Companies Act, 2013.

### e) Reappointment of Director

The Company has reappointed Mr. Vijay Kumar Bhandari as Director in the Annual General Meeting held on September 22, 2016.

### f) Company's policy on Directors' Appointment & Remuneration including criteria for determining Qualifications, Attributes, Independence etc.

The Nomination and Remuneration Committee of the Company has put in place 'Fit & Proper' criteria policy for considering the appointment and remuneration of Directors and Key Managerial Personnel as per the guidelines issued by RBI. The policy contains detailed procedures for determining qualification, positive attributes, due diligence mechanism and reference checks for appointment of Directors and Key Managerial Personnel.

**g) Explanations or Comments by the Board on every Qualification, Reservation or Adverse Remarks or Disclaimer made by Auditors in Audit Report.**

M/s S.R. Batliboi & Associates LLP, Chartered Accountants, Statutory Auditors of the company have audited the accounts of the company for the financial year 2016-17 as per the accounting standards followed in India. There are no qualifications, reservations or adverse remarks given by the Auditors. The notes to accounts referred to in Auditors' Report have been discussed by the Board and are self-explanatory and therefore, in the opinion of the Directors, do not call for any further comments.

M/s. S.R. Batliboi & Associates LLP, Chartered Accountants, were appointed as Statutory Auditors of the Company for a period of 5 years from 2016-17 and until the conclusion of Annual General Meeting for the year 2021 subject to ratification by members every year on a remuneration (including terms of payment) to be fixed by the Board of Directors of the Company, based on the recommendation of the Audit Committee plus taxes and reimbursement of all out of pocket expenses in connection with the audit of accounts of the company. The Auditors have confirmed that the re-appointment if made at the Annual General Meeting, will be within the prescribed limits under section 141(3)(g) of the Companies Act, 2013 and they are not disqualified to be appointed as auditors under the provisions of Companies Act, 2013 and Companies (Audit & Auditor) Rules 2014 or under any other law.

**h) Explanations or Comments by the Board on every Qualification, Reservation or Adverse Remarks or Disclaimer made by Practising Company Secretary in Secretarial Audit Report**

The Secretarial Compliance Certificate from M/s Harsh Goyal & Associates, Company Secretaries, Ludhiana is obtained for the financial year ended March 31, 2017 and there are no Qualifications, Reservations, Adverse Remarks or Disclaimer made by M/s Harsh Goyal & Associates in the Secretarial Audit Report. The Secretarial Audit report is annexed herewith.

**i) The state of the Company's affair**

Midland Microfin Limited is an RBI registered NBFC-MFI based in Jalandhar and is the only Punjab based Microfinance Institution (MFI). Your Company operates primarily on Joint Liability Group (JLG) lending model. As on March 31, 2017 the company operates through 53 branches spread over 3 states namely Punjab, Haryana and Rajasthan and one Union Territory of Chandigarh covering 6234 villages. As on March 31, 2017 the borrower base of the Company is 236102. Midland Microfin Ltd. has positively impacted the lives of many individuals and families and has helped them earn their livelihoods.

**j) Loans, Guarantees & Investments**

Section 186 is not applicable to the Company being an NBFC. However, no Loans, Guarantees have been given and no investment made other than in the ordinary course of business.

**k) Related Party Transactions**

There are no contracts or arrangements or transactions under Section 188 of the the Companies Act, 2013, entered into during the financial year ended March 31, 2017 which are not at arm's length basis. The details of contracts or arrangements or transactions at arm's length basis are furnished in prescribed Form AOC-2 attached as Annexure A to this report.

**l) Amounts proposed to be carried to Reserves, if any**

The Company is required to transfer 20% of its Profit after Taxes (PAT) mandatorily to statutory reserves as per Section 45 (IC) of the Reserve Bank of India Act. Accordingly, an amount of Rs. 86 Lacs has been transferred to statutory reserves as on March 31, 2017.



**m) Material Changes & Commitments affecting financial position of the Company, occurring between date of Financial Statements and the Board's Report**

There is no such material change and commitment affecting the financial position of the company occurring between the date of financial statement and date of Board Report.

**n) Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo, in manner prescribe**

**i) Conservation of energy**

The company being an NBFC-MFI, the energy consumed by the Company during this period is only in the form of electricity and diesel used in generators at the Head-office and Branches of the Company. The company has allocated specific cost budgets for the same in the Head Office and all its branches to reduce electric wastage and the same is monitored on periodical basis. Other measures like use of LEDs, power saver air-conditioning equipment etc. are being installed for conserving energy.

The company is also exploring for using alternative source of energy. The Company has not made any capital investment on energy conservation equipment other than specified above.

**ii) Technology absorption**

a) Midland Microfin Limited has migrated to a new software i.e. E-Fimo by Jayam Solutions Pvt Ltd, Hyderabad which has been specifically designed to cater to the current as well as future needs of the Company. This will enhance the productivity, business intelligence and will provide complete solutions for its processes and Risk Management. The new software has also been designed to provide improved controls, E-KYC integrations, Asset Management, MIS, workflow configuration and Mobility Solutions.

b) Your Company has also adopted various cashless modes for the Disbursement and Repayments like:

**Point of Sale (POS) Terminals:**-During demonetisation there was a need to fight the situation of liquidity Crunch. In order to win over the situation of Liquidity crunch your Company has tied up with UCO Bank and has introduce POS Terminals to provide ease to our members while making repayments. Since, January 2017 till March 2017 your company received collections amounting to Rs. 15 Lakhs through POS Terminals.

**Prepaid Cards:** To overcome the difficulty of withdrawal limits imposed by the Government and to promote cashless economy your company has tied up with DCB Bank to make disbursement through Prepaid cards to its members which enable the members to have anytime access to the cash. In the month of March, 2017 the Company has disbursed 1855 prepaid cards amounting to Rs. 3.95 Crores.

**Aadhar Payment Bridge System (APBS) :** Your Company has tied up with Yes Bank to make disbursement through newly introduced APBS and in the month of February and March, 2017 the company has made disbursement using APBS amounting to Rs. 63 lakhs.

**National Electroinc Fund Transfer (NEFT) :** The Company has been using this cashless mode earlier as well, but it was the most convenient tool in the hands of the Company to fight the situation of Liquidity crunch in Demonetisation phase. Since November 2016 to March 2017 the company has made disbursement amounting to Rs. 7.50 Crores through NEFT.

## ■ Directors' Report

Your Company always looks for latest technological measures which could be introduced in the Company.

### iii) Foreign exchange earnings and Outgo

There was neither any foreign exchange inflow or foreign exchange outflow during the year under review.

### o) Development & Implementation of Risk Management Policy

Being an MFI your Company is exposed to certain risks that are typical to its lending and the environment within which it operates. The risk philosophy of the Company is to establish a robust risk management system in the organisation, with a view to enhance stakeholder value and comply with regulatory guidelines. In line with this philosophy, the company has tried to strengthen the Management to cover all aspects of Risk; Credit Risk, Operational Risk and Market Risk by creating an Internal Risk Control Unit. The risk management process is continuously updated and adapted to the changing global risk scenario.

Your Company has an elaborate process for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuous basis. These are discussed with both Management and the Audit Committees and corrective measures are advised. The Audit Committee of the Board reviews the risk management policies in relation to various risks and regulatory compliance issues. The Company is following strict policies to mitigate risks. Strong and efficient policies have been developed by HR & IT departments to control Internal & External Risks. The IT department ensures daily reporting that reduces the quantum of risk to a large extent. Further with the infusion of the new IT infrastructure and various cashless modes, we are confident to further reduce the level of risks in the organisation. The HR department carries out various training & development exercises throughout the year for the same.

### p) Detail of Corporate Social Responsibility (CSR) Policy and its implementation

Pursuant to the provisions of Section 135 and schedule VII of the Companies Act, 2013 CSR Committee of the Board was formed comprising to recommend the CSR Policy and to implement CSR Programmes to be taken up the Company as per CSR Policy. The CSR Policy has been duly approved by the Board of Directors. Board has decided to register a trust under Societies Registration Act, 1860 in the name of 'Midland Foundation' which shall take up the CSR activities on behalf of the Company.

Report on CSR Activities:

|  |   |
|--|---|
| A brief outline of the company's CSR policy, including overview of projects or programmes proposed to be undertaken. |   |
| Composition of the CSR Committee   | Mr. Amardeep Singh Samra<br>Mr. Sachin Nithyanand Kamath<br>Mrs. Kamna Raj Aggarwalla |
| Average net Profit for last 3 financial years  | 2,73,37,061/-   |
| Prescribed CSR expenditure (two percent of the amount as in item 3 above)  | 5,46,741/-  |
| Details of CSR expenditure during the financial year   | Nil   |
| Total amount to be spent for the financial year;   | 5,46,741/-  |
| Amount unspent, if any;  | 5,46,741/-  |

|  |   |
|--|---|
| <p>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 report</p> | <p>Due to the impact of demonetisation, the business of the company was affected. The complete focus of the company shifted towards finding the measures to combat the impact of demonetisation and exploring various new cashless modes of disbursements and repayments. However, the company has formed a Trust named and styled as 'Midland Foundation' which will focus on various CSR projects as recommended by CSR Committee for the benefit of Society.</p> |
|--|---|

**q) Board Evaluation**

Pursuant to the provisions Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit Committee, Nomination and Remuneration Committee and Board Management Committee.

The performance of the Board is evaluated by each individual director as well as collectively by the Board on Annual Basis towards the end of financial year. The Board performance is evaluated on the basis of number of Board and Committee meetings attended by an individual director, participation of a director in the affairs of the company, duties performed by each director during the year.

The Meeting of Independent Directors for the Financial Year 2016-17 was also held on January 25, 2017 to evaluate the performance of the Board and to assess the quality, quantity and timeliness of the flow of information.

The Board found that the performance of all the Directors was quite satisfactory and the functioning of the Board and its Committees was effective. The Board evaluated its performance as a whole and was satisfied with its performance and the composition of independent and non-independent directors.

**r) Change in the composition of the Board of Directors/ Key Managerial Personnel during the year**

| DIN. No. | Name of Director           | Date of Appointment | Date of Cessation |
|----------|----------------------------|---------------------|-------------------|
| 00440955 | Mr. Jagdeep Singh Shergill | 27-01-2012          | 11-06-2016        |
| 07009446 | Mrs. Kamna Raj Aggarwalla  | 17-08-2016          | N.A.              |

Board of Directors of Midland Microfin Ltd. as on March 31, 2017

| DIN. No. | Name of Category             | Designation /Category  | Qualification        |
|----------|------------------------------|------------------------|----------------------|
| 00052716 | Mr. Vijay Kumar Bhandari     | Chairman-Non Executive | B.Com (Hons); F.C.A. |
| 00649442 | Mr. Amardeep Singh Samra     | Managing Director      | B.Com.               |
| 01571485 | Mr. Shant Gupta              | Independent            | B.Com., L.LB.        |
| 07070314 | Mr. Harpal Singh             | Non-Executive          | B.Sc., ACA           |
| 07009446 | Mrs. Kamna Raj Aggarwalla    | Non-Executive          | B.Com., L.LB.        |
| 07473685 | Mr. Janak Raj Gupta          | Independent            | F.C.A.               |
| 01592593 | Mr. Sachin Nithyanand Kamath | Nominee                | F.C.A                |

The Board of Directors of the company is duly constituted in accordance with the provisions of the Companies Act, 2013 and RBI regulations. Mr. Harpal Singh shall retire by rotation at the Annual General Meeting, and being eligible to offer himself for reappointment.

## Directors' Report

Mr. Jagdeep Singh Shergill resigned from the directorship of the Company on June 11, 2016. The Board places on record the appreciation of the guidance given by Mr. Jagdeep Singh Shergill during his tenure as director.

Mrs. Kamna Raj Aggarwalla was appointed as Additional Directors of the company on August 17, 2016 and March 31, 2016 respectively. Mrs. Kamna Raj Aggarwalla is one of the youngest women entrepreneurs to pave way for GDPA Fasteners' entry into exports as Managing Partner. She has a dynamic personality with a vast experience in corporate world and devotes a lot of time to social work as well. Mrs. Aggarwalla is a Member of the Advisory Board to Government of Punjab for Small Scale Industries. She is also the Regional Chairperson of Northern Region Engineering Export Promotion Council of India. She is a past Chairperson of the Confederation of Indian Industry (CII), Punjab and is also a Member of the board of CII Northern Region. Apart from this, she is also Convener for Education and Skilling Panel of the Confederation of Indian Industry (CII), Punjab and is on Board to Punjab Technical University.

Mrs. Aggarwalla is a brilliant orator and an excellent motivational speaker. She is a certified Empowerment Life Coach & Master Spirit Life Coach and also a founding member of Coach Grab services Pvt. Ltd. She is a member of District Child Welfare Council, Jalandhar. She is the founder of 'Edumust' a non-profit NGO with the motive of providing conducive learning environment and state-of-the-art infrastructure in schools for rural and slum children. (An initiative on the lines of the 'Smart School Programme' of Government of India.). Four schools are in the Edumust ambit at present. She has set an example for many to follow.

Mrs. Kamna Raj Aggarwalla held the office of the Additional Director till previous Annual General Meeting (AGM) held on September 22, 2016 and being eligible for reappointment was appointed as the Director of the Company in Annual General Meeting (AGM) held on September 22, 2016.

### Appointment of Key Managerial Personnel

The following are the KMPs as on March 31, 2017:

| Name                     | Designation             |
|--------------------------|-------------------------|
| Mr. Amardeep Singh Samra | Managing Director       |
| Mr. Amitesh Kumar        | Chief Financial Officer |
| Ms. Sonia Dua            | Company Secretary       |

#### s) Name of the Companies which have become / ceased to be Subsidiaries / Associates or Joint Ventures during the year

The Company does not have any Subsidiary, Joint venture or Associate Company.

#### t) Prescribed details of Deposits under Chapter V

The company is a non-deposit accepting NBFC-MFI. The company has neither accepted any Public deposit during the year 2016-17 nor is any Public deposit outstanding as on March 31, 2017.

#### u) Details in respect of adequacy of Internal Controls with reference to Financial Statements

A statement of adequacy of Internal Controls with reference to financial statements is attached with regard to this has been enclosed with Auditors' report.

#### v) Vigil Mechanism

The Company in compliance with Section 177 of the Companies Act, 2013 and Regulation 22 of SEBI

Listing Regulations has established a Whistle Blower policy / Vigil Mechanism for the directors and employees to report genuine concerns or grievances about unethical behaviour, actual or suspected fraud or violation of the company's Code of Conduct or Ethics Policy. The Company has a vigil mechanism process wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to the whistle and ethics officer of the Company without any fear or threat of being victimised. The Audit Committee of the Company reviews the functioning of Vigil Mechanism half yearly to ensure its effectiveness.

Name and Address of the Whistle and Ethics Officer :-

Mr. Amitesh Kumar

EVP & CFO

Email : amitesh.kumar@midlandmicrofin.com

Contact No.: 07837218817

The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

**w) Disclosure in respect of any MD / WTD receiving commission from a company and also receiving commission or remuneration from its Holding or Subsidiary Company**

Details of Remuneration of Mr. Amardeep Singh Samra, Managing Director of the Company, during the financial year 2016-17 is being attached in point IX (Remuneration of Directors and Key Managerial Personnel) of MGT-9.

**x) Ratio of Directors' Remuneration to Median Employees' Remuneration and Other Disclosures**

Information as per Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is as under –

1. Mr. Amardeep Singh Samra, Managing Director of the Company has received an annual gross salary of Rs. 43,77,661/- during the Financial Year 2016-17.
2. Average increase in remuneration of Chief Financial Officer is 34.05% in the financial year 2016-17.
3. The percentage increase in the median remuneration of the employees in the financial year was 14.15%.
4. The number of permanent employees on the rolls of the Company was 578 during the financial year 2016-17.
5. The KMPs are primarily responsible and instrumental in achieving the goals of the Company and the increase in remuneration is suitable as compared to the performance of the Company.
6. The Equity Shares of your Company are not listed on any stock exchange in India and therefore no disclosure is required under sub clause (vii) of the said rules with respect to Listed Companies. The Net Owned Funds of the Company increased to Rs. 39.12 crores during the financial year as compared to Rs. 34.99 crores last year.
7. Increase in remuneration of employees depends upon various factors like qualification, experience, performance, length of service etc. Your Company being a growing organisation, the increase in KMP's remuneration who are instrumental in the growth of the company since the MFI business is not proportionate to the average increase in remuneration of other employees who are joining at various intervals and at different levels.
8. The remuneration given to the KMPs is inconsistent to the significant performance of the Company.
9. None of the Directors were in receipt of any variable remuneration during the year 2016-17.
10. Mr. Amardeep Singh Samra, Managing Director of the Company has received an annual gross salary of Rs. 43,77,661/- during the Financial Year 2016-17. No Director other than the Managing Director of the Company has received any remuneration other than the Siting Fee for the financial Year 2016-17.

## ■ Directors' Report

11. The Company hereby affirms that the remuneration paid to employees of the Company during the financial year 2016-17 is as per the terms of remuneration policy of the Company.

### **Information as per Rule 5 (2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

There are no employees in the Company drawing salary of Rs. 60,00,000/- per annum or Rs 5,00,000/- per month or more; and none of the employees are relatives of Directors. Moreover, none of the employees of the Company by himself or along with his spouse or dependent children hold two percent or more equity shares of the Company.

Hence, disclosure of information in this report in respect of Particulars of such Employees as required by Rule 5 (2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 does not apply.

### **y) Issue of Equity Shares with Differential Rights, Sweat Equity, ESOP etc.**

The company has not issued any equity shares with Differential Rights, Sweat Equity, ESOP etc.

## **CUSTOMER SERVICE**

Midland Microfin believes that the strong culture of service that has nurtured throughout the previous year will help in building still deeper relationship with its customers. Midland Microfin focuses on long-term relationship with customers for meaningful impact. Our business model combines the unique methodology of selecting and servicing customers in the field with the help of latest technology and robust processes at the back office. The target segment of the Company is progressive poor rural, semi-urban and urban women.

The company has focused on income generation activities to support the livelihood and inclusive growth. During the year, Midland Microfin focused on achieving healthy customer retention rate and has been successful in this endeavour. The key drivers of the improved retention rate were innovative field, credit and backend processes supplemented with strong comprehensive service quality programs as listed below –

- Strong and independent credit approval process
- Innovative field and backend processes
- Reduction of turn-around-time by Document Management System through File Transfer Protocol (FTP) server
- Strong customer service and grievance redressal mechanism to proactively resolve service issues. Direct rapport with the customers through centralised Customer Helpline Department.
- Greater transparency of our services, effective dissemination of terms & conditions to customers through various channels

## **CUSTOMER GRIEVANCE REDRESSAL**

As per RBI and MFIN guidelines your company has an appropriate grievance redressal mechanism within the organisation to resolve disputes between the company and its customers. The mechanism is to ensure that all disputes arising out of the decisions of lending institution's functionaries are heard and disposed of at least at the next higher level.

**Grievance Redressal at Branch Level** – your company has placed suggestion cum complaint boxes in all the branches as the customers' first point of contact for any query resolution. Due to low literacy and vulnerable backgrounds, our customers find it convenient in talking to someone face-to-face rather than calling a remote helpdesk, hence we have given importance to placement of suggestion cum complaint boxes in all our branches.

**Toll Free Customer Helpline**-Your Company has a dedicated toll free customer helpline number, which has

been displayed in all the branches, and the number has also been given on all the loan cards and applications. The Help Desk ensures that all queries are tracked, resolved and if required, escalated on a timely basis.

**Grievance Redressal Officer** – Your Company has appointed Grievance Redressal Officer (GRO) at Head Office for 3rd level escalation. GRO monitors customer grievances at all the levels and is responsible for ensuring timely resolution of all complaints through CCRs and Help Desks. A report on status of customer grievances is periodically reviewed at various levels of Management and the Board for decision making and minimising complaints.

