



**Midland
microfin**
beyond microfinance



*Happiness is when
what you think, what you say,
and what you do, are in harmony.
-Mahatama Gandhi*

Annual Report
2017-18



Table of Contents

About Midland Microfin	2
Corporate Information	4
Vision & Mission	6
Managing Director's Note	7
Directors' Report	8
Management Discussion & Analysis	27
Secretarial Audit Report	42
Independent Auditors' Report	47
Financial Statements	53
Balance Sheet	
Statement of Profit & Loss Account	
Notes to Accounts	57
Our Customers	83
Recreational Activities	84
Our Partners	86

About Midland Microfin

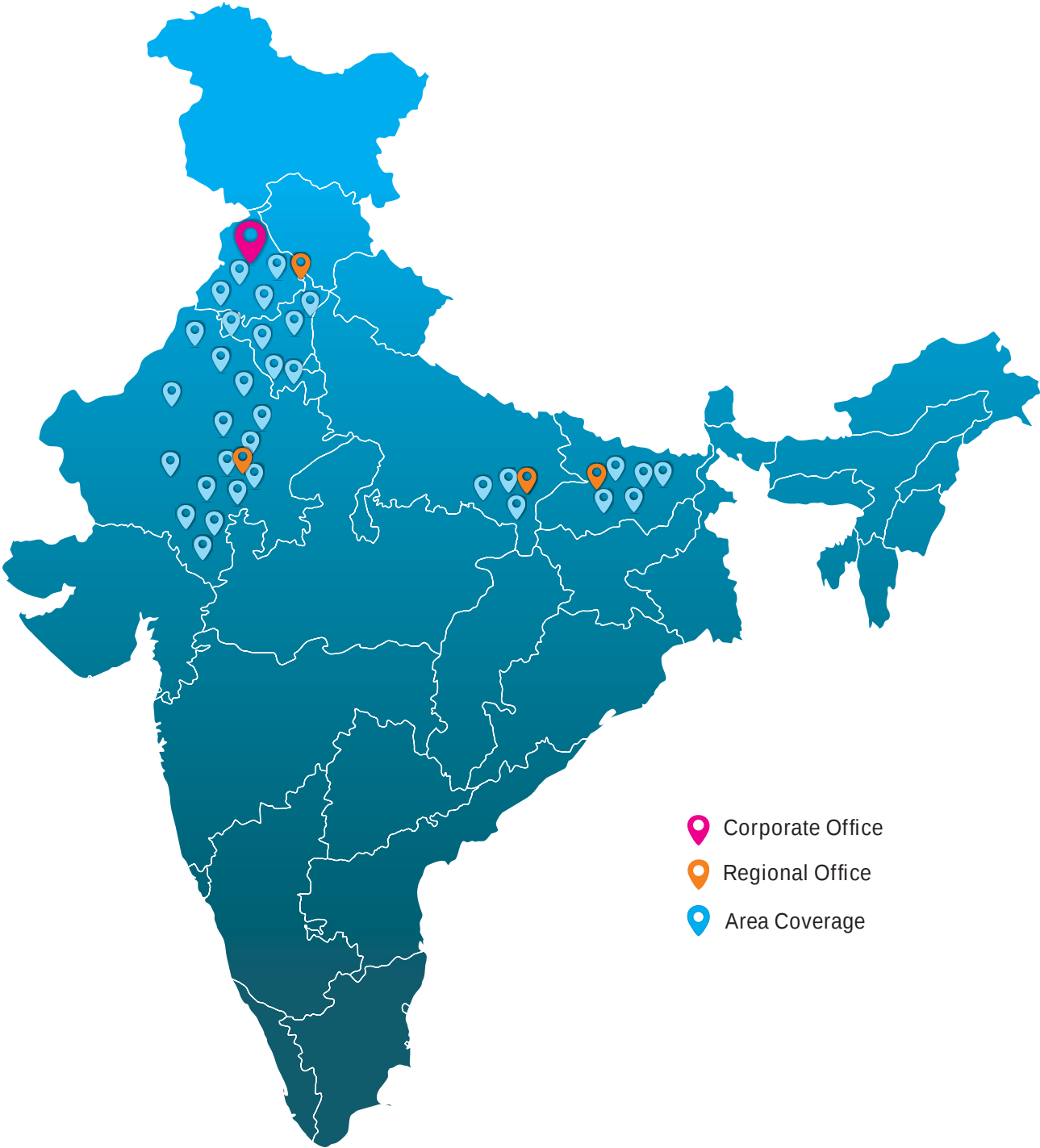


Midland Microfin Limited (MML) is the first Punjab based Microfinance Institution (MFI) having its Head Office at Jalandhar, Punjab and is working towards Financial & Social Empowerment of Women by way of extending small Business Loans. The Company is registered as an 'NBFC – MFI' with the Reserve Bank of India (RBI) and has been complying with all the regulatory and legal requirements 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 104 branches, which is spread out in 5 States and 1 Union Territory viz. Punjab, Haryana, Rajasthan, Uttar Pradesh, Bihar and Chandigarh. We have opened four Regional Offices in Jaipur, Chandigarh, Varanasi & Patna in this Financial Year to 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.

Expanding Outreach



CORPORATE INFORMATION

Midland Microfin
CORPORATE OFFICE

Corporate Information

Chairman

Mr. Vijay Kumar Bhandari

Managing Director

Mr. Amardeep Singh Samra

Directors

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

Chief Financial Officer & EVP

Mr. Amitesh Kumar

Company Secretary & Manager Compliance

Ms. Sharon Arora

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)

M/s 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

M/s 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, 400001.

Board Committees

Audit Committee

Mr. Vijay Kumar Bhandari-Chairman
Mr. Shant Gupta
Mr. Janak Raj Gupta
Mr. Sachin Kamath
Mr. Kamna Raj Aggarwalla

Nomination & Remuneration Committee

Mr. Vijay Kumar Bhandari
Mr. Shant Gupta
Mr. Janak Raj Gupta
Mr. Sachin Kamath

Investors/ Stakeholders

Grievance Committee

Mr. Amardeep Singh Samra
Mr. Vijay Kumar Bhandari
Mr. Shant Gupta

Core Management Committee

Mr. Amardeep Singh Samra
Mr. Vijay Kumar Bhandari
Mr. Shant Gupta
Mr. Sachin Kamath

Board Management Committee

Mr. Amardeep Singh Samra
Mr. Shant Gupta
Mr. Vijay Kumar Bhandari
Mr. Amitesh Kumar

Head Office Executive Committee

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

CSR Committee

Mr. Amardeep Singh Samra
Mr. Sachin Kamath
Ms. Kamna Raj Aggarwalla

Vision | Mission | Values



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



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.



COURAGE
RESPECT
RESPONSIBILITY
COMMITMENT
ACHIEVEMENT



Managing Director's Note

Dear Patrons,

This has been a year of achievements for us as your Company crossed the landmark of Rs. 1000 crores (USD 143 million) with regard to Cumulative Disbursement. Having focus on Geographical Diversification, we have added two more States of Uttar Pradesh and Bihar in our area of operation. With 120 branches covering more than 12,500 villages having more than 2,50,000 borrowers, we are constantly increasing our outreach. We have opened Regional Offices at Jaipur, Chandigarh, Patna and Varanasi. The Bank Loan Rating has been upgraded to 'BBB+' from 'BBB'. The Institutional Grading is 'MF2' and Code of Conduct Assessment (COCA) is 'M2C1'. All of these are highest amongst the peer group.

The mention about demonetisation still holds relevance as its after effects impacted our industry in the period under review. Demonetisation had put our sector in despair, created more flutter in profitability in last financial year. In pursuit of our expansion plans and combating with the demonetisation damages, there was an increased expenditure, which affected the profits adversely. Integrated efforts of MML have counterpoised demonetisation impact that resulted in downsizing of portfolio in the previous year. The company envisaged an incredible growth in its loan portfolio; hence, it grew manifold i.e. more than 200% in the period under review. The company has maintained its asset quality with a collection efficiency of more than 99.50%. Currently, 100% of our disbursements are carried out through cashless modes.

Being a techno savvy organisation, MML has further improved its IT infrastructure. We have migrated to a new software i.e. 'e-Fimo' by Jayam Solutions. Further, a software named 'Gravity' by eSthenos has been launched which is a Tab based technology to provide 'Mobility Solution' for Loan Origination and Loan Monitoring Process. To ensure seamless and secured connectivity, we have begun the process of connecting our branches with our Head Office through intranet i.e. MPLS from Sify Technologies Ltd.

The Company plans to introduce new financial products and services; MSME Loans, Home Improvement Loans, Sanitation Loans, to name a few. To keep the momentum going, the company will further expand its operations in existing as well as new geographies with more products which will cater to the ever changing needs of the borrowers. The company intends to shift to cashless mode of repayment in the current financial year.

Amardeep Singh Samra
Managing Director



With 120 branches covering more than 12,500 villages having more than 2,50,000 borrowers, we are constantly increasing our outreach.

We have opened Regional Offices at Jaipur, Chandigarh, Patna and Varanasi.

Directors' Report

Dear Members

Your Directors are glad to present the Annual Report of the Company along with the Audited Statement of Accounts, Auditors' Report and the Report on the business and operations of the Company, for the financial year ended March 31, 2018.

BUSINESS OVERVIEW AND ECONOMIC OUTLOOK

Over the past years, Microfinance Institutions (MFIs) have been providing small ticket loans and rendering financial services to the progressive poor, primarily in rural and semi urban areas. They have traditionally been excluded from the formal financial system due to multiple constraints, unavailability of credit history and lack of financial awareness etc.

The Microfinance sector has witnessed high growth in FY 2017-18 as compared to FY 2016-17. In terms of Equity Investments, the sector grew by 40% and stood at Rs 9,631 crores, as reported by Micrometer report by MFIN (Microfinance Institutions Network). As compared to the previous year, the Gross Loan Portfolio (GLP) of NBFC-MFIs also grew by 50% in FY 2017-18, which was Rs. 48,094 crore as on 31st March, 2018.

Earlier, due to demonetisation there was a slowdown in Microfinance Industry because of non-availability of cash that resulted in diminishing of business activities. Additionally, due to factors such as local activism, misinterpretation of regulations such as loan waiver etc., the collections dwindled, forcing MFIs to show caution from further lending. However, MFI sector has now begin to show signs of recovery with increased rural incomes, increased employment opportunities and loan collections getting back on track. The industry cumulatively caters to millions of customers, majority of whom are women and in the recent past industry has shown tremendous growth which is evident from increased portfolio size and improved asset quality. This is an encouraging sign for many medium and small microfinance institutions that are planning to expand their outreach and operations.

Some highlights of this financial year are as under:

- As on 31st March 2018, 2.53 crores clients have loan outstanding from NBFC-MFIs, which indicates an increase of 25% over FY 16-17.
- The aggregate Gross Loan Portfolio (GLP) of MFIs stood at Rs 48,094 crores as on 31st March 2018. This represents a Year on Year growth of 50% as compared to 31st March 2017.
- Loan amount of Rs 59,629 crores was disbursed in FY 17-18, an increase of 49% as compared to FY 16-17.
- NBFC-MFIs disbursed 268 Lakh loans during FY 17-18, an increase of 25% over FY 16-17.
- Average loan amount disbursed per account during FY 17-18 was Rs 22,273, an increase of 19% from FY 16-17.
- During FY 17-18, NBFC-MFIs received a total of Rs 20,695 crores in debt funding, a growth of 20% compared to FY 16-17. In the corresponding period, NBFC-MFIs have total equity of Rs 9,631 crores, up by 40% from FY 16-17.
- MFIs now cover 30 States/Union Territories.
- In terms of regional distribution of portfolio (GLP), East and North East accounts for 44% of the total NBFC MFI portfolio, South 20%, North 14%, West 11% and Central contributes 11%.

Microfinance plays an important role in filling the credit gap that exists despite the presence of banks and unorganised lenders. The sector has been instrumental in improving India's GDP. Microfinance emerged as one of the best initiatives to help the Progressive Poor and financially excluded population.

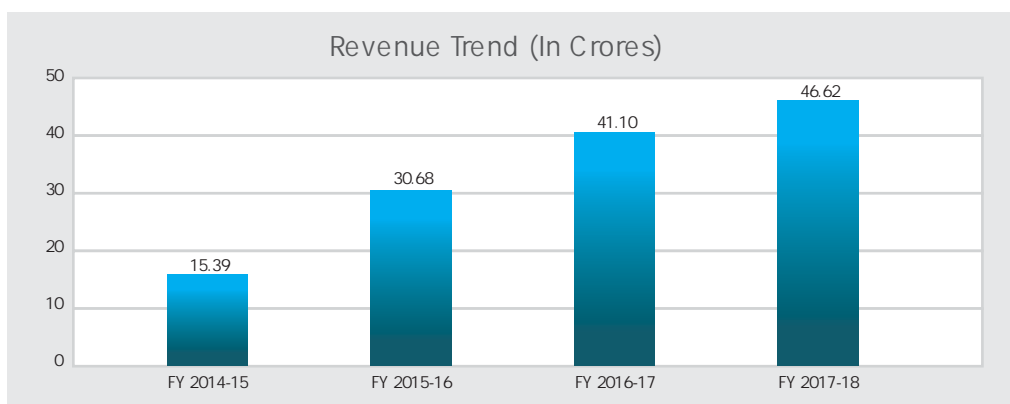
Focus on financial literacy drives, increased enablement of cash-in, cash-out points in remote areas using biometric authentication, growth in digital transaction infrastructure with new age banks will be key drivers of change. Microfinance institutions are experimenting with various innovative modes of digital transactions, leveraging the penetration of mobile phones and tabs.

FINANCIAL HIGHLIGHTS

Your Company has made an incredible growth in the financial year 2017-18.

The summarised financial results for the year ended March 31, 2018 and the previous years are as under:

Particulars	(Rs. in Crores)		
	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016
1. Total Gross Income	56.53	46.62	30.68
2. Interest Expended	27.68	24.11	13.57
3. Operating Exp. (i)+(ii)	26.51	15.21	10.77
(i) Employees Cost	16.14	9.41	6.76
(ii) Other Operating Exp.	10.37	5.80	4.03
4. Total Expenditure (2)+(3) (Excluding Provisions and Contingencies)	54.19	39.33	24.36
5. Operating Profit (1-4) (Profit before Provisions and Contingencies)	2.34	7.29	6.33
6. Provisions (other than tax) and Contingencies (Net)	1.00	0.76	0.76
7. Profit before Tax (5-6)	1.34	6.53	5.56
8. Taxes	0.16	2.22	1.85
9. Net Profit from Ordinary Activities after Tax (7-8)	1.18	4.31	3.71
10. Net Profit/(Loss) for the period	1.18	4.31	3.71
11. Paid-up Equity Share Capital (Face Value Rs. 10/- per Share)	18.71	18.71	18.71
12. Reserves & Surplus excluding Revaluation Reserves	34.33	21.40	14.99
13. Dividend %			
Preference	9%, 17%, 0.02% & 0.01%	9%, 17%, 0.02%	9%
Equity	-	6%	8%
14. Net Worth (Including Preference Share Capital)	71.38	44.36	35.56
15. Earnings Per Share	0.43	2.19	3.28
16. Capital Adequacy Ratio (in %)	23.72	42.63	28.21
17. Operating Expenses (Opex) Ratio (in %)	11.43	11.92	10.93
18. Gearing (in times) (Long Term)	3.90	3.68	3.92
19. Return on Total Assets (in %)	0.37	2.10	2.85
20. Return on AUM (in %)	0.50	3.35	3.51
21. Return on Equity (in %)	2.49	11.71	16.51
22. Operating Self Sufficiency (OSS) Ratio (in %)	102.73	116.30	122.15
23. PAT Margin Ratio (in %)	2.08	9.25	12.1
24. Finance Cost Ratio on AUM (in %)	11.93	18.66	12.82



Directors' Report

Impact of Demonetisation on MFIs and Economy as a whole

On 8 November 2016, the Government of India announced scrapping of 500 and 1000 banknotes. The outcome in this regard was however quite severe, at least in the short term, disrupting ordinary life across the country. The demonetisation hit hardest in rural areas, where access to banking is still inadequate. The rural and informal economy suffered disproportionately because most of the transactions were cash-based. MFIs across the country were badly hit as compared to other sectors on all fronts. Firstly, the collections were not forthcoming due to the unavailability of Specified Bank Notes and secondly, the disbursements could not happen as planned due to non-availability of legal tender with the Banks. Further profits dipped due to increase in overdues because of cash crunch in the system. Due to this reason, there was a significant fall in borrowers' income.

(a) Impact on Portfolio

Demonetisation impacted MML's profits as well. During the year under review, Midland Microfin Limited earned a net profit of Rs. 1.18 crores as compared to Rs. 4.31 crores in previous financial year 2016-17. If demonetisation had not happened then the growth cycle of the company would have reached at a different level. As on November 8, 2016 (in the Pre Demonetisation period), Company's portfolio was Rs. 193 crores which came down to Rs. 113.15 crores as on March 2017 and in June 2017, it stood at Rs. 137.98 crores. Hence, the Interest Income on portfolio reduced drastically.

(b) Increased Finance Cost

MML had to bear higher finance cost, as it was assumed that the after effect of demonetisation would be short lived and the Industry will quickly recover from this crunch. Hence, MML raised debt which was based on the projections but could not deploy those funds as planned. The company had to invest the surplus funds in short term money market instruments, instead of earning higher yield on its lending that caused the Increased Finance Cost during the FY 2017-18.

(c) Increased Fixed Cost

MML never planned to curtail its business growth in post demonetisation period and the Company did not go for retrenchments, in fact more branches were opened in this particular phase.

By the end of September 2017, MML's portfolio grew appreciably making Portfolio Outstanding at Rs. 203.02 crores. The number of branches reached to 80 by opening 27 new branches as on September 2017 with a team of around 778 employees against 666 employees in June 2017. Apart from this, four regional offices were opened at Jaipur, Chandigarh, Patna and Varanasi.

The profits of the Company got hampered due to increased fixed cost with the opening of new branches and regional offices during the period under review.

Information technology Infrastructural Developments

With a vision of being a techno-savvy Company, MML has invested a lot in technology; migrated to new software and introduced tab based mobility solution. MML has introduced a new system named 'Gravity' by eSthenos to smoothen the operations in Geo-Tagging, Digitised Loan Monitoring System.

