To

The Members,

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

Your Directors are pleased to present the twenty sixth Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended, 31st March 2021.

FINANCIAL SUMMARY

(Rs. in Lakh)

Particulars	2020-21	2019-20
Interest Income	11,615.26	12,841.36
Other Income	42.72	70.46
Total Income	11657.98	12911.82
Less:		
Expenses	12,886.45	10,364.29
Profit before Tax	**-1,228.47**	**1997.53**
Less		
Provisions for:		
Income Tax	351.11	770.00
Short provision for tax relating to prior years	-40.41	-1.19
Deferred Tax	-651.25	-15.38
Profit after Tax	**-887.92**	**1244.10**
Add:		
Other Comprehensive Income	70.76	-63.88
Total Comprehensive Income for the Year	**-817.16**	**1180.22**
Add:		
Balance b/f from previous years	7,163.50	6,168.22
Amount available for Appropriation	**6,275.58**	**7,163.50**
Appropriations:		
Statutory Reserve	14.15	248.82
Dividend & Distribution Tax	-	-
Balance carried to Balance Sheet	6283.69	6914.68
Equity Share Capital	1733.96	1733.96
Reserves	11,877.05	12,694.21

FINANCIAL OVERVIEW:

During the year, your company earned a GROSS INCOME of Rs. 116.57 Cr (Previous Year Rs. 129.11 Cr) and PROFIT BEFORE TAX (PBT) of Rs. -12.28 Cr (Previous Year Rs. 19.97 Cr), with expenditures of Rs. 128.86 Cr (Previous Year Rs. 103.64 Cr). The Company incurred a Net Loss of Rs. 8.65 Cr due to higher Loan Loss Provision made. (Previous year PAT Rs. 12.44 Cr). The amount transferred to Statutory Reserve is Rs. 0.14 Cr (Previous year Rs. 2.48 Cr).

OPERATIONAL REVIEW

Year ended March 31	***2021***	***2020***
Number of Branches	144	137
Number of Members	3,03,876	3,16,765
Number of employees	880	799
Number of States	7	7
Amount Disbursed (₹ In Crore)	334.04	887.68
Portfolio Outstanding (₹ In Crore)	475.80	606.46

FUTURE OUTLOOK:

The prolonged outbreak of COVID-19 pandemic across the globe and in India has contributed to a significant decline and volatility in the global and Indian financial markets with a significant slowdown in economic activities. Covid Wave-2 has caused further disruptions on businesses just when the country was recovering from the first wave.

The duration and the magnitude of COVID-19, with waves following one after the other in succession are still uncertain, we expect an impact on the company's original growth plans for FY22. The company will continue to assess and monitor the situation and adopt appropriate strategies to safeguard its interests aligning with its customer's interests and staff well-being. We are happy to report that due to strong business continuity plans and with the implementation of IT cloud technologies (fortunately, before the pandemic itself), the company has been able to ensure employee well-being, demonstrate a successful "Work from Home" model, resulting in business continuity seamlessly for our staff and customers. In addition, the company is taking various measures to minimize the financial impact.

During previous crises like Sub-prime in 2008, Andhra MFI crisis in 2010, Demonetisation in 2016, Chennai floods in 2016, etc, the company has proved itself to be very resilient time and again by bouncing back to a collection efficiency up to 99% and above within few months of each of this crises. The company is confident that Covid19 impact would also be managed very efficiently in the same manner, albeit needing more time than previous crises.

Significant new measures and initiatives have been implemented in the past year to ensure Covid19 related losses are minimum. They include introduction of new overdue payments tracking software, strengthening the Delinquency Prevention and Monitoring Department (DPMD) team, implementing state of art data analytics tools to track over-due portfolio and interacting continuously with stressed customers, apart from significantly increasing the field staff count by one-third.

TRANSFER TO RESERVES:

The Company transferred Rs. 0.14 Cr to Statutory Reserves 20% of the Comprehensive Income in accordance with the provisions of Section 45 – IC of Reserve Bank of India Act, 1934.

GRADING AND CREDIT RATING:

Acuite Ratings has assigned ACUITE BBB+ rating to SMILE in September 2020 for Long Term Bank Facilities of Rs. 250 crore. It has re-assigned ACUITE BBB in March 2021.

ICRA Limited has re-assigned [ICRA] BBB- (pronounced ICRA triple B minus) rating to SMILE in December 2020 for Long Term Bank Facilities of Rs. 250 crore.

CARE Ratings has re-assigned CARE BBB- (pronounced CARE triple B minus) rating to SMILE in February 2021 for Long Term Bank Facilities of Rs. 250 crore.

Code of Conduct Assessment (COCA) Grading & Rating:
SMERA has assigned combined COCA Grading and Rating of M2C2 in July 2020

CAPITAL ADEQUACY:

The Capital Adequacy Ratio of the company was 32.28% as of March 31, 2021 as against the minimum capital adequacy requirements of 15% stipulated by RBI.

LOAN OBTAINED AND DISBURSED:

During the Year under review, the Company obtained funds amounting to Rs. 150.00 Cr through Term Loan and Rs. 58.14 Cr through Securitisation and the Company disbursed 1.02 lakh loans (previous year 3.52 lakh loans) amounting to Rs. 334.05 Cr (previous year Rs. 887.68 Cr). Average loan size marginally increased to Rs.32,789 from Rs. 32,721 in the previous year.

ASSETS UNDER MANAGEMENT (AUM):

The total Loan Assets under management of the Company declined to Rs.475.80 Cr (Previous year Rs. 606.47 Cr), a decrease of Rs.130.67 Cr (-22%), due to Covid-19 impact on businesses;

Current Year: Loan Assets under management Rs. 475.80 Cr (Own Book Portfolio Rs. 453.75 Cr + Securitisation Rs. 21.19 Crore + Off Book Portfolio (Direct Assignment) Rs. 0.86 Crore).

Previous Year: Loan Assets under management Rs. 606.47 Cr (Own Book Portfolio Rs. 546.45 Cr +Securitisation Rs. 52.64 Crore + Off Book Portfolio Rs. 7.37 Crore).

SECURITISATION:

During the year, the Company did three securitization deals. In respect of securitized assets the Company had collected the receivables and made payment to the investors to the extent of Rs.104.68.11 Cr.

DIRECT ASSIGNMENTS:

During the year, the Company has not done any direct assignments deals. In respect of direct assignment deals of the Company done in the previous year, the Company had collected the receivables and made payment to the investors to the extent of Rs.6.51 Cr.