## STAFF AND CUSTOMER EDUCATION ON CODE OF CONDUCT AND GRIEVANCE REDRESSAL MECHANISM

To ensure an effective implementation of Code of Conduct (CoC) and Grievance Redressal Procedures in its true spirit, we undertook several initiatives to educate our customers and field staff during past couple of years :-

- Our field staff is trained on CoC & Grievance Redressal Procedure and on their role in effective implementation of Client Protection Principles (CPPs) through sharing of best practices and role plays.
- Policies on CoC and Grievance Redressal Mechanism have been prominently displayed at all branch premises in vernacular language
- Helpline numbers have been displayed and other disclosures as per Transparency standards of RBI and Client Protection Principles made on our loan card/loan agreements
- A section on grievance redressal has been integrated into the customer Mandatory Group Trainings (MGTs) for new customers and helpline numbers with escalation matrix have been prominently displayed in the MGT brochures

Our efforts at customer education during the years have paid off with an increasing number of customers approaching our grievance redressal channels for their queries

## INSTITUTIONAL GRADING & RATINGS

| Name of Agency    | Name of Rating / Grading   | Periodicity                                | Period 1 (FY 2014-15) | Period 2 (FY 2015-16) | Period 3 (FY 2016-17) |
|-------------------|----------------------------|--|-----------------------|-----------------------|-----------------------|
| CARE Ratings      | Institutional Grading      | One time Activity                          | MFI 3+                | MFI 2                 | <b>MFI 2</b>          |
| CARE Ratings      | NCD Rating                 | To be reviewed till redemption of facility | BBB –                 | BBB –                 | <b>BBB</b>            |
| CARE Ratings      | Bank Loan Rating (40 Cr)   | To be reviewed till final repayment        | BBB –                 | BBB –                 | <b>BBB</b>            |
| SMERA             | Code of Conduct Assessment | One time Activity                          | COCA 3                | -                     | <b>COCA 2</b>         |
| Brickwork Ratings | Credit Rating (40 Cr)      | Under Surveillance                         | -                     | BBB                   | -                     |
| Brickwork Ratings | Institutional Grading      | One time Activity                          | -                     | -                     | <b>MF2</b>            |

## ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Company has a proper and adequate system of internal control geared towards achieving efficiency, safeguarding the assets, optimum utilisation of resources and compliance with statutory regulations. Your company has a vigilant process to prevent and control risks involved in process of disbursing loans to the borrowers. The company has continued its efforts to align its processes and controls with best practices and has

## Directors' Report

put in place a process wise internal control framework across the company. The internal Auditors of the Company conduct internal audit of various departments of the company and evaluate the adequacy and effectiveness of internal controls.

### CORPORATE GOVERNANCE

Your Company is committed to the best practices in corporate governance and recognises that transparency, ethical behaviour, integrity and protection of the interest of all the stakeholders form the keystones of Governance. As per guidelines on Corporate Governance for Non-Banking Financial Companies (Non-Deposit Accepting or Holding) issued by the Reserve Bank of India, the Company has an Audit Committee to ensure strong internal controls and corporate reporting systems including financial reporting.

The Composition of Audit Committee as on March 31, 2017 is as under –

- |                               |  |
|-------------------------------|--|
| - Mr. Vijay Kumar Bhandari    | <i>Non-Executive Director - Chairman</i> |
| - Mr. Shant Gupta             | <i>Independent Director - Member</i>     |
| - Mr. Janak Raj Gupta         | <i>Independent Director – Member</i>     |
| - Mr. Sachin Nithyanad Kamath | <i>Nominee Director– Member</i>          |
| - Mrs. Kamna Raj Aggarwalla   | <i>Independent Director – Member</i>     |

The Company has voluntarily adopted Code of conduct for Board and Board Committees, which ensures highest standards of ethical and responsible conduct of business.

The Company has various committees to oversee the critical areas of the Company namely; Nomination & Remuneration Committee, Audit Committee, Core Management Committee, CSR Committee and Board Management Committee. The details of each committee are provided separately in this report.

### COMPLIANCE CERTIFICATE

The Secretarial Compliance Certificate from M/s Harsh Goyal & Associates, Company Secretaries is obtained for the financial year ended March 31, 2017.

### MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion & Analysis report, highlighting the important aspects of business, forms part of this report.

### ACKNOWLEDGEMENT

Your Directors wishes to gratefully acknowledge the assistance and guidance received from the Government of India, Reserve Bank of India, other Regulatory Authorities, Investors, Accountants, Lawyers, Advisors, other statutory bodies and all our well-wishers. The Board wishes to place on record a warm appreciation to the staff of the Company in supporting the company in its endeavour to achieve its targets and objective.

For and on behalf of Board of Directors

Sd/-  
Amardeep Singh Samra  
Managing Director

Sd/-  
Shant Gupta  
Director

Dated : May 20, 2017  
Place: Jalandhar



# Management Discussion & Analysis

*“Microfinance entities hit by demonetisation” The Indian Express, Saturday, 07, 2017.*

*“No Change Microfin comes to Halt” Daily News and Analysis, Wednesday November 16, 2016.*

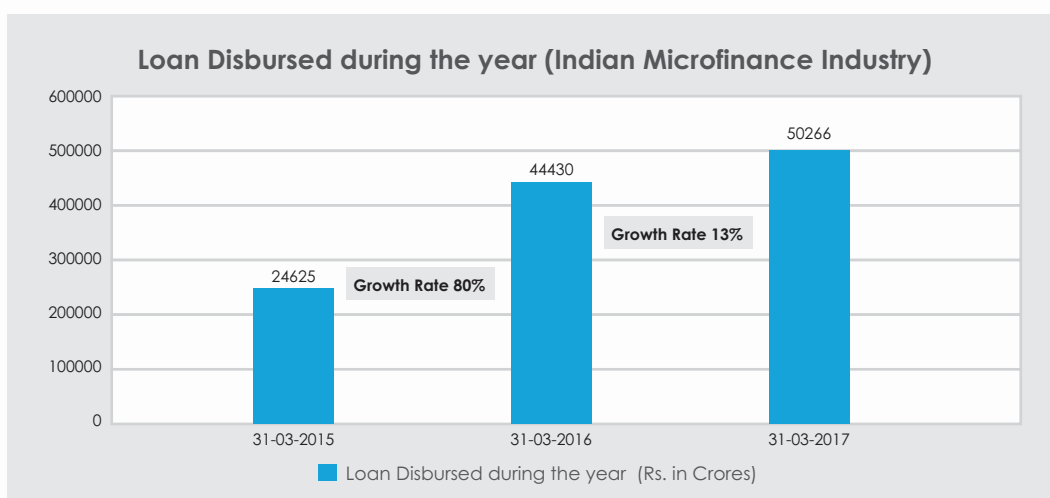
*“MFIs to be hit if the cash situation does not improve” The Economic Times, Friday November 17, 2016.*

*“MFIs may find high overdues due to DEMONetisation” The Economic Times, Friday November 18, 2016.*

*“Microfinance under strain” The Telegraph, Monday December 19, 2016.*

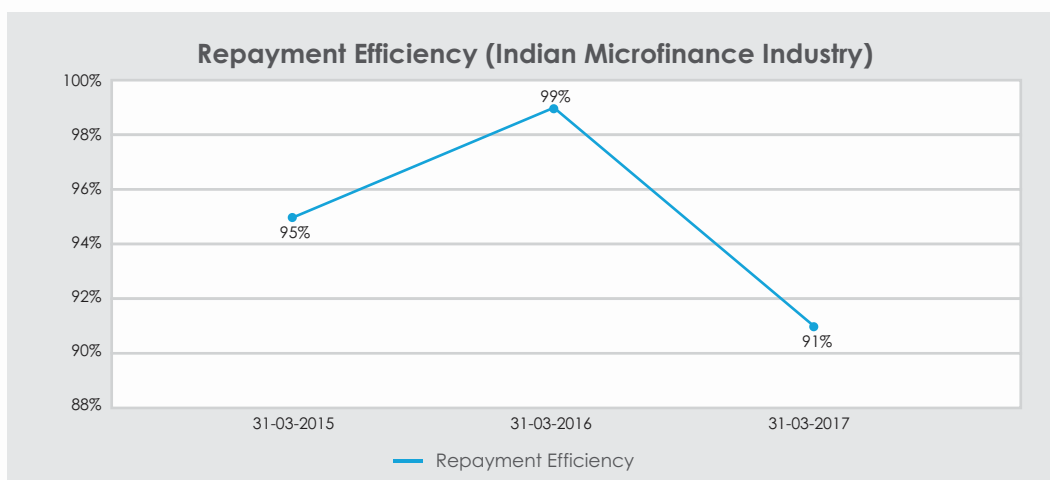
The Indian Microfinance Sector has witnessed a phenomenal growth over the past few years. The number of Institutions providing microfinance services has gone up from a few to several hundred. But, the process of demonetisation which began on November 09, 2016, drilled down significantly the increasing growth of the Indian Microfinance Sector. Needless to mention the impact of demonetisation can be seen on the disbursement and collection trends of the Microfinance sector in India.

## ***Demonetisation: A pause for sustainable growth of Indian Microfinance Industry.***



(Source MFIN Micrometer March 2017)

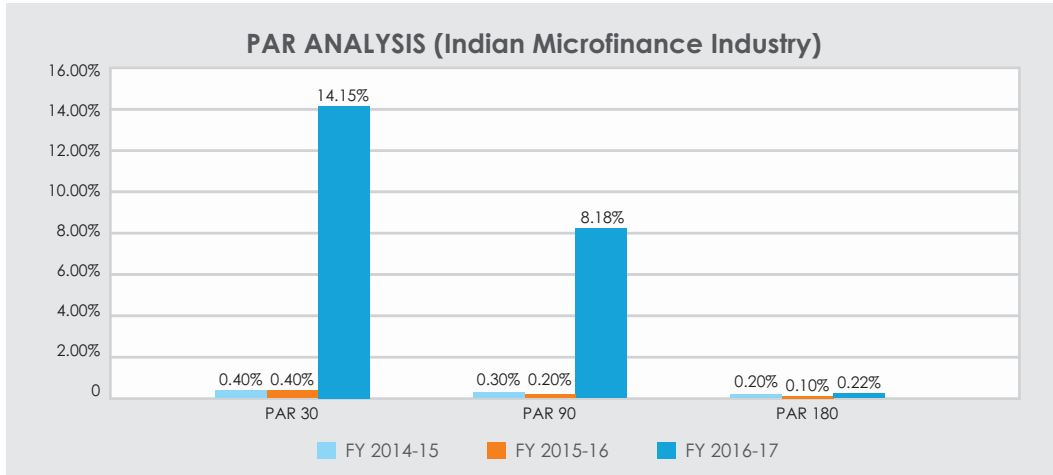
During FY 2016-17 MFIs disbursed loans worth Rs 50,266 Cr. Compared with previous financial year (FY 2015-16), there has been a year on year increase of 13% in loan amount disbursed. Due to demonetisation the growth rate of the MFI sector in India in F.Y. 2016-17 has come down from 80% to 13% as compared to the growth rate of the MFI sector in India in F.Y. 2015-16 in term of loan amount disbursed.



(Source CARE Ratings 2017)

## Management Discussion & Analysis

As compared to earlier events, risks were regional in nature but demonetisation impacted the MFIs across India. Overall the cumulative collection efficiencies fell to 89.29% in November 2016 from a high of around 99% levels pre demonetisation. Post improvement in cash availability, collection efficiency marginally improved to 90.61% in March 2017.

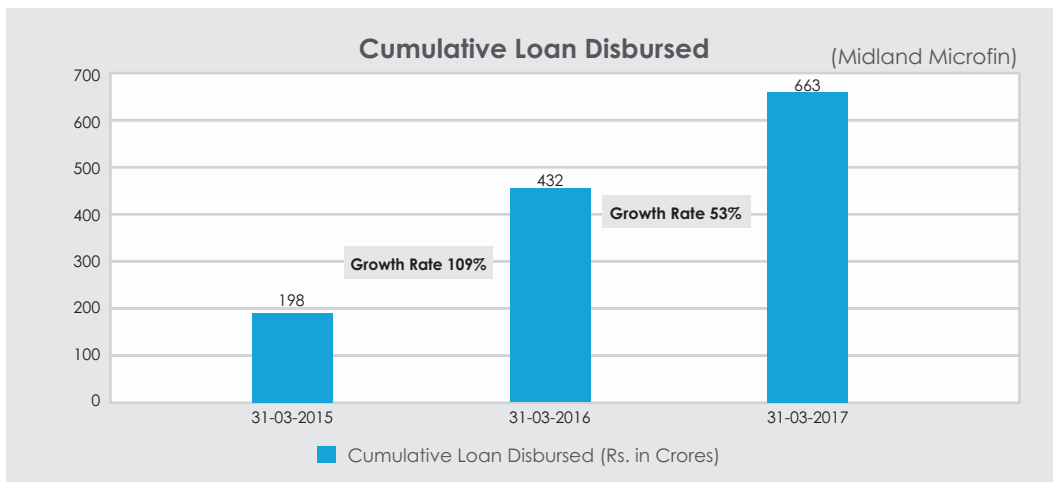


(Source MFIN Micrometer March 2017)

Major reasons for the emergence of arrears were that the 90% of the MFI borrowers are rural based and daily wagers and their inflows and outflows are completely dependent on availability of cash. The situation of Liquidity crunch in the economy due to demonetisation restricted the MFI borrowers to repay their Loans. Secondly, RBI notification issued on November 21, 2016 to ease the stressed Banking and Non-Banking sector regarding relaxation in Prudential norms, was misconcepted and misconstrued as loan waiver scheme. Thirdly, with the passage of time when the cash position improved the priorities of the people shifted to necessities over loan repayment.

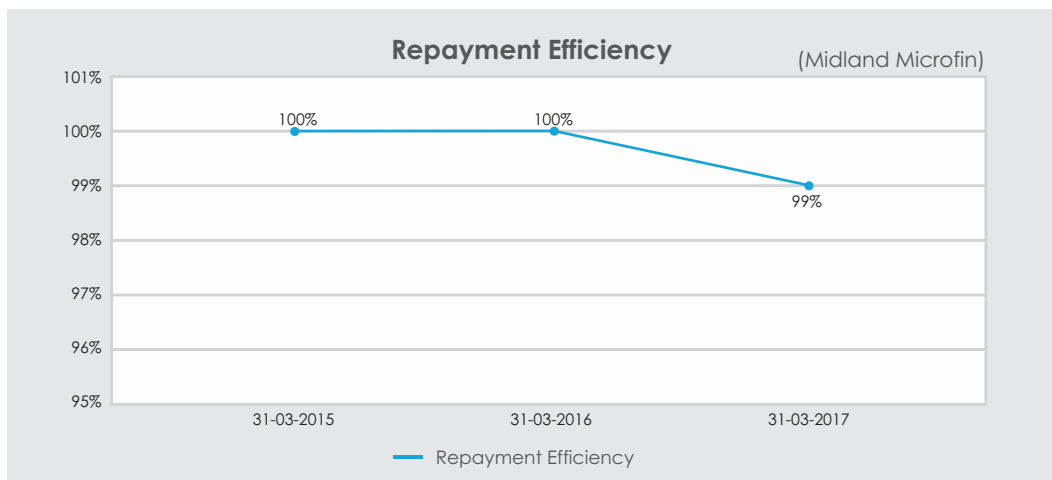
Just like the Microfinance sector of India your company has also been flourishing at a great pace and was beating its own set benchmarks till it was hit hard by the DEMONetisation. Your Company was no exception which could hide from the said situation and hence the impact of demonetisation is very obvious and can be easily portrayed from the financials of the Company.

In the previous F.Y 2015-16 your company indicated a growth of 109% and considering the same scenario your management had projected to surpass the growth rate of the previous year. The company was able to achieve the set targets till November 08, 2016. But soon after the demonetisation the situations transformed and the made it very challenging. Your Company has tried hard to perform well during the tough times but still the impact of demonetisation can be depicted from the disbursement and collection trend of the Company:

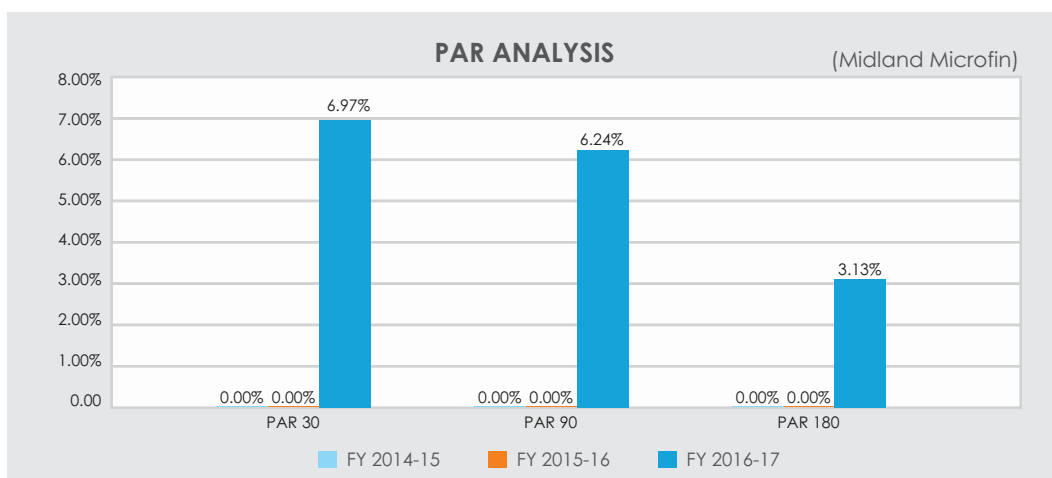


Your Company could disburse loans amounting to Rs. 230 Cr. only during the financial year under review as against Rs. 233 Cr. in the previous year. Describing a growth rate of 53% in terms of loan amount disbursed. The disbursements almost stood still since November 8, 2016 uptill January 2017 due to liquidity crunch. However, it started picking up in the month of February, 2017. Your Company has now rowed through the rough waters and is now equipped to grow in future.

Due to non-availability of cash post demonetisation the borrowers of the Company were not able to repay their loans. Your Company has not accepted even a single Non-legal tender notes. Your Company did face challenges like intercession of local Politicians and Money Lenders, behavioral issues, Credit Discipline issues, negative media reporting etc. Your company tried hard to win over the situation which can be observed from the positive repayment efficiency trend of the company as there has been a very insignificant fall in the repayment efficiency of the Company.



As the repayments were slow and deferred the arrears were obvious to crop up. Your company which has been a ZERO NPA company has fought hard to keep the status intact, though few short-term arrears have emerged which are expected to disappear soon.



### OPPORTUNITIES AND THREATS

#### Opportunities

***“Change is hard at First, Messy in Middle and Gorgeous at the end”-Robin Sharma***

Though the demonetisation has been a hard knock to the MFI Sector as well as our Company as everything happened beyond imagination numerous things were scattered and needed attention. Just as every challenge is an opportunity in disguise, there have been few positive sides of demonetisation like:

- a) Negative and risk prone areas surfaced.
- b) It has curtailed over-aggressive/unhealthy growth.
- c) It has even strengthened the Banking system of India.
- d) It has created a tremendous impetus towards greater financial Inclusion and digitisation.
- e) Major push for a cashless economy, awareness has been created regarding use of technology like e-wallets, Paytm, USSD, AEPS, etc

Though Microfinance in India has come a long way but still it is considered as a budding industry with enormous potential. This sector has helped millions of small households in the most remote areas to give life to their dreams by providing them the means to fulfil them. According to the surveys conducted the World Bank, there are still millions of rural households in India with an average microcredit requirement at Rs. 20,000 per household. Demonetisation dealt a severe blow to the microfinance sector.

As a result, significant sections of India's working poor, who were seeking to pull themselves out of poverty by taking small loans from microfinance institutions (MFIs), also suffered a setback. But demonetisation is being considered as a temporary pause in the growth of the MFI sector in India, and in the future, MFI sector is expected to grow at an extraordinary pace. Post Demonetisation when various Cashless modes were introduced in the system and it is expected that our economy is moving towards the objective of cashless India.

Your Company is now ready to start a new journey in the Financial year 2017-18. Your company has reorganised itself to meet the future contingencies. The company has designed an ambitious plan for its future.

The main highlights of the new expansion plans are:

- a) Introduction of new products: the company plans to introduce individual income generating loans for the cream of the crop borrowers.
- b) Geographical expansion.
- c) To open 110 new branches in the next financial year.
- d) To introduce new Mobility solution to increase efficiency and to have better controls.
- e) Introduction of Regional and Divisional offices: The company has opened a new new regional office at Jaipur and plans to open another regional office at Chandigarh apart from having three divisional offices at Jalandhar, Bathinda and Hanumangarh. The regional and divisional offices shall enable the company to have a better control over the branches and shall contribute in the expansion plans.

The Company has already migrated to a new software i.e. E-Fimo by Jayam Solutions Pvt Ltd, Hyderabad which has been specifically designed to cater to the current as well as future needs of the Company. It is expected to enhance the productivity, business intelligence and to get complete solutions for its processes and risk management. The new software has also been designed to provide improved controls, E-KYC integrations, Asset Management, MIS, workflow configuration and Mobility Solutions.

## Threats

Risk is an integral part of the company's business, and sound risk management is critical for the success of the organisation. As a financial intermediary, the company is exposed to risks that are particular to its lending and the environment within which it operates. The risk management process is continuously improved and adapted to the changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape.