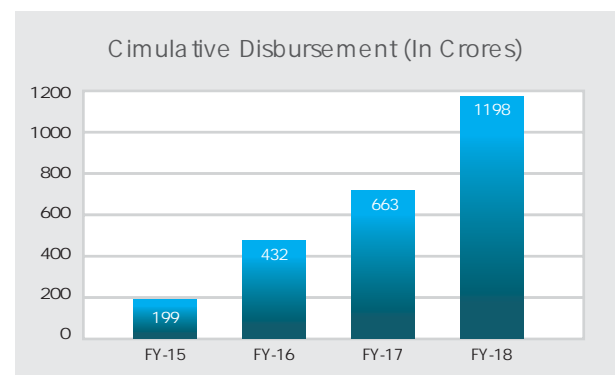
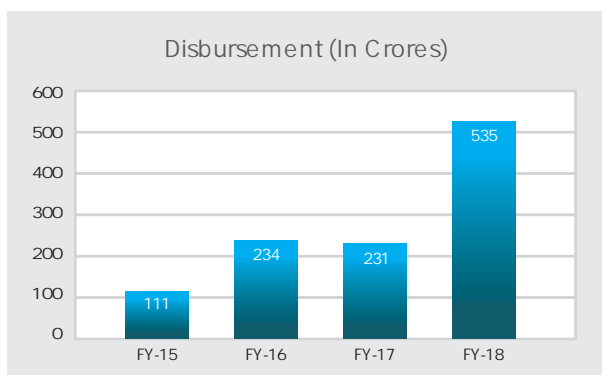
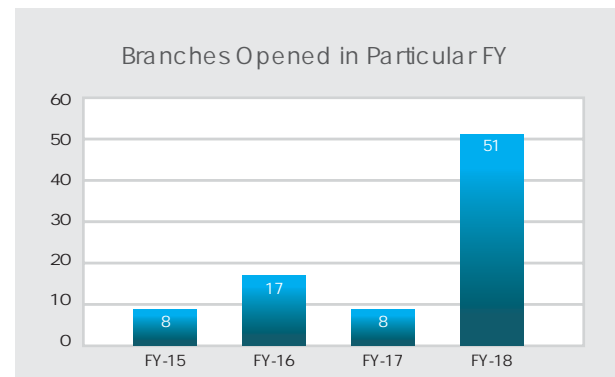
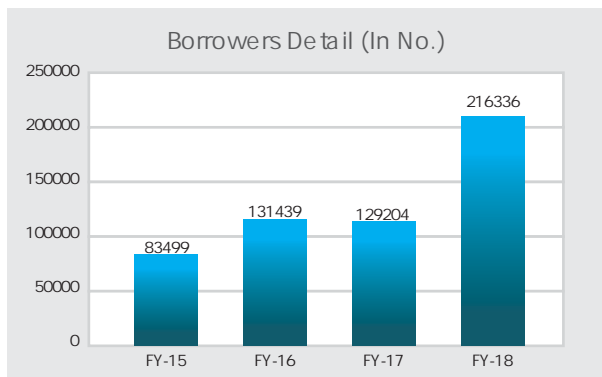
OPERATIONAL HIGHLIGHTS

The operational highlights for the financial year ended on March 31, 2018:

- a) 104 branches across 5 States (Punjab, Haryana, Rajasthan, U.P. and Bihar) and 1 Union Territory (Chandigarh).
- b) Cumulative disbursement of Rs. 1198.29 crores.
- c) Loan Disbursed during the financial year 17-18 of Rs. 535.13 crores.

The Company has made a sustainable growth in its operations, comparative operating performance of the Company as on March 31, 2018:

Particulars	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016	CAGR
States	5	3	3	29%
UT	1	1	1	N.A.
Districts	76	32	30	59%
Cities/Towns	104	53	45	52%
Villages Covered	11225	6234	3683	75%
Branches	104	53	45	52%
Joint Liability Groups	43267	25841	26288	28%
No. of Borrowers	216336	129204	131439	28%
Maximum Loan Amount (Rs.)				
Individual Loans	100000	-	-	N.A.
Joint Liability Group (JLG)	50000	50000	50000	N.A.
Average Ticket Size (Rs.)	25180	15636	13884	35%
Cumulative Loan Disbursement (Rs. in crores)	1198.29	663.14	432.26	66%
Gross Loan Portfolio (Rs. in crores)	350.79	113.15	144.06	56%
Loan Disbursed in FY (Rs. in crores)	535.13	230.88	233.74	51%
Equity Share Capital (Rs. in crores)	18.71	18.71	18.71	N.A.
Preference Share Capital (Rs. in crores)	18.34	4.25	2.00	203%
Total Assets (Rs. in crores)	389.89	231.74	178.64	48%



Directors' Report

DIVIDEND

As evident from the financials, the Company is working to recuperate from the Demonetisation Jolt. Demonetisation that took place on 8th November 2016 resulted in huge setback for the whole Financial Sector specifically the Microfinance sector. Initially, the microfinance sector virtually came to a standstill. It was only in the second half of the financial year that the Microfinance Industry started getting back on track. Keeping in view the promising future prospects while retaining capital to maintain a healthy Capital Adequacy Ratio and to support future growth, the board recommends to plough back the earnings in the Company; hence, the Board has not recommended any dividend on the equity share capital of the Company for the Financial Year 2017-18. The Directors recommended dividend at 9% p.a. on Optionally Convertible Preference Share Capital for the year 2017-2018 and 17% p.a., 0.02% p.a. and 0.01% p.a. for the Non-Convertible-Redeemable Cumulative Preference Shares ("NCRCPs") as per the relevant schemes which shall be payable on pro-rata basis. The dividend on preference shares will be paid to those shareholders whose names appear on the Register of Members as on record date.

REGULATORY UPDATE

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

The Company confirms that being a Debt listed Company it has made timely disclosures as required under SEBI (LODR) Regulations, 2015 during the financial year 2017-18.

The Company has filed all the requisite information and forms with Registrar of Companies (ROC)- Chandigarh as required under Companies Act, 2013 during the financial year 2017-18.

The Company has got itself registered as a Reporting Entity under Financial Intelligence Unit (FIU), Ministry of Finance.

The Company also registered itself in the Central Registry of Securitisation Asset Reconstruction and Security Interest of India. CERSAI is a risk mitigation tool for the Banks / Housing Finance companies, FIs and public at large to prevent multiple financing against the same property.

FOREIGN DIRECT INVESTMENT

The company has not received any Foreign Direct Investment (FDI) during the financial year 2017-18 through any route as per the guidelines issued by the Reserve Bank of India and FEMA. The Company has complied with all the requisite compliance, if any applicable under FEMA Regulations.

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.

At the operational level, all NBFCs are required to display prominently the detail of company's Grievance Redressal Officer, including details of the local office of the RBI at their branches and other places of business, in English as well as in vernacular language, for the benefit of the customers.

Your Company has revised 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 have been displayed at its branches, in English as well as in vernacular language.

DISCLOSURE PURSUANT TO COMPANIES ACT, 2013 AND SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.

a) STATE OF THE AFFAIRS OF THE COMPANY

Midland Microfin Limited (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 fully complying with all the regulatory & legal requirements 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 launched its Microfinance Operations in January 2011 to contribute in the eradication of global poverty. At present, MML has got a network of 104 operative branches, which is spread out in 5 States and one Union Territory namely Punjab, Haryana, Rajasthan UP (Eastern Belt), Bihar and Chandigarh covering 11,225 villages. As on March 31, 2018 the borrower base of the Company is 2,16,336. With this vision, Midland Microfin has brought a positive impact in the lives of many individuals and families and has helped them to earn their livelihood, grow their business and drastically improve their lifestyle. The Company has opened four Regional Offices during the Financial Year 2017-18 in Jaipur, Patna, Varanasi and Chandigarh to monitor the business progress effectively and efficiently.

During the year, the Company made an incredible increase in its Outstanding Portfolio, from Rs.113.15 crores to Rs. 350.79 crores, a growth of 210.02%. The Net Worth of the Company increased from Rs. 44.36 crores as at March 31, 2017 to Rs. 71.38 crores as at March 31, 2018. Net Interest Income increased by 12.33% from Rs. 41.09 crores during the previous financial year ending March 31, 2017 to Rs. 46.15 crores during the financial year ending March 31, 2018.

b) MATERIAL CHANGES AND COMMITMENT AFFECTING FINANCIAL POSITION OF THE COMPANY

There are no other material changes and commitments, which affects the financial position of the Company which has occurred between the end of the financial year of the Company i.e. March 31, 2018 and the date of the Directors' Report i.e. May 25, 2018.

c) SIGNIFICANT AND MATERIAL ORDER PASSED BY REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND OPERATIONS OF THE COMPANY

During the financial year 2017-18, no significant or material orders were passed by any Regulator, Court or Tribunal against the Company, which could impact its going concern status or operations.

d) TRANSFER TO GENERAL RESERVE AND STATUTORY RESERVE

The Company is required to transfer 20% of its Profit after Taxes (PAT) mandatorily to statutory reserves as per Section 45 (1C) of the Reserve Bank of India Act. Accordingly, an amount of Rs 23.57 Lakhs has been transferred to statutory reserves as on March 31, 2018.

e) ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Company has an Internal Control System, which is in accordance with the size, scale and complexity of its operations. The Internal Auditors monitor the efficiency and efficacy of the internal control systems in the Company and compliance with operating systems/accounting procedures and policies of the Company. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board. 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 put in place, a process wise internal control framework across the company. The Internal

Directors' Report

Auditors of the Company conduct internal audit of various departments of the company and evaluate the adequacy, efficiency and effectiveness of internal controls. The Company conducts its internal audit and compliance functions within the parameters of regulatory framework, commensurate the size, scale, and complexity of operations. The internal controls are reviewed and enhanced periodically.

f) DETAILS OF SUBSIDIARY/JOINT VENTURES/ ASSOCIATE COMPANIES

The Company does not have any subsidiary/joint venture/associate Company during the period under review.

g) DEPOSITS

The Company has not received or accepted any deposit and maintained its non-acceptance of public deposit NBFC status. The financials do not have deposits as specified under RBI directions.

h) EXTRACTS OF ANNUAL RETURN

Pursuant to the provisions of Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the extracts of the Annual Return as at March 31, 2018, form part of this report as Annexure-I.

l) AUDITORS

Statutory Auditors

The Statutory Auditors of the Company, M/s S.R. Batliboi & Associates LLP, Chartered Accountants, (having Firm Registration No.: 101049W/E300004), were appointed in the Annual General Meeting of the Company held on September 22, 2016 as Statutory Auditors of the Company to hold office for a term of five years until the conclusion of the Annual General Meeting to be held in Financial Year 2021, subject to the ratification of such appointment by the shareholders of the Company at every consecutive Annual General Meeting. The Auditors have confirmed their eligibility for appointment in the financial year 2017-18, if their appointment is ratified in the ensuing Annual General Meeting.

Your Directors recommend ratification of the appointment of M/s S.R. Batliboi & Associates LLP, Chartered Accountants as the Statutory Auditors of the Company for the financial year 2018-19.

Auditors' Report

M/s S.R. Batliboi & Associates LLP, Chartered Accountants, Statutory Auditors of the Company, have audited the accounts of the Company for the year 2017-18 and their Report is annexed. Pursuant to Section 143(3)(i) of the Companies Act, 2013, the Statutory Auditors have also reported on the adequacy and operating effectiveness of the internal financial controls system over financial reporting, which has been enclosed as 'Annexure' to Independent Auditor's Report. Significant audit observations, if any, and corrective actions taken by the Management are presented to the Audit Committee of the Board from time to time.

Response of the Board to the Auditors Comment

The report of the auditors contains no qualification/reservations in the said report, on the annual financial statements for the financial year 2017-18.

Secretarial Auditors and Secretarial Audit Report

Pursuant to Section 204 of the Companies Act, 2013, your Company had appointed M/s. Harsh Goyal & Associates, Practising Company Secretaries, Ludhiana as its Secretarial Auditors to conduct the secretarial audit of the Company for the FY 2017-18. The Company has provided all assistance and facilities to the Secretarial Auditors for conducting their audit. The Report of Secretarial Auditors for FY 2017-18 is annexed

to this report as Annexure-II. There are no observations, reservations or adverse remarks in the Secretarial Audit Report, which requires comments from the Board.

j) STATUTORY DISCLOSURES

(under section 134 (3) clause (m) of the Companies Act, 2013 read with Rule 8 (3) of Companies (Accounts) Rules, 2014.)

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, Regional Offices and Branches of the Company. The company has allocated specific cost budgets for the same to reduce electric wastage and the same is being monitored on periodical basis. Other measures like use of LEDs, power saver air-conditioning equipment's 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

Information and technology can induce massive impact on the state of credit market accessibility, which remains the most significant issue when it comes to availability of formal loans at market price. Inaccessibility of credit at reasonable market price is the reason behind weak financial inclusion of the backward section of the population. A lack of suitable financial infrastructure provides the main bottleneck and it can be successfully tackled with innovative implementation of information technology keeping in mind the challenging circumstances of rural population. Last year, Midland Microfin Limited migrated to a new software i.e. e-Fimo by Jayam Solutions, specifically designed to cater to the current as well as future needs of the Company. Now e-Fimo has been launched in all the branches. For better administration, IT department has been segregated into Hardware & Networking and Software. Creation of Database backup site, shifting to E-clock attendance system, In-house anti-virus system with Quick Heal and so on are the successful endeavours of the Company.

Future plans include E-KYC integration (as per norms), launching of separate individual loan module, Issuance of tracking system for Branches, Regional Offices and Head Office, centralised attendance management system including attendance mobile application etc.

iii) Foreign exchange earnings and Outgo

There was no foreign inflow for the company during the year under review.

There was no foreign exchange outflow during the year under review.

k) DIRECTORS & KEY MANAGERIAL PERSONNEL

(a) As per the table given below the Company's Board comprised seven Directors as on March 31, 2018.

DIN	Name of Category	Designation /Category	Qualification
00052716	Mr. Vijay Kumar Bhandari	Chairman-Non Executive Director	B.Com (Hons), F.C.A.
00649442	Mr. Amardeep Singh Samra	Managing Director	B.Com.
01571485	Mr. Shant Gupta	Non Executive Independent Director	B.Com., LL.B.
07070314	Mr. Harpal Singh	Non-Executive Director	B.Sc., A.C.A.
07009446	Mrs. Kamna Raj Aggarwalla	Non Executive Independent Director	B.A.
07473685	Mr. Janak Raj Gupta	Non Executive Independent Director	F.C.A.
01592593	Mr. Sachin Kamath	Nominee Director	F.C.A.

Directors' Report

(b) Statement of Declaration by Independent Directors

Pursuant to the provisions under Section 134(3)(d) of the Companies Act, 2013, with respect to statement on declaration given by Independent Directors under Section 149(6) of the Act, the Board hereby confirms that all the Independent Directors of the Company namely Mr. Shant Gupta, Mr. Janak Raj Gupta and Mrs. Kamna Raj Aggarwalla have given a declaration and have confirmed that they meet the criteria of independence as provided in the said Section 149(6).

(c) Appointment / Re-appointment / Resignation / Retirement of Directors

In order to ensure compliance with Section 152(6) of the Act, the Board has considered Mr. Vijay Kumar Bhandari, Non-Executive Director being longest in office, shall retire at the ensuing AGM and being eligible, offers himself for re-appointment, for ensuring compliance with Section 152(6) of the Act. The Company reappointed Mr. Harpal Singh as Director in the Annual General Meeting held on September 23, 2017.

(d) Remuneration to Directors/Employees and related analysis.

During the year under review, no employee of the Company received salary in excess of the limits as prescribed under the Act. Accordingly, no particulars of employees are being given pursuant to Section 134 of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The details pertaining to the ratio of the remuneration of each director to the median employee's remuneration and other prescribed details as required under section 197(12) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment And Remuneration of Managerial Personnel) Rules, 2014 are annexed herewith and forms part of the Directors' Report.

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

The Company's Nomination and Remuneration Policy formulated by the Nomination and Remuneration Committee deals with the appointment and remuneration of Directors and KMPs of the Company. The policy also covers the criteria for determining qualifications, positive attributes, independence of a Director and KMP. In terms of Section 134(3)(e) of Companies Act, 2013 the salient features of the Nomination and Remuneration Policy of the Company forms part of this report as Annexure-III.

(f) 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.

(g) Key Managerial Personnel

Pursuant to the provisions of section 203 of the Companies Act, 2013 and rules made thereunder the following were the KMPs of the Company as on March 31, 2018:

DIN	Name	Designation
00649442	Mr. Amardeep Samra	Managing Director
BBRPK3548	Mr. Amitesh Kumar	Chief Financial Officer
ASEPD4991K	Ms. Sonia Dua	Company Secretary

Note: Ms. Sonia Dua resigned as the Company Secretary of the company w.e.f. May 25, 2018. Accordingly, to fill the vacancy caused by the resignation of Ms. Sonia Dua, Ms. Sharon Arora has been appointed as the Company Secretary of the company w.e.f. May 25, 2018 in the Board Meeting held on May 25, 2018.

(k) MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS

The board and committee meetings are convened by giving appropriate notice after obtaining the approval of the Managing Director.

The Board meets at least once a quarter to review the business and other items on the agenda, once a year for on the occasion of the annual shareholders' meeting. When necessary, additional meetings are held.

The agenda along with the explanatory notes for the board and other committee meetings are duly drafted by the Company Secretary and these are distributed on or before the due date to the directors and members. Every director/member is free to suggest the inclusion of items on the agenda. The agenda is prepared by the concerned officials of the respective department and are approved by the Managing Director. Agenda is circulated to the directors/members by the Company Secretary. Additional items on the agenda are permitted with the permission of the Chairman. All divisions/departments in the Company are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussion/approval/decision in the board/committee meetings.

All such matters are communicated to the Company Secretary in advance so that the same could be included in the agenda for the board meetings. The Board also has the power to move certain resolutions by circulation as and when needed, as per the applicable provisions.

The half-yearly and the annual results are first placed before the Audit Committee of the Company and thereafter the same are placed before the Board of Directors.

Number of Board and Committee Meetings with dates and number of meetings attended by each Director and Committee Member.

Regular meetings of the Board are held to discuss and decide on various business policies, strategies and other businesses. Due to business exigencies, certain business decisions are taken by the Board through circulation from time to time.

The Board met four (4) times during the FY 2017-18 viz. on May 20, 2017, July 27, 2017, November 08, 2017 and March 05, 2018.