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

During the year, there were challenges in collecting the repayment from the borrowers since their livelihood has been seriously impacted on account of Covid-19. However, due to effective follow up and monitoring and the strategies adopted by the Company, the PAR and arrears after write-off remained at Rs. 90.85 Crore representing 19.09% of the portfolio; PAR >30 days amounted to Rs.70.34 Crore representing 14.78% of the Portfolio. The Company has made a provision of Rs. 16.69 Crore, under ECL method considering the impact of macro-economic factors including COVID 19. Provision under R.B.I. prudential norms amount to Rs. 5.98 Crore. Bad Debts written off during the year is Rs 6.29 Crore (Previous year Rs 1.09 Crore).

LOAN SERVICING:

During the year, the Company serviced all its Loans and made Principal repayments of Rs.247.28 Cr to all its funding Banks & Financial Institutions. In respect of securitized assets and direct assignment, the Company had collected the dues from borrowers and made payment to the investors to the extent of Rs.111.19 Cr.

MICROFINANCE SECTOR SCENARIO:

Due to the effect of the Pandemic and lock downs announced locally by various state governments the financial services industry including the microfinance industry has faced turbulent times during the previous year.

The microfinance industry's gross loan portfolio (GLP) grew 8.4 per cent to Rs 2.54 Lakh crore as on March 31, 2021, according to Micro lend report released by Crif High Mark. During the financial year the microfinance industry's loan disbursement grew by a meagre 1% at 1.94 Lakh crores. The top ten states accounted for 83 per cent of the total loan amount outstanding. The top five states in terms of share in loan portfolio are Tamil Nadu, Bihar, West Bengal, Karnataka and Maharashtra.

The Reserve Bank of India has mooted streamlining regulations by replacing the current framework of institution-based regulation to activity-based regulation. This would augur well for microfinance lenders, bringing them on a level-playing field, enhancing delivery of last-mile credit and strengthening consumer protection and resulting in better margins for the Company.

NBFC-MFI industry:

The NBFCs-MFI industry has a microloan portfolio of 77,574 crores at the end of March 21 registering a year-on-year growth of 10.1 per cent. There are 86 NBFC-MFI registered with RBI as on date. The NBFC-MFI has a market share of around 32%

Banks remained the largest lender of microfinance at 42 per cent, followed by NBFC MFIs at 32 per cent of the gross loan portfolio and small finance banks (SFBs) at 19 per cent as of March 31st 2021.

DIVIDEND:

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

TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCTION AND PROTECTION FUND:

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

SHARE CAPITAL:

The paid up equity capital as on March 31, 2021 was Rs.17,33,96,390/-. During the year under review, the Company has not issued any equity share and shares with differential voting rights nor granted stock options /sweat equity.

DEBT INSTRUMENTS:

During the year under review, the Company has raised funds of Rs. 40 Crs by way of Listed Debt Securities issued and allotted to State Bank of India (Rs. 25 Crs) and IFMR Fimpact Investment Fund (Rs. 15 Crs) respectively.

FIXED DEPOSITS:

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

The company has not given any loans or guarantees covered under the provisions of section 186 of the Companies Act, 2013.
The detail of the investments made by company is given in the notes to the financial statements.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

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

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

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:

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

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

(C) Foreign exchange earnings and Outgo:
During this Financial Year, the Company has incurred foreign exchange expenditure.

Expenditure Incurred in Foreign Currency	
Particulars	**For the year ended 31st March, 2021 Amount in Lakh**
Reimbursement of Travelling Expenses	1.97

DIRECTORS AND KEY MANANGERIAL PERSONNEL:

During the FY 2020-21 1) Ms. Aparna Narendra Sharma, (DIN: 07132341) was appointed as Non-Executive Independent Director w.e.f. 07th December, 2020. Current Board of Directors and Key Managerial Personnel of the Company is given in the below table.

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

DECLARATION OF INDEPENDENT DIRECTORS:

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

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

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

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

MEETINGS:

During the year 26 Board Meetings were convened and held, the details of which are given in the Corporate Governance Report. During the lockdown period and after business resumed, the board met almost every week to assess the changing conditions and to advise the management. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

AUDIT COMMITTEE:

Composition as at 31st March 2021

Mr. Suresh K Krishna, Independent Director (Chairman of the Committee)
Mr. Rajan Samuel, Independent Director
Ms. Aparna Sharma, Independent Director
Mr. J Bradly Swanson, Non-Executive Director
Mr. V S Padmanaban, Non-Executive Director

The Audit Committee met five (5) times during the Financial Year 2020-21. The details of which are given in the Corporate Governance Report.

DIRECTORS RETIRING BY ROTATION:

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

PARTICULARS OF DIRECTORS, EMPLOYEES & REMUNERATION:

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

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

DIRECTORS' RESPONSIBILITY STATEMENT:

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

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

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

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

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

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

NOMINATION & REMUNERATION POLICY:

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

EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS:

There were no events occurred internally subsequent to the date of financial statements. However, Covid 2nd Wave is in progress since April, 2021 resulting in lock downs and disruptions in business and predictions of Wave3 may further affect the current year business.

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

There are no material changes and commitments affecting the financial position of the Company, which occurred between the end of the financial year of the Company i.e. March 31, 2021 and the date of the Directors' Report.

RELATED PARTY TRANSACTIONS:

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

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

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

AUDITORS' REPORT:

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

AUDITORS:

I. Statutory Auditors:

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

II. Secretarial Auditor:

Mr. CS Esaki, Practicing Company Secretary (ACS No. 30353 and Certificate of Practice No. 11022) was appointed as the Secretarial Auditor of the Company to conduct Secretarial Audit of the Company for the Financial Year 2020-21 as required under Section 204 of the Companies Act, 2013 and the Rules made there under. The Secretarial Audit Report for FY 2020-21 is attached as "Annexure D" to Directors' Report.

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

Observation:

The Company has complied with the terms and conditions set forth by the lending bank / financial institutions at the time of availing any facility and also during the currency of the facility, except in some cases where the breaches have occurred due to the impact of Covid-19 on businesses. In such cases, the lenders have confirmed that they have not invoked penal provisions considering the impact of the pandemic.