Given that the microfinance borrowers belong to low income group, customers are more prone to default. Client retention and acquisition are also concern of microfinance industry. Moreover, MFI operations are concentrated in specific geographies, geographic concentration risk persist, these risk includes natural disaster, social unrests, or political disturbances. As the company aims to tap the opportunities by entering into new geographical areas, it encounters various challenges with respect to meeting its expansion plans. Talent acquisition and retention of the existing human resources is also one of the major challenges. Training and development of employees and security risk are other potential challenges for the management. Integrated Cash Management System, product and process designing and access to requisite funds are few other challenges. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis and are discussed with both the Management and the Audit committee. Some of the risks relate to competitive intensity and the changing legal and regulatory environment. The Audit committee of the board reviews the risk management policies in relation to various risks and regulatory compliance issues.

## Segment-wise/product wise performance

The Company has been doing well till November 08, 2016 as all the achievements of the Company were in line with the set targets. But your Company was hit hard by demonetisation. The environment of Microfinance sector in India got intense post demonetization, and the Company could not achieve all its set targets for the second half of the financial year 2016-17. The Gross loan portfolio of the company which increased to Rs.190 crores as on November 8, 2016 dwindled to Rs.113 Crores as on March 31, 2017 due to huge repayments by the customers of the company without corresponding increase in the disbursements. The company has designed various products, keeping in view the requirements of the borrowers and the guidelines issued by the Reserve Bank of India from time to time.

## Outlook

As compared to the previous year 2015-16 the Microfinance sector in India could not grow at reasonable rate due to demonetisation. Despite of the various circulars and notification issued by RBI to relax the stressed economy, the conditions for the Microfinance sector in India relatively deteriorated in the month of December 2016 and January 2017. MFIN and Sa-dhan (SROs) have also played an active role in helping the stressed MFIs by various activities undertaken like Media Engagement which included Advertorials, Press Releases, Press conferences, Pamphlets and Radio Broadcasts, etc. MFIN has done incomparable work in the states of Maharashtra, Uttar Pradesh and Madhya Pradesh to uplift the situation of MFIs post Demonetisation. MFIs are the foundation institutions offering financial services to low income people. They have been proactive in the process of comprehensive growth in India by their novel approaches.

## Risks and concerns

The company is exposed to various financial, operational and political risks. Being an MFI the loan portfolio is the most valuable asset and the financial risks i.e. credit, market and liquidity are of great concern. The company has an elaborate process for risk management to prepare for the mentioned risks. The Company also maintains reserves and provisions in its financials for meeting expected or unexpected future contingencies. The Company follows a conservative financial approach by following prudent business and risk management practices.

## Management Discussion & Analysis

### Internal Control System and their Adequacy

The company has a well-established Internal Audit Department, which ensures adherence to systems, policies and procedures to maintain financial discipline. The Internal Audit Department aims at checking the operational risks through its control mechanism and by conducting bimonthly inspection of branches. Based on the audit observations and scores, the branches are assigned grades of A, B, C or D. The internal audit team also carries out other key activities such as area cross-checks for new branches, survey of branch working areas, negative area crosschecks, fraud investigations and special audits. The Company has appointed an external agency to conduct the internal audit of the departments and the process at Head Office. Based on the guidelines received on various issues of control from the Reserve Bank of India and the Government of India, the company's board of Directors and the audit committee of the board have become part of the Internal control System for better compliance at all levels.

The company's internal control Systems commensurate with the nature of its business and the size and complexity of its operations. Significant audit observations and follow-up actions thereon are reported to the audit committee. The company further plans to introduce Mobility solution in its internal Audit department as well. This will help in having timely and efficient reporting.

The audit committee reviews the adequacy and effectiveness of the company's Internal Control System, and monitors the implementation of audit recommendations including those related to strengthening of the company's risk management policies and systems. The audit committee monitors compliance with inspection and audit reports of the reserve bank of India, other regulators and statutory auditors.

With the growing pace of business operations, the company needs to capture more data and undertake new processes to meet regulatory requirements. Considering the pace of development, the company has migrated to an upgraded software to meet the existing and future business requirements. The main aim behind switching the application is to enhance productivity, business intelligence and to get complete solution for its processes and risk management. The same would also help in critical analysis for better decision making.

### Human Resource Management

Your Company's Human Resource agenda continues to remain focused on reinforcing the key thrust areas i.e. being the employer of choice, building an inclusive culture and a strong talent pipeline, building capabilities in the organisation and continuing to focus on progressive employee relations policies. Your Company is focused on building a high performance culture with a growth mindset. Developing and strengthening capabilities for all employees in your Company has remained an ongoing priority.

Your Company has made appointments at various levels to cater the future expansion plans of the Company. In order to identify, assess and recruit right candidates, the company's selection process comprised multi layered interviews and competency assessment test. The Company continues to conduct various training programs for enhancing potential and providing growth opportunity to its employees. Proper induction training session is organised for the new employees to make them familiar with all the aspects, policies and processes of the Company.

During the Financial Year under review your company migrated to a new software i.e. E-Fimo by Jayam Solutions Pvt Ltd, Hyderabad which has been specifically designed to cater to the current as well as future needs of the Company. Proper training programs were scheduled for the employees at head office as well as at branch level to make the existing employees well versed with the new software.

Annual performance appraisals for the FY 2016 were performed in alignment with the Company's objective of linking rewards with the performance. Even though the growth of the company was affected by demonetisation, the Company has still given worthy increments and incentives to the employees to recognise their efforts.

During the financial year under review your Company has modified or introduced various policies for the benefit of the employees.

- 1) Change in Incentive and Appraisal policies of the Company to give a better incentive structure to the employees.

- 2) To enhance the performance and efficiency of the employees various in-house and outdoor training programmes are conducted which are as follows –
  - i. **Field Training** – Before joining, the prospective employee is provided 3 – 5 days of field exposure visit cum training to make him aware of the roles and responsibilities and commitment towards the organisation.
  - ii. **Induction Training** – Post Field Training, 7 days Induction Training is provided to our employees which helps them to acquire requisite skills to perform their jobs as well as acquire knowledge about their field of operations. IT training is also provided after the completion of the operational training.
  - iii. **Refresher Training** – Various Refresher Training programmes are conducted throughout the year at Head Office and Cluster Offices to keep the employees abreast with latest skills required for performing their respective jobs.
  - iv. **Transition Training** – Transition Training is provided to the employees who are due for promotion for the assignments and challenges in the next level of hierarchy. The main objective is to help them perform their new roles more effectively and efficiently.
- 3) The company is committed to motivate the employees at all levels and provide work life balance in the organisation. The company carries on various employee engagement activities to bring cohesiveness between the employees and platform for direct interaction with the top management. Annual Establishment Day of the Company was celebrated on January 28, 2017, where employees showcased their talent. Various activities like Cultural Dances, Plays, Stand-up Comedy, Songs, and Choreographies etc. were performed by the employees. On this occasion the Company also honour the top performers by rewarding them for their outstanding and exemplary performances. The Chairman's Club Conclave during the year was organised from May 13 to May 15, 2017 at Delhi.

The Employee head count of the company increased to 593 employee in Financial Year 2016-17, from 309 employee in Financial Year 2015-16.

For and on behalf of Board of Directors

Sd/-  
Amardeep Singh Samra  
Managing Director

Sd/-  
Shant Gupta  
Director

Dated : May 20, 2017  
Place: Jalandhar

# ANNEXURE-A

## 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)

1. Details of contracts or arrangements or transactions not at arm's length basis - NIL
2. Details of material contracts or arrangements or transactions at arm's length basis-

| Nature of Transaction         | Key Management Personnel |           | Relative of Key Management Personnel |          | Investing Party in respect of which the reporting enterprise is an associate |              |
|-------------------------------|--------------------------|-----------|--------------------------------------|----------|--|--------------|
|                               | Year Ended March 31      |           | Year Ended March 31                  |          | Year Ended March 31  |              |
|                               | 2017                     | 2016      | 2017                                 | 2016     | 2017   | 2016         |
| <b>Remuneration</b>           |                          |           |                                      |          |  |              |
| Amardeep Singh Samra          | 46,86,000                | 28,08,000 |                                      |          |  |              |
| Amitesh Kumar                 | 18,72,000                | 15,08,168 |                                      |          |  |              |
| Preetpal Singh                | -                        | 2,16,336  |                                      |          |  |              |
| Sonia Dua                     | 4,11,688                 | 1,03,871  |                                      |          |  |              |
| <b>Rent Paid</b>              |                          |           |                                      |          |  |              |
| Amardeep Singh Samra          | 9,35,426                 | 2,16,000  |                                      |          |  |              |
| Surinder Kaur Samra           |                          |           | 1,13,400                             | 2,91,000 |  |              |
| Amarjit Singh Samra           |                          |           | 1,13,400                             | 2,91,000 |  |              |
| Sarvjit Singh Samra           |                          |           | 9,35,426                             | 2,16,000 |  |              |
| Gagan Samra                   |                          |           | 9,450                                | 1,08,000 |  |              |
| <b>Sitting Fees</b>           |                          |           |                                      |          |  |              |
| Amardeep Singh Samra          | 38,000                   | 22,000    |                                      |          |  |              |
| Gagan Samra                   |                          |           | -                                    | 10,000   |  |              |
| <b>Issue of Equity Shares</b> |                          |           |                                      |          |  |              |
| Kitara PIIN 1501              |                          |           |                                      |          | -  | 14,99,92,180 |

# Remuneration means the Gross Remuneration without any deductions.

\* Equity includes Security Premium Reserve.

For and on behalf of Board of Directors

Sd/-  
Amardeep Singh Samra  
Managing Director

Sd/-  
Shant Gupta  
Director

Date : May 20, 2017  
Place: Jalandhar



**FORM NO. MGT 9**  
**EXTRACT OF ANNUAL RETURN**

**As on financial year ended on 31.03.2016**

**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  | U65921PB1988PLC008430   |
| 2. | Registration Date  | May 27, 1988  |
| 3. | Name of the Company  | Midland Microfin Limited  |
| 4. | Category/Sub-category of the Company                                       | Public Limited Company  |
| 5. | Address of the Registered office & contact details                         | The AXIS, Plot No.1, R.B Badaridass Colony, B.M.C Chowk,<br>Jalandhar – 144 001 (Punjab)  |
| 6. | Whether listed company   | Listed (Debt Securities are listed with BSE Limited)  |
| 7. | Name, Address & contact details of the Registrar & Transfer Agent, if any. | Skyline Financial Services Private Limited<br>D – 153 A, 1 <sup>st</sup> Floor, Okhla Industrial Area, Phase -1, New Delhi – 110 020<br>+91 11 26812682; 26812683 |

**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      | Micro Finance Activity                           | 64920                           | 99.5%                              |

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

The Company does not have any holding, subsidiary or any associate company.

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-2016] |                |                |                   | No. of Shares held at the end of the year[As on 31-March-2017] |                |                |                   | % Change during the year |
|--|--|----------------|----------------|-------------------|--|----------------|----------------|-------------------|--------------------------|
|  | Demat  | Physical       | Total          | % of Total Shares | Demat  | Physical       | Total          | % of Total Shares |                          |
| <b>A. Promoters</b>  |  |                |                |                   |  |                |                |                   |                          |
| <b>(1) Indian</b>  |  |                |                |                   |  |                |                |                   |                          |
| a) Individual/ HUF   | 0.00   | 2532400        | 2532400        | 13.53             | 0.00   | 2532400        | 2532400        | 13.53             | 0.00                     |
| b) Central Govt.   | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| c) State Govt.(s)  | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| d) Bodies Corp.  | 0.00   | 150000         | 150000         | 0.80%             | 0.00   | 150000         | 150000         | 0.80              | 0.00                     |
| e) Banks / FI  | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| f) Any other   | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| <b>Sub Total (A) (1)</b>   | <b>0.00</b>  | <b>2682400</b> | <b>2682400</b> | <b>14.33</b>      | <b>0.00</b>  | <b>2682400</b> | <b>2682400</b> | <b>14.33</b>      | <b>0.00</b>              |
| <b>(2) Foreign</b>   |  |                |                |                   |  |                |                |                   |                          |
| a)NRI – Individual   | 0.00   | 5117000        | 5117000        | 27.35             | 0.00   | 5117000        | 5117000        | 27.35             | 0.00%                    |
| b)Other-Individual   | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| c)Body Corporate   | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| d)Banks/ FIs   | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| e) Any Other...  | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| <b>Sub Total (A) (2)</b>   | <b>0.00</b>  | <b>5117000</b> | <b>5117000</b> | <b>27.35</b>      | <b>0.00</b>  | <b>5117000</b> | <b>5117000</b> | <b>27.35</b>      | <b>0.00%</b>             |
| <b>Total shareholding of Promoter (A)</b>                                | <b>0.00</b>  | <b>7799400</b> | <b>7799400</b> | <b>41.68</b>      | <b>0.00</b>  | <b>7799400</b> | <b>7799400</b> | <b>41.68</b>      | <b>0.00%</b>             |
| <b>B. Public Shareholding</b>  |  |                |                |                   |  |                |                |                   |                          |
| <b>1. Institutions</b>   |  |                |                |                   |  |                |                |                   |                          |
| a) Mutual Funds  | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| b) Banks / FI  | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| c) Central Govt  | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| d) State Govt(s)   | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| e) Venture Capital Funds   | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| f) Insurance Companies   | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| g) FIs   | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| h) Foreign Venture Capital Funds   | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| i) Others (specify)  | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| <b>Sub-total (B)(1):-</b>  | <b>0.00</b>  | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>       | <b>0.00</b>  | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>       | <b>0.00</b>              |
| <b>2. Non-Institutions</b>   |  |                |                |                   |  |                |                |                   |                          |
| a) Bodies Corp.  |  |                |                |                   |  |                |                |                   |                          |
| i) Indian  | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| ii) Overseas   | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| b) Individuals   |  | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |
| i) Individual shareholders holding nominal share capital upto Rs. 1 lakh | 0.00   | 0.00           | 0.00           | 0.00              | 0.00   | 0.00           | 0.00           | 0.00              | 0.00                     |

|  |             |                 |                 |              |             |                 |                 |              |              |
|--|-------------|-----------------|-----------------|--------------|-------------|-----------------|-----------------|--------------|--------------|
| ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh | 0.00        | 0.00            | 0.00            | 0.00         | 0.00        | 0.00            | 0.00            | 0.00         | 0.00         |
| c) Others (specify)  | 0.00        | 0.00            | 0.00            | 0.00         | 0.00        | 0.00            | 0.00            | 0.00         | 0.00         |
| <b>Sub-total (B)(2):-</b>  | <b>0.00</b> | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>  | <b>0.00</b> | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>  | <b>0.00</b>  |
| Total Public Shareholding (B)=(B)(1)+ (B)(2)                                     | <b>0.00</b> | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>  | <b>0.00</b> | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>  | <b>0.00</b>  |
| <b>C. (a) Shares held by Custodian for GDRs &amp; ADRs</b>                       | <b>0.00</b> | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>  | <b>0.00</b> | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>  | <b>0.00</b>  |
| <b>C. (b) Others</b>   |             |                 |                 |              |             |                 |                 |              |              |
| i. Body Corporate*   | 0.00        | 5461000         | 5461000         | 29.20        | 0.00        | 5500000         | 5500000         | 29.40        | 0.20%        |
| ii. Individuals  | 0.00        | 4845600         | 4845600         | 25.88        | 0.00        | 4824100         | 4824100         | 25.78        | -0.10%       |
| iii. NRI   | 0.00        | 605500          | 605500          | 3.24         | 0.00        | 585500          | 585500          | 3.14         | -0.10%       |
| <b>*Total C</b>  | <b>0.00</b> | <b>10912100</b> | <b>10912100</b> | <b>58.32</b> | <b>0.00</b> | <b>10909600</b> | <b>10909600</b> | <b>58.32</b> | <b>0.0%</b>  |
| <b>Grand Total (A+B+C)</b>   | <b>0.00</b> | <b>18711500</b> | <b>18711500</b> | <b>100%</b>  | <b>0.00</b> | <b>18711500</b> | <b>18711500</b> | <b>100%</b>  | <b>0.00%</b> |

\*Includes Non-Resident holding.

#### B) Shareholding of Promoter-

| S.N | Shareholder's Name    | Shareholding at the beginning of the year |                                  |  | Shareholding at the end of the year |                                  |  | % change in share holding 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   | Amardeep Singh Samra  | 1069530                                   | 5.72                             | 0.00   | 1069530                             | 5.72                             | 0.00   | 0.00%                                     |
| 2   | Gagan Samra           | 371170                                    | 1.98                             | 0.00   | 371170                              | 1.98                             | 0.00   | 0.00%                                     |
| 3   | Balbir Singh          | 1187000                                   | 6.34                             | 0.00   | 1187000                             | 6.34                             | 0.00   | 0.00%                                     |
| 4   | Hamco Ispat Limited   | 150000                                    | 0.80                             | 0.00   | 150000                              | 0.80                             | 0.00   | 0.00%                                     |
| 5   | Gurdip Singh          | 430000                                    | 2.30                             | 0.00   | 430000                              | 2.30                             | 0.00   | 0.00%                                     |
| 6   | Sohan Singh Chohan    | 290000                                    | 1.55                             | 0.00   | 290000                              | 1.55                             | 0.00   | 0.00%                                     |
| 7   | Sohan Singh           | 2000000                                   | 10.69                            | 0.00   | 0                                   | 0.00                             | 0.00   | -10.69%                                   |
| 8   | Vinay Gupta           | 78700                                     | 0.42                             | 0.00   | 78700                               | 0.42                             | 0.00   | 0.00%                                     |
| 9   | Vijay Kumar Bhandari  | 200000                                    | 1.07                             | 0.00   | 200000                              | 1.07                             | 0.00   | 0.00%                                     |
| 10  | Sneh Bhandari         | 200000                                    | 1.07                             | 0.00   | 200000                              | 1.07                             | 0.00   | 0.00%                                     |
| 11  | Ranjit Kaur Chhokar   | 1000000                                   | 5.34                             | 0.00   | 1000000                             | 5.34                             | 0.00   | 0.00%                                     |
| 12  | Ashish Bhandari       | 500000                                    | 2.67                             | 0.00   | 500000                              | 2.67                             | 0.00   | 0.00%                                     |
| 13  | Inderjit Vasudev      | 323000                                    | 1.73                             | 0.00   | 323000                              | 1.73                             | 0.00   | 0.00%                                     |
| 14  | Mohinder Kaur Chhokar | 0.00                                      | 0.00                             | 0.00   | 2000000                             | 10.69                            | 0.00   | 10.69                                     |
|     | <b>TOTAL</b>          | <b>7799400</b>                            | <b>41.68%</b>                    | <b>0.00</b>                                      | <b>7799400</b>                      | <b>41.68%</b>                    | <b>0.00</b>                                      | <b>0.00%</b>                              |

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

| Sr. No.      | Shareholder           | No. of Shares (31.03.2016) | % holding | Date of Allotment/ Transfer | Allotment | Transfer | No. of Shares (31.03.2017) | % holding    |
|--------------|-----------------------|----------------------------|-----------|-----------------------------|-----------|----------|----------------------------|--------------|
| 1            | Amardeep Singh Samra  | 1069530                    | 5.72      | --                          | --        | --       | 1069530                    | 5.72         |
| 2            | Gagan Samra           | 371170                     | 1.98      | --                          | --        | --       | 371170                     | 1.98         |
| 3            | Balbir Singh          | 1187000                    | 6.34      | --                          | --        | --       | 1187000                    | 6.34         |
| 4            | Hamco Ispat Limited   | 150000                     | 0.80      | --                          | --        | --       | 150000                     | 0.80         |
| 5            | Gurdip Singh          | 430000                     | 2.30      | --                          | --        | --       | 430000                     | 2.30         |
| 6            | Sohan Singh           | 2000000                    | 10.69     | 30.03.2017                  | --        | 2000000  | 0                          | 0.00         |
| 7            | Sohan Singh Chohan    | 290000                     | 1.55      | --                          | --        | --       | 290000                     | 1.55         |
| 8            | Vinay Gupta           | 78700                      | 0.42      | --                          | --        | --       | 78700                      | 0.42         |
| 9            | Vijay Kumar Bhandari  | 200000                     | 1.07      | --                          | --        | --       | 200000                     | 1.07         |
| 10           | Sneh Bhandari         | 200000                     | 1.07      | --                          | --        | --       | 200000                     | 1.07         |
| 11           | Ranjit Kaur Chhokar   | 1000000                    | 5.34      | --                          | --        | --       | 1000000                    | 5.34         |
| 12           | Ashish Bhandari       | 500000                     | 2.67      | --                          | --        | --       | 500000                     | 2.67         |
| 13           | Inderjit vasudev      | 323000                     | 1.73      | --                          | --        | --       | 323000                     | 1.73         |
| 14           | Mohinder Kaur Chhokar | 0.00                       | 0.00      | 30.03.2017                  |           | 2000000  | 2000000                    | 10.69        |
| <b>Total</b> |                       |                            |           |                             |           |          | <b>7799400</b>             | <b>41.68</b> |