Directors' Report

a) Board Meetings-

Sr. No	Name of Director and DIN	Category	Attendance at the last AGM	Attendance at the Board Meeting held on May 20, 2017	Attendance at the Board Meeting held on July 27, 2017	Attendance at the Board Meeting held on November 08, 2017	Attendance at the Board Meeting held on March 03, 2018
1	Mr. Vijay Kumar Bhandari (DIN: 00052716)	Chairman/ Non-Executive Director	Present	Present	Present	Present	Present
2	Mr. Amardeep Samra (DIN: 00649442)	Managing Director	Present	Present	Present	Present	Present
3	Mr. Shant Gupta (DIN: 01571485)	Non-Executive Independent Director	Present	Present	Leave of Absence	Leave of Absence	Present
4	Mr. Harpal Singh (DIN: 07070314)	Non-Executive Director	Present	Leave of Absence	Leave of Absence	Present through Video Conferencing	Leave of Absence
5	Mrs. Kamna Raj Aggarwalla (DIN: 07009446)	Non-Executive Independent Director	Leave of Absence	Present	Leave of Absence	Present	Present
6	Mr. Janak Raj Gupta (DIN: 07473685)	Non-Executive Independent Director	Present	Present	Present	Present	Leave of Absence
7	Mr. Sachin Kamath (DIN: 01592593)	Nominee Director	Leave of Absence	Present	Present	Present	Present

Additionally, several Committee meetings were held during the year including meeting of the members of Audit Committee which met four (4) times and Nomination and Remuneration Committee Meeting which met once (1) during the financial year 2017-18.

b) Audit Committee Meetings

Sr. No	Name of Director and DIN	Category	Attendance at the Committee Meeting held on May 20, 2017	Attendance at the Committee Meeting held on July 27, 2017	Attendance at the Committee Meeting held on November 08, 2017	Attendance at the Committee Meeting held on March 03, 2018
1	Mr. Vijay Kumar Bhandari (DIN: 00052716)	Chairman/ Non-Executive Director	Present	Present	Present	Present
2	Mr. Shant Gupta (DIN: 01571485)	Non-Executive Independent Director	Present	Leave of Absence	Leave of Absence	Present
3	Mrs. Kamna Raj Aggarwalla (DIN: 07009446)	Non-Executive Independent Director	Present	Leave of Absence	Present	Present
4	Mr. Janak Raj Gupta (DIN: 07473685)	Non-Executive Independent Director	Present	Present	Present	Leave of Absence
5	Mr. Sachin Kamath (DIN: 01592593)	Nominee Director	Present	Present	Present	Present

c) Nomination and Remuneration Committee Meetings

Sr. No	Name of Director and DIN	Category	Attendance at the Committee Meeting held on May 20, 2017
1	Mr. Shant Gupta (DIN: 01571485)	Chairman/ Non-Executive Independent Director	Present
2	Mr. Vijay Kumar Bhandari (DIN: 00052716)	Non-Executive Director	Present
3	Mr. Janak Raj Gupta (DIN: 07473685)	Non-Executive Independent Director	Present
4	Mr. Sachin Kamath (DIN: 01592593)	Nominee Director	Present

(I) COMMITTEES OF THE BOARD

The Company has following six (6) Board level Committees, which have been established in compliance with the requirements of the business and relevant provisions of applicable laws and statutes:

- | | |
|-----------------------------------------------|----------------------------------------------|
| 1. Audit Committee | 2. Nomination and Remuneration Committee |
| 3. Investors/Stakeholders Grievance Committee | 4. Core Management Committee |
| 5. Board Management Committee | 6. Corporate Social Responsibility Committee |

Directors' Report

AUDIT COMMITTEE

The Company has an Audit Committee to ensure strong internal controls and corporate reporting systems including financial reporting. To ensure the composition & independence of the Committee as per the Companies Act, 2013, the Audit Committee's composition and terms of reference are in compliance with provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of the Listing Regulations.

The Audit Committee as on March 31, 2018 comprises of the following Non-Executive and Independent Directors:

Mr. Vijay Kumar Bhandari	Chairman	Non-Executive Director
Mr. Shant Gupta	Member	Non-Executive Independent Director
Mr. Janak Raj Gupta	Member	Non-Executive Independent Director
Mr. Sachin Kamath	Member	Nominee Director
Mrs. Kamna Raj Aggarwalla	Member	Non-Executive Independent Director

The Audit Committee, which acts as a Sub-Committee to the Board, duly performed its function as decided by the Board. It recommends various issues to the Board for their approval. Further, all recommendations of Audit Committee were accepted by the Board of Directors.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has constituted Corporate Social Responsibility ('CSR') Committee.

Detail of CSR Policy and its implementation

The Company's Corporate Social Responsibility (CSR) activities are guided and monitored by its CSR Committee. The CSR Policy of the Company provides a broad set of guidelines including intervention areas.

The Company believes that CSR is a way of creating shared value and contributing to social and environmental good. Company's strategy has been to integrate its activities in community development, social responsibility and environmental responsibility and encourage each business unit or function to include these considerations into its operations. These projects are in accordance with Schedule VII of the Companies Act, 2013.

A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken.	
Composition of the CSR Committee	Mr. Amardeep Singh Samra Mr. Sachin Kamath Mrs. Kamna Raj Aggarwalla
Average net Profit for last 3 financial years	46,382,529
Prescribed CSR expenditure (two percent of the amount as in item 3 above)	9,27,651
Details of CSR spent during the financial year	Nil
Total amount to be spent for the financial year;	9,27,651
Amount unspent, if any;	9,27,651
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	The growth of the Company was impacted due to demonetisation, therefore the whole concentration of the company was to gear up to recover from the impact. However, the CSR committee has identified various projects, which are in the process of execution. The Company has formed a separate CSR entity for carrying on the CSR activities namely 'Midland Foundation' through which the company can contribute to the Societal Development.

(m) EVALUATION

(a) Board

The board of directors has carried out an annual evaluation of its own performance, board committees and individual directors pursuant to the provisions of section 134(3)(p) of the Companies Act, 2013 and the corporate governance requirements as prescribed by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("SEBI Listing Regulations"). Performance evaluation criteria for Board, Committees of the Board and Directors were approved by the Nomination Committee of the Board at its meeting held on May 20, 2017. The Board was evaluated comprehensively on the following broad categories:

- Structure of the Board - competency, experience and qualifications of directors, Diversity in Board under various parameters, appointment process
- Meetings of the Board - regularity of meetings and adequacy, discussions and recording of dissent, if any.
- Recording of minutes, dissemination of information
- Functions of the Board - role and responsibilities of the Board
- Strategy and performance evaluation
- Evaluation of risks
- Grievance redressal for investors
- Management of conflict of interest
- Stakeholder value and responsibility
- Corporate culture and values
- Facilitation of independent directors
- Evaluation of performance of the management and feedback
- Independence of the management from the Board
- Access of the management to the Board and Board access to the management
- Secretarial support and fund availability for conducting its meeting effectively
- Succession planning
- Professional development
- Board candor, collegiality, transparency and board education
- Ethics & compliance

The performance of the board was evaluated after seeking inputs from all the directors on each of the above parameters of evaluation and the performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the above parameters of evaluation.

Performance Evaluation of the Directors: The board and the nomination and remuneration committee reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the chairman was also evaluated on the key aspects of his role.

(b) Committees

The Board evaluated the performance of each of the Board Committees on the following broad categories:

- Mandate and composition
- Effectiveness of the Committee
- Structure of the Committee, its functioning and attendance

Directors' Report

- Discussion, quality of agenda and action taken report
- Independence of the Committee from the Board
- Contribution of the Committees to the decisions taken by the Board
- Functioning of the committee in accordance with the terms of reference

The Board opined that the Board Committees' composition, structure, processes and working procedures are well laid down and that the Board Committees members have adequate expertise drawn from diverse functions, industries and business and bring specific competencies relevant to the Company's business and operations.

c) Non-Independent Director

In a separate meeting of independent directors held on January 25, 2018, performance of non-independent directors, performance of the board as a whole and performance of the chairman was evaluated, taking into account the views of executive directors and non-executive directors. The Independent Directors also assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board.

Performance evaluation of independent directors was done by the entire Board, excluding the independent director being evaluated.

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

n) VIGIL MECHANISM

The Company has adopted a Whistle Blower Policy/Vigil Mechanism in compliance with section 177 of the Companies Act, and Regulation 22 of SEBI (LODR) Regulations, 2015 to provide a formal vigil mechanism to the directors and employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. With the guarantee of anonymity, employees are encouraged and expected to raise concerns in an open manner about any misconduct observed. The whistle blower policy guarantees the absence of any negative repercussions for standing up and making a complaint. Further, the mechanism adopted by the Company encourages the Whistle Blower to report genuine concerns or grievances and provides for adequate safeguards against victimization of Whistle Blower who avail of such mechanism and also provides for direct access to the Chairman of the Audit Committee, in exceptional cases.

The functioning of the Vigil mechanism is reviewed by the Audit Committee from time to time.

Name and Address of the Whistle and Ethics Officer: -

Mr. Amitesh Kumar - EVP & CFO

email: amitesh@midlandmicrofin.com

Contact No.: 07837218817

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

o) RELATED PARTY TRANSACTIONS

There were no materially significant transactions with related parties including promoters, directors, key managerial personnel or relatives of the Directors during the financial year, which could lead to a potential conflict with the interest between the Company and these parties. The details of the transactions with related parties, if any, were placed before the Audit Committee from time to time. There were no material individual transactions with related parties, which were not in the ordinary course of business of the Company, nor were there any transactions with related parties, which were not on arm's length basis. Suitable disclosure as required under Companies Act, 2013 in prescribed Form AOC-2 attached as Annexure IV to this report.

p) 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.

q) POLICY ON PREVENTION, PROHIBITION AND REDRESSAL OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

The Company has zero tolerance for sexual harassment at the workplace, and has adopted a Policy on Prevention, Prohibition and Redressal of Sexual Harassment of Women at the Workplace, in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder. The Policy aims to provide protection to women employees at the workplace and prevent and redress complaints of sexual harassment and for matters connected or incidental thereto, with the objective of providing a safe working environment.

r) 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.

CORPORATE GOVERNANCE

The Company recognises its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to make them better and adopt the best practices.

In pursuing our Mission to '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'.

Midland Microfin has been balancing its dual objectives of social and financial goals since its inception. Responsible financing, ethical values and transparency in all its dealings with its customers, lenders, investors and employees have been the cornerstone of its operations. Transparency in the decision making process has been providing comfort to all stakeholders, particularly the lenders and the Investors.

CUSTOMER SERVICE

Midland Microfin believes that the strong culture of customer service that has nurtured throughout the previous year will help in building 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 rural, semi-urban and urban women.

The company has focused on income generation activities to support the livelihood and inclusive growth. During the financial 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 staff, credit and backend processes supplemented with strong comprehensive customer service quality programmes 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.

Directors' Report

CUSTOMER GRIEVANCE REDRESSAL

Midland Microfin adopted a well-structured customer grievance redressal mechanism and provides its customers a reliable and easily accessible interface for timely and fair resolution of enquires & complaints. Our Board approved policy on customer grievance redressal aims to minimize the instances of customer complaints through proper service delivery and review mechanism. Midland Microfin has provided multiple levels of contact and escalation points for customers to seek prompt resolution of their queries.

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 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 IIIrd 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.

The Company has designated grievance.redressal@midlandmicrofin.com as an e-mail ID for the purpose of registering complaints/queries/requests by investors and displayed the same on the Company's website.

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

Midland has seen an accelerated growth since the inception of operations in terms of customer acquisition and outreach into various geographies of the country. Hence, the company has set-up an effective GRIEVANCE REDRESSAL MECHANISM aiming to leverage its relationship with the customers, developing it into a deep and meaningful one.

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. 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.

Company's policy on customer grievance redressal is based on the following principles:

- a) Transparency, prompt and efficient customer service.
- b) The 'Toll free number' e.g 1800 137 0600 for grievance is printed on the client's passbook. Clients are being educated on the existence and process of grievance redressal mechanism during customer Mandatory Group Trainings (MGTs). They are also provided with phone numbers of Relationship Officers and Branch Officers in case they have any grievances.
- c) The details of grievance redressal officer are placed on the Company's website with contact details of Head office in Jalandhar. A client can lodge her grievance on the given phone numbers of Head Office e.g 0181-5065071. The grievances are dealt promptly and courteously. Log is maintained for all the grievances and steps taken for its resolution.

- d) Company treats all complaints efficiently and fairly so as to not damage or tarnish the company's reputation and affect its business otherwise.
- e) Company endeavors that its employees work in good faith and without prejudice to the interests of the client.

INSTITUTIONAL RATINGS & GRADING

Name of Agency	Name of Rating / Grading	Periodicity	Period 3 (FY 2017-18)	Period 2 (FY 2016-17)	Period 1 (FY 2015-16)
CARE Ratings	NCD Rating	To be reviewed till redemption of facility	BBB	BBB	BBB- (Surveillance)
CARE Ratings	Bank Loan Rating (210 Crores)	To be reviewed till final repayment	BBB	BBB	BBB- (Surveillance)
SMERA	Code of Conduct Assessment	One time Activity	M2C1	COCA 2	-
Brickwork Ratings	Institutional Grading	One time Activity	MF2	MF2	-

MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion and Analysis Report for the year under review as stipulated in Listing Regulations is presented in a separate section forming part of this Annual Report.

ACKNOWLEDGEMENT

Your Directors take this opportunity to express their deep and sincere gratitude to the Customers/Shareholders of the Company for their confidence and patronage, as well as to the Reserve Bank of India, Securities and Exchange Board of India, Government of India, and other Regulatory Authorities for their cooperation, support and guidance.

Your Directors would like to express a deep sense of appreciation for the commitment shown by the employees in supporting the Company in its continued robust performance on all fronts.

The Directors would also like to thank all our valued partners, vendors, Investors, other professionals and well wishers who have played a significant role in the continued excellent growth achieved by the Company.

For and on behalf of the Board of Directors
of Midland Microfin Ltd.

Vijay Kumar Bhandari
Chairman
DIN : 00052716

Amardeep Singh Samra
Managing Director
DIN: 00649442

Dated : May 25, 2018
Place: Jalandhar, Punjab

Directors' Report

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

- a) The ratio of the remuneration of the Managing Director to the median remuneration of the employees of the company for the financial year was 85.52%. No other Director of the Company is being paid any remuneration.
- b) The percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer, Company Secretary or Manager, if any, in the financial year.

Sr. No.	Name of Director /KMP and Designation	% increase in Remuneration in the Financial Year 2017-18
1.	Mr. Amardeep Samra (Managing Director)	21.19
2	Mr. Amitesh Kumar (Chief Financial Officer)	20.13
3.	Ms. Sonia Dua (Company Secretary)	17.64

- c) There was an increase of 18.15% in the median remuneration of employees in the financial year 2017-18 vis a vis financial year 2016-17.
- d) The Company had 977 permanent employees on the rolls of the Company.
- e) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2017-18 was 11.05% whereas the increase in the managerial remuneration for the same financial year was 15.36%.
- f) Affirmed that the remuneration is as per the remuneration policy of the company.

Management Discussion & Analysis

ECONOMIC OUTLOOK

The year 2017 was marked by a number of significant initiatives like introduction of Goods & Services Tax (GST) to build strength across macro-economic parameters for sustainable growth in the future. The growth in the first half of the year suffered despite global tailwinds. However, the weakness seen at the beginning of 2017, seems to have bottomed out as 2018 set in. Currently, the economy seems to be on the path to recovery, with indicators of industrial production, stock market index, auto sales and exports having shown some uptick. We believe that India's economic outlook remains favourable for FY17-18 and is expected to strengthen further in FY18-19.

As one of the fastest growing major economies in the world, India is expected to emerge as one of the top three economic powers of the world over the next 10-15 years, as per Central Statistics Organisation (CSO) and IMF (International Monetary Fund). Moody's upgradation of India's sovereign rating after 14 years, from Baa3 (lowest investment grade) to Baa2, also underlines the strength of its economic fundamentals.

After a temporary slowdown triggered by demonetisation and GST, the economy started showing signs of recovery in the second half of the year. The revival in positivity was reflected in the pick-up of industrial production and a decline in retail inflation (as measured by the CPI). The third quarter of the financial year saw India recorded its fastest growth in five quarters at 7.2%, to overtake China, which grew at 6.8% in this period.

India is expected to grow at 6.6% in financial year 2017-18, as per the latest estimates from CSO. The World Bank, however, has projected India's growth at 7.3% in financial year 2018-19 and 7.5% in financial year 2019-20 (Source: World Bank India report, March 2018). Investment is likely to remain modest, but capex spend will be supported by spends on urban infrastructure, road and rail projects, renewable energy and affordable housing. The Government's continuing reforms agenda is expected to infuse dynamism into the national economy, contributing to its growth momentum.

The Government continued with its reforms agenda, with the most notable ones being dynamic fuel pricing (June, 2017), Goods and Services Tax (July, 2017), Banking Regulation (Amendment) Bill, 2017 (August, 2017) and announcement of PSU Bank recapitalisation plan (October, 2017), selling of stake and public listing under disinvestment scheme launched in 2016 and liberalisation of FDI policy. Demonetisation, along with various measures taken to promote digital payment, boosted transactions through systems such as debit and credit cards, prepaid wallets, UPI, mobile banking, etc.

INDUSTRY OUTLOOK

Non-Banking Financial Companies-Micro Finance Institutions (NBFC-MFIs) are an integral part of the Indian Financial system, augmenting competition and diversification in the financial sector and complementing the banking system. The NBFC-MFI sector has been providing credit to customers in the underserved and unbanked areas. Their ability to innovate products in conformity with the needs of their clients is well established.

NBFC-MFIs have served as important lending machinery that supports the government's financial inclusion mission. NBFC-MFIs have scripted a great success story. Their contribution to the economy has grown in leaps and bounds from 8.4% in 2006 to above 14% in March 2015. In terms of financial assets, NBFC-MFIs have recorded a healthy growth—a Compounded Annual Growth Rate of 19% over the past few years—comprising 13% of the total credit and expected to reach nearly 18% by 2018-19.

MFIs play a very critical role in our rapidly developing Indian financial system. They play an important role in the core development of the country's infrastructure, transport, employment generation, wealth creation opportunities and financial support for economically weaker sections.