Response:

SMILE has always been prompt in servicing debt obligations and in complying with the lender covenants. Covid-19 has impacted the economy and businesses and caused liquidity challenges to the borrowers. Consequently, the collection efficiency decreased resulting in breach of covenants in respect of some lenders. Since the covenants are only on account of the impact of Covid-19, lenders have taken lenient view of the breaches and have not invoked penalty provisions. It is expected that normalcy will be restored in the current Financial Year.

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

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

INTERNAL FINANCIAL CONTROLS:

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

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

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, audit of internal financial controls and the reviews performed by management, the risk management and audit committee of the board, the board is of the opinion that the Company's internal financial controls were adequate and effective during the FY 2020-21.

VIGIL MECHANISM:

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

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

RISK MANAGEMENT:

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

ANNUAL PERFORMANCE EVALUATION OF THE BOARD:

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

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

The Company has a policy against sexual harassment and a formal process for dealing with complaints of harassment or discrimination. The Company seeks to ensure that all such complaints are resolved within defined timelines. The Company has not received any complaint during the period. The Annual returns for the same is also been submitted.

EXTRACT OF ANNUAL RETURN:

Pursuant to Section 134 (3)(a) and Section 92 (3) of the CA 2013, read with Rule 12 of the Companies(Management and Administration) Rules, 2014, an extract of the Annual Return as at March 31, 2021 in form MGT 9 has been annexed as Annexure - D to the Directors' Report.

CORPORATE GOVERNANCE:

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

CORPORATE SOCIAL RESPONSIBILITY (CSR):

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

Annual Report on Corporate Social Responsibility (CSR) Activities:

1. A brief outline of the company's CSR policy As a responsible and socially committed organization, SMILE strives to improve the social welfare and the quality of life of the communities in which it operates. SMILE commits itself that it will not discriminate beneficiaries of CSR based on membership, gender, caste or creed. SMILE works for and strives to: ✓ Support the health, education and community welfare activities. ✓ Protect the environment by adopting "Go Green" culture in work place. ✓ Provide suitable facilities to people with special needs and facilitate their requirements ✓ Partner with community development authorities to promote, support and participate in community development initiatives	**2. Composition** Mr. P Murali Srinivas, Managing Director & CEO Mr. Rajan Samuel, Independent Director Mrs. Indrani Bhagwan Singh, Non- Executive Director Mr. VS Padmanaban, Non- Executive Director **3. Average net profit of the Company for the last 3 financial years** Rs. 26.29 Crore **4. Prescribed CSR Expenditure (2% of the amount as in above) allocated** Rs. 52.58 lakh **5. Details of CSR Spent during the financial year** Rs. 52.66 lakh was spent towards various schemes of CSR as Prescribed under Section 135 of the Act. The prescribed CSR expenditure required to be spend in Fiscal 2020 as per the Act was 49.28 lakh under Section 198 of the Act. **A. Total amount to be spent for the financial year: Rs. 52.58 lakh** **B. Actual amount spent: Rs. 52.66 Lakh** **C. Amount unspent, if any: Nil**

D. Manner in which the amount spent during the financial year is detailed below:							(Amounts in Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	**CSR project or activity Identified.**	**Sector in which the Project is covered**	**Projects or Programs (1)Local area or other (2) Specify the State and district where projects or programs was undertaken**	**Amount outlay (budget) project or programs wise**	**Amount spent on the projects or Programs Subheads: (1)Direct expenditure on projects or Programs. (2) Overheads:**	**Cumulative expenditure upto to the reporting period**	**Amount spent: Direct or through implementing agency ***
1	Promoting primary and secondary education in Rural and Socially/ Economically Backward communities	Promoting education	Tamilnadu, Chennai & Madurai	9,54,000	9,35,245	9,35,245	Direct
2	Health Camps & Hygiene	Promoting health care including preventive health care	Tamilnadu, Chennai & Madurai	7,00,000	7,00,000	7,00,000	Direct
3	Vocational Guidance & Training Centre	Employment enhancing vocational skills	Tamilnadu, Chennai & Madurai	2,50,000	2,24,828	2,24,828	Direct
4	*Digital Literacy Programs*	Awareness programs & Skill Development	Whole of India	20,00,000	20,00,000	20,00,000	Through Implementing Agency – "Prayaana.org"
5	*Conducting a research on Household Finance for common benefit.*	Education; Eradication of poverty	Whole of India	3,00,000	3,00,000	*3,00,000*	Through Implementing Agency – "Dvara Research Foundation"
6	Contribution to Tamilnadu State Disaster Management Authority towards Covid relief.	Promoting social and economic welfare or uplift of the public		10,00,000	10,50,000	10,50,000	Direct
7	Relief Measures For Natural Calamities	Relief for People affected by Fire, Flood, Earthquakes, etc	Tamilnadu, Chennai & Madurai	54,000	55,953	55,953	Direct

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board's report:

Not Applicable

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

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

ACKNOWLEDGEMENTS:

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

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

Sd/-	**Sd/-**
P MURALI SRINIVAS	**SURESH K KRISHNA**
MANAGING DIRECTOR & CEO	**INDEPENDENT DIRECTOR**

Annexure- A

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

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

Name of the Director	Designation	Ratio to median remuneration
Mr. Murali Srinivas P	Managing Director & CEO	36.5
Mr. Rajan Samuel	Independent Director	Nil
Mr. Suresh K Krishna	Independent Director	Nil
Ms. Aparna Sharma	Independent Director	Nil
Mrs. Indrani Bhagwan Singh	Non-Executive Director	Nil
Mr. V S Padmanaban	Non-Executive Director	Nil

- The median remuneration of employees of the Company was Rs.15,000/-
- Independent Directors were not paid any remuneration except the sitting fees for attending the Board Meeting and Committee Meeting