**D) Shareholding Pattern of top ten Shareholders:**
**(Other than Directors, Promoters and Holders of GDRs and ADRs):**

| Sr. No.      | Shareholder                                 | At the beginning of the Year (As on March 31, 2016) |           | At the end of the Year (As on March 31, 2017) |              |
|--------------|---|---|-----------|---|--------------|
|              |   | No. of shares                                       | % holding | No. of shares                                 | % holding    |
| 1            | SIDBI                                       | 1000000   | 5.34      | 1000000                                       | 5.34         |
| 2            | Neha Gupta                                  | 143000  | 0.76      | 143000  | 0.76         |
| 3            | Mahesh                                      | 170000  | 0.91      | 170000  | 0.91         |
| 4            | Ashwani Kumar Jindal                        | 110000  | 0.59      | 110000  | 0.59         |
| 5            | Northern India Consultants P. Ltd.          | 100000  | 0.53      | 100000  | 0.53         |
| 6            | Gurwinder Singh Gill                        | 437000  | 2.34      | 437000  | 2.34         |
| 7            | Rashpal Singh Virk                          | 200000  | 1.07      | 200000  | 1.07         |
| 8            | Arun Chopra, Shefali Chopra & Lalita Chopra | 500000  | 2.67      | 500000  | 2.67         |
| 9            | Gunjan Adya                                 | 200000  | 1.07      | 200000  | 1.07         |
| 10           | KITARA PIIN 1501                            | 4106000   | 21.94     | 4106000                                       | 21.94        |
| <b>Total</b> |   |   |           | <b>6966000</b>                                | <b>37.23</b> |

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

| Sr. No. | Shareholder          | At the beginning of the Year (As on March 31, 2016) |           | At the end of the Year (As on March 31, 2017) |           |
|---------|----------------------|---|-----------|---|-----------|
|         |                      | No. of shares                                       | % holding | No. of shares                                 | % holding |
| 1       | Amardeep Singh Samra | 1069530   | 5.72      | 1069530                                       | 5.72      |
| 2       | Vijay Kumar Bhandari | 200000  | 1.07      | 200000  | 1.07      |
| 3       | Janak Raj Gupta      | 100000  | 0.53      | 100000  | 0.53      |
| 4       | Amitesh Kumar        | 101000  | 0.54      | 101000  | 0.54      |

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

|   | Secured Loans<br>excluding deposits | Unsecured<br>Loans    | Deposits | Total<br>Indebtedness   |
|---|-------------------------------------|-----------------------|----------|-------------------------|
| <b>Indebtedness at the beginning of the financial year</b>                      |                                     |                       |          |                         |
| i) Principal Amount   | 1,189,457,057.00                    | 72,610,000            | 0        | 1,262,067,057.00        |
| ii) Interest due but not paid   | 1,066,908.00                        | 0                     | 0        | 1066908                 |
| iii) Interest accrued but not due   | 112,513,194.50                      | 13,266,542.00         | 0        | 125779736.5             |
| <b>Total (i+ii+iii)</b>   | <b>1,303,037,160.00</b>             | <b>85,876,542.00</b>  | <b>0</b> | <b>1,388,913,702.00</b> |
| <b>Change in Indebtedness during the financial year (Principal Amount only)</b> |                                     |                       |          |                         |
| * Addition  | 874,000,000.00                      | 120,000,000.00        | 0        | 994,000,000.00          |
| * Reduction   | 623,455,924.00                      | 0                     | 0        | 623,455,924.00          |
| <b>Net Change</b>   | <b>250,544,076.00</b>               | <b>120,000,000.00</b> | <b>0</b> | <b>370,544,076.00</b>   |
| <b>Indebtedness at the end of the financial year</b>                            |                                     |                       |          |                         |
| i) Principal Amount   | 1,440,001,133.00                    | 192,610,000.00        | 0        | 1,632,611,133.00        |
| ii) Interest due but not paid   | 3,809,564.00                        | 0                     | 0        | 3,809,564.00            |
| iii) Interest accrued but not due   | 158,468,368.00                      | 18,942,921.00         | 0        | 177,411,288.60          |
| <b>Total (i+ii+iii)</b>   | <b>1,602,279,065.00</b>             | <b>211,552,921.00</b> | <b>0</b> | <b>1,813,831,986.00</b> |

#### VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

##### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

| SN. | Particulars of Remuneration   | Name of MD/WTD/ Manager       | Total Amount |
|-----|---|-------------------------------|--------------|
|     |   | Mr. Amardeep Singh Samra - MD |              |
| 1   | Gross salary  |                               |              |
|     | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 4,686,000.00                  | 4,686,000.00 |
|     | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961                             | 0.00                          | 0.00         |
|     | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961             | 0.00                          | 0.00         |
| 2   | Stock Option  | 0.00                          | 0.00         |
| 3   | Sweat Equity  | 0.00                          | 0.00         |
| 4   | Commission<br>- as % of profit<br>- others, specify...                              | 0.00                          | 0.00         |
| 5   | Others, (Sitting Fee)   | 38000.00                      | 38000.00     |
|     | Total   | 47,24,000.00                  | 47,24,000.00 |
|     | Ceiling as per the Act  | <b>No Ceiling</b>             |              |

**B. Remuneration to other directors**

| S.No. | Particulars of Remuneration                         | Name of Directors   |                             |                      | Total Amount |
|-------|---|---|-----------------------------|----------------------|--------------|
|       |   | Janak Raj Gupta   | Kamna Raj Aggarwalla        | Shant Gupta          |              |
| 1     | <b>Independent Directors</b>                        |   |                             |                      |              |
|       | Fee for attending board committee meetings (in Rs.) | 32,000.00   | 22,000.00                   | 33,000.00            | 87,000.00    |
|       | Commission (in Rs.)                                 | 0.00  | 0.00                        | 0.00                 | 0.00         |
|       | Others, (Travelling)(in Rs.)                        | 0.00  | 0.00                        | 0.00                 | 0.00         |
|       | Total (1) (in Rs.)                                  | 32,000.00   | 22,000.00                   | 33,000.00            | 87,000.00    |
| 2     | <b>Other Non-Executive Directors</b>                | <b>Vijay Kumar Bhandari</b>   | <b>Harpal Singh Chhokar</b> | <b>Sachin Kamath</b> |              |
|       | Fee for attending board committee meetings (in Rs.) | 39,000.00   | 15,000.00                   | 25,000.00            | 79,000.00    |
|       | Commission (in Rs.)                                 | 0.00  | 0.00                        | 0.00                 | 0.00         |
|       | Others, (Travelling) please specify (in Rs.)        | 295,000.00  | 0.00                        | 195,854.00           | 490,854.00   |
|       | Total (2) (in Rs.)                                  | 334,000.00  | 15,000.00                   | 220,854.00           | 569,854.00   |
|       | Total (B)=(1+2) (in Rs.)                            | 3,66,000.00   | 37,000.00                   | 253,854.00           | 656,854.00   |
|       | Total Managerial Remuneration                       | 0.00  | 0.00                        | 0.00                 | 0.00         |
|       | Overall Ceiling as per the Act                      | Sitting fee payable to a director for attending Board/Committee Meeting shall not exceed Rs. 1,00,000/- per meeting. The Company has complied the same.11% of the Net Profits of the Company. |                             |                      |              |

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

| SN | Particulars of Remuneration   | Key Managerial Personnel |            |                   |
|----|---|--------------------------|------------|-------------------|
|    |   | Company Secretary        | CFO        | Total             |
| 1  | Gross salary  |                          |            |                   |
|    | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 411688.00                | 1872000.00 | <b>2283688.00</b> |
|    | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961                             | 0.00                     | 48944.00   | <b>48944.00</b>   |
|    | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961              | 0.00                     | 0.00       | 0.00              |
| 2  | Stock Option  | 0.00                     | 0.00       | 0.00              |
| 3  | Sweat Equity  | 0.00                     | 0.00       | 0.00              |
| 4  | Commission  | 0.00                     | 0.00       | 0.00              |
|    | - as % of profit  | 0.00                     | 0.00       | 0.00              |
|    | others, specify...  | 0.00                     | 0.00       | 0.00              |
| 5  | Others, please specify  | 0.00                     | 0.00       | 0.00              |
|    | Total   | 411688.00                | 1920944.00 | <b>2332632.00</b> |
|    | Ceiling as per the Act.   |                          |            |                   |

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

| Type                                | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCLT/ COURT] | Appeal made, if any (give Details) |
|-------------------------------------|------------------------------|-------------------|---|------------------------------|------------------------------------|
| <b>A. COMPANY</b>                   |                              |                   |   |                              |                                    |
| Penalty                             | Nil                          | Nil               | Nil   | Nil                          | Nil                                |
| Punishment                          | Nil                          | Nil               | Nil   | Nil                          | Nil                                |
| Compounding                         | Nil                          | Nil               | Nil   | Nil                          | Nil                                |
| <b>B. DIRECTORS</b>                 |                              |                   |   |                              |                                    |
| Penalty                             | Nil                          | Nil               | Nil   | Nil                          | Nil                                |
| Punishment                          | Nil                          | Nil               | Nil   | Nil                          | Nil                                |
| Compounding                         | Nil                          | Nil               | Nil   | Nil                          | Nil                                |
| <b>C. OTHER OFFICERS IN DEFAULT</b> |                              |                   |   |                              |                                    |
| Penalty                             | Nil                          | Nil               | Nil   | Nil                          | Nil                                |
| Punishment                          | Nil                          | Nil               | Nil   | Nil                          | Nil                                |
| Compounding                         | Nil                          | Nil               | Nil   | Nil                          | Nil                                |

For and on behalf of Board of Directors

Date : May 20, 2017  
Place: Jalandhar

Sd/-  
Amardeep Singh Samra  
Managing Director

Sd/-  
Shant Gupta  
Director

# ■ Secretarial Audit Report

The Members,  
Midland Microfin Limited ,  
Jalandhar.

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

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

For **Harsh Goyal and Associates**  
Company Secretaries

**Sd/-**  
**Harsh Kumar Goyal**  
FCS 3314  
C. P. No.: 2802  
Place: Ludhiana  
Dated: May 20, 2017



The Members,  
Midland Microfin Limited,  
Jalandhar.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Midland Microfin Limited (hereinafter referred to as Company).

Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts, statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31<sup>st</sup> March, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) 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 (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (b) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
  - (c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.

The following regulations and Guidelines of SEBI are not applicable to the company as only the debt securities are listed:

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
- (e) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- (f) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

We have also examined the compliance of the applicable Secretarial Standards issued by The Institute of Company Secretaries of India.

## ■ Secretarial Audit Report

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

We further report that, having regard to the compliance system prevailing in the company and on examination of the relevant documents and records in pursuance thereof on test check basis, the company has complied with the following laws applicable specifically to the company:

- (a) Reserve Bank of India Act, 1934 and directions, regulations and circulars issued therein relating to Non Banking Finance Companies – Micro Finance Institutions.

### **We further report that**

- (a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Woman Director and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- (b) Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days 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.
- (c) Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes, wherever applicable.

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

We further report that during the audit period, the company has received the approval of the members u/s 13,5(4),14,61,42,71,55,149,152,180(1)(a) & 180(1)(c) of the Companies Act,2013 read with applicable rules thereof.

**For Harsh Goyal and Associates**

Company Secretaries

Sd/-

**Harsh Kumar Goyal**

FCS 3314

C. P. No.: 2802

Place: Ludhiana

Dated: May 20, 2017

# Independent Auditors' Report

**To the Members of Midland Microfin Limited**

## **Report on the Financial Statements**

We have audited the accompanying financial statements of Midland Microfin Limited, which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of 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 accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control 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.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as 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 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 accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

## **Opinion**

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

# Independent Auditors' Report

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016;
  - (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 2 to this report;
  - (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 does not have any pending litigations which would impact its financial position.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
    - iv. The Company has provided disclosures in Note 31 to these financial statements as to the holding of Specified Bank Notes (SBNs) on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 9, 2016 to December 30, 2016. Based on audit procedures and relying on management representations, except for the segregation between SBNs and other denominations as more fully described in Note 31 (a) to these financial statements, on which we are unable to comment in the absence of sufficient appropriate audit evidence, we report that the amounts disclosed in the said note are in accordance with the books of account maintained by the Company and produced before us for verification.

**For S.R. BATLIBOI & ASSOCIATES LLP**  
**ICAI Firm's Registration Number: 101049W/E300004**  
Chartered Accountants

**per Amit Kabra**  
Partner  
Membership Number: 094533  
Jalandhar  
May 20, 2017

## Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Midland Microfin Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification. All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, there are no immovable properties included in fixed assets of the Company and accordingly the requirements under clause 3(i)(c) of the Order are not applicable to the Company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company and hence not commented upon.
- (iii) According to the information and explanations given to us, 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 Act. Accordingly, the provisions of clause 3 (iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the products/services of the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.  
According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (b) According to the records of the Company, there are no dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute.
- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowings to a financial institution or bank or dues to debenture holders.
- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer or further public offer, hence not commented upon.  
Further, monies raised by the Company by way of term loans and debentures were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.

## ■ Independent Auditors' Report

- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197, read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has complied with provisions of section 42 of the Companies Act, 2013 in respect of the private placement of shares during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.
- (xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

**For S. R. BATLIBOI & ASSOCIATES LLP**

**ICAI Firm's Registration Number: 101049W/E300004**

**Chartered Accountants**

**per Amit Kabra**

Partner

Membership No.: 094533

Jalandhar

May 20, 2017

## **Annexure referred to in paragraph 2 (f) under the heading "Report on other legal and regulatory requirements" of our report of even date**

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

To the Members of Midland Microfin Limited

We have audited the internal financial controls over financial reporting of Midland Microfin Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone 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 the 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 Act.

#### **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") and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

## ■ Independent Auditors' Report

expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

### **Opinion**

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

**For S. R. BATLIBOI & ASSOCIATES LLP**

**ICAI Firm's Registration Number: 101049W/E300004**

**Chartered Accountants**

**per Amit Kabra**

Partner

Membership No.: 094533

Jalandhar

May 20, 2017



# FINANCIAL STATEMENTS

For the Year 2016-2017

# Balance Sheet

## BALANCE SHEET AS AT MARCH 31, 2017

(Amount in Rupees unless otherwise stated)

| Particulars                         | Note No. | As at March 31, 2017 | As at March 31, 2016 |
|-------------------------------------|----------|----------------------|----------------------|
| <b>(A) EQUITY AND LIABILITIES</b>   |          |                      |                      |
| <b>Share Holder's Funds</b>         |          |                      |                      |
| Share Capital                       | 3        | 229,565,000          | 207,115,000          |
| Reserves and Surplus                | 4        | 214,054,792          | 148,485,256          |
|                                     |          | <b>443,619,792</b>   | <b>355,600,256</b>   |
| <b>Non-Current Liabilities</b>      |          |                      |                      |
| Long-term Borrowings                | 5        | 959,184,370          | 819,296,411          |
| Other Long-term Liabilities         | 7        | 170,672,729          | 112,807,074          |
| Long-term provisions                | 6        | 4,829,952            | 2,702,841            |
|                                     |          | <b>1,134,687,051</b> | <b>934,806,326</b>   |
| <b>Current Liabilities</b>          |          |                      |                      |
| Trade Payables                      | 7        | 15,837,197           | 8,180,139            |
| Other Current Liabilities           | 7        | 701,089,955          | 460,265,514          |
| Short-term Provisions               | 6        | 22,174,498           | 27,592,569           |
|                                     |          | <b>739,101,650</b>   | <b>496,038,222</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b> |          | <b>2,317,408,493</b> | <b>1,786,444,804</b> |
| <b>(B) ASSETS</b>                   |          |                      |                      |
| <b>Non-Current Assets</b>           |          |                      |                      |
| <b>Fixed Assets</b>                 |          |                      |                      |
| Property, Plant and Equipment       | 8.1      | 43,743,491           | 21,811,708           |
| Intangible Assets                   | 8.2      | 2,956,034            | 883,216              |
| Capital Work-in-progress            |          | 11,058,585           | 4,507,102            |
| Non-Current Investments             |          | -                    | -                    |
| Deferred Tax Assets (net)           | 9        | 7,061,595            | 4,721,919            |
| Long-term Loans and Advances        | 10       | 4,142,567            | 105,023,174          |
| Other Non-Current Assets            | 11       | 55,540,606           | 41,929,924           |
|                                     |          | <b>124,503,149</b>   | <b>178,877,043</b>   |
| <b>Current Assets</b>               |          |                      |                      |
| Current Investment                  | 12       | 210,333,570          | -                    |
| Trade Receivables                   | 13       | 348,076              | 352,861              |
| Cash and Bank Balances              | 14       | 804,538,976          | 231,957,949          |
| Loans and Advances                  | 10       | 1,161,757,912        | 1,365,319,839        |
| Other Current Assets                | 11       | 15,927,081           | 9,937,112            |
| <b>TOTAL ASSETS</b>                 |          | <b>2,192,905,615</b> | <b>1,607,567,761</b> |
|                                     |          | <b>2,317,408,764</b> | <b>1,786,444,803</b> |

Summary of significant accounting policies 2.1  
The accompanying notes are an integral part of the financial statements

As per our report of even date

**For SR Batliboi & Associates LLP**

ICAI Firm Registration No. 101049W/E300004

Chartered Accountants

Sd/-  
**Amardeep Singh Samra**  
Managing Director

Sd/-  
**Shant Gupta**  
Director

Sd/-  
**per Amit Kabra**  
Partner  
Membership No. 094533  
Place : Jalandhar  
Date : 20 May, 2017

Sd/-  
**Amitesh Kumar**  
Chief Financial Officer

Sd/-  
**Sonia Dua**  
Company Secretary

# Statement of Profit & Loss Account

## STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2017

(Amount in Rupees unless otherwise stated)

| Particulars   | Note No. | Year Ended March 31, 2017 | Year Ended March 31, 2016 |
|---|----------|---------------------------|---------------------------|
| <b>INCOME</b>   |          |                           |                           |
| Revenue from Operations   | 15       | 441,480,465               | 296,142,004               |
| Other Income  | 16       | 24,750,861                | 10,756,289                |
| <b>Total Revenue (I)</b>  |          | <b>466,231,326</b>        | <b>306,898,293</b>        |
| <b>EXPENSES</b>   |          |                           |                           |
| Employee Benefits Expense   | 17       | 94,143,344                | 67,607,920                |
| Finance Costs   | 18       | 241,198,913               | 135,729,214               |
| Depreciation and Amortisation Expense                               | 19       | 6,036,615                 | 3,613,886                 |
| Other Expenses  | 21       | 51,939,765                | 36,197,493                |
| Provisions & Write-offs   | 20       | 7,558,449                 | 7,637,360                 |
| <b>Total Expenses (II)</b>  |          | <b>400,877,086</b>        | <b>250,785,873</b>        |
| Profit before Tax (III) = (I)-(II)                                  |          | 65,354,240                | 56,112,421                |
| <b>TAX EXPENSE</b>  |          |                           |                           |
| Current Tax   |          |                           |                           |
| Pertaining to profit for the current period                         |          | 24,103,120                | 22,513,559                |
| Adjustment of tax relating to earlier periods                       |          | 471,260                   | (89,815)                  |
| Deferred tax  |          | (2,339,676)               | (3,367,894)               |
| <b>Total tax expense (IV)</b>                                       |          | <b>22,234,704</b>         | <b>19,055,850</b>         |
| <b>Profit after tax (III)-(IV)</b>                                  |          | <b>43,119,536</b>         | <b>37,056,570</b>         |
| <b>Earning Per Share (EPS)</b>                                      |          |                           |                           |
| <b>[Nominal value of share Rs.10 (March 31, 2017: Rs.10)]</b>       |          |                           |                           |
| <b>Basic (Computed on the basis of total profit for the year)</b>   |          | <b>2.19</b>               | <b>3.27</b>               |
| <b>Diluted (Computed on the basis of total profit for the year)</b> |          | <b>2.08</b>               | <b>3.02</b>               |

Summary of significant accounting policies 2.1  
The accompanying notes are an integral part of the financial statements

As per our report of even date  
For SR Batliboi & Associates LLP  
ICAI Firm Registration No. 101049W/E300004  
Chartered Accountants

Sd/-  
**Amardeep Singh Samra**  
Managing Director

Sd/-  
**Shant Gupta**  
Director

Sd/-  
per **Amit Kabra**  
Partner  
Membership No. 094533  
Place : Jalandhar  
Date : 20 May, 2017