BUSINESS & OPERATIONAL OVERVIEW

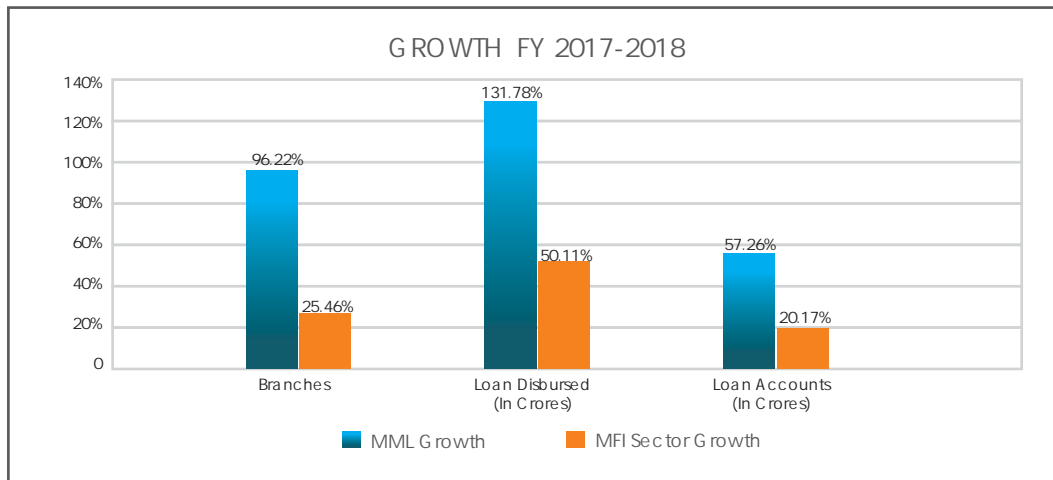
Easy and fast, yet robust loan appraisal and disbursement is one of the unique features of the Company. An established reach and network helps the Company to cater to the remotest of geographies in India.

The Company has significant presence in rural areas. Focus on customer is one of the key factors that has driven the Company's policies. A strong business model and an insight into the needs of its customers give the Company

Management Discussion & Analysis

a competitive edge. The technology deployment and better risk management has also contributed towards the Company's achievement of commendable growth in the year 2017-18.

Key Performance Highlights of Financial Year 2017-18 of Midland Microfin Limited (MML) with comparison to overall Micro Finance Industry.



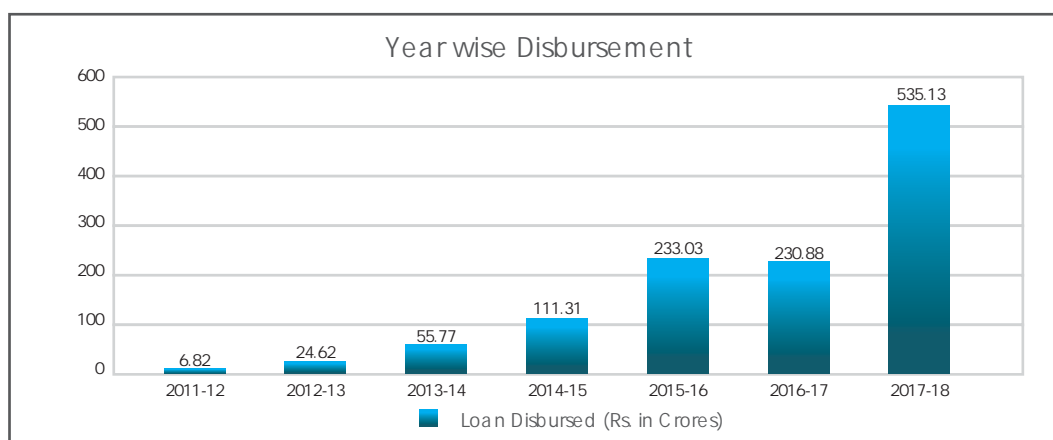
In FY 2017-18, MML's branches increased by 96.22% to reach 104 branches from 53 in FY 2016-17.

As shown above, there is 131.78% growth in terms of loan amount disbursed by MML in Financial Year 2017-18 as compared to 50.11% growth marked by the overall Micro Finance Industry in the same Financial Year.

During the Financial Year 2017-18, MML has attained 3 times growth (as shown above) as compared to average Micro Finance Industry growth rate in terms of Loan Accounts opened.

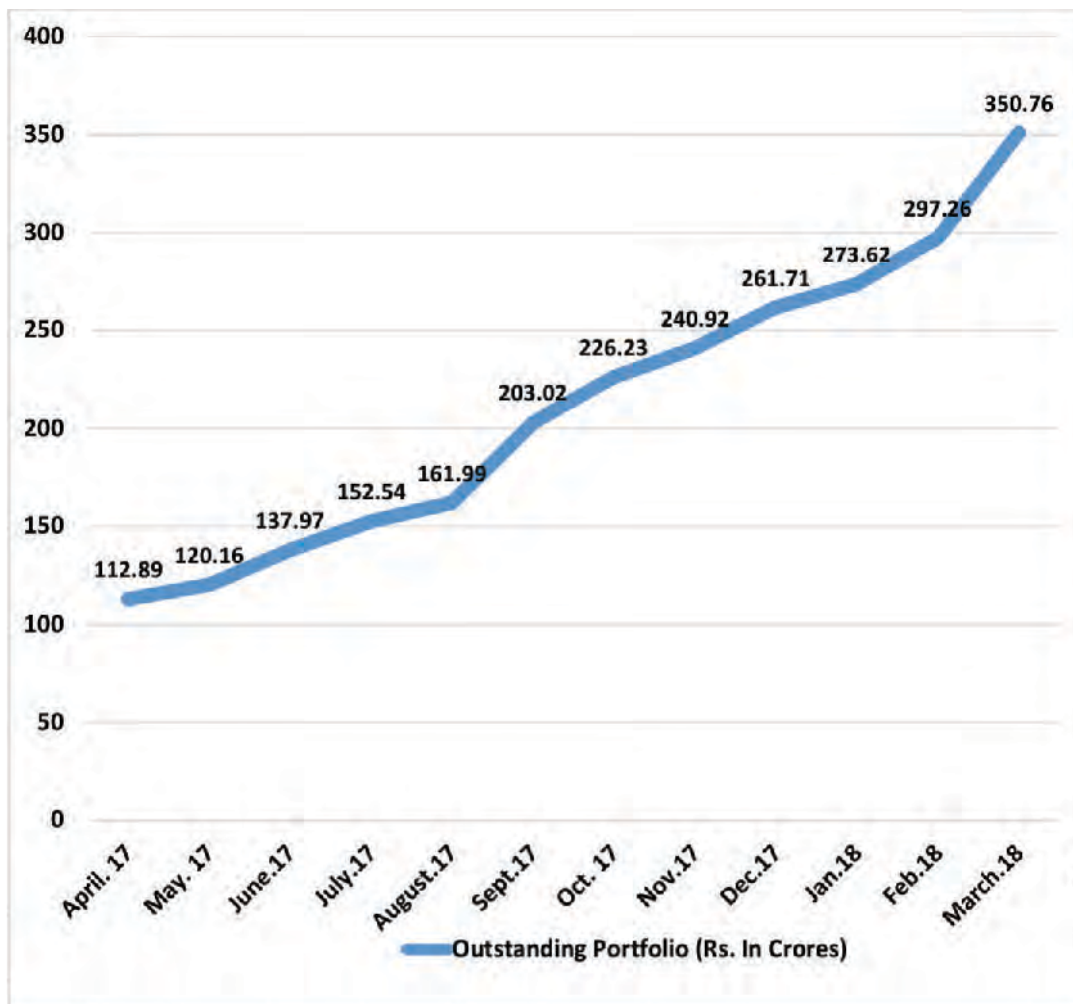
OPERATIONAL REVIEW

The key operational highlights of 2017-18 are:

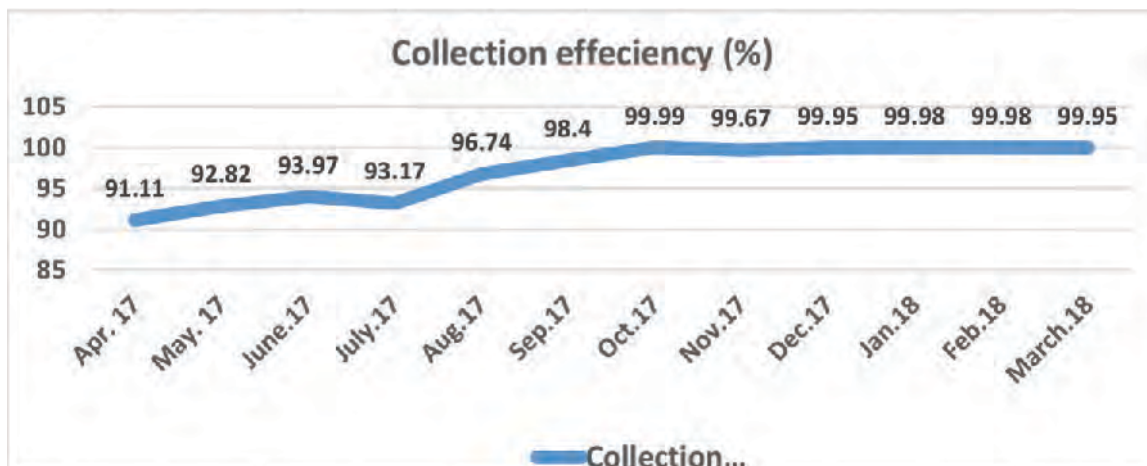


During FY 2017-18, MML disbursed loans worth Rs. 535.13 Crores compared to the previous financial year (2016-17) Rs. 230.88 Crores, there has been growth of 131.79% in loan amount disbursed in the last years. Despite an average performance of the industry, MML has managed to expand its horizon.

Management Discussion & Analysis

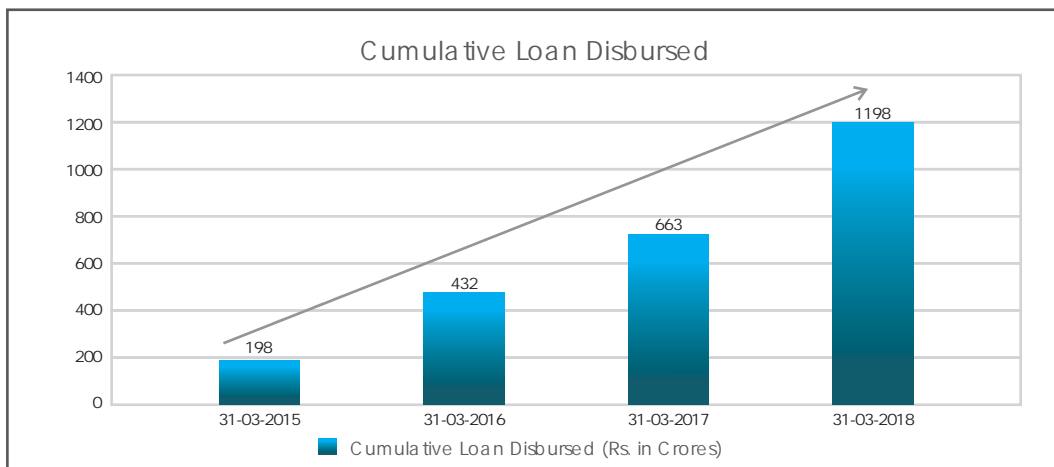


In the beginning of the financial year 2017-2018 the outstanding portfolio was Rs. 113.15 Crores and due to tremendous growth in Loan disbursement, outstanding portfolio has reached 350.79 Crores by the end of financial year.



With great efforts of MML Team, the collection efficiency, which was marred due to demonetisation, improved tremendously. As evident from the chart, collection efficiency of MML has improved in the first half of the financial year and being smoothen in the remaining half.

Management Discussion & Analysis



During FY 2017-18, MML disbursed loans cumulatively worth Rs. 1198 crores compared to the previous financial year (FY 2016-17), there has been Growth rate of 80% in loan amount disbursed in the last years. Despite an average performance of the industry, MML has managed to expand its horizon.

RISK MANAGEMENT

The long-term financial security and success of the Company is built upon a robust risk management system.

The Company is exposed to inherent uncertainties owing to the sectors in which it operates. A key factor in determining a company's capacity to create sustainable value is the risks that the company is willing to take (at strategic and operational levels) and its ability to manage them effectively. The Company's Risk Management processes focus on ensuring that these risks are identified on a timely basis and addressed.

Through proactive and improved risk management practices, the Company's risk management function continuously works towards achieving financial stability and enhancing stakeholder value. The Board of Directors of the Company has the overall responsibility for Risk Management. The Risk Management Architecture of the Company is overseen by the Risk Management Committee (RMC) which strive to put in place specific policies, frameworks and systems for effectively managing the various risks. The Committee has adopted a Charter that outlines the role, responsibilities and power of the Committee and the procedure for organising the meeting of the Committee. The purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with regard to enterprise risk management. The Committee reviews the risk management practices and actions deployed by the Management with respect to identification, impact assessment, monitoring, mitigation and reporting of key risks while trying to achieve its business objectives. Further, the Committee endeavours to assist the Board in framing, implementing and monitoring the risk management plan for the Company and reviewing and guiding the risk policy. The Committee also guides Management in developing the risk management policy and in implementing an appropriate risk management system/framework for the Company. Further with the infusion of the new IT infrastructure and various cashless modes in the processes of the Company, we are confident to further reduce the level of risk in the organisation. The HR department carries out various training & development exercises throughout the year for the same.

SECURITISATION TRANSACTIONS

Securitized receivables are de-recognized in the balance sheet when they are sold i.e. if they fully meet the true sale criteria. Gains arising on securitisation of assets are recognized over the tenure of securities issued by Special Purpose Vehicle (SPV). Company's contractual rights to receive the share of future interest (i.e. interest spread) in the transferred assets from the SPV is capitalised at the present value as Interest Only (I/O) strip with a corresponding liability created for unrealised gains on loan transfer transactions. The excess interest spread on the securitisation transactions are recognized in the Statement of Profit and Loss only when it is redeemed in cash by the SPV. Losses, if any, are recognized upfront.

PROPOSED INITIATIVES FOR FINANCIAL YEAR 2018-19

- I. Initiation of the Cashless Repayment Project with HSBC.
- II. Enhancement in Tenure of First year loan cycle to 18 months.
- III. Disbursement of Individual Loans.
- IV. Rolling out tabs in the field for Mobility Solution.

NEW PRODUCTS TO BE INTRODUCED IN FINANCIAL YEAR 2018-19

- I. Secured Loans-MSME Loans - Home Improvement Loans
- II. Sanitation Loans

OPPORTUNITIES AND THREATS

OPPORTUNITIES

Structural changes in the financial services sector have created new opportunities for NBFCs. The success of NBFCs can be clearly attributed to their better product lines, lower cost, wider and effective reach, strong risk management capabilities to check and control bad debts and better understanding of their customer segments. They have managed to build substantial Assets Under Management (AUM) in the micro products. Going forward, the latent credit demand of an emerging India will allow NBFC-MFIs to fill the gap, especially where traditional banks have been wary to serve. Improving macroeconomic conditions, higher credit penetration, increased consumption and disruptive digital trends will allow NBFC-MFIs credit to grow at a healthy rate of 7-10% (real growth rate) over the next three to five years.

Introduction of new Initiatives/products/plans to be done/launched/introduced by the Company

- i. Initiated the Cashless Repayment Project.
- ii. Providing first loan to borrowers with a loan cycle of 18 months.
- iii. Disbursement of Individual Loans upto Rs. 1 Lakh.
- iv. Rolling out 400 tabs in the field for Mobility Solution.
- v. Secured MSME Loans and Home Improvement Loans etc.
- vi. Sanitation Loans
- vii. To open 46 new branches in the coming financial year 2018-19 to expand the business horizon.
- viii. *Introduction of Regional Offices:* The Company has opened new regional offices at Patna and Varanasi, Jaipur & Chandigarh for a better control on day to day operations of the company.

The Company has introduced a new software i.e. Gravity by eSthenos as a Mobility solution. Its key Features are:

- Bio-Matric Attendance.
- Geo-Tagging
- Digitised Loan Monitoring system.
- Digitised Loan operating system.
- Credit Scoring Matrix.
- Real time processing of Data
- Dashboard
- Automation in Overall System

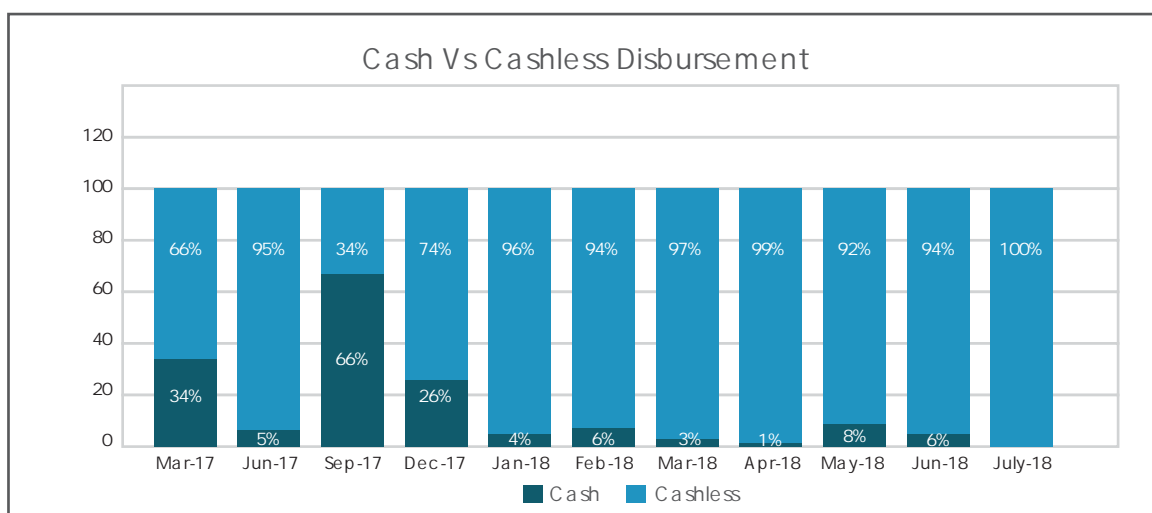
Management Discussion & Analysis

CASHLESS DISBURSALS

Demonetisation has triggered an increase in formal lending. With emphasis on digitisation and cashless economy by the government, the financial institutions now able to disburse money through faster and easier processes. Overall, the sector is expected to witness an impressive growth with the help of various government initiatives with regard to digitisation.

To enhance customer satisfaction the company has invested in developing strong analytics infrastructure to drive business growth through better streamlining of processes and by developing operational efficiencies.