The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year; **NIL**

Annexure- B

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

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

Employee Name	Designation	Remuneration (in Rs.)		Nature of employment, whether contractual or otherwise	Qualifications and experience of the employee	Date of commencement of employment	the age of the employee	the last employment held by such employee before joining the company	percentage of equity shares held by the employee in the company
		Earnings	Perquisites						
MuraliSrinivas P	Managing Director & Chief Executive Officer	4452000	2126002	Permanent	B.Sc (Physics), M.A (PS)	15-Nov-18	52	CEO, Habitat for Humanity	Nil
Prabakaran VT	Chief Financial Officer	3017640	254861	Permanent	B.Com, CAIIB	1-Nov-07	65	VP – Finance, Farwood Industries Ltd.	Nil
Rajaraman K	Head - Internal Audit	2044560	172677	Permanent	B.Com, LLB, FCA	24-Oct-12	59	Concurrent auditor in an MNC bank	Nil
Parthasarathy G	Head - Accounts	2044560	172677	Permanent	B.Com, C.A, ICWA	12-Dec-13	56	VP – F&A Corporate, Everonn Education Limited.	Nil
Balaji N	Head – Human Resource & Admin	1930080	163009	Permanent	B.Sc, M.A (PA), MBA (HR)	23-May-16	43	Senior Manager, ACS Health Pvt. Limited	Nil
Ajitha K	Head – Learning and Development	1920000	88209	Permanent	B.Sc (Maths)	12-Sep-19	48	VP (Head- Learning & Development), Dvara KGFS Financial Services Pvt Ltd	Nil
Sivakumar S	Head – Information Technology	1680000	141888	Permanent	M.C.A	1-Jul-07	49	Coordinator – Software Interface, Mahasemam Trust	Nil
Sathiyanarayanan V	Regional Head	1622040	136993	Permanent	B.A, CAIIB	27-Nov-06	68	Chief Manager, ICICI Bank	Nil
Venkatasubramanian R	Company Secretary & Compliance Officer	1500000	126685	Permanent	B.Com, ACS	16-Mar-15	33	Company Secretary, Laurus Edutech Private Limited	Nil
Somasundaram SKV	Deputy General Manager - Operations	1320000	111483	Permanent	B.Sc, B.L	22-Oct-03	49	Own Business	Nil

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

Total Employee as on Mar'21 is 880

Annexure- C

FORM NO. AOC -2

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

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

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

Sl. no.	Name (s) of the Related Party	Designation	Nature of Arrangements	Transaction value as at 31st March, 2020 (In Rs.)
1	P Murali Srinivas	Managing Director & CEO	Remuneration	44,52,000
			Exgratia & Incentive	3,76,002
			Variable Pay	17,50,000
2	Indrani Bhagwan Singh	Non-Executive Director	Sitting Fees	2,00,000
3	V S Padmanaban	Non-Executive Director	Sitting Fees	2,00,000
4	Rajan Samuel	Independent Director	Sitting Fees	5,50,000
5	Suresh K Krishna	Independent Director	Sitting Fees	5,75,000
6	Aparna Narendra Sharma	Independent Director w.e.f. 07th December, 2020	Sitting Fees	1,00,000
7	V T Prabakaran	Chief Financial Officer	Remuneration	30,17,640
			Exgratia & Incentive	2,54,861
8	R Venkatasubramanian	Company Secretary & Compliance Officer	Remuneration	15,00,000
			Exgratia & Incentive	1,26,685

Annexure- D

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31/03/2021
[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

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

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

Based on our verification of the M/s. S.M.I.L.E. MICROFINANCE LIMITED, books, papers, minute books, forms and returns filed and other records maintained by the company electronically, and also the information provided by its Company Secretary, its officers, agents and authorized representatives during the conduct of Secretarial Audit, and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31/03/2021 complied with the statutory provisions listed hereunder and also that the Company has Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the Registers, Books, Papers, and Minute Books, forms and Returns filed and other records maintained by M/s. S.M.I.L.E. MICROFINANCE LIMITED, for the financial year ended on 31/03/2021 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the rules made there under to the extent applicable;

2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under; (*Provisions of these regulations are not applicable to the company).*

3. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under; (*Provisions of these regulations are not applicable to the company).*

4. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder for compliance in respect of Foreign Direct Investment.

5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

    (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
    (b) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
    (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.

    (d) The SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

Company has complied with the above Provisions wherever applicable.

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

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) The SEBI (Listing Agreements) entered into by the Company with BSE LIMITED, limited to Debt instruments.

Further the compliance of applicable financial laws like Direct & Indirect Tax laws, has not been reviewed in our Audit since the same have been subject to review by Statutory Auditor and other designated professionals, we are of the opinion that the Company has complied with the following laws applicable specifically to the Company:

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

On account of pandemic "COVID 2019" and nationwide lockdown imposed by governments, the audit process has been modified, wherein documents /records etc have been verified electronically, and have relied on the representations received from the Company for its accuracy and authenticity.

During the period under review, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations/ non - compliances:

The Company has complied with the terms and conditions set forth by the lending bank / financial institutions at the time of availing any facility and also during the currency of the facility, except in some cases where the breaches have occurred due to the impact of Covid-19 on businesses. In such cases, the lenders have confirmed that they have not invoked penal provisions considering the impact of the pandemic.

We further report that:

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors except appointment adequate Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Notice is being given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda are sent in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Meetings held through video conference meetings are duly recorded.
- All the decisions in the board meetings were carried through by majority while there were no dissenting member's views and hence not captured and recorded as part of the minutes.

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

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

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

Yours Faithfully
For V.Esaki & Associates
Company Secretaries

Annexure 'A'

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

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

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

Yours Faithfully
For V Esaki & Associates
Company Secretaries
Sd/-
(V Esaki)
Proprietor / Membership No: 30353
UDIN: **A030353c000535935**
Place: Chennai
Date: 29/06/2021

Annexure- E

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended 31.03.2021

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

I. REGISTRATION & OTHER DETAILS:

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

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

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

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

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

A) Category-wise Share Holding:

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2020]				No. of Shares held at the end of the year [As on 31-March-2021]				Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) **Indian**									
a) Individual/ HUF	2702499	517498	3219997	18.57%	2702499	517498	3219997	18.57%	Nil
Total shareholding of Promoter (A)	2702499	517498	3219997	18.57%	2702499	517498	3219997	18.57%	Nil
B. Public Shareholding									
i) Individual shareholders holding nominal share capital uptoRs.1 lakh	Nil	2565003	2565003	14.79%	41900	2495003	2536903	14.63%	-0.16
Indian Corporate Bodies	Nil	Nil	Nil	Nil	28100	Nil	28100	0.16	0.16
Overseas Corporate Bodies	11554639	Nil	11554639	66.64%	11554639	Nil	11554639	66.64%	Nil

Total Public Shareholding (B)	11554639	2565003	14119642	81.43%	11624639	2495003	14119642	81.43%	Nil
C. Shares held by Custodian for GDRs & ADRs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A+B+C)	**14257138**	**3082501**	**17339639**	**100.00%**	**14327138**	**3012501**	**17339639**	**100.00%**	**Nil**