Sd/-  
**Amitesh Kumar**  
Chief Financial Officer

Sd/-  
**Sonia Dua**  
Company Secretary

# Cash Flow Statement

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

(Amount in ₹ unless otherwise stated)

| Particulars  | Year Ended<br>March 31, 2017 | Year Ended<br>March 31, 2016 |
|--|------------------------------|------------------------------|
| <b>Cash from Operating Activities</b>  |                              |                              |
| Net Profit Before Tax  | 65,354,240                   | 56,112,420                   |
| Adjustments to reconcile profit before tax to net cash flows:  |                              |                              |
| Depreciation & Amortization  | 6,036,615                    | 3,613,886                    |
| Preliminary Expenses   | -                            | 242,555                      |
| Contingent provision against standard assets   | 7,558,449                    | 7,637,360                    |
| Provision for employee benefits  | 2,169,415                    | 1,971,468                    |
| Loss on sale of fixed assets   | -                            | 1,277,770                    |
| <b>Operating profit before working capital changes</b>   | <b>81,118,719</b>            | <b>70,855,459</b>            |
| Movements in working capital :   |                              |                              |
| Increase / (decrease) in trade payables  | 7,657,058                    | 6,243,187                    |
| Increase / (decrease) in other current liabilities   | 240,824,441                  | 375,093,241                  |
| Decrease / (increase) in trade receivables   | 4,785                        | 1,640,718                    |
| Decrease / (increase) in loans and advances  | 310,660,193                  | (765,878,439)                |
| Decrease / (increase) in other current assets  | (3,684,900)                  | (6,512,375)                  |
| Decrease / (increase) in other non-current assets  | (13,610,682)                 | (38,800,028)                 |
| Cash generated from / (used in) operations   | <b>622,969,614</b>           | <b>(357,358,237)</b>         |
| Direct taxes paid (net of refunds)   | (31,922,889)                 | (20,305,027)                 |
| <b>Net cash flow from / (used in) operating activities (A)</b>                                       | <b>591,046,725</b>           | <b>(377,663,264)</b>         |
| <b>Cash flows from investing activities</b>  |                              |                              |
| Purchase of property, plant and equipments,<br>including capital work in progress & capital advances | (38,897,768)                 | (17,150,691)                 |
| Purchase of current investments  | (210,333,570)                | -                            |
| <b>Net Cash from Investing Activities (B)</b>  | <b>(249,231,338)</b>         | <b>(17,150,691)</b>          |
| <b>Cash Flows from Financing Activities</b>  |                              |                              |
| Proceeds from issuance of preference share capital   | 44,900,000                   | 233,992,180                  |
| Proceeds from Long-term borrowings (including debentures)  | 819,494,790                  | 552,265,782                  |
| Repayment of Long-term borrowings (including debentures)   | (621,741,176)                | (221,885,978)                |
| Proceeds from Proceeds from Short Term Borrowings  | -                            | (23,200,000)                 |
| Dividend paid on equity shares   | (8,726,391)                  | -                            |
| Dividend paid on preference shares   | (1,150,820)                  | -                            |
| Tax on equity dividend paid  | (1,776,484)                  | -                            |
| Tax on preference dividend paid  | (234,279)                    | -                            |
| <b>Net Cash used in Financing Activities ( C )</b>   | <b>230,765,640</b>           | <b>541,171,984</b>           |
| <b>Net Increase in Cash &amp; Cash Equivalent (A+B+C)</b>  | <b>572,581,027</b>           | <b>146,358,029</b>           |
| Cash & Cash Equivalents in the Beginning of the Year   | 231,957,949                  | 85,599,920                   |
| <b>Cash and cash equivalents at the end of the year (refer note 17)</b>                              | <b>804,538,976</b>           | <b>231,957,949</b>           |

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For SR Batliboi & Associates LLP**

ICAI Firm Registration No. 101049W/E300004

Chartered Accountants

Sd/-

**per Amit Kabra**

Partner

Membership No. 094533

Place : Jalandhar

Date : 20 May, 2017

Sd/-

**Amardeep Singh Samra**  
Managing Director

Sd/-

**Shant Gupta**  
Director

Sd/-

**Amitesh Kumar**  
Chief Financial Officer

Sd/-

**Sonia Dua**  
Company Secretary

## Note No. 1 General Information

### 1. Corporate Information

Midland Microfinance Limited ('The Company') is a public limited company domiciled in India and incorporated under the provision of the Companies Act, 1956 ('the Act'). The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and has got classified as a Non-Banking Financial Company - Micro Finance Institution ('NBFC-MFI') with effect from January 2, 2015. The Company came out with a Public Issue of Secured Redeemable Non-Convertible Debentures in 2014 and the said securities are listed with Bombay Stock Exchange (BSE). As such the Company has acquired the status of Listed company pursuant to section 2(52) of Companies Act, 2013.

The Company is engaged primarily in providing micro finance services to women in the rural areas of India who are enrolled as members and organised as Joint Liability Groups ('JLG'). The Company has its operation spread across 3 states.

In addition to the core business of providing micro-credit, the Company uses its distribution channel to provide certain other financial products and services to the members. Programs in this regard primarily relate to providing of loans to the members for the purchase of certain productivity-enhancing products such as Water Purifier and Sewing Machines etc.

### 2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under section 133 of the Companies Act, 2013 ('the Act'), read together with rule 7 of the Companies (Accounts) Rules, 2014, Companies (Accounting Standards) Amendment Rules, 2016 and the provisions of the RBI applicable as per Non-Banking Financial Company-Micro Finance Institutions' (NBFC-MFI) – Directions, 2015 issued vide Notification No. DNBR (PD) CC.No.047/03.10.119/2015-16 dated July 01, 2015, as updated on April 20, 2016 and as per Master Directions - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 issued vide Notification No. DNBR. PD. 007/03.10.119/2016-17 dated September 01, 2016, as amended from time to time ('the NBFC-NSI-ND Directions, 2016'). The financial statements have been prepared on an accrual basis and under the historical cost convention except as detailed in note 2.1 (b).

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

#### 2.1. Summary of significant accounting policies

##### a. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

##### b. Revenue recognition

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

- i. Interest income on loans given is recognised under the internal rate of return method. Income or any other charges on non-performing asset is recognised only when realised and any such income recognised before the asset became non-performing and remaining unrealised is reversed.
- ii. Interest income on deposits with banks is recognised on a time proportion accrual basis taking into account the amount outstanding and the interest rate applicable.
- iii. Loan processing fees are recognised upfront on disbursement of loan.
- iv. All other income is recognised on an accrual basis.

**c. Property, plant and equipment**

All Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price and directly attributable cost of bringing the asset to its working condition for the intended use.

**d. Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

**e. Depreciation**

Depreciation on tangible fixed assets is provided on the straight line basis using the rates arrived at, based on the expected useful life of the assets prescribed under Schedule II of the Companies Act, 2013 which is also the useful life of the assets estimated by the management:

|   |                                |
|---|--------------------------------|
| Furniture and fixtures                              | 10 years                       |
| Computers   |                                |
| - Servers and networks                              | 6 years                        |
| - End user devices, such as desktops, laptops, etc. | 3 years                        |
| Electric implants                                   | 10 years                       |
| Vehicles  | 8 years                        |
| Leasehold improvements                              | Life based on the lease period |

**f. Impairment of Property, plant and equipment and intangible assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**g. Leases (where the Company is the lessee)**

Leases where the lessor effectively retains, substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

**h. Investments**

Investments which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments if any are classified as long-term investments. Current investments are carried in the financial statement at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. On disposal of an investment, the difference between the carrying amount and net disposal proceeds are charged or credited to the statement of profit and loss.

**i. Borrowing costs**

Borrowing cost includes interest and other costs incurred in connection with the arrangement of borrowings. All borrowing costs are expensed in the period they occur.

**j. Foreign currency transactions**

- i. All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transaction.
- ii. Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.
- iii. Exchange differences arising on the settlement of monetary items or on the restatement of Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

**k. Retirement and other employee benefits**

- i. Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service.
- ii. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains and losses for defined benefit plans are recognised in full in the period in which they occur in the statement of profit and loss.
- iii. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date.
- iv. Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
- v. The Company recognises termination benefit as a liability and an expense when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**l. Income taxes**

- i. Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss.
- ii. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss.
- iii. Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future

taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

- iv. The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.
- v. Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the MAT Credit Entitlement asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

### **m. Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as fraction of an equity share to the extent that they were entitled to participate in dividends related to a fully paid equity share during the reporting year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

### **n. Provisions**

A provision is recognised when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

### **o. Contingent liabilities**

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

### **p. Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at bank and short-term investments with an original maturity of three months or less.

### **q. Classification of loan portfolio**

- I. JLG Portfolio loans are classified as follows:



| Asset classification         | Arrear period                                   |
|------------------------------|---|
| Standard Assets              | Overdue for less than 90 days                   |
| <b>Non-performing assets</b> |   |
| Non-performing assets-I      | Overdue for more than 90 days and upto 180 days |
| Non-performing assets-II     | Overdue for more than 180 days                  |

ii Other Portfolio loans are classified as follows:

| Asset classification         | Arrear period  |
|------------------------------|--|
| Standard Assets              | Overdue for less than 6 months                         |
| <b>Non-performing assets</b> |  |
| Sub-standard assets          | Overdue for more than 6 months and upto 18 months      |
| Doubtful assets              | Overdue for more than 18 months                        |
| Loss assets                  | Those as identified by the management, Auditors or RBI |

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

The above classification is in compliance with the NBFC MFI Directions, 2016.

Loans and advances other than portfolio loans are classified as standard and non-performing assets in accordance with the NBFC-NSI-ND Directions, 2016.

**r. Provisioning policy for Loan portfolio**

i. Provisioning policy for loan portfolio:

The Company does not have any AP portfolio and hence the provisioning norms for the non-AP portfolio shall be as below:

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

- 1% of the outstanding loan portfolio or;
- 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more.

ii. Loan and advances other than portfolio loans are provided for as per the NBFC-NSI-ND Directions, 2016.

| Asset Classification | Arrear period                                   | Provisioning percentage |
|----------------------|---|-------------------------|
| Standard assets      | Overdue for less 90 days                        | 0.25%*                  |
| Sub-standard assets  | Overdue for more than 90 days and upto 180 days | 50%**                   |
| Loss assets          | Overdue for more than 180 days                  | 100%*                   |

Provision on standard assets has been made in line with the NBFC Master Directions, 2016.

iii. Loans and advances other than portfolio loans are provided for at the higher of management estimates and provision required as per the NBFC Master Directions, 2016.

iv. All overdue loans or where the tenure of the loan is completed and in the opinion of the management any amount is not recoverable, are fully provided for.

## Notes to Accounts

(Amount in ₹ unless otherwise stated)

| Particulars   | As at<br>March 31, 2017 | As at<br>March 31, 2016 |
|---|-------------------------|-------------------------|
| <b>NOTE 3 - SHARE CAPITAL</b>   |                         |                         |
| 2,00,00,000 (March 31, 2016: 2,00,00,000) equity shares of Rs. 10/- each  | 200,000,000             | 200,000,000             |
| 2,20,00,000 (March 31, 2016: 20,00,000) Preference shares of Rs. 10/- each  | 220,000,000             | 20,000,000              |
| <b>Issued, subscribed and fully paid-up shares</b>  |                         |                         |
| 1,87,11,500 (March 31, 2016: 1,87,11,500) equity shares of Rs.10/- each fully paid up   | 187,115,000             | 187,115,000             |
| 20,00,000 (March 31, 2016: 20,00,000) 9% Cumulative, Non-Participative and Optionally Convertible Preference shares (OCPS) of Rs. 10/- each | 20,000,000              | 20,000,000              |
| 3,45,000 (March 31, 2016: Nil) 17% Cumulative, Non-Participative and Non convertible Preference shares of Rs. 10/- each                     | 3,450,000               | -                       |
| 19,00,000 (March 31, 2016: Nil) 0.02% Cumulative, Non-Participative and Non convertible Preference shares of Rs. 10/- each                  | 19,000,000              | -                       |
| <b>Total issued, subscribed and fully paid-up share capital</b>   | <b>229,565,000</b>      | <b>207,115,000</b>      |

### A. Reconciliation of the number of shares & amount outstanding at the beginning and at the end of the reporting year:

| Particulars As at                         | As at 31-3-2017   |                    | As at 31-3-2016   |                    |
|---|-------------------|--------------------|-------------------|--------------------|
|   | No. of Shares     | Amount             | No. of Shares     | Amount             |
| <b>Equity Shares</b>                      |                   |                    |                   |                    |
| At the beginning of the year              | 18,711,500        | 187,115,000        | 8,605,500         | 86,055,000         |
| Issued during the year                    | -                 | -                  | 10,106,000        | 101,060,000        |
| <b>Outstanding at the end of the year</b> | <b>18,711,500</b> | <b>187,115,000</b> | <b>18,711,500</b> | <b>187,115,000</b> |
| <b>Preference Shares</b>                  |                   |                    |                   |                    |
| At the beginning of the year              | 2,000,000         | 20,000,000         | -                 | -                  |
| Issued during the year                    | 2,245,000         | 22,450,000         | 2,000,000         | 20,000,000         |
| <b>Outstanding at the end of the year</b> | <b>4,245,000</b>  | <b>42,450,000</b>  | <b>2,000,000</b>  | <b>20,000,000</b>  |

### (b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. Dividend declared and paid would be in Indian rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

### (c) Terms of conversion/ redemption of OCPS and NCPS

The Company has three classes of preference shares having par value of Rs.10 per share. During the year ended 31 March 2016, the company issued:

20,00,000 OCPS of Rs.10 each fully paid-up at face value of Rs.10 per share. OCPS carry cumulative dividend @ 9% p.a. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. OCPS holders are not entitled to vote on any resolutions placed before the company.

Each holder of 9% OCPS can opt to convert half of its preference shares into equity share after the end of 4th year from the date of allotment i.e. August 11 2015, and remaining at the end of 5 years from such date. If the holder does not exercise its conversion option, the company will redeem these shares at par. However if the option is exercised by the OCPS holders then preference shares shall be converted at book value.

3,45,000 NCPS of Rs.10 each fully paid-up at a premium of Rs.10 per share. NCPS carry cumulative dividend @ 17% p.a. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. CCPS holders are not entitled to vote on any resolutions placed before the company. These NCPS are compulsorily redeemable after five years from the date of allotment.

19,00,000 NCPS of Rs.10 each fully paid-up at a premium of Rs.10 per share. NCPS carry cumulative dividend @ 0.02% p.a. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

Preference share holders are not entitled to vote on any resolutions placed before the company. NCPS are compulsorily redeemable within three to eight years from the date of allotment.

In the event of liquidation of the company before conversion/ redemption of OCPS and redemption of NCPS, the holders of all classes of preference shares will have priority over equity shares in the payment of dividend and repayment of capital.

#### D. Details of shares held by each shareholder holding more than 5% shares:

| Class of shares / Name of shareholder     | As at 31-3-2017    |                        | As at 31-3-2016    |                        |
|---|--------------------|------------------------|--------------------|------------------------|
|   | No. of shares held | % holding in the class | No. of shares held | % holding in the class |
| <b>Equity shares of Rs. 10 fully paid</b> |                    |                        |                    |                        |
| Amardeep Singh Samra                      | 1069530            | 5.72%                  | 1069530            | 5.72%                  |
| Mohinder Kaur Chhokar                     | 2000000            | 10.69%                 | -                  | -                      |
| Sohan Singh Chhokar                       | -                  | -                      | 2000000            | 10.69%                 |
| SIDBI Bank                                | 1000000            | 5.34%                  | 1000000            | 5.34%                  |
| Balbir Singh                              | 1187000            | 6.34%                  | 1187000            | 6.34%                  |
| Ranjit Kaur                               | 1000000            | 5.34%                  | 1000000            | 5.34%                  |
| Kitara PIIN 1501                          | 4106000            | 21.94%                 | 4106000            | 21.94%                 |
| <b>OCPS of Rs.10 each fully paid</b>      |                    |                        |                    |                        |
| SIDBI Bank                                | 2000000            | 47.11%                 | 2000000            | 100.00%                |

As per the records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

#### (e) Proposed dividends on Equity shares:

During the year ended March 31, 2017, Company has proposed dividend of Rs.0.60 per share (March 31, 2016 Rs. 0.80 per share) to equity shareholder. Proposed dividend on 9% OCPS for the year ended on 31 March 2017 Rs. 0.90 per share (March 31, 2016 Rs. 0.58 per share), on 17% NCPS for the year ended on 31 March 2017 Rs. 1.70 per share (March 31, 2016 Rs. Nil per share) and 0.02% NCPS for the year ended on 31 March 2017 Rs. 0.0002 per share (March 31, 2016 Rs. Nil per share). The above said dividend per share amounts are excluding dividend distribution tax.

## Notes to Accounts

(Amount in ₹ unless otherwise stated)

### NOTE 4 - RESERVES AND SURPLUS

| Particulars   | As at 31-3-2017    | As at 31-3-2016    |
|---|--------------------|--------------------|
| <b>Securities premium account</b>   |                    |                    |
| Balance as per the last financial statements  | 112,932,180        | -                  |
| Add: premium on Issue of NCPS   | 22,450,000         | 112,932,180        |
| Less: share issue expenses  | -                  | -                  |
| <b>Closing Balance</b>  | <b>135,382,180</b> | <b>112,932,180</b> |
| <b>Debenture redemption reserve</b>   |                    |                    |
| Balance as per the last financial statements  | 15,826,471         | -                  |
| Add: amount transferred from surplus balance in the statement of profit and loss  | 11,033,257         | 15,826,471         |
| <b>Closing balance</b>  | <b>26,859,728</b>  | <b>15,826,471</b>  |
| <b>Statutory reserves (Under Section 45 IC of the RBI Act)</b>  |                    |                    |
| Balance as per the last financial statements  | 11,593,449         | 4,182,135          |
| Add : Addition / Transfer during the year   | 8,623,907          | 7,411,314          |
| <b>Closing balance</b>  | <b>20,217,356</b>  | <b>11,593,449</b>  |
| <b>Surplus/ (deficit) in the statement of profit and loss</b>   |                    |                    |
| Balance as per last financial statements  | 8,133,156          | 6,202,345          |
| Add: Profit for the year  | 43,119,536         | 37,056,570         |
| Less: Appropriations  |                    |                    |
| Proposed final equity dividend (amount per share Rs. nil (31 March 2016: Rs. 0.80)  | -                  | (8,726,391)        |
| Tax on proposed equity dividend   |                    |                    |
| Dividend on preference shares (amount per share Rs. nil (31 March 2016: Rs. 0.90)   | -                  | (1,150,820)        |
| Tax on preference dividend  | -                  | (2,010,763)        |
| Transfer to Debenture Redemption Reserve  | (11,033,257)       | (15,826,471)       |
| Transfer to Statutory Reserve [@ 20% of profit after tax as required by section 45-IC of Reserve Bank of India Act, 1934] | (8,623,907)        | (7,411,314)        |
| <b>Net surplus/ (deficit) in the statement of profit and loss</b>   | <b>31,595,528</b>  | <b>8,133,156</b>   |
| <b>Total reserves and surplus</b>   | <b>214,054,792</b> | <b>148,485,256</b> |

### NOTE 5 - LONG-TERM BORROWINGS

| A. DEBENTURES   | Non-Current Portion |            | Current Maturities |            |
|---|---------------------|------------|--------------------|------------|
|   | 31-3-2017           | 31-3- 2016 | 31-3-2017          | 31-3- 2016 |
| <b>Unsecured</b>  |                     |            |                    |            |
| 2,017 (March 31, 2016 : 2,017), Series I, 11.00%<br>Unsecured, Simple, Non-Convertible Debentures of<br>Rs. 10,000 each redeemable at par on March 31, 2021.<br>The date of allotment was March 31, 2011.             | 20,170,000          | 20,170,000 | -                  | -          |
| 1,674 (March 31, 2016 : 1,674), Series I, 11.10%<br>Unsecured, Compounded, Non-Convertible Debentures<br>of Rs. 10,000 each redeemable at par on March 31, 2021.<br>The date of allotment was March 31, 2011.         | 16,740,000          | 16,740,000 | -                  | -          |
| 3,000 (March 31, 2016 : 3,000), Series II, 12.00%<br>Unsecured, Simple, Non-Convertible Debentures of<br>Rs. 10,000 each redeemable at par on June 12, 2021.<br>The date of allotment was June 13, 2015.              | 30,000,000          | 30,000,000 | -                  | -          |
| 5,738 (March 31, 2016 : Nil), Series III, 11.00% - 11.25%<br>Unsecured, Simple, Non-Convertible Debentures of<br>Rs. 10,000 each redeemable at par on January 22, 2023.<br>The date of allotment was July 23, 2016    | 57,380,000          | -          | -                  | -          |
| 6,262 (March 31, 2016 : Nil), Series III, 11.00% - 11.25%<br>Unsecured, Compounded, Non-Convertible Debentures of<br>Rs. 10,000 each redeemable at par on January 22, 2023<br>The date of allotment was July 23, 2016 | 62,620,000          | -          | -                  | -          |