With a focus on cashless payments, the company has entered into the principle to principle agreement with different banks for providing cashless disbursements to the borrowers.



As the chart shows, MML has successfully shifted its disbursements from cash to cashless.

THREATS

Growth of the Company's asset book, quality of assets and ability to raise funds depends significantly upon the economy. Unfavourable events in the Indian economy can affect consumer sentiment and in turn impact consumer decision to purchase financial products. Competition from a broad range of financial service providers, unstable political environment and changes in government policies / regulatory framework could impact the Company's operations. Risk and sound risk management is critical for the success of the organisation.

As the company taps the new opportunities, 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. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis and are discussed with both, Management and the Audit committee. The Audit committee of the board reviews the risk management policies in relation to various risks and regulatory compliance issues frequently.

INFORMATION TECHNOLOGY

Your Company believes that use of the technology in an optimum manner in its business operations is essential to enhance its brand visibility and achieve business goals more efficiently and effectively. In the FY 2017 - 18, major upgrades and changes have been carried out in the Information Technology infrastructure and related systems of your Company so as to keep in pace with the business and technological requirements. Data Privacy and Information Security has been a focus area during the year. The Company has invested in network security, testing and training during the year.

RISKS AND CONCERNS

Credit Risk

Any lending and investment activity is exposed to credit risk arising from the risk of repayment default by the borrowers and counterparties. The Company has institutionalised a systematic credit evaluation process monitoring the performance of its asset portfolio on a regular and continual basis to detect any material development, and also constantly evaluates the changes and developments in sectors to which it has substantial exposure.

Interest Rate Risk

The Company's business is dependent on interest rate regime in the economy. Interest rates are highly sensitive to many factors beyond its control, including the policies of the Reserve Bank of India, domestic and international economic and political conditions, inflation and other factors. Due to these factors, interest rates in India have historically experienced a relatively high degree of volatility.

Market Risk

The Company is in the business of providing of financial services at the bottom of pyramid. The overall business of the company is linked to the macroeconomic parameters like GDP growth, capital markets and liquidity. Any adverse movement on these factors will have an adverse impact on the business of the Company. The performance may also be affected by political and economic developments and natural disasters like earthquakes, flood, drought, act of God etc. These factors may affect the capital markets as well as reliability of the Issuer's assets.

Liquidity Risk

MML follows a broad framework for liquidity risk management to ensure that the Company is in a position to meet its daily liquidity obligations.

Operational Risk

MML has created an enabling organisational structure for effective operational risk management. The risks associated with various processes have been identified and necessary controls are put in place.

COMPLIANCE AND INTERNAL CONTROL

MML observes compliance practices of the highest standard. The Compliance team closely monitors notifications/circulars by RBI and other regulators with regard to NBFC-MFIs with special attention to those relevant to the Company. The Company follows all prudential norms laid down for NBFC MFIs and submits all mandatory returns and statements in time. The Company has put in place a robust framework of internal controls that include precise delegation of authority and Standard Operating Processes, which are available in all business segments and functions. The Company follows a practice of monitoring various internal control functions in-house as well as through external auditors whenever required or mandated. The Company also reviews risk management processes on a regular basis and documents the results, if any.

HUMAN RESOURCE

Your Company remains focused on attracting the best talent in the industry, nurturing them through comprehensive learning and development mechanism, and retaining them through progressive employee centric policies and practices. This is successfully done through effective amalgamation of the organisational objectives with individual aspirations.

The Human Resources department of your company is resolutely working towards making Midland Microfin a great place to work through five key factors that form the bedrock of our people strategy namely Courage to Compete, Respect of Time, Responsibility towards Work, Commitment to Complete, Achievement of Goals.

Your Company continues to embrace diversity and strive to build a working environment conducive to women staff, marked by equal opportunities and merit-based approach.

Management Discussion & Analysis

Talent management works on the philosophy of having the most skilled and engaged employees discharging their current roles, while developing a strong bench of ready talent. Internal talent was given ample opportunities to take up managerial roles, through a transparent and fair process.

Induction programme for the new recruits is conducted to give an overall view of the Company's vision and mission. The Induction programme is the first critical training for employees that trains new employees on key essential areas that every employee of the company must be aware of. They are also provided with information relating to the organisational structure and their roles, duties and responsibilities. During the financial year under review, 43 induction training programmes were conducted and training was imparted to overall 896 on roll employees.

Company conducts various in-house and outdoor training programs for employees working at different level on need basis to enhance the performance and efficiency of the employees viz: -

- 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 develop expert knowledge about their respective fields of operation. 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 Regional 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.

Recognition and Appreciation policy of the company is rapidly transforming employee workforce productivity across the organisation. During the year financial year 2017-18, your company appreciated the employees in a different way by organising: -

- i) Trip to Thailand : - The Company organised its 1st international trip to Thailand in February 2018, for the winners of the contest (announced in August 2017). The winners had a great time exploring markets and beaches of Bangkok and Pataya.
- ii) Midland Cricket League : *Season-3*:- The Company organised Midland Cricket League : *Season-3* which started on November 09, 2017 and went on for 3 days. The employees of the Company who are cricket enthusiasts became part of the four teams created in Midland Cricket League : *Season -3*, even female staff members got a chance to be the part of the teams.
- iii) 7th Establishment Day Celebration : - The company completed 7 years of its operations in January 2018, and to celebrate the same the company organised two Establishment Day events on February 04, 2018 and February 11, 2018 in Jalandhar and Jaipur respectively. Colourful and entertaining cultural activities with award distribution ceremony was held for motivation of the employees. Special recognition was given to the employees who have completed 5 years.

MEANS OF COMMUNICATION

The Company, from time to time and as may be required, interacts with its shareholders, debenture holders and investors through multiple channels of communication such as announcement of financial results, postal ballot, annual report, media releases, quarterly newsletter, dissemination of information on the website of the Company and Stock Exchanges, reminders for unpaid interest or redemption amount on debentures and subject specific communications.

The Company publishes its quarterly, half-yearly and annual results in Financial Express and Nawan Zamana, which are national and local dailies, respectively. These are not sent individually to the Shareholders.

Management Discussion & Analysis

The Annual Report of the Company, quarterly/ half-yearly/annual financial results and official events/news releases are displayed on the Company's website at <http://www.midlandmicrofin.com>.

The Company discloses to the Bombay Stock Exchange (BSE) and to the Government, all the information required to be disclosed under Listing and other Regulations applicable on the Company including material information having a bearing on the performance/operations of the Company and other price sensitive information. The Company also files various compliances and other disclosures required to be filed electronically on the online portal of BSE Limited and Reserve Bank of India viz. BSE Corporate Compliance/Regulatory Bodies and Listing Centre.

For and on behalf of the Board of Directors
of Midland Microfin Ltd.

Vijay Kumar Bhandari
Chairman
DIN : 00052716

Amardeep Singh Samra
Managing Director
DIN: 00649442

Dated: May 25, 2018
Place: Jalandhar, Punjab

FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN

As on Financial Year ended on 31.03.2018

**Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company
(Management & Administration) Rules, 2014**

I. REGISTRATION & OTHER DETAILS:

1.	CIN	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, 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 D – 153 A, 1 st Floor, Okhla Industrial Area, Phase -1, New Delhi – 110 020 +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	90.68%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

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

IV. SHARE HOLDING PATTERN									
(Equity share capital breakup as percentage of total equity)									
(i) Category-wise Share Holding									
Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	0	2532400	2532400	13.53	0	2532400	2532400	13.53	0
b) Central Govt	0	0	0	0.00	0	0	0	0.00	0
c) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0
d) Bodies Corp.	0	150000	150000	0.80	0	150000	150000	0.80	0
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0
f) Any other	0	0	0	0.00	0	0	0	0.00	0
Sub Total (A) (1)	0	2682400	2682400	14.34	0	2682400	2682400	14.34	0
(2) Foreign									
a) NRI Individuals	0	5117000	5117000	27.35	0	5117000	5117000	27.35	0
b) Other Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub Total (A) (2)	0	5117000	5117000	27.35	0	5117000	5117000	27.35	0
Total Shareholding of Promoter (A)	0	7799400	7799400	41.68	0	7799400	7799400	41.68	0
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks / FI	0	0	0	0	0	0	0	0	0
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1): -	0	0	0	0	0	0	0	0	0
Non-Institutions									
a) Bodies Corp.									
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual share holders holding nominal share capital upto Rs. 1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual share holders holding nominal share capital in excess of Rs 1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(2): -	0	0	0	0	0	0	0	0	0
Total Public Shareholding	0	0	0	0	0	0	0	0	0
C. (a) Shares held by Custodian for GDRs-ADRs	0	0	0	0	0	0	0	0	0
C. (b) others									
i. Body Corporate*	0	5500000	5461000	29.19	0	5568500	5461000	29.19	0
ii. Individuals	0	4826600	4845600	25.90	0	4868100	4845600	25.90	0

C. (a) Shares held	0	0	0	0	0	0	0	0	0
C. (b) others									
i. Body Corporate*	0	5500000	5461000	29.19	0	5568500	5461000	29.19	0
ii. Individuals	0	4826600	4845600	25.90	0	4868100	4845600	25.90	0
iii. NRI	0	585500	605500	3.24	0	475500	605500	3.24	0
*Total C	0	10912100	10912100	58.32	0	10912100	10912100	58.32	0
Grand Total	0	18711500	18711500	100	0	18711500	18711500	100	0

(ii) Shareholding of Promoter

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Amardeep Samra	1069530	5.72	0	1069530	5.72	0	0.00%
2	Gagan Samra	371170	1.98	0	371170	1.98	0	0.00%
3	Balbir Singh	1187000	6.34	0	1187000	6.34	0	0.00%
4	Hamco Ispat Limited	150000	0.8	0	150000	0.8	0	0.00%
5	Gurdip Singh	430000	2.3	0	430000	2.3	0	0.00%
6	Sohan Singh Chohan	290000	1.55	0	290000	1.55	0	0.00%
7	Vinay Gupta	78700	0.42	0	78700	0.42	0	0.00%
8	Vijay Kumar Bhandari	200000	1.07	0	200000	1.07	0	0.00%
9	Sneh Bhandari	200000	1.07	0	200000	1.07	0	0.00%
10	Ranjit Kaur Chhokar	1000000	5.34	0	1000000	5.34	0	0.00%
11	Ashish Bhandari	500000	2.67	0	500000	2.67	0	0.00%
12	Inderjit Vasudev	323000	1.73	0	323000	1.73	0	0.00%
13	Mohinder Kaur Chhokar	2000000	10.69	0	2000000	10.69	0	0.00%
	Total	7799400	41.68	0	7799400	41.68	0	0

(iii) Change in Promoters' Shareholding (There is no change in the Shareholding of the Promoters during FY 2017-18)

Sr. No.	Shareholder	No. of Shares (31.03.2017)	% holding	Date of Sale/ Purchase	Sale	Purchase	No. of Shares (31.03.2018)	% holding
1	Amardeep 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	0.8	--	--	--	150000	0.8
5	Gurdip Singh	430000	2.3	--	--	--	430000	2.3
6	Sohan Singh Chohan	290000	1.55	--	--	--	290000	1.55
7	Vinay Gupta	78700	0.42	--	--	--	78700	0.42
8	Vijay Kumar Bhandari	200000	1.07	--	--	--	200000	1.07
9	Sneh Bhandari	200000	1.07	--	--	--	200000	1.07
10	Ranjit Kaur	1000000	5.34	--	--	--	1000000	5.34
11	Ashish Bhandari	500000	2.67	--	--	--	500000	2.67
12	Inderjit Vasudev	323000	1.73	--	--	--	323000	1.73
13	Mohinder Kaur	2000000	10.69	--	--	--	2000000	10.69
		7799400	41.68				7799400	41.68

D) Shareholding Pattern of top ten Shareholders:

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

Sr. No.	Shareholder	No. of Shares (31.03.2017)	% holding	Date of Sale/ Purchase	Sale	Purchase	No. of Shares (31.03.2018)	% holding
1	KITARA PIIN 1501	4106000	21.94	--	--	--	4106000	21.94
2	SIDBI	1000000	5.34	--	--	--	1000000	5.34
3	Arun Chopra, Shefali Chopra & Lalita Chopra	500000	2.67	--	--	--	500000	2.67
4	Gurwinder Singh Gill	437000	2.34	--	--	--	437000	2.34
5	Rashpal Singh Virk	200000	1.07	--	--	--	200000	1.07
6	Gunjan Adya	200000	1.07	--	--	--	200000	1.07
7	Mahesh	170000	0.91	--	--	--	170000	0.91
8	Neha Gupta	143000	0.76	--	--	--	143000	0.76
9	Prince Highways Limited	74000	0.53	18.04.2017	--	2500	142500	0.76
				19.05.2017	--	7500		
				05.06.2017	--	2500		
				18.09.2017	--	10000		
				28.11.2017	--	30000		
				15.01.2018	--	10000		
				15.01.2018	--	6000		
10	Ashwani Kumar Jindal	110000	0.59				110000	0.59
Total		6940000	37.22				7008500	37.45

E) Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Shareholder	No. of Shares (31.03.2017)	% holding	Date of Sale/ Purchase	Sale	Purchase	No. of Shares (31.03.2018)	% holding
1	Amardeep Singh Samra	1069530	5.72	--	--	--	1069530	5.72
2	Vijay Kumar Bhandari	200000	1.07	--	--	--	200000	1.07
3	Amitesh Kumar	101000	0.54	09.11.2017		5000	106000	0.57
4	Janak Raj Gupta	100000	0.53	--	--	--	100000	0.53
5	Sonia Dua	-		9.11.2017	--	500	500	0.03
Total		1470530	7.86				1476030	7.89

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

	Secured Loans excluding	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the				
i) Principal Amount	1442001037	190610000	0	1632611037
ii) Interest due but not paid	2641329	0	0	2641329
iii) Interest accrued but not due	159636603	18942921	0	178579524
Total (i+ii+iii)	1604278969	209552921	0	1813831890
Change in Indebtedness during the financial year (Principal Amount only)				
* Addition	2055000000	0	0	2055000000
* Reduction	902537024	0	0	902537024
Net Change	1152462976	0	0	1152462976
Indebtedness at the end of the financial				
i) Principal Amount	2594464013	190610000	0	2785074013
ii) Interest due but not paid	10575	0	0	10575
iii) Interest accrued but not due	223027210	29792521	0	252819731

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

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

S.No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
	Name	Mr. Amardeep Singh Samra - MD		
1	Gross salary	5,679,156.00		5,679,156.00
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	0.00		0.00
	(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 - as % of profit - others, Travelling Fees	1,728,110.00		1728110.00
5	Others, (Sitting Fee)	32,000.00		32,000.00
	Total	7,439,266.00		7,439,266.00
	Ceiling as per the Act			

B. Remuneration to other directors

S.No.	Particulars of Remuneration	Name of Directors			Total Amount
		Mr. Janak Raj Gupta	Ms Kamna Raj Aggarwal	Mr. Shant Gupta	
1	Independent Directors				
	Fee for attending board committee meetings (in Rs.)	27,000	24,000	25,000	76,000
	Commission (in Rs.)	0.00	0.00	0.00	0
	Others, (Travelling)(in Rs.)	0.00	0.00	16,874	16,874
	Total (1) (in Rs.)	27,000	24,000	41,874	92,874
2	Other Non-Executive Directors	Mr. Vijay Kumar Bhandari	Mr. Harpal Singh	Mr. Sachin Kamath	
	Fee for attending board committee meetings (in Rs.)	47,000	5,000	47,000	99,000
	Commission (in Rs.)	0.00	0.00	0.00	0
	Others, (Travelling) please specify (in Rs.)	390,000	0.00	319,296.00	709,296
	Total (2) (in Rs.)	437,000	5,000	366,296	808,296
	Total (B)=(1+2) (in Rs.)	464,000	29,000	408,170	901,170
	Total Managerial Remuneration				
	Overall Ceiling as per the Act				

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

S.No.	Particulars of Remuneration	Key Managerial Personnel		
		Company Secretary	CFO	Total
1	Gross salary	434,196	2,248,938	2,683,134
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	0.00	0.00	0.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.00	77,140	77,140.00
	(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 - as % of profit - others, Travelling Fees	0.00	573,644	573,644
5	Others, (Sitting Fee)	0.00	0.00	0.00
	Total	434,196.00	2,899,722	3,333,918
	Ceiling as per the Act			

VII. 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)
A. COMPANY					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
B. DIRECTORS					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
C. OTHER OFFICERS IN DEFAULT					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

For and on behalf of the Board of Directors
of Midland Microfin Ltd.

Vijay Kumar Bhandari
Chairman
DIN : 00052716

Amardeep Singh Samra
Managing Director
DIN: 00649442

Dated : May 25, 2018
Place: Jalandhar, Punjab

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 31st March, 2018 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 31st March, 2018 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.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standard setc. 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 42 and 71 of the Companies Act, 2013 read with applicable rules thereof.

For Harsh Goyal and Associates
Company Secretaries

Harsh Kumar Goyal
Prop.
FCS3314
C. P. No.: 2802
Place: Ludhiana
Dated: May 25, 2018

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

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

Harsh Kumar Goyal
Prop.
FCS 3314
C. P. No.: 2802
Place: Ludhiana
Dated: May 25, 2018

ABOUT NOMINATION AND REMUNERATION POLICY

The Nomination and Remuneration Policy is being formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and pursuant to Regulation 19(4) and as specified in Part D of the Schedule II of SEBI (LODR) Regulations, 2015. This policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Nomination and Remuneration Committee (NRC or the Committee) and has been approved by the Board of Directors.

BRIEF OVERVIEW UNDER COMPANIES ACT 2013 {Section 178 & Companies [Meetings of Board and its Powers] Rules 2014}

The Nomination and Remuneration Committee shall, while formulating the policy under sub-section (3) ensure that—

- (a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) Remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

Company's Nomination and Remuneration Committee has formulated the Nomination and Remuneration Policy after considering the above guidelines specifically mentioned in the Companies Act, 2013.

The salient features of the Nomination and Remuneration Policy of the Company are hereunder which

- i. To support the organization's strategy by helping to build a competitive, high performance and innovative company with an entrepreneurial culture that attracts, retains, motivates and rewards high-performing employees;
- ii. To promote the achievement of strategic objectives within the company's risk appetite;
- iii. To promote / support positive outcomes across the economic and social context in which the company operates and
- iv. To promote an ethical culture and responsible corporate citizenship.