B) Shareholding of Promoter:

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		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	change in shareholding during the year
1.	RAMESH.S	49998	0.28	Nil	49998	0.28	Nil	Nil
2.	GURUSHANKAR.S	2702499	15.59	Nil	2702499	15.59	Nil	Nil
3.	BUVANESWARI.N	110000	0.63	Nil	110000	0.63	Nil	Nil
4.	DR.MRS.BRATHIBA	150000	0.87	Nil	150000	0.87	Nil	Nil
5.	DR.N.SETHURAMAN & S.RAMESH	100000	0.58	Nil	100000	0.58	Nil	Nil
6.	DR.N.SETHURAMAN & DR.S .PRATHIBHA	80000	0.46	Nil	80000	0.46	Nil	Nil
7.	RAMESH.S & DR. SETHURAMAN. N	27500	0.16	Nil	27500	0.16	Nil	Nil
Total		**3219997**	**18.57**	**Nil**	**3219997**	**18.57**	**Nil**	**Nil**

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

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
-No change in Promoters shareholding during the FY 2020-21					

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

S.No	For Each of the Top 10Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	DWM Investments (Cyprus) Ltd.,	11554639	66.64	11554639	66.64
2.	3 A Financial Services Limited	0	0.00	18800	0.11
3.	SRINIVASAN.N	50000	0.29	50000	0.29
4.	PANDURANGAN. K	47500	0.27	47500	0.27
5.	KOTHAI.S	10000	0.06	10000	0.06
6.	DR.THIRUMALAI.P	10000	0.06	10000	0.06
7.	MANOJ KUMAR.R	10000	0.06	10000	0.06
8.	RAJAN A G	10000	0.06	10000	0.06
9.	AJEXKUMAR A	10000	0.06	10000	0.06
10.	NIMESH SUDHIR KAMPANI	10000	0.06	10000	0.06

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

SN	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the Year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	Nil	Nil	Nil	Nil

	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	412,22,13,775	40,00,00,000	-	452,22,13,775
ii) Interest due but not paid				
iii) Interest accrued but not due	4,25,06,624	1,69,864	-	4,26,76,488
Total (i+ii+iii)	**4,16,47,20,399**	**40,01,69,864**	**-**	**4,54,48,90,263**
Change in Indebtedness during the financial year				
*** Addition**	150,19,56,321	0	-	150,19,56,321
*** Reduction**	252,25,11,475	1,69,864	-	252,26,81,339
Net Change	(102,05,55,154)	(1,69,864)	-	(1,02,07,25,018)
Indebtedness at the end of the financial year				
i) Principal Amount	314,41,65,245	40,00,00,000	-	354,41,65,245
ii) Interest due but not paid				
iii) Interest accrued but not due	2,66,65,394	1,69,864	-	2,68,35,258
Total (i+ii+iii)	**317,08,30,639**	**40,01,69,864**	**-**	**357,10,00,503**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

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

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount in Rs.
		Mr. Murali Srinivas P, Managing Director & CEO	
1.	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	44,52,000	44,52,000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	Nil	Nil
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	Nil	Nil
2.	Stock Option	Nil	Nil
3.	Sweat Equity	Nil	Nil
4.	Commission - as % of profit - others, specify...	Nil	Nil
5.	Others Exgratia Variable Pay	 3,76,002 17,50,000	21,26,002
	Total (A)	**65,78,002**	**65,78,002**
	Ceiling as per the Act	Within the prescribed limits of the Companies Act.	

B. Remuneration to other Directors: In Rupees

S.N	Particulars of Remuneration	Name of Directors					Total Amount
		Mr. Rajan Samuel	Mr. Suresh K Krishna	Ms. Aparna Sharma	Mrs. Indrani Bhagwan Singh	Mr. V S Padmanaban	
1.	Independent Directors						
	Fee for attending board & committee meetings	6,25,000	6,50,000	1,00,000	Nil	Nil	**13,75,000**
	Commission	Nil	Nil	Nil	Nil	Nil	**Nil**
	Others, please specify	Nil	Nil	Nil	Nil	Nil	**Nil**
	Total (1)	**6,25,000**	**6,50,000**	**1,00,000**	**Nil**	**Nil**	**13,75,000**
2.	Other Non-Executive Directors						
	Fee for attending board committee meetings	Nil	Nil	Nil	2,00,000	2,00,000	**4,00,000**
	Commission	Nil	Nil	Nil	Nil	Nil	**Nil**
	Others, please specify	Nil	Nil	Nil	Nil	Nil	**Nil**
	Total (2)	**Nil**	**Nil**	**Nil**	**2,00,000**	**2,00,000**	**4,00,000**
	Total Directors Remuneration = Total (1+2)	**6,25,000**	**6,50,000**	**1,00,000**	**2,00,000**	**2,00,000**	**17,75,000**
	Overall ceiling as per the Act (sitting fees not to exceed Rs.1,00,000/- per meeting)	The Company is paying only sitting fees to Non-Executive Independent Directors which is below the ceiling of Rs. 1,00,000/- per meeting as prescribed under the Companies Act, 2013.					

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

SN	Particulars of Remuneration	Key Managerial Personnel		
		Chief Financial Officer	**Company Secretary**	**Total**
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	30,17,640	15,00,000	45,17,640
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	Nil	Nil	Nil
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	Nil	Nil	Nil
2.	Stock Option	Nil	Nil	Nil
3.	Sweat Equity	Nil	Nil	Nil
4.	Commission	Nil	Nil	Nil
	- as % of profit	Nil	Nil	Nil
	Others, specify...	Nil	Nil	Nil
5.	Others, Exgratia & Incentive	2,54,861	1,26,685	3,81,546
	Total	**32,72,501**	**16,26,685**	**48,99,186**

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There were no penalties, punishment or compounding of offences during the year ended March 31, 2021

Deloitte
Haskins & Sells LLP

Chartered Accountants
ASV N Ramana Tower
52, Venkatnarayana Road
T. Nagar
Chennai – 600 017
Tamil Nadu, India