(Amount in ₹ unless otherwise stated)

**NOTE 5 - LONG-TERM BORROWINGS**

| <b>A. DEBENTURES</b>   | <b>Non-Current Portion</b> |                    | <b>Current Maturities</b> |                    |
|--|----------------------------|--------------------|---------------------------|--------------------|
|  | <b>31-3-2017</b>           | <b>31-3-2016</b>   | <b>31-3-2017</b>          | <b>31-3-2016</b>   |
| <b>Secured</b>   |                            |                    |                           |                    |
| 1,914 (March 31, 2016 : 1,914), Series I, 11.00% - 12.00% Secured, Simple, Redeemable, Non-Convertible Debentures of Rs. 10,000 each redeemable at par on March 30, 2018 (refer note 1 below)  | 16,240,000                 | 19,140,000         | 2,900,000                 | -                  |
| 5,412 (March 31, 2016 : 5,412), Series I, 11.1% - 12.1% Secured, Compounded, Redeemable, Non-Convertible Debentures of Rs. 10,000 each redeemable at par (refer note 1 below)                  | 50,560,000                 | 54,120,000         | 3,560,000                 | -                  |
| 1,217 (March 31, 2016 : 1,517), Series II, 11.25% - 12.25% Secured, Simple, Redeemable, Non-Convertible Debentures of Rs. 10,000 each redeemable at par on March 30, 2018 (refer note 1 below) | 11,770,000                 | 12,170,000         | 400,000                   | 3,000,000          |
| 7,324 (March 31, 2016 : 8,302), Series II, 11.5% - 12.25% Secured, Compounded, Redeemable, Non-Convertible Debentures of Rs. 10,000 each redeemable at par (refer note 1 below)                | 73,240,000                 | 73,240,000         | -                         | 9,780,000          |
| Nil (March 31, 2016 : 2,000), Series III, 12.00% Secured, Compounded, Redeemable, Non-Convertible Debentures of Rs. 10,000 each redeemable at par on November 30, 2016 (refer note 1 below)    | -                          | -                  | -                         | 20,000,000         |
| 1,255 (March 31, 2016 : Nil), Series IV, 11.25% - 12.25% Secured, Simple, Redeemable, Non-Convertible Debentures of Rs. 10,000 each redeemable at par (refer note 2 below)                     | 12,550,000                 | 12,550,000         | -                         | -                  |
| 585 (March 31, 2016 : Nil), Series IV, 11.5% - 12.25% Secured, Compounded, Redeemable, Non-Convertible Debentures of Rs. 10,000 each redeemable at par (refer note 2 below)                    | 5,850,000                  | 5,850,000          | -                         | -                  |
| 1,185 (March 31, 2016 : Nil), Series V, 11.00% - 12.25% Secured, Simple, Redeemable, Non-Convertible Debentures of Rs. 10,000 each redeemable at par (refer note 2 below)                      | 11,850,000                 | 11,850,000         | -                         | -                  |
| 825 (March 31, 2016 : Nil), Series V, 11.00% - 12.25% Secured, Compounded, Redeemable, Non-Convertible Debentures of Rs. 10,000 each redeemable at par (refer note 2 below)                    | 8,250,000                  | 8,250,000          | -                         | -                  |
| 4,273 (March 31, 2016 : Nil), Series V, 11.00% - 12.25% Secured, Listed, Simple, Redeemable, Non-Convertible Debentures of Rs. 10,000 each redeemable at par (refer note 2 below)              | 42,730,000                 | 42,730,000         | -                         | -                  |
| 20,727 (March 31, 2016 : Nil), Series V, 11.00% - 12.25% Secured, Listed, Compounded, Redeemable, Non-Convertible Debentures of Rs. 10,000 each redeemable at par (refer note 2 below)         | 207,270,000                | 207,270,000        | -                         | -                  |
| <b>Term Loans</b>  |                            |                    |                           |                    |
| Indian rupee loan from banks (secured)   | 249,508,704                | 129,950,583        | 270,201,962               | 143,439,952        |
| Indian rupee loan from financial institutions (secured)  | 78,755,666                 | 169,565,828        | 396,364,705               | 266,550,694        |
| Indian rupee loan from others (Un secured)   | 3,700,000                  | 5,700,000          | -                         | -                  |
|  | <b>959,184,370</b>         | <b>819,296,411</b> | <b>673,426,667</b>        | <b>442,770,646</b> |
| <b>The above amount includes</b>   |                            |                    |                           |                    |
| Secured borrowings   | 768,574,370                | 746,686,411        | 673,426,667               | 442,770,646        |
| Amount disclosed under the head "other current liabilities" (note 9)   | -                          | -                  | (673,426,667)             | (442,770,646)      |
| <b>Net amount</b>  | <b>768,574,370</b>         | <b>746,686,411</b> | -                         | -                  |

### Notes-

- As per the terms of issue regarding the Secured Redeemable, Non Convertible Debentures, the security offered by the Company is the hypothecation of moveable property (assets given as loans, financial or other investments receivables on loans, marketable or other securities including shares, rights, present and/or future receivables, relating to loans and advances and other movable assets) equivalent to the 1.25 times of the outstanding amount against series-I and II of Non-convertible Debentures.
- As per the terms of issue regarding the Secured Redeemable, Non Convertible Debentures, the security offered by the Company is the hypothecation of moveable property (assets given as loans, financial or other investments receivables on loans, marketable or other securities including shares, rights, present and/or future receivables, relating to loans and advances and other movable assets) equivalent to the 1.00 times of the outstanding amount against series-IV and V of Non-convertible Debentures.
- As per the terms of issue regarding the Secured Redeemable, Non Convertible Debentures, the security offered by the Company is the hypothecation of all specific and identifiable current assets, book debts, receivables (both present and future) equivalent to the 1.10 times of the outstanding amount against Public Issue of Non-convertible Debentures. The mentioned Non convertible Debentures are freely tradable and listed on the Bombay Stock Exchange Limited.

| <b>4. Nature of Security for Term Loans</b>   | <b>As at March 31, 2017</b> |
|---|-----------------------------|
| a. Loans secured by hypothecation (exclusive charge) of portfolio loans                           | 214,330,028                 |
| b. Loans secured by hypothecation (exclusive charge) of portfolio loans and margin money deposits | 778,618,705                 |
| c. Loans secured by fixed assets ( Car Loan)  | 1,882,304                   |
| <b>Total Outstanding</b>  | <b>994,831,037</b>          |

- The Terms of the repayment of term loans and other loans have been stated in the note (a) and out of the total secured term loans of Rs. 998,531,037 as shown in the note (a), an amount of Rs. 436,378,876 has been guaranteed by the Managing Director, Mr. Amardeep Singh Samra in his personal capacity.
- The above Inter- Corporate loan is repayable on cumulative basis of principal and interest. The Inter-Corporate loan is obtained at the rate of 15% compounded monthly repayable in Financial Year 2018-19.

(Amount in ₹ unless otherwise stated)

**NOTE 5 - LONG TERM BORROWINGS (Cont.)**

Terms of repayment of long term borrowings (term loans and non convertible debenture) as on March 31, 2017

**Borrowings from Banks - Secured**

| Repayable in Monthly Instalments   |          |                    | March 31, 2017     |                    |
|------------------------------------|----------|--------------------|--------------------|--------------------|
| Rate of Interest                   | Maturity | No. of Instalments | Current            | Non Current        |
| Base Rate + 0.75 %                 | < 1 Year | 12                 | 15,960,000         |                    |
|                                    | 2 Year   | 6                  |                    | 24,040,000         |
| Base Rate + 3.10 %                 | < 1 Year | 14                 | 12,480,000         |                    |
|                                    | 2 Year   | 0                  |                    |                    |
| Base Rate + 2.65 %                 | < 1 Year | 1                  | 4,687,500          |                    |
|                                    | 2 Year   | 0                  |                    |                    |
| Base Rate + 1.65 %                 | < 1 Year | 12                 | 52,500,000         |                    |
|                                    | 2 Year   | 2                  |                    | 8,750,000          |
| Base Rate + 3.15 %                 | < 1 Year | 24                 | 68,396,922         |                    |
|                                    | 2 Year   | 24                 |                    | 71,671,650         |
|                                    | 3 Year   | 9                  |                    | 28,486,307         |
| Base Rate + 3.50 %                 | < 1 Year | 12                 | 25,000,000         |                    |
|                                    | 2 Year   | 6                  |                    | 12,500,000         |
| Base Rate + 3.85 %                 | < 1 Year | 12                 | 22,628,571         |                    |
|                                    | 2 Year   | 12                 |                    | 24,685,715         |
|                                    | 3 Year   | 12                 |                    | 24,685,714         |
| Base Rate                          | < 1 Year | 12                 | 1,882,304          |                    |
|                                    | 2 Year   | 8                  |                    | 1,355,982          |
|                                    |          |                    | <b>203,535,298</b> | <b>196,175,368</b> |
| Repayable in Quarterly Instalments |          |                    |                    |                    |
| Base Rate + 3.50%                  | < 1 Year | 5                  | 50,000,000         |                    |
|                                    | 2 Year   | 2                  |                    | 20,000,000         |
| Base Rate + 3.50%                  | < 1 Year | 4                  | 16,666,664         |                    |
|                                    | 2 Year   | 4                  |                    | 16,666,672         |
|                                    | 3 Year   | 4                  |                    | 16,666,664         |
|                                    |          |                    | <b>66,666,664</b>  | <b>53,333,336</b>  |
| <b>Total (a)</b>                   |          |                    | <b>270,201,962</b> | <b>249,508,704</b> |

**Borrowings from Financial Institutions-Secured**

| Repayable in Monthly Instalments |          |    |                    |                   |
|----------------------------------|----------|----|--------------------|-------------------|
| Interest Rate - 15.65 %          | < 1 Year | 3  | 14,320,710         |                   |
|                                  | 2 Year   | 0  |                    | -                 |
| Interest Rate - 15 %             | < 1 Year | 24 | 58,106,608         |                   |
|                                  | 2 Year   | 0  |                    | -                 |
| Interest Rate - 14.8 %           | < 1 Year | 11 | 22,916,679         |                   |
|                                  | 2 Year   | 0  |                    | -                 |
| Interest Rate - 14.90 %          | < 1 Year | 36 | 76,009,833         |                   |
|                                  | 2 Year   | 14 |                    | 32,713,587        |
| Interest Rate - 14.75 %          | < 1 Year | 46 | 125,010,897        |                   |
|                                  | 2 Year   | 9  |                    | 21,042,046        |
| Interest Rate - 14.50 %          | < 1 Year | 48 | 99,999,984         |                   |
|                                  | 2 Year   | 12 |                    | 25,000,028        |
|                                  |          |    | <b>396,364,710</b> | <b>78,755,661</b> |
| <b>Total (b)</b>                 |          |    | <b>396,364,710</b> | <b>78,755,661</b> |

**Borrowings from others - Unsecured**

| Repayable in Bullet              |          |   |                    |                    |
|----------------------------------|----------|---|--------------------|--------------------|
| Interest Rate - 15%              | > 1 Year | 0 | -                  | 3700000            |
| <b>Total (c)</b>                 |          |   |                    | <b>3700000</b>     |
| Total Borrowings - Secured (A+B) |          |   | 666,566,672        | 328,264,365        |
| Total Borrowings - Unsecured (C) |          |   | -                  | 3,700,000          |
| <b>Total Borrowings</b>          |          |   | <b>666,566,672</b> | <b>331,964,365</b> |

**NOTE 5 - LONG TERM BORROWINGS (Cont.)**

**Terms of repayment of long term borrowings (term loans and non convertible debenture) as on March 31, 2017**

| Nature                                    | Terms of Interest payment | Series no. | Interest range  | 31-Mar-17         |                          |                          |                    |                    | Grand Total |
|---|---------------------------|------------|-----------------|-------------------|--------------------------|--------------------------|--------------------|--------------------|-------------|
|   |                           |            |                 | Due within 1 year | Due between 1 to 3 Years | Due between 3 to 5 Years | Due after 5 years  |                    |             |
| <b>Debentures- Secured and Listed</b>     |                           |            |                 |                   |                          |                          |                    |                    |             |
|   | Quarterly Payment         | -          | 11% - 12.25%    | -                 | 13,520,000               | 19,940,000               | 9,270,000          | 42,730,000         |             |
|   | Compounded Quarterly      | -          | 11% - 12.25%    | -                 | 25,000,000               | 111,190,000              | 71,080,000         | 207,270,000        |             |
| <b>Total (A)</b>                          |                           |            |                 | -                 | <b>38,520,000</b>        | <b>131,130,000</b>       | <b>80,350,000</b>  | <b>250,000,000</b> |             |
| <b>Debentures- Secured and Unlisted</b>   |                           |            |                 |                   |                          |                          |                    |                    |             |
|   | Quarterly Payment         | I          | 11% - 12%       | 2,900,000         | 9,190,000                | -                        | 7,050,000          | 19,140,000         |             |
|   | Quarterly Payment         | II         | 11.25% - 12.25% | 400,000           | 3,750,000                | 600,000                  | 7,420,000          | 12,170,000         |             |
|   | Quarterly Payment         | IV         | 11.25% - 12.25% | -                 | 5,000,000                | 2,050,000                | 5,500,000          | 12,550,000         |             |
|   | Quarterly Payment         | V          | 11% - 12.25%    | -                 | 6,150,000                | 2,500,000                | 3,200,000          | 11,850,000         |             |
|   | Compounded Quarterly      | I          | 11.1% - 12.1%   | 3,560,000         | 37,980,000               | 900,000                  | 11,680,000         | 54,120,000         |             |
|   | Compounded Quarterly      | II         | 11.5% - 12.25%  | -                 | 48,740,000               | 3,450,000                | 21,050,000         | 73,240,000         |             |
|   | Compounded Quarterly      | IV         | 11.5% - 12.25%  | -                 | -                        | 5,350,000                | 500,000            | 5,850,000          |             |
|   | Compounded Quarterly      | V          | 11% - 12.25%    | -                 | 1,900,000                | 6,000,000                | 350,000            | 8,250,000          |             |
| <b>Total (B)</b>                          |                           |            |                 | <b>6,860,000</b>  | <b>112,710,000</b>       | <b>20,850,000</b>        | <b>56,750,000</b>  | <b>197,170,000</b> |             |
| <b>Debentures- Unsecured and Unlisted</b> |                           |            |                 |                   |                          |                          |                    |                    |             |
|   | Quarterly Payment         | I          | 11% - 11%       | -                 | -                        | 20,170,000               | -                  | 20,170,000         |             |
|   | Quarterly Payment         | II         | 11% - 11%       | -                 | -                        | 30,000,000               | -                  | 30,000,000         |             |
|   | Quarterly Payment         | III        | 11% - 11.25%    | -                 | -                        | -                        | 57,380,000         | 57,380,000         |             |
|   | Compounded Quarterly      | I          | 11.1% - 11.1%   | -                 | -                        | 16,740,000               | -                  | 16,740,000         |             |
|   | Compounded Quarterly      | III        | 11% - 11.25%    | -                 | -                        | -                        | 62,620,000         | 62,620,000         |             |
| <b>Total (C)</b>                          |                           |            |                 | -                 | -                        | <b>66,910,000</b>        | <b>120,000,000</b> | <b>186,910,000</b> |             |
| <b>Grand Total (A+B+C)</b>                |                           |            |                 | <b>6,860,000</b>  | <b>151,230,000</b>       | <b>218,890,000</b>       | <b>257,100,000</b> | <b>634,080,000</b> |             |



(Amount in ₹ unless otherwise stated)

| Particulars  | Long Term<br>March 31, 2017 | Long Term<br>March 31, 2016 | Short Term<br>March 31, 2017 | Short Term<br>March 31, 2016 |
|--|-----------------------------|-----------------------------|------------------------------|------------------------------|
| <b>NOTE 6 - PROVISIONS</b>                                   |                             |                             |                              |                              |
| Provision for employee benefits                              |                             |                             |                              |                              |
| Provision for gratuity (refer note 27)                       | 2,328,220                   | 1,406,439                   | 97,270                       | 78,451                       |
| Provision for leave benefits                                 | 2,485,646                   | 1,296,402                   | 122,170                      | 82,599                       |
|  | <b>4,813,866</b>            | <b>2,702,841</b>            | <b>219,440</b>               | <b>161,050</b>               |
| <b>Other Provisions</b>                                      |                             |                             |                              |                              |
| Provision for taxation (Net of advance tax)                  | -                           | -                           | -                            | 1,130,850                    |
| Contingent provision against standard assets (refer note 27) | 16,086                      | -                           | 21,955,058                   | 14,412,695                   |
| Proposed Equity Dividend                                     |                             |                             |                              | 8,726,391                    |
| Provision for tax on proposed equity dividend                |                             |                             |                              | 1,776,484                    |
| Proposed Preference Dividend                                 |                             |                             |                              | 1,150,820                    |
| Provision for tax on proposed preference dividend            |                             |                             |                              | 234,279                      |
|  | <b>16,086</b>               | <b>-</b>                    | <b>21,955,058</b>            | <b>27,431,519</b>            |
|  | <b>4,829,952</b>            | <b>2,702,841</b>            | <b>22,174,498</b>            | <b>27,592,569</b>            |

|   |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|
| <b>NOTE 7 - OTHER LIABILITIES</b>   |                    |                    |                    |                    |
| Trade payables  |                    |                    |                    |                    |
| Total outstanding dues of micro & small enterprises<br>(refer note 46 for details of dues to micro & small enterprises) | -                  | -                  | -                  | -                  |
| Total outstanding dues of creditors other than<br>micro enterprises and small enterprises                               | -                  | -                  | 5,949,435          | 3,545,357          |
| Employee benefits payable   |                    |                    | 9,887,762          | 4,634,782          |
|   |                    |                    | <b>15,837,197</b>  | <b>8,180,139</b>   |
| <b>Other Liabilities</b>  |                    |                    |                    |                    |
| Current maturities of long-term borrowings (refer note 5)   | -                  | -                  | 673,426,667        | 442,770,646        |
| Interest accrued but not due on borrowings  | 170,672,729        | 112,807,074        | 7,906,795          | 12,972,663         |
| Interest accrued and due on borrowings  | -                  | -                  | 2,641,329          | 1,066,908          |
| Investor Education and Protection Fund will be credited<br>by following amounts (as and when due)                       |                    |                    |                    |                    |
| Unpaid dividend   | -                  | -                  | 8,400              | 16,250             |
| Statutory dues payable  |                    |                    |                    |                    |
| Service tax payable   | -                  | -                  | 755                | -                  |
| TDS payable   | -                  | -                  | 2,698,191          | 1,873,262          |
| ESI Payable   | -                  | -                  | 418,424            | 188,519            |
| PF Payable  | -                  | -                  | 814,283            | 547,601            |
| Others  | -                  | -                  | 13,175,111         | 829,665            |
|   | <b>170,672,729</b> | <b>112,807,074</b> | <b>701,089,955</b> | <b>460,265,514</b> |
|   | <b>170,672,729</b> | <b>112,807,074</b> | <b>716,927,152</b> | <b>468,445,653</b> |

|   |                    |                       |                       |
|---|--------------------|-----------------------|-----------------------|
| <b>NOTE 9 - Deferred tax asset (net)</b>  |                    | <b>March 31, 2017</b> | <b>March 31, 2016</b> |
| <b>Deferred tax liability</b>   |                    |                       |                       |
| Impact of difference between tax depreciation and<br>depreciation/amortization charged for financial reporting                            | (1,866,886)        | (990,238)             |                       |
| <b>Gross deferred tax liability</b>   | <b>(1,866,886)</b> | <b>(990,238)</b>      |                       |
| <b>Deferred tax asset</b>   |                    |                       |                       |
| Impact of expenditure charged to the statement<br>of profit and loss in the current year but allowed<br>for tax purposes on payment basis | 1,664,162          | 946,888               |                       |
| Impact of provision for standard & non performing assets  | 7,264,319          | 4,765,269             |                       |
| <b>Deferred tax asset</b>   | <b>8,928,481</b>   | <b>5,712,157</b>      |                       |
| <b>Deferred tax asset (net)</b>   | <b>7,061,595</b>   | <b>4,721,919</b>      |                       |

## Notes to Accounts

(Amount in ₹ unless otherwise stated)