Note: The Nomination and Remuneration Policy of the Company are posted on the website of the Company and can be accessed at www.midlandmicrofin.com

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Ruld 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 contacts or aggrangements or transactions at arm's length basis-

Nature of Transation	Key Management Personnel		Relative of Key Management Personnal		Investing Party in respect of which the reporting enterprise is an associate	
	Year Ended March 31		Year Ended March 31		Year Ended March 31	
	2018	2017	2018	2017	2018	2017
Remuneration						
Amardeep Singh Samra	56,79,156	46,86,000				
Amitesh Kumar	22,48,938	18,72,000				
Sonia Dua	4,34,196	4,11,688				
Rent Paid						
Amardeep Singh Samra	10,45,675	9,35,426				
Surinder Kaur Samra			98,440	113,400		
Amarjit Singh Samra			98,440	113,400		
Sarvjit Singh Samra			10,45,675	9,35,426		
Gagan Samra				9,450		
Sitting Fees						
Amardeep Singh Samra	32,000	38,000				
Outstanding Balance						
Amitesh Kumar	5,32,500	5,32,500				
Loans given and repayment thereof						
	Year ended March 31	Loans Given	Repayment	Interest Accrued	Amount owed by Related Parties	
Krsnaa Diagnostics Private Limited	2018	15,00,00,000	-	2,29,315	15,02,29,315	

Remuneration means the Gross Remuneration without any deductions.

* Equity includes Security Premium Reserve.

For and on behalf of the Board of Directors
of Midland Microfin Ltd.

Vijay Kumar Bhandari
Chairman
DIN : 00052716

Amardeep Singh Samra
Managing Director
DIN: 00649442

Dated : May 25, 2018
Place: Jalandhar, Punjab

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, 2018, 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 Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, 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, 2018, 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 Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014;
 - (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164(2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 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.

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm's Registration Number: 101049W/E300004

Chartered Accountants

per Amit Kabra

Partner

Membership Number: 094533

Jalandhar, Punjab

May 25, 2018

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 not 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, service tax, goods and services tax, cess and other statutory dues applicable to it. The provisions relating to duty of custom, duty of excise and value added tax, are not applicable to the Company.

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, goods and services tax, cess and other 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, service tax, goods and services 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 financial institution or bank or government 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.

Independent Auditors' Report

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.

- (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 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, Punjab

May 25, 2018

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MIDLAND MICROFIN LIMITED

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

We have audited the internal financial controls over financial reporting of Midland Microfin Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these financial statements 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 with reference to these financial statements 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)

Independent Auditors' Report

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these financial statements, 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 with reference to these financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these financial statements 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 over financial reporting with reference to these financial statements and such internal financial controls over financial reporting with reference to these financial statements were operating effectively as at March 31, 2018, based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal controls 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, Punjab

May 25, 2018

FINANCIAL STATEMENTS

For the Year 2017-2018

Balance Sheet

BALANCE SHEET AS AT MARCH 31, 2018

(Amount in Rupees unless otherwise stated)

Particulars	Notes	As at March 31, 2018	As at March 31, 2017
(A) EQUITY AND LIABILITIES			
Share Holder's Funds			
Share Capital	3	370,565,000	229,565,000
Reserves and Surplus	4	343,300,871	214,054,792
		713,865,871	443,619,792
Non-Current Liabilities			
Long-term Borrowings	5	1,530,314,430	959,184,370
Other Long-term Liabilities	7	241,313,717	170,672,729
Long-term provisions	6	6,413,354	4,829,952
		1,778,041,501	1,134,687,051
Current Liabilities			
Trade Payables	7	41,849,830	15,837,197
Other Current Liabilities	7	1,324,056,274	701,089,955
Short-term Provisions	6	32,324,007	22,174,498
		1,398,230,111	739,101,650
TOTAL EQUITY AND LIABILITIES		3,890,137,483	2,317,408,493
(B) ASSETS			
Non-Current Assets			
Fixed Assets			
Property, Plant and Equipment	8.1	61,531,868	43,743,491
Intangible Assets	8.2	7,992,373	2,956,034
Capital Work-in-progress	8.3	1,051,413	11,058,585
Deferred Tax Assets (net)	9	8,870,125	7,061,595
Long-term Loans and Advances	10	51,773,752	4,142,567
Other Non-Current Assets	11	41,952,309	55,540,606
		173,171,840	124,502,878
Current Assets			
Current Investment	12	12,000,000	210,333,570
Trade Receivables	13	889,792	348,076
Cash and Bank Balances	14	340,822,022	804,538,976
Loans and Advances	10	3,330,675,156	1,161,757,912
Other Current Assets	11	32,578,673	15,927,081
		3,716,965,643	2,192,905,615
TOTAL ASSETS		3,890,137,483	2,317,408,493
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

per Amit Kabra
Partner
Membership No. 094533
Place : Jalandhar, Punjab
Date : 25 May, 2018

For and on behalf of Board of Directors of
Midland Microfin Ltd.

Amardeep Singh Samra
Managing Director
DIN: 00649442

Amitesh Kumar
Chief Financial Officer

Shant Gupta
Director
DIN: 01571485

Sharon Arora
Company Secretary
Membership No. 38209

Statement of Profit & Loss Account

STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018

(Amount in Rupees unless otherwise stated)

Particulars	Notes	Year Ended March 31, 2018	Year Ended March 31, 2017
INCOME			
Revenue from Operations	15	530,357,138	441,480,465
Other Income	16	37,646,706	24,750,861
Total Revenue (I)		568,003,844	466,231,326
EXPENSES			
Employee Benefits Expenses	17	161,437,179	94,143,344
Finance Costs	18	276,800,119	241,198,913
Depreciation and Amortisation Expenses	19	13,350,279	6,036,615
Other Expenses	21	90,315,118	51,939,765
Provisions & Write-offs	20	10,094,127	7,558,449
Total Expenses (II)		551,996,822	400,877,086
Profit before Tax (III) = (I)-(II)		16,007,022	65,354,240
TAX EXPENSE			
Current Tax			
Pertaining to profit for the current period		6,029,190	24,103,120
Adjustment of tax relating to earlier periods		-	471,260
Deferred tax		(1,808,530)	(2,339,676)
Total tax expense (IV)		4,220,660	22,234,704
Profit after tax (III)-(IV)		11,786,362	43,119,536
Earning Per Share (EPS)			
[Nominal value of share Rs.10 (March 31, 2018: Rs.10)]			
Basic (Computed on the basis of total profit for the year)		0.43	2.19
Diluted (Computed on the basis of total profit for the year)		0.43	2.08

Summary of significant accounting policies 21
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

per Amit Kabra
Partner
Membership No. 094533

Place : Jalandhar, Punjab
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Sharon Arora
Company Secretary
Membership No. 38209

Cash Flow Statement

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

(Amount in ` unless otherwise stated)

Particulars	Year Ended March 31, 2018	Year Ended March 31, 2017
Cash Flow from Operating Activities		
Net Profit Before Tax	16,007,022	65,354,240
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation & Amortization	13,350,279	6,036,615
Contingent provision against standard assets	10,094,127	7,558,449
Provision for employee benefits	1,638,784	2,169,415
Operating profit before working capital changes	41,090,212	81,118,719
Movements in working capital :		
Increase / (decrease) in trade payables	26,012,633	7,657,058
Increase / (decrease) in other current liabilities & other long term liabilities	693,607,307	240,824,441
Decrease / (increase) in trade receivables	(541,716)	4,785
Decrease / (increase) in loans and advances	(2,208,255,278)	310,660,193
Decrease / (increase) in other current assets	(16,651,592)	(3,684,900)
Decrease / (increase) in other non-current assets	13,588,297	(13,610,682)
Cash generated from / (used in) operations	(1,451,150,137)	622,969,614
Direct taxes paid (net of refunds)	(14,322,341)	(31,922,889)
Net cash flow from / (used in) operating activities (A)	(1,465,472,478)	591,046,725
Cash flows from investing activities		
Purchase of property, plant and equipments, including capital work in progress & capital advances	(26,167,824)	(38,897,768)
Proceeds from current investments	3,675,868,460	2,672,754,151
Purchase of current investments	(3,477,534,890)	(2,883,087,721)
Net Cash from Investing Activities (B)	172,165,746	(249,231,338)
Cash Flows from Financing Activities		
Proceeds from issuance of preference share capital	282,000,000	44,900,000
Proceeds from Long-term borrowings (including debentures)	1,473,667,172	819,494,790
Repayment of Long-term borrowings (including debentures)	(902,537,111)	(621,741,176)
Dividend paid on equity shares	(11,226,900)	(8,726,391)
Dividend paid on preference shares	(1,803,256)	(1,150,820)
Tax paid on equity dividend paid	(2,285,527)	(1,776,484)
Tax paid on preference dividend paid	(367,100)	(234,279)
Share issue expenses	(7,857,500)	-
Net Cash used in Financing Activities (C)	829,589,777	230,765,640
Net Increase in Cash & Cash Equivalent (A+B+C)	(463,716,954)	572,581,027
Cash & Cash Equivalents in the Beginning of the Year	804,538,976	231,957,949
Cash and cash equivalents at the end of the year (refer note 17)	340,822,022	804,538,976

Summary of significant accounting policies 21
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

per Amit Kabra
Partner
Membership No. 094533
Place : Jalandhar, Punjab
Date : 25 May, 2018

For and on behalf of Board of Directors of
Midland Microfin Ltd.

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Managing Director
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Sharon Arora
Company Secretary
Membership No. 38209

1. Corporate Information

Midland Microfin 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 organized as Joint Liability Groups ('JLG'). The Company has its operations spread across five states and one Union territory namely Punjab, Haryana, Rajasthan, Eastern Uttar Pradesh, Bihar and Chandigarh.

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.

- Interest income on loans given is recognised under the internal rate of return method. Interest 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.
- 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.
- Loan processing fees are recognized upfront on disbursement of loan.
- Profit / premium arising at the time of securitisation of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from excess interest spread is recognised in the statement of profit and loss net of any losses at the time of actual receipt.
- All other income is recognised on an accrual basis.

Notes to Accounts

c. Property, plant and equipment

All property, plant and equipment and capital work in progress 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 recognizes 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 recognizes 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

Notes to Accounts

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. Portfolio loans are classified as follows:

Asset classification	Arrear period
Standard Assets	Overdue for less than 90 days
Non-performing assets	Overdue for 90 days or more

ii. Other Portfolio loans are classified as follows:

Asset classification	Arrear period
Standard Assets	Overdue for less than 6 months
Non-performing assets	
Sub-standard assets	Overdue for more than 6 months and up to 24 months
Doubtful assets	Overdue for more than 24 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:

- a) 1% of the outstanding loan portfolio or;
- b) 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	Provisioning percentage
Standard assets	0.25%
Sub-standard assets	10%
Doubtful Asset - Secured	
Doubtful upto 1 year	20%
Doubtful asset for 1 to 3 years	30%
Doubtful for more than 3 years	50%
Unsecured portion of Doubtful Assets	100%
Loss assets (Those as identified by the management, Auditors or RBI)	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 March 31, 2018	As at March 31, 2017
NOTE 3 - SHARE CAPITAL		
Authorized shares		
2,00,00,000 (March 31, 2017: 20,000,000) Equity shares of Rs. 10/- each	200,000,000	200,000,000
2,20,00,000 (March 31, 2017: 2,000,000) Preference shares of Rs. 10/- each	220,000,000	220,000,000
Issued, subscribed and fully paid-up shares		
1,87,11,500 (March 31, 2017: 18,711,500) Equity shares of Rs.10/- each fully paid up	187,115,000	187,115,000
20,00,000 (March 31, 2017: 2,000,000) 9% Cumulative, Non-Participative and Optionally Convertible Preference shares (OCPS) of Rs. 10/- each	20,000,000	20,000,000
13,20,000 (March 31, 2017: 345,000) 17% Cumulative, Non-Participative and Non convertible Preference shares of Rs. 10/- each	13,200,000	3,450,000
1,900,000 (March 31, 2017: 1,900,000) 0.02% Cumulative, Non-Participative and Non convertible Preference shares of Rs. 10/- each	19,000,000	19,000,000
13,125,000 (March 31, 2017: Nil) 0.01% Cumulative, Non-Participative and Non convertible Preference shares of Rs.10/- each	131,250,000	-
Total issued, subscribed and fully paid-up share capital	370,565,000	229,565,000

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

Particulars	As at 31-3-2018		As at 31-3-2017	
	No. of Shares	Amount	No. of Shares	Amount
Equity Shares				
At the beginning of the year	18,711,500	187,115,000	18,711,500	187,115,000
Issued during the year	-	-	-	-
Outstanding at the end of the year	18,711,500	187,115,000	18,711,500	187,115,000
Preference Shares				
At the beginning of the year	4,245,000	42,450,000	2,000,000	20,000,000
Issued during the year	14,100,000	141,000,000	2,245,000	22,450,000
Outstanding at the end of the year	18,345,000	183,450,000	4,245,000	42,450,000

(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 four classes of preference shares having face value of Rs.10 per share. 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.

20,00,000 OCPS of Rs.10 each fully paid-up carry cumulative dividend @ 9% p.a. Each holder of 9% OCPS can opt to convert half of its preference shares into equity shares after the end of the 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 into equity shares at book value.

13,20,000 NCPS of Rs.10 each fully paid-up issued at a premium of Rs. 10 per share carry a cumulative dividend @ 17% p.a. NCPS are compulsorily redeemable within three to ten years from the date of allotment at a premium of Rs 10 each.

19,00,000 and 1,31,25,000 NCPS of Rs.10 each fully paid-up issued at a premium of Rs. 10 per share carry a cumulative dividend of 0.02% p.a. and 0.01% p.a. respectively and are compulsorily redeemable as follows:

Particulars	Maturity (in years) from Date of Allotment	Premium on Redemption (in Rs.)
4,00,000 NCPS carrying a cumulative dividend of 0.02% p.a.	3	15.55
3,35,000 NCPS carrying a cumulative dividend of 0.02% p.a.	5	20.42
11,65,000 NCPS carrying a cumulative dividend of 0.02% p.a.	8	30
21,75,000 NCPS carrying a cumulative dividend of 0.01% p.a.	4	19.02
52,25,000 NCPS carrying a cumulative dividend of 0.01% p.a.	7	30
57,25,000 NCPS carrying a cumulative dividend of 0.01% p.a.	10	45.02

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 in the Company:

Class of shares / Name of shareholder	As at 31-3-2018		As at 31-3-2017	
	No. of shares held	% holding in the class	No. of shares held	% holding in the class
Equity shares of Rs. 10 each fully paid				
Amardeep Singh Samra	1069530	5.72%	1069530	5.72%
Mohinder Kaur Chhokar	2000000	10.69%	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%
9% Cumulative, Non-Participative and OCPS of Rs.10 each fully paid				
SIDBI Bank	2000000	10.90%	2000000	47.11%

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.

Notes to Accounts

(Amount in ` unless otherwise stated)

NOTE 4 - RESERVES AND SURPLUS

Particulars	31-3-2018	31-3-2017
Securities premium account		
Balance as per the last financial statements	135,382,180	112,932,180
Add: premium on Issue of NCPS	141,000,000	22,450,000
Less: share issue expenses	(7,857,500)	-
Closing Balance	268,524,680	135,382,180
Debenture redemption reserve		
Balance as per the last financial statements	26,859,728	15,826,471
Add: amount transferred from surplus balance in the statement of profit and loss	9,767,174	11,033,257
Closing balance	36,626,902	26,859,728
Statutory reserves (Under Section 45 IC of the RBI Act)		
Balance as per the last financial statements	20,217,356	11,593,449
Add : Additions / Transfers during the year	2,357,272	8,623,907
Closing balance	22,574,628	20,217,356
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	31,595,528	8,133,157
Add: Profit for the year	11,786,362	43,119,535
Less: Appropriations		
Equity dividend @ Rs. 0.60 per share (31 March 2017: nil)	(11,226,900)	-
Tax on equity dividend	(2,285,527)	-
Preference dividend @ Rs. 0.90 per share (31 March 2017: nil)	(1,803,256)	-
Tax on preference dividend	(367,100)	-
Transfer to Debenture Redemption Reserve	(9,767,174)	(11,033,257)
Transfer to Statutory Reserve [@ 20% of profit after tax as required by section 45-IC of Reserve Bank of India Act, 1934]	(2,357,272)	(8,623,907)
Net surplus/ (deficit) in the statement of profit and loss	15,574,661	31,595,528
Total reserves and surplus	343,300,871	214,054,792

NOTE 5 - LONG-TERM BORROWINGS

A. DEBENTURES	Non-Current Portion		Current Maturities	
	31-3-2018	31-3-2017	31-3-2018	31-3-2017
Unsecured 2,017 (March 31, 2017 : 2,017), Series I, 11.00% Unsecured, Simple, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was March 31, 2011.	20,170,000	20,170,000	-	-
1,674 (March 31, 2017 : 1,674), Series I, 11.10% Unsecured, Compounded, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was March 31, 2011.	16,740,000	16,740,000	-	-
3,000 (March 31, 2017 : 3,000), Series II, 12.00% Unsecured, Simple, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was June 13, 2015.	30,000,000	30,000,000	-	-
5,738 (March 31, 2017 : 5,738), Series III, 11.00% - 11.25% Unsecured, Simple, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was July 23, 2016	57,380,000	57,380,000	-	-
6,262 (March 31, 2016 : 6,262), Series III, 11.00% - 11.25% Unsecured, Compounded, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was July 23, 2016	62,620,000	62,620,000	-	-

Notes to Accounts

(Amount in ` unless otherwise stated)