Tel: +91 44 6688 5000
Fax: +91 44 6688 5050

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of **S.M.I.L.E MICROFINANCE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31 March 2021, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the [Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2021, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 50 of the financial statements, in which the Company describes that the potential impact of the COVID-19 pandemic on the Company's financial performance and financial position are dependent on future developments, which are uncertain. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matter	Auditor's Response
Provision for Expected Credit Loss (ECL) on loans The Company determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Company has considered the age of the receivables, current and anticipated future economic conditions which could impact the credit quality of the Company's loans and advances to estimate the probability of default in the future. The Company has also exercised its judgement in determination of management overlay at various asset stages considering the possible effects of the current uncertain economic environment including that arising out of the COVID-19 Pandemic. We identified provision for expected credit loss on loans as a key audit matter because the Company exercises significant judgment in calculating the expected credit losses. Refer Note 6 to the audited financial statements.	**Principal audit procedures performed:** Our audit procedures related to the provision for ECL on loans included the following, among others: We tested the design and operating effectiveness of controls over the (1) development of the methodology for ECL, including consideration of the current and estimated future economic conditions (2) completeness and accuracy of information used in the estimation of probability of default and (3) computation of ECL. **In addition to above :** We performed an overall assessment of the ECL provision levels at each stage including management's assessment on COVID-19 impact to determine if they were reasonable considering the macroeconomic environment and the Company's loan portfolio, risk profile and credit risk management practices; We examined Board Policy approving methodologies for computation of ECL that address policies, procedures and controls for assessing and measuring credit risk on all lending exposures, commensurate with the size and complexity specific to the Company. Obtained an understanding of the basis and methodology adopted by management to determine the probability of defaults for various stages/homogeneous segments and performed test checks; Assessed the data used in the computation of expected credit loss (including the data integrity of information extracted from the Company's IT systems); Tested the arithmetical accuracy of the computation of provision for ECL on loans.

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income , cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Deloitte
Haskins & Sells LLP

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its branches to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities or business activities included in the financial statements of which we are the independent auditors.

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:
    a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

    c. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.

    d. In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.

    e. On the basis of the written representations received from the directors as on 31 March, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2021 from being appointed as a director in terms of Section 164(2) of the Act.

    f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended,
    - In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.

    ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

    iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366 W/W-100018)

Ananthi Amarnath
(Partner)
(Membership No. 209252)
(UDIN: 21209252AAAAGQ8609)

Place: Chennai
Date: 29 June 2021

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

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

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of S.M.I.L.E. MICROFINANCE LIMITED ("the Company") as of March 31, 2021 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm‘s Registration No.117366 W/W-100018)

Ananthi Amarnath
(Partner)
(Membership No. 209252)
(UDIN: 21209252AAAAGQ8609)

Place: Chennai
Date: 29 June 2021

ANNEXURE "B" TO THE INDEPENDENT AUDITORS' REPORT

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

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

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

(c) The Company does not have any immovable properties of freehold land and building. In respect of immovable properties of buildings that have been taken on lease and disclosed as Right of Use assets in the financial statements, the lease agreements are in the name of the Company.

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

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

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

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

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

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

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

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Cess and other material statutory dues in arrears as at March 31, 2021 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax which have not been deposited as on March 31, 2021 on account of disputes are given below:

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

*excludes interest and penalty

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks and financial institutions or dues to debenture holders.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments). In our opinion and according to the information and explanations given to us, in respect of term loans, the Company has applied the money for the purposes for which they were raised, other than temporary deployment pending application of proceeds.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year, though there have been a few cases of irregularities amounting to Rs.0.23 lakhs (Refer Note 45 of the Financial Statements) which have been detected and appropriately dealt with by the Management.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Sections 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained the registration.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366 W/W-100018)

Ananthi Amarnath
(Partner)
(Membership No. 209252)
(UDIN: 21209252AAAAGQ8609)

Place: Chennai
Date: 29 June 2021

S.M.I.L.E. Microfinance Limited
Balance Sheet as at 31 March 2021

	Particulars	Note No.	As at 31 March 2021	As at 31 March 2020
			Amount Rs. in lakhs	Amount Rs. in lakhs
I	**ASSETS**			
1	**Financial assets**			
	(a) Cash and cash equivalents	4	3,428.23	3,825.16
	(b) Bank Balances other than cash and cash equivalents	5	4,956.50	4,621.89
	(c) Loans	6	43,659.68	59,002.59
	(d) Loans given to staff - at amortised cost	6(a)	11.79	37.32
	(e) Other Financial assets	7	187.17	232.34
2	**Non-financial Assets**			
	(a) Current tax assets (net)	8	80.30	75.82
	(b) Deferred tax assets (net)	9	1,014.99	387.54
	(c) Property, Plant and Equipment	10(a)	111.25	155.23
	(d) Intangible assets	10(b)	38.07	27.55
	(e) Right of Use	10(C)	37.20	65.06
	(f) Other non financial assets	11	121.41	103.59
	Total Assets		**53,646.59**	**68,534.09**
II	**LIABILITIES AND EQUITY**			
1	**Financial Liabilities**			
	(a)Trade Payables	12		
	(i) total outstanding dues of micro enterprises and small enterprises		2.97	-
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		127.16	141.99
	(b) Debt Securities	13	11,037.09	12,701.62
	(c) Borrowings (other than debt securities)	14	27,703.78	39,464.39
	(d) Lease Liability	15	43.20	68.97
	(e) Other Financial liabilities	16	447.83	812.28
2	**Non-financial Liabilities**			
	(a) Provisions	17	423.07	574.88
	(b) Other non-financial liabilities	18	250.48	341.79
3	**Equity**			
	(a) Equity share capital	19	1,733.96	1,733.96
	(b) Other equity	20	11,877.05	12,694.21
	Total Liabilities and Equity		**53,646.59**	**68,534.09**

See accompanying notes forming part of the financial statements

In terms of our report of even date attached
For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Ananthi

Ananthi Amarnath
Partner

Place : Chennai
Date : 29 June 2021

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

P. Murali Srinivas
CEO and Managing Director
DIN - 00554309

Place : London
Date : 29 June 2021

Suresh K Krishna
Director
DIN - 01217401

Place : Bengaluru
Date : 29 June 2021

V.T. Prabakaran
Chief Financial Officer

Place : Chennai
Date : 29 June 2021

R. Venkatasubramanian
Company Secretary

Place : Chennai
Date : 29 June 2021

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

S.M.I.L.E. Microfinance Limited
Statement of Profit and Loss for the month ended 31 March 2021