### NOTE 8.1 - PROPERTY, PLANT & EQUIPMENT

|   | Furniture & Fixtures | Computers         | Electric Implants | Leasehold Improvements | Vehicles         | Total             |
|---|----------------------|-------------------|-------------------|------------------------|------------------|-------------------|
| <b>Cost</b>   |                      |                   |                   |                        |                  |                   |
| <b>At April 1, 2015</b>   | <b>6,767,092</b>     | <b>7,954,042</b>  | <b>3,700,841</b>  | -                      | -                | <b>18,421,975</b> |
| Additions   | 1,776,897            | 2,580,635         | 1,328,482         | -                      | 6,691,396        | 12,377,410        |
| Disposals   | -                    | -                 | -                 | -                      | -                | -                 |
| <b>At March 31, 2016</b>  | <b>8,543,989</b>     | <b>10,534,677</b> | <b>5,029,323</b>  | -                      | <b>6,691,396</b> | <b>30,799,385</b> |
| Additions   | 3,272,152            | 9,778,196         | 4,162,511         | 12,691,490             | -                | 29,904,349        |
| Disposals   | -                    | -                 | -                 | -                      | -                | -                 |
| Other adjustments*  | (2,055,185)          | (141,016)         | (1,190,395)       | -                      | -                | (3,386,596)       |
| <b>At March 31, 2017</b>  | <b>9,760,956</b>     | <b>20,171,857</b> | <b>8,001,439</b>  | <b>12,691,490</b>      | <b>6,691,396</b> | <b>57,317,138</b> |
| <i>* It includes assets classified as held for sale during the year and Amount disclosed under other current assets (refer note 11)</i> |                      |                   |                   |                        |                  |                   |
| <b>Depreciation</b>   |                      |                   |                   |                        |                  |                   |
| At April 1, 2015  | 1,050,709            | 4,176,206         | 339,254           | -                      | -                | 5,566,169         |
| Charge for the year   | 739,820              | 2,065,460         | 282,089           | -                      | 334,139          | 3,421,508         |
| Disposals   | -                    | -                 | -                 | -                      | -                | -                 |
| <b>At March 31, 2016</b>  | <b>1,790,529</b>     | <b>6,241,666</b>  | <b>621,343</b>    | -                      | <b>334,139</b>   | <b>8,987,677</b>  |
| Charge for the year   | 948,374              | 2,762,764         | 679,975           | 435,876                | 840,507          | 5,667,497         |
| Disposals   | (637,650)            | (133,964)         | (309,913)         | -                      | -                | (1,081,527)       |
| <b>At March 31, 2017</b>  | <b>2,101,253</b>     | <b>8,870,466</b>  | <b>991,405</b>    | <b>435,876</b>         | <b>1,174,646</b> | <b>13,573,647</b> |
| <b>Net Block</b>  |                      |                   |                   |                        |                  |                   |
| <b>At March 31, 2016</b>  | <b>6,753,460</b>     | <b>4,293,011</b>  | <b>4,407,980</b>  | -                      | <b>6,357,257</b> | <b>21,811,708</b> |
| <b>At March 31, 2017</b>  | <b>7,659,703</b>     | <b>11,301,391</b> | <b>7,010,033</b>  | <b>12,255,614</b>      | <b>5,516,750</b> | <b>43,743,762</b> |

### 8.2 INTANGIBLE ASSETS

|                          | Software       | Licenses         | Total            |
|--------------------------|----------------|------------------|------------------|
| <b>Gross block</b>       |                |                  |                  |
| <b>At April 1, 2015</b>  | 1,934,377      | 1,393,638        | 3,328,015        |
| Addition                 | -              | 633,863          | 633,863          |
| Write offs               | (1,584,314)    | (968,225)        | (2,552,539)      |
| <b>At March 31, 2016</b> | <b>350,063</b> | <b>1,059,276</b> | <b>1,409,339</b> |
| Addition                 | 43,707         | 2,398,229        | 2,441,936        |
| <b>At March 31, 2017</b> | <b>393,770</b> | <b>3,457,505</b> | <b>3,851,275</b> |
| <b>Amortisation</b>      |                |                  |                  |
| <b>At April 1, 2015</b>  | 1,140,231      | 468,283          | 1,608,514        |
| Charge for the year      | 56,745         | 135,633          | 192,378          |
| Reversal for the year    | (969,066)      | (305,703)        | (1,274,769)      |
| <b>At March 31, 2016</b> | <b>227,910</b> | <b>298,213</b>   | <b>526,123</b>   |
| Charge for the year      | 71,154         | 297,964          | 369,118          |
| <b>At March 31, 2017</b> | <b>299,064</b> | <b>596,177</b>   | <b>895,241</b>   |
| <b>Net block</b>         |                |                  |                  |
| <b>At March 31, 2016</b> | <b>122,153</b> | <b>761,063</b>   | <b>883,216</b>   |
| <b>At March 31, 2017</b> | <b>94,706</b>  | <b>2,861,328</b> | <b>2,956,034</b> |

(Amount in ₹ unless otherwise stated)

| Particulars  | Non-Current<br>March 31, 2017 | Non-Current<br>March 31, 2016 | Current<br>March 31, 2017 | Current<br>March 31, 2016 |
|--|-------------------------------|-------------------------------|---------------------------|---------------------------|
| <b>NOTE 10 - LOANS &amp; ADVANCES</b>  |                               |                               |                           |                           |
| <b>A - Portfolio Loans</b>   |                               |                               |                           |                           |
| Joint liability group loans  |                               |                               |                           |                           |
| Unsecured, considered good*  | 1,608,563                     | 94,992,674                    | 1,129,900,831             | 1,345,562,703             |
| Unsecured, considered Doubtful**   | -                             | -                             | -                         | -                         |
|  | <b>1,608,563</b>              | <b>94,992,674</b>             | <b>1,129,900,831</b>      | <b>1,345,562,703</b>      |
| <b>Other Loans</b>   |                               |                               |                           |                           |
| Secured, considered good*  | -                             | -                             | 1,170,000                 | 2,150,000                 |
| Secured, considered Doubtful**   | -                             | -                             | -                         | -                         |
|  | -                             | -                             | <b>1,170,000</b>          | <b>2,150,000</b>          |
|  | <b>(A) 1,608,563</b>          | <b>94,992,674</b>             | <b>1,131,070,831</b>      | <b>1,347,712,703</b>      |
| * Represents standard assets in accordance with Company's asset classification policy (refer note 2.1 (q) & 28)        |                               |                               |                           |                           |
| ** Represents non-performing assets in accordance with Company's asset classification policy (refer note 2.1 (q) & 28) |                               |                               |                           |                           |
| <b>B-Security Deposits</b>   |                               |                               |                           |                           |
| Unsecured, considered good   | 2,534,004                     | 10,030,500                    | 17,656,246                | 14,875,000                |
|  | <b>(B) 2,534,004</b>          | <b>10,030,500</b>             | <b>17,656,246</b>         | <b>14,875,000</b>         |
| <b>C. Advances recoverable in cash or kind</b>   |                               |                               |                           |                           |
| Unsecured, considered good   | -                             | -                             | -                         | 230,684                   |
| Unsecured, considered doubtful   | -                             | -                             | -                         | -                         |
| Provision for doubtful advances  | -                             | -                             | -                         | -                         |
|  | <b>(C) -</b>                  | <b>-</b>                      | <b>-</b>                  | <b>230,684</b>            |
| <b>D. Other loans and advances (unsecured, considered good)</b>  |                               |                               |                           |                           |
| Advance income tax (net of provision for taxation)   | -                             | -                             | 1,006,506                 | -                         |
| Prepaid expenses   | -                             | -                             | 2,080,161                 | 1,058,443                 |
| Loans to employees   | -                             | -                             | 661,212                   | 683,467                   |
| Balances with statutory / government authorities   | -                             | -                             | 5,678,354                 | 16,248                    |
| Others   | -                             | -                             | 3,604,602                 | 743,294                   |
|  | <b>(D) -</b>                  | <b>-</b>                      | <b>13,030,835</b>         | <b>2,501,452</b>          |
| <b>Total (A+B+C+D)</b>   | <b>4,142,567</b>              | <b>105,023,174</b>            | <b>1,161,757,912</b>      | <b>1,365,319,839</b>      |
| <b>NOTE 11 - OTHER ASSETS</b>  |                               |                               |                           |                           |
| Non-current bank balances (refer note 14)  | 52,840,604                    | 40,302,829                    | -                         | -                         |
| Assets held for sale   | -                             | -                             | 2,305,069                 | -                         |
| Interest accrued but not due on portfolio loans  | -                             | -                             | -                         | -                         |
| Interest accrued and due on portfolio loans  | -                             | -                             | 8,446,895                 | 7,476,485                 |
| Interest accrued and due on Other Loans (Loan against Debentures)  | -                             | -                             | 145,584                   | 116,472                   |
| Interest accrued but not due on deposits placed with banks   | 2,700,002                     | 1,627,095                     | 4,371,530                 | 1,336,780                 |
| Others considered good   | -                             | -                             | 658,003                   | 1,007,375                 |
|  | <b>55,540,606</b>             | <b>41,929,924</b>             | <b>15,927,081</b>         | <b>9,937,112</b>          |

## Notes to Accounts

(Amount in ₹ unless otherwise stated)

| Particulars  | 31-3-2017           | 31-3-2016           |                    |                    |
|--|---------------------|---------------------|--------------------|--------------------|
| <b>NOTE 12 - CURRENT INVESTMENTS</b>   |                     |                     |                    |                    |
| <b>Quoted Mutual Funds</b>   |                     |                     |                    |                    |
| 5,96,411.393 (31 March 2016: Nil) Units of Rs 10 each fully Paid-Up of Reliance Medium Term Fund-Growth Plan - Growth Option         | 20,000,000          | -                   |                    |                    |
| 5,144.096 (31 March 2016: Nil) units of Rs 10 each fully paid-up of Reliance Liquid Fund - Treasury Plan-Growth Plan - Growth Option | 20,333,570          | -                   |                    |                    |
| 13,377.646 (31 March 2016: Nil) units of Rs 10 each fully paid-up of Reliance Money Manager Fund - Growth Plan Growth Option         | 30,000,000          | -                   |                    |                    |
| 28,396.141 (31 March 2016: Nil) units of Rs 10 each fully paid-up of Tata Ultra Short Term Fund Regular Plan - Growth (Ultra Liquid) | 70,000,000          | -                   |                    |                    |
| 2,86,245.651 (31 March 2016: Nil) units of Rs 10 each fully paid-up of ICICI Prudential Savings Fund - Growth (Ultra Liquid)         | 70,000,000          | -                   |                    |                    |
|  | <b>210,333,570</b>  | -                   |                    |                    |
| <b>NOTE 13 - TRADE RECEIVABLES</b>   |                     |                     |                    |                    |
| <b>Outstanding for a period less than six months from the date they are due for payment</b>  |                     |                     |                    |                    |
| Unsecured, considered good   | 348,076             | 352,861             |                    |                    |
| <b>Outstanding for a period exceeding six months from the date they are due for payment</b>  |                     |                     |                    |                    |
| Unsecured, considered good   | -                   | -                   |                    |                    |
|  | <b>348,076</b>      | <b>352,861</b>      |                    |                    |
| <b>NOTE 14 - CASH &amp; BANK BALANCES</b>  |                     |                     |                    |                    |
|  | <b>Non-Current</b>  |                     | <b>Current</b>     |                    |
|  | <b>31-3-2017</b>    | <b>31-3- 2016</b>   | <b>31-3-2017</b>   | <b>31-3-2016</b>   |
| <b>Cash and Cash equivalents</b>   |                     |                     |                    |                    |
| Balances with banks  |                     |                     |                    |                    |
| On current accounts  | -                   | -                   | 584,347,534        | 221,483,123        |
| Deposits with original maturity of less than three months  | -                   | -                   | 186,499,000        | -                  |
| Cheques/ drafts on hand  | -                   | -                   | 2,914,818          | 16,250             |
| Cash on hand   | -                   | -                   | 7,318,326          | 1,460,234          |
|  | -                   | -                   | <b>781,079,678</b> | <b>222,959,607</b> |
| <b>Other Bank Balances</b>   |                     |                     |                    |                    |
| Margin money deposit (refer note (a) below)  | 52,840,604          | 40,302,829          | 23,459,298         | 8,998,342          |
|  | <b>52,840,604</b>   | <b>40,302,829</b>   | <b>23,459,298</b>  | <b>8,998,342</b>   |
| Amount disclosed under other non-current assets (refer note 11)  | <b>(52,840,604)</b> | <b>(40,302,829)</b> |                    |                    |
|  | -                   | -                   | <b>804,538,976</b> | <b>231,957,949</b> |
| <i>Note (a): Represent deposits liened to avail term loans from banks, financial institutions.</i>                                   |                     |                     |                    |                    |
| <b>NOTE 15 - REVENUE FROM OPERATIONS</b>   |                     |                     |                    |                    |
| Particulars  | 31-3-2017           | 31-3-2016           |                    |                    |
| Interest income on portfolio loans   | 410,934,963         | 268,438,601         |                    |                    |
| Interest on other loans  | 264,987             | 802,591             |                    |                    |
| <b>Other Operating Revenue</b>   |                     |                     |                    |                    |
| Loan processing fees   | 23,088,571          | 23,373,678          |                    |                    |
| Interest on fixed deposits as margin money deposits*   | 7,191,944           | 3,527,134           |                    |                    |
|  | <b>441,480,465</b>  | <b>296,142,004</b>  |                    |                    |
| *Represents interest on fixed deposits liened to avail term loans from banks, financial institutions.                                |                     |                     |                    |                    |
| <b>NOTE 16 - OTHER INCOME</b>  |                     |                     |                    |                    |
| Interest on fixed deposits   | 7,486,072           | 3,307,746           |                    |                    |
| Other fee income   | 1,959,083           | 5,494,520           |                    |                    |
| Profit on sale of mutual fund units  | 15,266,170          | 1,939,971           |                    |                    |
| Miscellaneous income   | 39,536              | 14,052              |                    |                    |
|  | <b>24,750,861</b>   | <b>10,756,289</b>   |                    |                    |

(Amount in ₹ unless otherwise stated)

| Particulars  | 31-3-2017          | 31-3-2016          |
|--|--------------------|--------------------|
| <b>NOTE 17 - EMPLOYEE BENEFIT EXPENSES</b>                   |                    |                    |
| Salaries and bonus / incentives                              | 82,345,317         | 58,993,549         |
| Leave benefits   | 1,228,815          | 1,379,001          |
| Contribution to provident fund                               | 4,082,252          | 3,017,202          |
| Contribution to Employee State Insurance Corporation         | 2,231,558          | 1,366,785          |
| Gratuity expenses (refer note 27)                            | 940,600            | 615,543            |
| Staff welfare expenses                                       | 3,314,802          | 2,235,840          |
|  | <b>94,143,344</b>  | <b>67,607,920</b>  |
| <b>NOTE 18 - FINANCE COSTS</b>                               |                    |                    |
| Interest   |                    |                    |
| On term loans from banks                                     | 43,315,891         | 198,681            |
| On term loans from financial institutions                    | 92,000,303         | 52,797,165         |
| On debentures  | 88,584,527         | 71,599,778         |
| On inter corporate loans                                     | 1,191,283          | 1,189,866          |
| Other finance costs  | 14,932,825         | 9,606,413          |
| Bank charges   | 1,174,084          | 337,311            |
|  | <b>241,198,913</b> | <b>135,729,214</b> |
| <b>NOTE 19 - DEPRECIATION AND AMORTISATION EXPENSE</b>       |                    |                    |
| Depreciation of property, plan and equipment                 | 5,667,497          | 3,421,508          |
| Amortisation of intangible assets                            | 369,118            | 192,378            |
|  | <b>6,036,615</b>   | <b>3,613,886</b>   |
| <b>NOTE 20 - PROVISIONS AND WRITE-OFFS</b>                   |                    |                    |
| Contingent provision against standard assets (refer note 28) | 7,558,449          | 7,637,360          |
|  | <b>7,558,449</b>   | <b>7,637,360</b>   |
| <b>NOTE 21 - OTHER EXPENSES</b>                              |                    |                    |
| Rent   | 11,683,093         | 6,255,392          |
| Rates and taxes  | 3,745,746          | 3,379,145          |
| Insurance  | 1,472,287          | 1,280,036          |
| Repairs and maintenance                                      |                    |                    |
| Buildings  | 2,121,157          | 1,524,727          |
| Others   | 78,005             | 17,936             |
| Electricity charges  | 1,455,286          | 990,947            |
| Travelling and conveyance                                    | 13,644,052         | 7,868,734          |
| Communication expenses                                       | 3,916,296          | 2,737,889          |
| Printing and stationery                                      | 4,227,302          | 3,813,466          |
| Freight and forwarding charges                               | 222,175            | 259,012            |
| Legal and professional fees                                  | 3,918,477          | 3,446,737          |
| Credit information service charges                           | 701,250            | 401,644            |
| Directors' sitting fees                                      | 238,000            | 129,000            |
| Auditors' remuneration (refer note A below)                  | 900,000            | 142,000            |
| Loss on sale of fixed assets (net)                           | -                  | 1,277,770          |
| Miscellaneous expenses                                       | 3,616,639          | 2,673,058          |
|  | <b>51,939,765</b>  | <b>36,197,493</b>  |
| <b>A. Payment to auditors</b>                                |                    |                    |
| As auditor:  |                    |                    |
| Audit fee  | 650,000            | 100,000            |
| Tax audit fee  | -                  | 30,000             |
| Limited review   | 200,000            | 12,000             |
| In other capacity:   |                    |                    |
| Other services (certification fees)                          | 50,000             | -                  |
| Reimbursement of expenses                                    | -                  | -                  |
|  | <b>900,000</b>     | <b>142,000</b>     |

## Notes to Accounts

(Amount in ₹ unless otherwise stated)

| Particulars | 31-3-2017 | 31-3-2016 |
|-------------|-----------|-----------|
|-------------|-----------|-----------|

### NOTE 22 - Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

|  |                      |                      |
|--|----------------------|----------------------|
| Profit/ (loss) after tax   | 43,119,536           | 37,056,570           |
| Less : dividends on convertible preference shares & tax thereon            | 2,170,330            | 1,385,099            |
| Less : Preference dividend of OCPS   | 1,803,235            | 1,150,820            |
| Less : DDT on preference dividend  | 367,095              | 234,279              |
| <b>Net profit/ (loss) for calculation of basic EPS</b>                     | <b>40,949,206</b>    | <b>35,671,471</b>    |
| Net profit as above  | 40,949,206           | 35,671,471           |
| Add: dividends on convertible preference shares & tax thereon              | 2,170,330            | 1,150,820            |
| <b>Net Profit for calculation of diluted EPS</b>                           | <b>43,119,536</b>    | <b>36,822,291</b>    |
|  | <b>No. of shares</b> | <b>No. of shares</b> |
| <b>Weighted average number of equity shares in calculating basic EPS</b>   | <b>18,711,500</b>    | <b>10,907,988</b>    |
| <b>Effect of dilution:</b>   |                      |                      |
| Convertible preference shares  | 2,000,000            | 1,278,689            |
| <b>Weighted average number of equity shares in calculating diluted EPS</b> | <b>20,711,500</b>    | <b>12,186,677</b>    |

### 23 Segment information

The Company operates in a single business segment i.e. financing, which has similar risks and returns for the purpose of AS 17 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

### 24 Related parties

#### a. Names of the related parties with whom transactions have been entered

##### Key Management Personnel

Mr. Amardeep Singh Samra - Managing director  
 Mr. Amitesh Kumar - Chief Financial Officer  
 Ms. Sonia Dua - Company Secretary & Manager Compliance

##### Relative of Key Management personal

Mr. Amarjit Singh Samra  
 Mr. Sarvjit Singh Samra  
 Mrs. Surinder Kaur Samra  
 Mrs. Gagan Samra

##### Investing party in respect of which the reporting enterprise is an associate

Kitara PIIN 1501

## b. Transactions with Related Parties

| Nature of Transaction         | Key Management Personnel |           | Relative of Key Management Personnel |          | Investing Party in respect of which the reporting enterprise is an associate |             |
|-------------------------------|--------------------------|-----------|--------------------------------------|----------|--|-------------|
|                               | Year Ended March 31      |           | Year Ended March 31                  |          | Year Ended March 31  |             |
|                               | 2017                     | 2016      | 2017                                 | 2016     | 2017   | 2016        |
| <b>Remuneration</b>           |                          |           |                                      |          |  |             |
| Amardeep Singh Samra          | 4,686,000                | 2,808,000 |                                      |          |  |             |
| Amitesh Kumar                 | 1,872,000                | 1,508,168 |                                      |          |  |             |
| Preetpal Singh                | -                        | 216,336   |                                      |          |  |             |
| Sonia Dua                     | 411,688                  | 103,871   |                                      |          |  |             |
| <b>Rent Paid</b>              |                          |           |                                      |          |  |             |
| Amardeep Singh Samra          | 935,426                  | 216,000   |                                      |          |  |             |
| Surinder Kaur Samra           |                          |           | 113,400                              | 291,000  |  |             |
| Amarjit Singh Samra           |                          |           | 113,400                              | 291,000  |  |             |
| Sarvjit Singh Samra           |                          |           | 935,426                              | 216,000  |  |             |
| Gagan Samra                   |                          |           | 9,450                                | 1,08,000 |  |             |
| <b>Sitting Fees</b>           |                          |           |                                      |          |  |             |
| Amardeep Singh Samra          | 38,000                   | 22,000    |                                      |          |  |             |
| Gagan Samra                   |                          |           | -                                    | 10,000   |  |             |
| <b>Issue of Equity Shares</b> |                          |           |                                      |          |  |             |
| Kitara PIIN 1501              |                          |           |                                      |          | -  | 149,992,180 |

## c. Year end balances

| Particulars                 | As at March 31, 2017 | As at March 31, 2016 |
|-----------------------------|----------------------|----------------------|
| <b>Equity Share Capital</b> |                      |                      |
| <b>Kitara PIIN 1501</b>     | 149,992,180          | 149,992,180          |

## 25. Capital and othe commitments

Estimated amounts of contracts remaining to be executed on capital account (net of advances) and not provided:

| Particulars                             | As at March 31, 2017 | As at March 31, 2016 |
|---|----------------------|----------------------|
| For implementation of Computer software | 1,062,500            | -                    |
| Construction of Head Office             | 477,144              | -                    |

## 26. Contingent liabilities

There are no contingent liabilities as at end of the current year and previous year.