NOTE 5 - LONG-TERM BORROWINGS

A. DEBENTURES	Non-Current Portion		Current Maturities	
	31-3-2018	31-3-2017	31-3-2018	31-3-2017
Secured				
1624 (March 31, 2017 : 1,914), Series I, 11.00% - 12.00%	15,840,000	16,240,000	400,000	2,900,000
Secured, Simple, Redeemable, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was September 10, 2012.				
5056 (March 31, 2017 : 5,412), Series I, 11.1% - 12.1%	33,620,000	50,560,000	16,940,000	3,560,000
Secured, Compounded, Redeemable, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was September 10, 2012.				
1177 (March 31, 2017 : 1,217), Series II, 11.25% - 12.25%	9,720,000	11,770,000	2,050,000	400,000
Secured, Simple, Redeemable, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was May 31, 2013.				
7,324 (March 31, 2017 : 7,324), Series II, 11.5% - 12.25%	72,390,000	73,240,000	850,000	-
Secured, Compounded, Redeemable, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was May 31, 2013.				
1,255 (March 31, 2017 : 1255), Series IV, 11.25% - 12.25%	12,550,000	12,550,000	-	-
Secured, Simple, Redeemable, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was July 21, 2015.				
585 (March 31, 2016 : Nil), Series IV, 11.5% - 12.25%	5,850,000	5,850,000	-	-
Secured, Compounded, Redeemable, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was July 21, 2015.				
1,185 (March 31, 2017 : 1185), Series V, 11.00% - 12.25%	11,850,000	11,850,000	-	-
Secured, Simple, Redeemable, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was October 6, 2015.				
825 (March 31, 2017 : 825), Series V, 11.00% - 12.25%	8,250,000	8,250,000	-	-
Secured, Compounded, Redeemable, Non-Convertible Debentures of Rs. 10,000 each redeemable at par. The date of allotment was October 6, 2015.				
4,273 (March 31, 2017 : 4273), Series V, 11.00% - 12.25%	4,210,000	42,730,000	38,520,000	-
Secured, Listed, Simple, Redeemable, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was July 4, 2014.				
20,727 (March 31, 2017:20727), Series V, 11.00% - 12.25%	207,270,000	207,270,000	-	-
Secured, Listed, Compounded, Redeemable, Non-Convertible Debentures of Rs. 10,000 each. The date of allotment was July 4, 2014.				
Term Loans				
Indian rupee loan from banks (secured)	295,040,250	249,508,704	344,222,727	270,201,962
Indian rupee loan from financial institutions (secured)	666,814,181	78,755,666	848,076,855	396,364,705
Indian rupee loan from others (Un secured)	-	3,700,000	3,700,000	-
	1,530,314,430	959,184,370	1,254,759,582	673,426,667
The above amount includes				
Secured borrowings	1,343,404,430	768,574,370	1,251,059,582	673,426,667
Unsecured borrowings	186,910,000	190,610,000	3,700,000	-
Amount disclosed under the head "other current liabilities" (note 9)	-	-	(1,254,759,582)	(673,426,667)
Net amount	1,530,314,430	959,184,370	-	-

Notes to Accounts

Notes-

1. As per the terms of issue of 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 1.25 times of the outstanding amount against series I and II of Non-convertible Debentures.
2. As per the terms of issue of 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 1.00 time of the outstanding amount against series IV and V of Non-convertible Debentures.
3. As per the terms of issue of Listed, 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 1.10 times of the outstanding amount against Public Issue of Non-convertible Debentures. The aforementioned Non convertible Debentures are freely tradable and listed on the Bombay Stock Exchange Limited.
4. Nature of Security for Term Loans Asat March 31, 2018

a. Loans secured by hypothecation (exclusive charge) of portfolio loans	1,709,342,113
b. Loans secured by hypothecation (exclusive charge) of portfolio loans and margin money deposits	883,765,919
c. Loans secured by fixed assets (Car Loan)	1,355,982
Total Outstanding	2,594,464,013
5. 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 2,59,44,64,013 (March 31, 2017: Rs. 99,85,31,037) as shown in the note (a), an amount of Rs. 24,37,90,412 (March 31, 2017: Rs. 43,63,78,876) has been guaranteed by the Managing Director, Mr. Amardeep Singh Samra in his personal capacity.
6. The interest of above Inter-Corporate loan is compounded on monthly basis and will be repayable along with the principal repayment. The Inter-Corporate loan is obtained at the rate of 15% p.a. (March 31, 2017: 15% p.a.) compounded monthly and is repayable in Financial Year 2018-19.

Notes to Accounts

(Amount in ` unless otherwise stated)

RATE OF INTEREST

Terms of repayment of long term borrowings (term loans and non convertible debenture) as on March 31, 2018

Borrowings from Banks - Secured

Repayable in Monthly Instalments			31-3-2018	
Rate of Interest	Maturity	No. of Instalments	Current	Non Current
Base Rate + 0.75 %	< 1 Year	12	15,960,000	-
	2 Year	6	-	8,080,000
Base Rate + 3.00 %	< 1 Year	12	37,523,300	-
	2 Year	0	-	-
Base Rate + 2.65 %	< 1 Year	2	8,750,000	-
	2 Year	0	-	-
Base Rate + 6.03 %	< 1 Year	24	72,609,806	-
	2 Year	20	-	67,883,632
Base Rate + 3.15 %	< 1 Year	12	34,228,859	-
	2 Year	9	-	28,054,425
	3 Year	9	-	-
Base Rate + 3.50 %	< 1 Year	6	12,500,000	-
	2 Year	0	-	-
Base Rate + 3.60 %	< 1 Year	12	24,683,999	-
	2 Year	12	-	24,303,941
	3 Year	0	-	-
Base Rate + 2.75 %	< 1 Year	12	66,666,667	-
	2 Year	12	-	66,666,667
	3 Year	9	-	50,051,871
Base Rate	< 1 Year	8	1,355,982	-
Total (a)			274,278,613	245,040,536
Repayable in Quarterly Instalments				
Base Rate + 2.00 %	< 1 Year	4	50,000,000	-
	2 Year	4	-	49,999,713
Base Rate + 3.50 %	< 1 Year	2	19,944,115	-
Total (b)			69,944,115	49,999,713
Total borrowings from Banks-Secured			344,222,728	295,040,249

Borrowings from Financial Institutions-Secured

Repayable in Monthly Instalments				
Interest Rate - 13.40 %	< 1 Year	132	404,093,413	-
	2 Year	82	-	264,829,692
Interest Rate - 13.50 %	< 1 Year	35	131,030,096	-
	2 Year	33	-	138,872,188
	3 Year	1	-	4,015,868
Interest Rate - 13.25 %	< 1 Year	97	234,197,685	-
	2 Year	88	-	243,235,543
	3 Year	7	-	15,860,888
Interest Rate - 14.90 %	< 1 Year	14	32,713,588	-
	2 Year	0	-	-
Interest Rate - 14.75 %	< 1 Year	9	21,042,047	-
	2 Year	0	-	-
Interest Rate - 14.50 %	< 1 Year	12	25,000,028	-
	2 Year	0	-	-
Total Borrowings from Financial Institutions - Secured			848,076,857	666,814,179

Borrowings from others - Unsecured

Repayable in Bullet				
Interest Rate - 15 %	< 1 Year	1	3700000	-
Total (c)			3700000	-

Notes to Accounts

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

Borrowings from Banks - Secured

Repayable in Monthly Instalments

31-3-2017

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
			203,535,298	196,175,368
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
			66,666,664	53,333,336
Total (a)			270,201,962	249,508,704

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
Total (b)			396,364,710	78,755,661

Borrowings from others - Unsecured

Repayable in Bullet

Interest Rate - 15%	> 1 Year	1	-	3700000
Total (c)			-	3700000

NOTE 5 - LONG TERM BORROWINGS (Cont.)

Terms of repayment of long term borrowings (non convertible debentures) as on March 31, 2018							31-Mar-2018		
Nature	Terms of Interest payment	Series no.	Interest range	Due within 1 year	Due between 1 to 3 Years	Due between 3 to 5 Years	Due after 5 years	Grand Total	
Debtures- Secured and Listed									
	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	
Total (A)				-	38,520,000	131,130,000	80,350,000	250,000,000	
Debtures- Secured and Unlisted									
	Quarterly Payment	I	11% - 12%	-	9,190,000	-	7,050,000	16,240,000	
	Quarterly Payment	II	11.25% - 12.25%	-	3,750,000	600,000	7,420,000	11,770,000	
	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%	-	37,980,000	900,000	11,680,000	50,560,000	
	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	
Total (B)				-	112,710,000	20,850,000	56,750,000	190,310,000	
Debtures- Unsecured and Unlisted									
	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	
Total (C)				-	-	66,910,000	120,000,000	186,910,000	
Grand Total (A+B+C)				-	151,230,000	218,890,000	257,100,000	627,220,000	

NOTE 5 - LONG TERM BORROWINGS (Cont.)

Terms of repayment of long term borrowings (non convertible debentures) 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		
Debentures- Secured and Listed									
	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	
Total (A)				-	38,520,000	131,130,000	80,350,000	250,000,000	
Debentures- Secured and Unlisted									
	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	
Total (B)				6,860,000	112,710,000	20,850,000	56,750,000	197,170,000	
Debentures- Unsecured and Unlisted									
	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	
Total (C)				-	-	66,910,000	120,000,000	186,910,000	
Grand Total (A+B+C)				6,860,000	151,230,000	218,890,000	257,100,000	634,080,000	

Notes to Accounts

(Amount in ₹ unless otherwise stated)

Particulars	Long Term 31-3-2018	Long Term 31-3-2017	Short Term 31-3-2018	Short Term 31-3-2017
NOTE 6 - PROVISIONS				
Provision for employee benefits				
Provision for gratuity (refer note 27)	3,592,470	2,328,220	133,869	97,270
Provision for leave benefits (refer note 27)	2,803,748	2,485,646	142,003	122,170
	6,396,218	4,813,866	275,872	219,440
Other Provisions				
Contingent provision against standard assets (refer note 28)	17,136	16,086	32,048,134	21,955,058
	17,136	16,086	32,048,134	21,955,058
Total	6,413,354	4,829,952	32,324,007	22,174,498
NOTE 7 - OTHER LIABILITIES				
Trade payables				
Total outstanding dues of micro & small enterprises (refer note 30)	-	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	35,198,293	5,949,435
Employee benefits payable	-	-	6,651,537	9,887,762
	-	-	41,849,830	15,837,197
Other Liabilities				
Current maturities of long-term borrowings (refer note 5)	-	-	1,254,759,582	673,426,667
Interest accrued but not due on borrowings	241,313,717	170,672,729	11,506,014	7,906,795
Interest accrued and due on borrowings	-	-	10,575	2,641,329
Unpaid dividend	-	-	20,700	8,400
Statutory dues payable				
GST Payable / Service tax payable	-	-	981,732	755
TDS payable	-	-	3,936,604	2,698,191
ESI Payable	-	-	564,705	418,424
PF Payable	-	-	1,570,306	814,283
Others	-	-	50,706,056	13,175,111
	241,313,717	170,672,729	1,324,056,274	701,089,955
	241,313,717	170,672,729	1,365,906,104	716,927,152
NOTE 9 - Deferred tax asset (net)			31-3-2018	31-3-2017
Deferred tax liability				
Impact of difference between tax depreciation and depreciation/amortization charged for financial reporting			(1,802,987)	(1,866,886)
Gross deferred tax liability			(1,802,987)	(1,866,886)
Deferred tax asset				
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis			1,838,328	1,664,162
Impact of provision for standard & non performing assets			8,834,784	7,264,319
Deferred tax asset			10,673,112	8,928,481
Deferred tax asset (net)			8,870,125	7,061,595

Notes to Accounts

(Amount in ` unless otherwise stated)

NOTE 8.1 - PROPERTY, PLANT & EQUIPMENT

	Furniture & Fixtures	Computers	Electric Implants	Leasehold Improvements	Vehicles	Total
Cost						
At March 31, 2016	8,543,989	10,534,677	5,029,323	-	6,691,396	30,799,385
Additions	3,272,152	9,778,196	4,162,511	12,691,490	-	29,904,349
Disposals	(2,055,185)	(141,016)	(1,190,395)	-	-	(3,386,596)
At March 31, 2017	9,760,956	20,171,857	8,001,439	12,691,490	6,691,396	57,317,138
Additions	5,528,633	10,831,322	2,911,173	10,629,896	62,665	29,963,689
Disposals	-	-	-	-	-	-
At March 31, 2018	15,289,589	31,003,179	10,912,612	23,321,386	6,754,061	87,280,826
Depreciation						
At March 31, 2016	1,790,529	6,241,666	621,343	-	334,139	8,987,677
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)
At March 31, 2017	2,101,253	8,870,466	991,405	435,876	1,174,646	13,573,647
Charge for the year	1,263,281	6,444,490	976,602	2,644,116	846,823	12,175,311
Disposals	-	-	-	-	-	-
At March 31, 2018	3,364,534	15,314,956	1,968,007	3,079,992	2,021,469	25,748,958
Impairment Loss						
At March 31, 2016	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
At March 31, 2017	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
Reversal for the year	-	-	-	-	-	-
At March 31, 2018	-	-	-	-	-	-
Net Block						
At March 31, 2017	7,659,703	11,301,391	7,010,033	12,255,614	5,516,750	43,743,491
At March 31, 2018	11,925,055	15,688,223	8,944,604	20,241,394	4,732,592	61,531,868

8.2 INTANGIBLE ASSETS

	Software	Licenses	Total
Gross block			
At April 1, 2016	350,063	1,059,276	1,409,339
Addition	43,707	2,398,229	2,441,936
Write offs	-	-	-
At March 31, 2017	393,770	3,457,505	3,851,275
Addition	3,346,875	2,864,432	6,211,307
Write offs	-	-	-
At March 31, 2018	3,740,645	6,321,937	10,062,582
Amortisation			
At March 31, 2016	227,910	298,213	526,123
Charge for the year	71,154	297,964	369,118
Reversal for the year	-	-	-
At March 31, 2017	299,064	596,177	895,241
Charge for the year	517,047	657,922	1,174,968
At March 31, 2018	816,111	1,254,099	2,070,209
Net block			
At March 31, 2017	94,706	2,861,328	2,956,034
At March 31, 2018	2,924,534	5,067,838	7,992,373

Notes to Accounts

(Amount in £ unless otherwise stated)

Particulars	Non-Current 31-3-2018	Non-Current 31-3-2017	Current 31-3-2018	Current 31-3-2017
NOTE 10 - LOANS & ADVANCES				
A - Portfolio Loans				
Joint liability group loans				
Unsecured, considered good*	1,713,613	1,608,563	3,140,187,306	1,129,900,831
Unsecured, considered Doubtful**	-	-	26,896,175	-
	1,713,613	1,608,563	3,167,083,481	1,129,900,831
Individual loans				
Unsecured, considered good*	60,139	-	39,861	-
Unsecured, considered Doubtful**	-	-	-	-
	60,139	-	39,861	-
Other Loans				
Secured, considered good*	50,000,000	-	100,520,000	1,170,000
Secured, considered Doubtful**	-	-	-	-
	50,000,000	-	100,520,000	1,170,000
	51,773,752	1,608,563	3,267,643,342	1,131,070,831
Joint liability group loans placed as collateral towards securitisation transaction (refer note 31 (b))				
Unsecured, considered good*	-	-	33,465,504	-
Unsecured, considered Doubtful**	-	-	-	-
	-	-	33,465,504	-
(A)	51,773,752	1,608,563	3,301,108,846	1,131,070,831
* 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-Security Deposits				
Unsecured, considered good	-	2,534,004	4,249,990	17,656,246
(B)	-	2,534,004	4,249,990	17,656,246
C-Other loans and advances (unsecured, considered good)				
Advance income tax (net of provision for taxation)	-	-	14,510,809	1,006,506
Prepaid expenses	-	-	4,914,823	2,080,161
Loans to employees	-	-	3,702,916	661,212
Balances with statutory / government authorities	-	-	593,400	5,678,354
Others	-	-	1,594,372	3,604,602
(C)	-	-	25,316,319	13,030,835
Total (A+B+C)	51,773,752	4,142,567	3,330,675,156	1,161,757,912
NOTE 11 - OTHER ASSETS				
Non-current bank balances (refer note 14)	39,334,564	52,840,604	-	-
Assets held for sale	-	-	-	2,305,069
Interest accrued but not due on portfolio loans	-	-	20,398,593	8,446,895
Interest accrued and due on loans other than portfolio loans	-	-	349,764	145,584
Interest accrued but not due on deposits placed with banks	2,617,745	2,700,002	4,555,215	4,371,530
Others considered good	-	-	7,275,101	658,003
	41,952,309	55,540,606	32,578,673	15,927,081

Notes to Accounts

(Amount in ` unless otherwise stated)

Particulars	31-3-2018	31-3-2017
NOTE 12 - CURRENT INVESTMENTS		
Quoted Mutual Funds		
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
6,84,708.742 (31 March 2017: Nil) units of Rs. 10 each fully paid-up of ICICI Prudential Regular Income Fund - Growth	12,000,000	-
	12,000,000	210,333,570

NOTE 13 - TRADE RECEIVABLES		
Outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	889,792	348,076
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
	889,792	348,076

Particulars	31-3-2018		31-3-2017
	Non-Current	Current	
NOTE 14 - CASH & BANK BALANCES			
Cash and cash equivalents			
Balances with banks			
On current accounts	-	- 261,547,255	584,347,534
Deposits with original maturity of less than three months	-	- 25,818,927	186,499,000
Cheques/ drafts on hand	-	- 548,563	2,914,818
Cash on hand	-	- 5,457,277	7,318,326
	-	- 293,372,022	781,079,678
Other Bank Balances			
Margin money deposit (refer note (a) below)	39,334,564	52,840,604	47,450,000
	39,334,564	52,840,604	23,459,298
Amount disclosed under other non-current assets (refer note 11)	(39,334,564)	(52,840,604)	-
	-	- 340,822,022	804,538,976

Note (a): Represent deposits liened to avail term loans from banks, financial institutions.

Particulars	31-3-2018	31-3-2017
NOTE 15 - REVENUE FROM OPERATIONS		
Interest income on portfolio loans	461,593,314	410,934,963
Excess Interest Spread on Securitisation	8,683,156	-
Interest on loans other than portfolio loans	370,998	264,987
Other Operating Revenue		
Loan processing fees	53,510,684	23,088,571
Interest on fixed deposits as margin money deposits*	6,198,986	7,191,944
	530,357,138	441,480,465

*Represents interest on fixed deposits liened to avail term loans from banks, financial institutions.