	Particulars	Note No.	For the Year ended 31 March 2021	For the Year ended 31 March 2020
			Amount Rs. in lakhs	Amount Rs. in lakhs
I	**Revenue from operations**			
	Interest income	21	11,506.71	12,393.88
	Net Gain on derecognition of Financial Instruments under amortised cost category	22	7.08	179.25
	Commission Income	23	81.36	132.62
	Other operating income	24	20.11	135.61
	Total (I)		**11,615.26**	**12,841.36**
II	**Other Income**	25	42.72	70.46
III	**Total Income (I + II)**		**11,657.98**	**12,911.82**
IV	**Expenses**			
	Finance cost	26	5,873.98	6,146.59
	Impairment of financial instruments	27	3,144.95	337.98
	Employee benefit expenses	28	2,666.13	2,492.88
	Depreciation, amortization and impairment	10	118.00	87.00
	Other expenses	29	1,083.39	1,299.84
	Total Expenses (IV)		**12,886.45**	**10,364.29**
V	**(Loss) / Profit before Exceptional Items and tax (III - IV)**		**(1,228.47)**	**2,547.53**
VI	**Exceptional item**	30	-	550.00
VII	**(Loss) / Profit before tax (V- VI)**		**(1,228.47)**	**1,997.53**
VIII	**Tax Expense:**	9		
	(1) Current tax		351.11	770.00
	(2) (Excess) provision for tax relating to prior years		(40.41)	(1.19)
	(3) Deferred tax		(651.25)	(15.38)
IX	**(Loss) / Profit for the year (VII- VIII)**		**(887.92)**	**1,244.10**
X	**Other Comprehensive Income**	20		
A	(i) Items that will not be classified to profit or loss: Remeasurement gains and (losses) on defined benefit obligations (net)		94.56	(85.36)
	(ii) Income tax relating to items that will not be reclassified to profit or loss	9.1	(23.80)	21.48
	Other Comprehensive Income / (Loss)		**70.76**	**(63.88)**
XI	**Total Comprehensive (Loss) / Income for the year (IX + X)**		**(817.16)**	**1,180.22**
XII	**Earnings per equity share**	32		
	- Basic (Rs.)		-5.12	7.17
	- Diluted (Rs.)		-5.12	7.17

See accompanying notes forming part of the financial statements

In terms of our report of even date attached
For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Ananthi Amarnath
Partner

Place : Chennai
Date : 29 June 2021

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

P. Murali Srinivas
CEO and Managing Director
DIN - 00554309

Place : London
Date : 29 June 2021

Suresh K Krishna
Director
DIN - 01217401

Place : Bengaluru
Date : 29 June 2021

V.T. Prabakaran
Chief Financial Officer

Place : Chennai
Date : 29 June 2021

R. Venkatasubramanian
Company Secretary

Place : Chennai
Date : 29 June 2021

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

S.M.I.L.E. Microfinance Limited
Statement of changes in Equity for the year ended 31 March 2021

1. Equity Share capital

Amount Rs. In lakhs

Balance at the beginning of the reporting year	Changes in equity share capital during the year	Balance at the end of the reporting year
1,733.96	-	1,733.96

2. Other Equity

Amount Rs. In lakhs

Particulars	Reserves and Surplus				Total
	Statutory Reserve	Securities Premium	Retained Earnings	Other Comprehensive Income	
Balance as at 1 April 2019	**1,623.59**	**3,740.20**	**6,168.22**	**(18.02)**	**11,513.99**
Total Comprehensive Income for the year	-	-	1,244.10	(63.88)	1,180.22
Others- Transfer to Statutory Reserve	248.82	-	(248.82)	-	-
Balance as at 31 March 2020	**1,872.41**	**3,740.20**	**7,163.50**	**(81.90)**	**12,694.21**
Total Comprehensive Loss for the year	-	-	(887.92)	70.76	(817.16)
Others- Transfer to Statutory Reserve	-	-	-	-	-
Balance as at 31 March 2021	**1,872.41**	**3,740.20**	**6,275.58**	**(11.14)**	**11,877.05**

See accompanying notes forming part of the financial statements

In terms of our report of even date attached
For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Ananthi Amarnath
Partner

Place : Chennai
Date : 29 June 2021

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

P. Murli Srinivas
CEO and Managing Director
DIN - 00554309

Place : London
Date : 29 June 2021

Suresh K Krishna
Director
DIN - 01217401

Place : Bengaluru
Date : 29 June 2021

V.T. Prabakaran
Chief Financial Officer

Place : Chennai
Date : 29 June 2021

R. Venkatasubramanian
Company Secretary

Place : Chennai
Date : 29 June 2021

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

S.M.I.L.E. Microfinance Limited
Statement of Cash Flow for the year ended 31 March 2021

Particulars	For the Year Ended 31 March 2021 Amount Rs. in lakhs	For the Year Ended 31 March 2020 Amount Rs. in lakhs
A Cash flow from Operating Activities		
(Loss) / Profit After Tax	**(887.92)**	**1,244.10**
Adjustments for:		
Depreciation/ Amortisation	118.00	87.00
Tax Expenses	(340.55)	753.43
Provision for Receivables under Financing Activity (Net)	3,144.95	337.98
Loss on Sale of Property, Plant & Equipment (Net)	-	2.73
Finance Cost	5,873.98	6,146.59
Interest on Deposits	(398.08)	(337.50)
		-
Operating Profit before Working Capital Changes	**7,510.38**	**8,234.33**
Changes in Working Capital:		
Adjustments for (increase) / decrease in operating assets:		
Receivables under Financing Activity	12,197.96	(8,758.13)
Loans given to staff	25.53	(14.39)
Other financial assets	45.17	(36.62)
Other non financial assets	(17.82)	(70.67)
Adjustments for increase / (decrease) in Operating Liabilities:		
Other Payables	(11.86)	26.28
Liability for Lease	(25.77)	68.97
Other financial Liabilities	(261.89)	695.45
Other non financial Liabilities	(91.31)	236.95
Other Provisions	(151.81)	245.40
Cash Flow Generated from Operations	**19,218.58**	**627.57**
Operational cash flows from Interest:		
Interest Income on Deposits	398.06	337.50
Interest paid on borrowings	(5,859.53)	(5,846.83)
Net cash flow generated from / (used in) operations	**13,757.11**	**(4,881.76)**
Net Income Tax Paid	(315.18)	(770.41)
Net Cash flows generated from / (used in) Operating Activities	**13,441.93**	**(5,652.17)**
B. Cash flow from Investing Activities		
Bank Balance other than cash and cash equivalents (placed)/matured	(334.61)	1,077.16
Proceeds from Sale of Property, plant & equipment	0.48	3.39
Capital Expenditure on Property, plant & equipment (including Capital Advances)	(65.14)	(251.09)
Net Cash Flow (used in)/generated from Investing Activities	**(399.27)**	**829.46**