## 27. Retirement benefits

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of Rs. 10,00,000 as per The Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

## Notes to Accounts

The following tables summaries the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the Balance Sheet for the gratuity plan.

### Statement of profit and loss

Net employees benefit expense (recognised in employees benefit expense):

(Amount in ₹)

| Particulars  | Gratuity<br>March 31, 2017 | Gratuity<br>March 31, 2016 |
|--|----------------------------|----------------------------|
| Current service cost                               | 958,914                    | 673,683                    |
| Interest cost on benefit obligation                | 118,791                    | 69,163                     |
| Net actuarial (gain) / loss recognised in the year | (137,105)                  | (127,303)                  |
| <b>Net employee benefit expense</b>                | <b>940,600</b>             | <b>615,543</b>             |

### Balance Sheet

Details of provision for gratuity:

| Particulars                | Gratuity<br>March 31, 2017 | Gratuity<br>March 31, 2016 |
|----------------------------|----------------------------|----------------------------|
| Defined benefit obligation | 2,425,490                  | 1,484,890                  |
| Fair value of plan assets  | -                          | -                          |
| <b>Plan liability</b>      | <b>2,425,490</b>           | <b>1,484,890</b>           |

Changes in the present value of the defined benefit obligation are as follows:

| Particulars                               | Gratuity<br>March 31, 2017 | Gratuity<br>March 31, 2016 |
|---|----------------------------|----------------------------|
| Opening defined benefit obligation        | 1,484,890                  | 892,423                    |
| Interest cost                             | 118,791                    | 69,163                     |
| Current service cost                      | 958,914                    | 673,683                    |
| Benefits paid                             | -                          | (23,076)                   |
| Actuarial (gains) / losses on obligation  | (137,105)                  | (127,303)                  |
| <b>Closing defined benefit obligation</b> | <b>2,425,490</b>           | <b>1,484,890</b>           |

### The principal assumptions used in determining gratuity:

| Particulars                      | Gratuity<br>March 31, 2017 | Gratuity<br>March 31, 2016 |
|----------------------------------|----------------------------|----------------------------|
| Discount Rate                    | 7.35%                      | 8.00%                      |
| Salary escalation rate per annum | 5.50%                      | 5.50%                      |

The following table summaries the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the Balance Sheet for the leave encashment plan.

### Statement of profit and loss

Net employees benefit expense (recognised in employees benefit expense):

| Particulars  | Leave Encashment<br>March 31, 2017 | Leave Encashment<br>March 31, 2016 |
|--|------------------------------------|------------------------------------|
| Current service cost                               | 922,046                            | 497,322                            |
| Interest cost on benefit obligation                | 110,320                            | -                                  |
| Past Cost Service                                  | -                                  | 881,679                            |
| Net actuarial (gain) / loss recognised in the year | 196,449                            | -                                  |
| <b>Net employee benefit expense</b>                | <b>1,228,815</b>                   | <b>13,79,001</b>                   |



**Balance Sheet**

Details of provision for leave benefit:

| Particulars                | Leave Benefit<br>March 31, 2017 | Leave Benefit<br>March 31, 2016 |
|----------------------------|---------------------------------|---------------------------------|
| Defined benefit obligation | 26,07,816                       | 13,79,001                       |
| Fair value of plan assets  | -                               | -                               |
| <b>Plan liability</b>      | <b>26,07,816</b>                | <b>13,79,001</b>                |

Changes in the present value of the defined benefit obligation are as follows:

| Particulars                               | Leave Benefit<br>March 31, 2017 | Leave Benefit<br>March 31, 2016 |
|---|---------------------------------|---------------------------------|
| Opening defined benefit obligation        | 13,79,001                       | -                               |
| Interest cost                             | 1,10,320                        | -                               |
| Past Service Cost                         | -                               | 8,81,679                        |
| Current service cost                      | 9,22,046                        | 4,97,322                        |
| Benefits paid                             | -                               | -                               |
| Actuarial (gains) / losses on obligation  | 1,96,449                        | -                               |
| <b>Closing defined benefit obligation</b> | <b>26,07,816</b>                | <b>13,79,001</b>                |

The principal assumptions used in determining Leave benefit :

| Particulars                      | Leave Benefit<br>March 31, 2017 | Leave Benefit<br>March 31, 2016 |
|----------------------------------|---------------------------------|---------------------------------|
| Discount Rate                    | 7.35%                           | 8.00%                           |
| Salary escalation rate per annum | 5.50%                           | 5.50%                           |

**28. Portfolio loans (JLG), loans other than portfolio loans and provision for standard and non-performing assets as at March 31, 2017:**

| Asset classification | Loans outstanding (Gross)  |                            | Provision for standard and non-performing assets |   |   |                            | Loans outstanding (Net)    |                            |
|----------------------|----------------------------|----------------------------|--|---|---|----------------------------|----------------------------|----------------------------|
|                      | As at<br>March 31,<br>2017 | As at<br>March 31,<br>2016 | As at<br>March 31,<br>2016                       | Provision<br>made<br>during the<br>year | Provision<br>written<br>back during<br>the year | As at<br>March 31,<br>2017 | As at<br>March 31,<br>2017 | As at<br>March 31,<br>2016 |
| Standard assets      | 1,132,679,394              | 1,442,705,377              | 14,412,695                                       | 7,558,449                               | -   | 21,971,144                 | 1,110,708,250              | 1,428,292,682              |
| Sub-standard assets  | -                          | -                          | -  | -                                       | -   | -                          | -                          | -                          |
| Loss assets          | -                          | -                          | -  | -                                       | -   | -                          | -                          | -                          |
| <b>Total</b>         | <b>1,132,679,394</b>       | <b>1,442,705,377</b>       | <b>14,412,695</b>                                | <b>7,558,449</b>                        | <b>-</b>  | <b>21,971,144</b>          | <b>1,110,708,250</b>       | <b>1,428,292,682</b>       |

**Portfolio loans (JLG), loans other than portfolio loans and provision for standard and non-performing assets as at March 31, 2016:**

| Asset classification | Loans outstanding (Gross)  |                            | Provision for standard and non-performing assets |   |   |                            | Loans outstanding (Net)    |                            |
|----------------------|----------------------------|----------------------------|--|---|---|----------------------------|----------------------------|----------------------------|
|                      | As at<br>March 31,<br>2016 | As at<br>March 31,<br>2015 | As at<br>March 31,<br>2015                       | Provision<br>made<br>during the<br>year | Provision<br>written<br>back during<br>the year | As at<br>March 31,<br>2016 | As at<br>March 31,<br>2016 | As at<br>March 31,<br>2015 |
| Standard assets      | 1,442,705,377              | 678,538,247                | 6,775,335  | 7,637,360                               | -   | 14,412,695                 | 1,426,149,823              | 671,762,912                |
| Sub-standard assets  | -                          | -                          | -  | -                                       | -   | -                          | -                          | -                          |
| Doubtful assets      | -                          | -                          | -  | -                                       | -   | -                          | -                          | -                          |
| Loss assets          | -                          | -                          | -  | -                                       | -   | -                          | -                          | -                          |
| <b>Total</b>         | <b>1,442,705,377</b>       | <b>678,538,247</b>         | <b>6,775,335</b>                                 | <b>7,637,360</b>                        | <b>-</b>  | <b>14,412,695</b>          | <b>1,426,149,823</b>       | <b>671,762,912</b>         |

## Notes to Accounts

The Reserve Bank of India vide circular No. DBR.No.BP.BC.37/21.04.048/2016-17 dated November 21, 2016 and DBR.No.BP.BC.49/21.04.048/2016-17 dated December 28, 2016 has provided a dispensation on prudential norms in the form of short-term deferment of classification of loan accounts as sub-standard. Accordingly, the Company has availed the said dispensation whereby loan accounts aggregating Rs. 4,60,26,262 continue to be classified as standard assets as at March 31, 2017.

However, the Company has performed a qualitative assessment of such loan accounts and accordingly, revised its estimates of provisioning for standard assets and also reversed the overdue interest income for such loans. For JLG loans overdue for more than 90 days, the Company has provided for 50% of the overdue amount.

### 29. Leases (operating lease)

#### Office Premises:

Head office, registered office and branch office premises are obtained on operating lease. The branch office premises are generally rented on cancellable term ranging from eleven months to one hundred eight months with or without escalation clause, however none of the branch lease agreement carries non-cancellable lease periods. The registered office premise has been obtained on a lease term of one hundred eight months with an escalation clause of five to ten percent after every twelve months. The rent agreement for head office premise has been renewed on a lease term of nine years with an escalation clause of five percent after every twelve months. There are no restrictions imposed by lease arrangements. There are no subleases. Lease payments during the year are charged to statement of profit and loss.

| Description   | March 31, 2017 | March 31, 2016 |
|---|----------------|----------------|
| Operating lease expenses recognised in the statement of profit and loss | 11,683,093     | 6,255,392      |
| Minimum Lease Obligations   |                |                |
| Not later than one year   | 7,551,805      | 5,822,644      |
| Later than one year but not later than five years                       | 21,828,360     | 3,694,396      |
| Later than 5 years  | 23,525,795     | 21,780         |

### 30. Dues to micro, small and medium enterprises

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises.

For the year ended March 31, 2017, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

### 31. Details of Specified Bank Notes (SBN) held and transacted during the period from 8 November, 2016 to 30 December, 2016:

| Particulars  | SBN         | Other Denomination Notes (In Rupees) | Total             |
|--|-------------|--------------------------------------|-------------------|
| Closing cash in hand as on November 8, 2016 [note (b)] | 5,968,450   | 1,622,562                            | 7,591,012         |
| (+) Permitted receipts [note (C)]                      | -           | 437,544,001                          | 437,544,001       |
| (+) Withdrawal from Banks                              | -           | 1,275,790                            | 1,275,790         |
| (-) Permitted payments [note (d)]                      | -           | (1,533,195)                          | (1,533,195)       |
| (-) Amount deposited in Banks                          | (5,968,450) | (427,744,777)                        | (433,713,227)     |
| Closing cash in hand as on December 30, 2016           | -           | <b>11,164,381</b>                    | <b>11,164,381</b> |

- a) Under the technology and processes operated by the Company, details of the denominations of notes are not available for all types of cash receipts and payments made by the Company. However, the Company has established a process to monitor the denomination of the notes for the end of the day cash balance through daily cash reports submitted by the branches.

- b) Includes amounts collected by the Company from its loan borrowers on November 8, 2016. Part of these amounts have been accounted on November 9, 2016 in the ordinary course of the business based on the field collection data received from collection officers in respect of the previous day.
- c) Permitted receipts in other denomination notes include collections made by the Company from its loan borrowers towards regular loan obligations and withdrawals from bank accounts during the period from November 9, 2016 to December 30, 2016 in the ordinary course of business. The Company had implemented interim measures and controls to ensure no transactions are carried out in SBNs. Accordingly, no instances have been reported of any non-permitted receipts or payments made by the Company.
- d) Permitted payments in other denomination notes include disbursement of loan to its borrowers and other cash payments in the ordinary course of business.

### 32. Detail of CSR Expenses

| Particulars  | March 31, 2017 | March 31, 2016* |
|--|----------------|-----------------|
| a) Gross amount required to be spent by the Company during the year                          | 5,46,741       | -               |
| b) Amount spent during the year on purposes other than construction/acquisition of any asset | -              | -               |

\*In previous year the requirement to spend on CSR was not applicable on the Company

### 33. Additional disclosures required by the RBI

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise

#### a. Capital to Risk Assets Ratio ('CRAR'):

| Particulars            | March 31, 2017 | March 31, 2016 |
|------------------------|----------------|----------------|
| CRAR                   | 42.53%         | 28.11%         |
| CRAR – Tier I Capital  | 27.22%         | 21.88%         |
| CRAR – Tier II Capital | 15.31%         | 6.23%          |

34. Previous year's figures have been regrouped where necessary to conform to this year's classification.

# Our Customers





I, Kuldeep Kaur W/o Mr. Manjit Singh R/o VPO Jamsheer, Distt. Jalandhar, Punjab is a member of Midland Microfin from past 6 years. After my husband moved outside Punjab to earn for the family, I planned to open a Kiryana shop, for which I took loan of Rs. 12000/- from the Company. After taking the loan I have purchased adequate stock and I am paying the installments very easily.

Since then I am a regular member of Midland Microfin & I am in my 6th loan cycle. I thank Midland Microfin for always standing by me and helping me to earn my livelihood.

I, Baljit Kaur w/o Sukhdev Singh R/o VPO Pashnawal, Distt. Gurdaspur. The financial position of my family was not very good. We had a Kiryana store but it was not well stocked. Then I took loan of Rs. 20,000/- from Midland Microfin Ltd. (Rayya Branch) to buy new stock for my shop. I am very much thankful to Midland Microfin Ltd. which provided me loan without any security and guarantee at a lower rate of interest. This loan has helped us improve the financial position of our family. Now I don't have any problem in educating my children.



I Mandeep Kaur w/o Rajesh Kumar r/o vill. Rupowali, Distt. Amritsar, Punjab. I run my beauty parlour and I used to earn Rs. 300-400 per day which generally got spent in meeting my day to day expense and I was not able to buy new equipment and products for my parlour. Then I took a loan of Rs. 20,000/- from Midland Microfin Ltd. to buy new equipment and products for my parlor. This has helped me increase my daily income now I able to save for my future as well. I am thankful to Midland Microfin Limited who provided this support to me and are also helping no. of other women like me in improving their financial status.

I, Navneet Kaur w/o Ajay Kumar r/o Viil. Nilokheri Distt. Karnal, Haryana. I have a business of making cardboard boxes used at sweets shop. We did not have any enough money to purchase new fancy products to make better boxes which are nowadays in demand due to which our business was leaving behind. Then I took loan of Rs. 25000/- from Midland Microfin Ltd. to buy new raw material for my business. This loan amount has helped us bring our business at a better position and increase our standard of living. I and my family are thankful to Midland Microfin Limited for supporting us and really wish to stay with the company in future.



I Kanta Devi w/o Ramesh Kumar r/o Ward No. 09, Rawatsar, Rajasthan. I took loan of Rs 20,000/- from Midland Microfin Ltd. & invested in my cosmetic product business. It helped me to expand my business. Earlier I was used to earn Rs 100-150/day which has increased at Rs 300-400/day now. I am earning handsome amount of money these days. I would really want to thank Midland Microfin for providing me the ways to strengthen my financial position.

## Recreational Activities

### 6th Establishment Day Celebrations



### Chairman's Club 2017 - *Ishq-e-Dilli* !

Midland Microfin believes in duly recognising & appreciating the dedicated efforts of its employees. In this regard the Company has chosen a different route to fill their Employees with a bundle of joys & mesmerizing memories. Hence rewarded them with a golden opportunity to be a part of annual 'Chairman's Club' trip. In this three day trip, employees along with the top management visited the historical places of Delhi & also moved their feet on the beat.



## Our Partners

### Insurance Partners



### Rating Partners



### Technical Partners



### Self Regulatory Organisation



### Credit Bureau



### Debt Funding Partners



### Network Organization



### Equity Partners



KITARA PIIN 1501

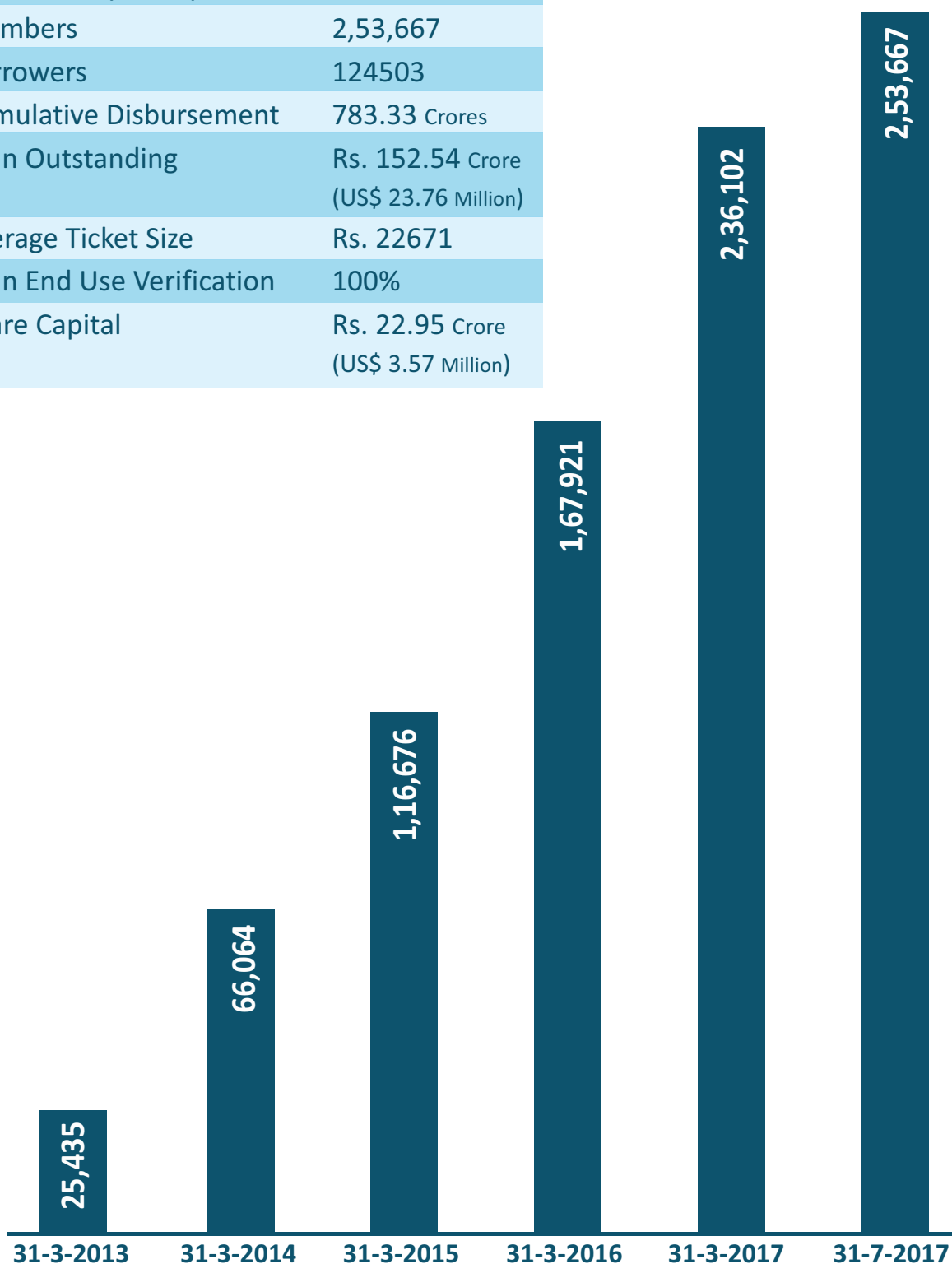


# THE MILESTONES ■

(As at July 31, 2017)

|                           |  |
|---------------------------|--|
| States                    | 3  |
| Union Territory (UT)      | 1  |
| Villages Covered          | 7387                                     |
| Branches                  | 75                                       |
| Joint Liability Groups    | 24905                                    |
| Members                   | 2,53,667                                 |
| Borrowers                 | 124503                                   |
| Cumulative Disbursement   | 783.33 Crores                            |
| Loan Outstanding          | Rs. 152.54 Crore<br>(US\$ 23.76 Million) |
| Average Ticket Size       | Rs. 22671                                |
| Loan End Use Verification | 100%                                     |
| Share Capital             | Rs. 22.95 Crore<br>(US\$ 3.57 Million)   |

■ CUSTOMERS





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