NOTE 16 - OTHER INCOME		
Interest on fixed deposits	6,058,322	7,486,072
Other fee income	4,708,298	1,959,083
Profit on sale of mutual fund units	26,681,078	15,266,170
Miscellaneous income	199,008	39,536
	37,646,706	24,750,861

Notes to Accounts

(Amount in £ unless otherwise stated)

Particulars	31-3-2018	31-3-2017
NOTE 17 - EMPLOYEE BENEFIT EXPENSES		
Salaries and bonus / incentives	140,713,948	82,345,317
Leave benefits (refer note 27)	337,935	1,228,815
Contribution to provident fund	7,928,331	4,082,252
Contribution to Employee State Insurance Corporation	3,913,230	2,231,558
Gratuity expenses (refer note 27)	1,438,647	940,600
Staff welfare expenses	7,105,088	3,314,802
	161,437,179	94,143,344
NOTE 18 - FINANCE COSTS		
Interest		
On term loans from banks	68,683,573	43,315,891
On term loans from financial institutions	92,016,119	92,000,303
On debentures	96,410,721	88,584,527
On inter corporate loans	602,878	1,191,283
On others	1,676,688	-
Other finance costs (Including brokerage)	15,865,381	14,932,825
Bank charges	1,544,759	1,174,084
	276,800,119	241,198,913
NOTE 19 - DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of property, plant and equipment	12,175,311	5,667,497
Amortisation of intangible assets	1,174,968	369,118
	13,350,279	6,036,615
NOTE 20 - PROVISIONS AND WRITE-OFFS		
Contingent provision against standard assets (refer note 28)	10,094,127	7,558,449
	10,094,127	7,558,449
NOTE 21 - OTHER EXPENSES		
Rent	18,736,516	11,683,093
Rates and taxes	9,325,083	3,745,746
Insurance	3,782,653	1,472,287
Training Expenses	1,634,500	433,029
Business Promotion	3,690,290	1,222,560
Repairs and maintenance		
Buildings	3,140,351	2,132,807
Others	4,474,582	758,806
Electricity charges	3,470,938	1,455,286
Travelling and conveyance	20,956,547	13,644,052
Communication expenses	6,386,918	4,136,005
Printing and stationery	5,137,660	4,227,302
Legal and professional fees	4,573,365	3,918,477
Credit information service charges	1,267,482	701,250
Directors' sitting fees	217,000	238,000
Auditors' remuneration (refer note A below)	1,255,785	900,000
Miscellaneous expenses	2,265,449	1,271,066
	90,315,118	51,939,765
A. Payment to auditors		
As auditor:		
Audit fee	950,000	650,000
Limited review	200,000	200,000
In other capacity:		
Other services (certification fees)	50,000	50,000
Reimbursement of expenses	55,785	-
	1,255,785	900,000

Notes to Accounts

(Amount in ` unless otherwise stated)

Particulars	31-3-2018	31-3-2017
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	11,786,362	43,119,536
Less: Preference dividend & tax thereon	3,766,504	2,170,330
Net profit/ (loss) for calculation of basic EPS	8,019,858	40,949,206
Net profit as above	8,019,858	40,949,206
Add: dividends on convertible preference shares & tax thereon	2,169,995	2,166,437
Net Profit for calculation of diluted EPS	10,189,853	43,115,643
	No. of shares	No. of shares
Weighted average number of equity shares in calculating basic EPS	18,711,500	18,711,500
Effect of dilution:		
Convertible preference shares	2,000,000	2,000,000
Weighted average number of equity shares in calculating diluted EPS	20,711,500	20,711,500

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. The Company operates in a single geographical segment i.e. domestic.

24 Related parties

- a. Related parties under AS 18 with whom transactions have taken place during the year

Key Management Personnel

Mr. Amardeep Singh Samra - Managing director

Mr. Amitesh Kumar - Chief Financial Officer

Ms. Sonia Dua - Company Secretary & Compliance Officer (resigned w.e.f. May 25, 2018.)

Relative of Key Management personal

Mr. Amarjit Singh Samra - Father of Mr. Amardeep Singh Samra

Mr. Sarjit Singh Samra - Brother of Mr. Amardeep Singh Samra

Mrs. Surinder Kaur Samra - Mother of Mr. Amardeep Singh Samra

Mrs. Gagan Samra - Wife of Mr. Amardeep Singh Samra

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

Kitara PIIN 1501

b. Transactions with Related Parties
I. Remuneration

Name of the Party	Year Ended	
	March 31, 2018	March 31, 2017
Paid during the year		
Amardeep Singh Samra	56,79,156	46,86,000
Amitesh Kumar	25,62,560	18,72,000
Sonia Dua	4,34,196	4,11,688

As the provision for gratuity is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

II. Expenses

Name of the Party	Rent		Reimbursement	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Paid during the year				
Amardeep Singh Samra	10,45,675	9,35,426	17,28,110	14,33,363
Surinder Kaur Samra	98,440	1,13,400	-	-
Amarjit Singh Samra	98,440	1,13,400	-	-
Sarvjit Singh Samra	10,45,675	9,35,426	-	-
Gagan Samra	-	9,450	-	-
Amitesh Kumar	-	-	5,73,644	6,80,153

III. Sitting Fees

Name of the Party	Year Ended	
	March 31, 2018	March 31, 2017
Paid during the year		
Amardeep Singh Samra	32,000	38,000

IV. Loans given and repayment thereof

Name of the Party	Year Ended	
	March 31, 2018	March 31, 2017
Loans & advances given during the year		
Amitesh Kumar	-	-
Loans & advances outstanding		
Amitesh Kumar	5,66,332	5,32,500

25. Capital and other commitments

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

Particulars	As at March 31, 2018	As at March 31, 2017
For implementation of Computer software	NIL	1,062,500
Construction of Head Office	NIL	477,144

26. Contingent liabilities

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

Notes to Accounts

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. 20,00,000 as per The Payment of Gratuity Act, 1972.

The following tables summarise 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):

Particulars	Gratuity for the year ended March 31, 2018	Gratuity for the year ended March 31, 2017
Current service cost	16,37,011	9,58,914
Interest cost on benefit obligation	1,78,274	1,18,791
Net actuarial (gain) / loss recognised in the year	(3,76,638)	(1,37,105)
Net employee benefit expense	14,38,647	9,40,600

Balance Sheet

Details of provision for gratuity:

Particulars	Gratuity March 31, 2018	Gratuity March 31, 2017
Defined benefit obligation	37,26,339	24,25,490
Fair value of plan assets		-
Plan liability	37,26,339	24,25,490

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

Particulars	Gratuity March 31, 2018	Gratuity March 31, 2017
Opening defined benefit obligation	24,25,490	14,84,890
Interest cost	1,78,274	1,18,791
Current service cost	16,37,011	9,58,914
Benefits paid	(1,37,798)	-
Actuarial (gains) / losses on obligation	(3,76,638)	(1,37,105)
Closing defined benefit obligation	37,26,339	24,25,490

The principal assumptions used in determining gratuity:

Particulars	Gratuity March 31, 2018	Gratuity March 31, 2017
Discount Rate	7.80%	7.35%
Salary escalation rate per annum	5.50%	5.50%

The following table summarises 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 for the year ended March 31, 2018	Leave Encashment for the year ended March 31, 2017
Current service cost	10,61,115	9,22,046
Interest cost on benefit obligation	1,91,674	1,10,320
Past Cost Service	-	-
Net actuarial (gain) / loss recognised in the year	(9,14,854)	1,96,449
Net employee benefit expense	3,37,935	12,28,815

Balance Sheet

Details of provision for leave benefit:

Particulars	Leave Benefit March 31, 2018	Leave Benefit March 31, 2017
Defined benefit obligation	29,45,751	26,07,816
Fair value of plan assets	-	-
Plan liability	29,45,751	26,07,816

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

Particulars	Leave Benefit March 31, 2018	Leave Benefit March 31, 2017
Opening defined benefit obligation	26,07,816	13,79,001
Interest cost	1,91,674	1,10,320
Past Service Cost	-	-
Current service cost	10,61,115	9,22,046
Benefits paid	-	-
Actuarial (gains) / losses on obligation	(9,14,854)	1,96,449
Closing defined benefit obligation	29,45,751	26,07,816

The principal assumptions used in determining Leave benefit:

Particulars	Leave Benefit March 31, 2018	Leave Benefit March 31, 2017
Discount Rate	7.80%	7.35%
Salary escalation rate per annum	5.50%	5.50%

28. Portfolio loans, loans other than portfolio loans and provision for standard and non-performing assets as at March 31, 2018:

Asset classification	Loans outstanding (Gross)		Provision for standard and non-performing assets			Loans outstanding (Net)	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2017	Provision made during the year	As at March 31, 2018	As at March 31, 2018	As at March 31, 2017
Standard assets	33,259,86,423	1,13,26,79,394	2,19,71,144	100,94,127	3,20,65,271	3,29,39,21,152	1,11,07,08,250
Substandard assets	2,68,96,175	-	-	-	-	-	-
Loss assets	-	-	-	-	-	-	-
Total	3,35,28,82,598	1,13,26,79,394	2,19,71,144	100,94,127	3,20,65,271	3,29,39,21,152	1,11,07,08,250

Portfolio loans, 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 March 31, 2017	As at March 31, 2016	As at March 31, 2016	Provision made during the year	As at March 31, 2017	As at March 31, 2017	As at March 31, 2016
Standard assets	1,13,26,79,394	1,442,705,377	1,44,12,695	75,58,449	2,19,71,144	1,11,07,08,250	1,42,82,92,682
Substandard assets	-	-	-	-	-	-	-
Loss assets	-	-	-	-	-	-	-
Total	1,13,26,79,394	1,442,705,377	1,44,12,695	75,58,449	2,19,71,144	1,11,07,08,250	1,42,82,92,682

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 had provided a dispensation on prudential norms in the form of short-term deferment of classification of loan accounts as sub-standard. Accordingly, the Company had availed the said dispensation whereby loan accounts aggregating Rs. 4,60,26,262 were classified as standard assets as at March 31, 2017. However, the Company had 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 the year then ended. For JLG loans overdue for more than 90 days, the Company has provided for 50% of the overdue amount as on March 31, 2017.

However, the Company has followed the NBFC Master Directions, 2016 regarding the asset classification and provisioning norms for the financial year 2017-18 (refer note 2.1(q)).

29. Leases (operating lease)

Office Premises:

Head office and branch office premises are taken on operating lease. The branch office premises are generally rented on cancellable terms ranging from eleven months to one hundred eight months with or without escalation clause. None of the branch lease agreement carries non-cancellable lease periods. The head 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, 2018	March 31, 2017
Operating lease expenses recognised in the statement of profit and loss	18,736,516	11,683,093

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, 2018, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

31. 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, 2018	March 31, 2017
CRAR	23.72%	42.53%
CRAR - Tier I Capital	14.27%	27.22%
CRAR - Tier II Capital	9.46%	15.31%

b. Disclosures relating to securitisation:

During the year the Company has sold loans through securitization. The information on securitization activity is as below:

(Rs. in Crores)

Particulars	March 31, 2018	March 31, 2017
Total number of loans securitised	16,289	0
Total book value of loans securitised	24.54	0.00
Total book value of loans securitised including loans placed as collateral	27.88	0.00
Sale consideration received for loans securitised	24.54	0.00
Excess interest spread recognised in the statement of profit and loss	0.87	0.00
Credit enhancements provided and outstanding (Gross)		
Interest subordination	0.00	0.00
Principal subordination	3.34	0.00
Cash Collateral	1.39	0.00

Notes to Accounts

(Rs. in Crores)

Sr. No	Particulars	March 31, 2018	March 31, 2017
1.	No. of SPVs sponsored by the NBFC for securitisation transactions during the year	1	-
2.	Total amount of securitised assets as per the books of the SPVs sponsored by the NBFC as on date of balance sheet:	18.89	-
3.	Total amount of exposures retained to comply with minimum retention requirement ('MRR') as on date of balance sheet:		
	a) Off balance sheet exposures		
	- First loss	-	-
	-Others	-	-
	b) On balance sheet exposures		
	- First loss	4.73	-
	- Others		
4.	Amount of exposures to other than MRR:		
	a) Off balance sheet exposures		
	i) Exposure to own securitisations		
	- First loss	-	-
	- Others	-	-
	ii) Exposure to third party securitisations		
	- First loss	-	-
	- Others	-	-
	b) On balance sheet exposures		
	i) Exposure to own securitisations		
	- First loss	-	-
	- Others	-	-
	ii) Exposure to third party securitisations		
	- First loss	-	-
	- Others	-	-

c. Details of financial assets sold to securitisation / Reconstruction Company for asset reconstruction: The Company has not sold financial assets to securitisation / Reconstruction companies for asset reconstruction in the current and previous year.

d. The Company has not purchased / sold non-performing financial assets in the current and previous year.

32. Information on Net Interest Margin

Particulars	March 31, 2018	March 31, 2017
Average Interest (a)	23.62%	25.62%
Average effective cost of borrowing (b)	14.95%	15.70%
Net Interest Margin (a-b)	8.67%	9.92%

Notes to Accounts

33. Detail of CSR Expenses:

Particulars	March 31, 2018	March 31, 2017
a) Gross amount required to be spent by the Company during the year	9,27,651	5,46,741
b) Amount spent during the year on purposes other than construction/acquisition of any asset	-	-

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

As per our report of even date

For SR Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Amit Kabra
Partner
Membership No. 094533

Place : Jalandhar, Punjab
Date : 25 May, 2018

For and on behalf of Board of Directors of
Midland Microfin Ltd.

Amardeep Singh Samra
Managing Director
DIN: 00649442

Amitesh Kumar
Chief Financial Officer

Shant Gupta
Director
DIN: 01571485

Sharon Arora
Company Secretary
Membership No. 38209

Our Customers



Recreational Activities

Glimpses of Establishment Day Celebrations

Great corporate leaders, who truly acknowledge that their strength and their power is a direct result of the people working behind the name, realize that corporate annual function is absolutely essential. Midland celebrated its 7th Establishment Day on February 4, 2018 at Jalandhar and on February 11, 2018 at Jaipur. The function was full of colorful performances, awards to best performers and awesome Band performance. Mr. Amardeep Samra (MD) appreciated the efforts of the employees and also shared the growth plan of Midland Microfin.

Establishment Day Celebration at Jalandhar (February 4, 2018)



Establishment Day Celebration at Jaipur (February 11, 2018)



Midland Cricket League - Season-3

Our company organised 'MIDLAND CRICKET LEAGUE - Season 3' which started on November 9, 2017 and went on for three days. Four teams were created from our employees who are cricket enthusiasts and this season even our female staff got a chance to show their mettle. Each team had two girls as playing members.



BANGKOK TRIP



Our Partners

Insurance Partners



KITARA PIIN 1501

Rating Partners



Technical Partners



Self Regulatory Organisation

Credit Bureau



Network Organization



Debt Funding Partners

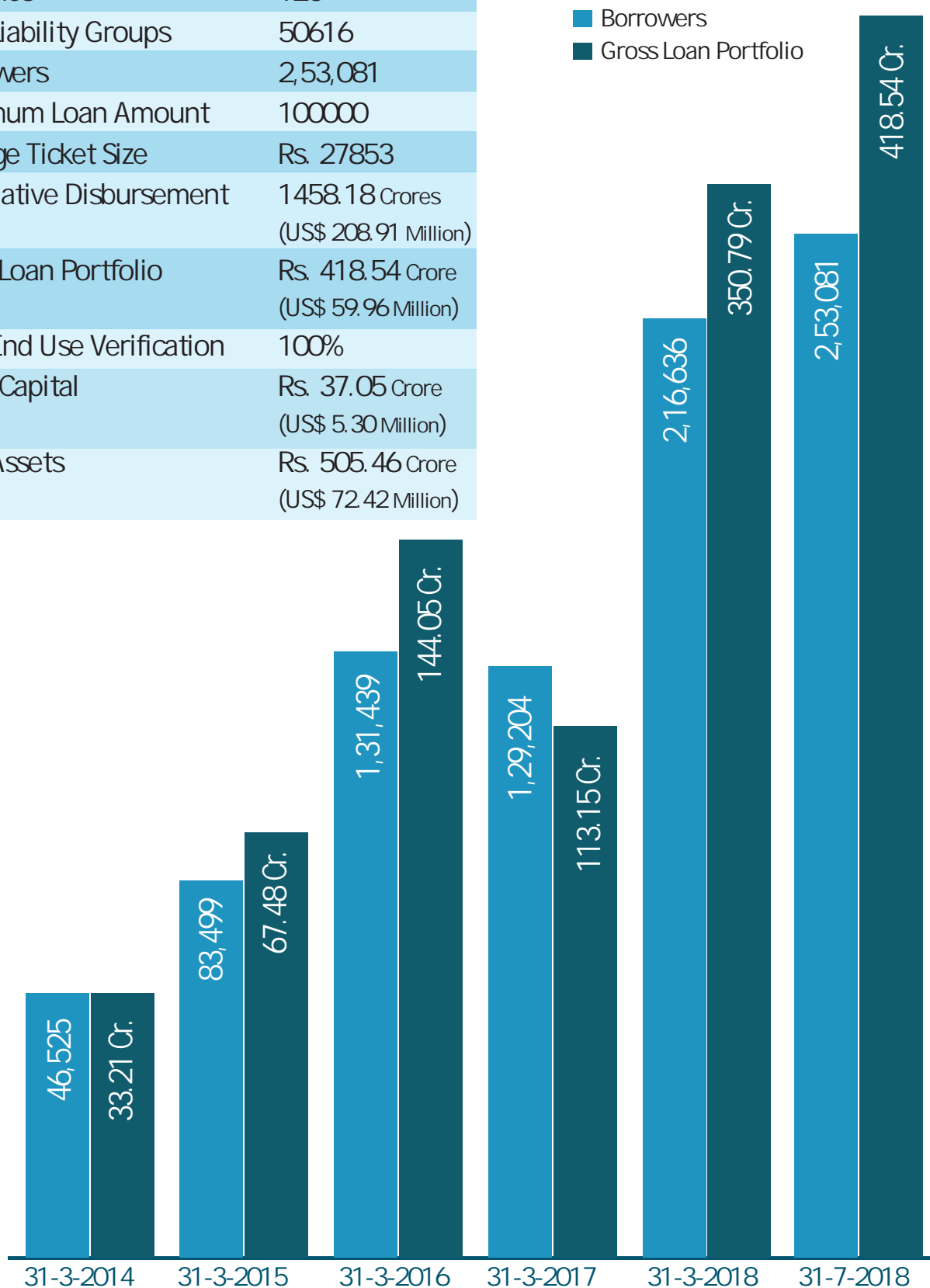


Maanayeeya Development & Finance Private Limited

The Milestones

(As at July 31, 2018)

States & UT	6
Villages Covered	12665
Branches	120
Joint Liability Groups	50616
Borrowers	2,53,081
Maximum Loan Amount	100000
Average Ticket Size	Rs. 27853
Cumulative Disbursement	1458.18 Crores (US\$ 208.91 Million)
Gross Loan Portfolio	Rs. 418.54 Crore (US\$ 59.96 Million)
Loan End Use Verification	100%
Share Capital	Rs. 37.05 Crore (US\$ 5.30 Million)
Total Assets	Rs. 505.46 Crore (US\$ 72.42 Million)





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