S.M.I.L.E. Microfinance Limited
Statement of Cash Flow for the year ended 31 March 2021

Particulars	For the Year Ended 31 March 2021	For the Year Ended 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
C. Cash flow from Financing Activities		
Proceeds from of Long-Term Borrowings-Term Loans	11,015.22	22,318.00
Repayment from of Long-Term Borrowings-Term Loans	(18,375.04)	(16,661.26)
Proceeds of Long-Term Borrowings-Debentures	4,000.00	-
Repayment of Long-Term Borrowings-Debentures	(5,596.00)	(500.00)
Proceeds from securitisation borrowings	5,813.64	13,908.71
Repayment of securitisation borrowings	(9,397.21)	(15,673.06)
(Repayment)/Proceeds of Short-Term Borrowings - Cash Credit (net)	(824.67)	(181.33)
Other Interest and charges paid	(75.53)	(173.93)
Net Cash Flow (used in)/generated from Financing Activities	**(13,439.59)**	**3,037.13**
Net (decrease) in Cash and cash equivalents (A+B+C)	(396.93)	(1,785.58)
Cash and cash equivalents at the beginning of the year	3,825.16	5,610.74
Cash and Cash Equivalents at the end of the year	**3,428.23**	**3,825.16**
Reconciliation of Cash and cash equivalents with the Balance Sheet:		
Cash and cash equivalents as per balance sheet (Refer note 4):	3,428.23	3,825.16
Cash and cash equivalents as per Ind AS 7 Statement of Cash flows	**3,428.23**	**3,825.16**

See accompanying notes forming part of the financial statements

In terms of our report of even date attached
For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Ananthi Amarnath
Partner

Place : Chennai
Date : 29 June 2021

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

P. Murali Srinivas
CEO and Managing Director
DIN - 00554309

Place : London
Date : 29 June 2021

Suresh K Krishna
Director
DIN - 01217401

Place : Bengaluru
Date : 29 June 2021

V.T. Prabakaran
Chief Financial Officer

Place : Chennai
Date : 29 June 2021

R. Venkatasubramanian
Company Secretary

Place : Chennai
Date : 29 June 2021

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

1 **CORPORATE INFORMATION**

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

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

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

2 **SIGNIFICANT ACCOUNTING POLICIES**

2.1 **Statement of Compliance**

The financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under section 133 of the Companies Act 2013 (the act) and other relevant provisions of the Act.

The financial statements were authorised for issue by the Company's Board of Directors on June 29, 2021.

Amendments to Ind AS 116 - Covid-19 Related Rent Concessions:
The amendments provide practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to Ind AS 116. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying Ind AS 116 if the change were not a lease modification.
There were no rent concessions availed by the Company and therefore this amendment did not have any impact on the financial statements

Amendments to Ind AS 1 and Ind AS 8 - Definition of "material"
The Company has adopted the amendments to Ind AS 1 and Ind AS 8 for the first time in the current year. The amendments make the definition of material in Ind AS 1 easier to understand and are not intended to alter the underlying concept of materiality in Ind ASs. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.
The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in Ind AS 8 has been replaced by a reference to the definition of material in Ind AS 1. In addition, the MCA amended other Standards that contain the definition of 'material' or refer to the term 'material' to ensure consistency.
The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements

2.2 **Basis of Preparation and Presentation of Financial Statements**

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

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

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

Fair value for measurement and / or disclosure purposes in these financial statements is determined on such a basis.

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

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

2.3 Use of Estimates

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

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

2.4 Revenue Recognition

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

(a) The Company calculates interest income by applying effective interest rate method to Gross carrying amount of financial assets other than credit impaired asssets. When a financial asset becomes credit impaired and is therefore regarded as Stage 3, the Company calculates interest income by applying effective interest rate method to net amortised cost of the Financial Assets. If the Financial Asset cures and is no longer credit impaired, the Company reverts to calculating interest income on gross basis.

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

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

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

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

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

2.5 Leases

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

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

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

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

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

2.6 Employee Benefits

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

Retirement Benefit Costs and Termination Benefits

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

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

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

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

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

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

Short-term and other long-term employee benefits

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

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

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

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

2.7 Taxation

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

i) Current tax

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

ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.
The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

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

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

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

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

2.9 Cash Flow Statement

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

2.10 Property, Plant and Equipment

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

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

Estimated useful lives of the assets are as follows:

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

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

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

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

2.11 Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on Written Down Value method basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on prospective basis.

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

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

2.12 Impairment to Tangible and Intangible Assets

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Profit and Loss.

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

2.13 Provisions and Contingencies

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

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

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

'Contingent Liability and Assets :

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

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

2.14 Financial Instruments

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

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

Financial Assets

Initial Recognition

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

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:
Debt instruments at amortised cost
Debt instruments at fair value through other comprehensive income (FVTOCI).
Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL).
Equity instruments measured at fair value through other comprehensive income FVTOCI.

Financial assets measured at amortised cost

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

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

Financial liabilities

Initial Measurement

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

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

Impairment of financial assets

The Company recognises Impairment allowance for expected credit losses (ECL) on Financial Assets held at amortized cost. The Company also computes the provision for non-performing assets (NPA) as per IRAC norms of RBI. The higher of the two is recorded in the books.
ECL is the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive (i.e., all cash shortfalls).

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months from the reporting date.
The company assesses at each reporting date whether a financial asset (or a group of financial assets) such as loans and advances and security deposits held at amortised cost are tested for impairment based on evidence or information that is available without undue cost or effort. Lifetime Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

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

Measurement of ECLs

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

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

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

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

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

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

Stage 1: 12-months ECL

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

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

Stage 2: Lifetime ECL - not credit impaired
Financial instruments that have had a significant increase in credit risk since initial recognition are classified under this stage. 30 Days Past Due upto 90 Days is considered as significant increase in credit risk and classified under this category. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset.

Stage 3: Lifetime ECL - credit impaired
All exposures greater than 90 Days Past due assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred are classified in this stage. For exposures that have become credit impaired, a lifetime ECL is recognised. Interest revenue is recognized on actual realization in line with prudential norms.

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

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

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

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

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

2.15 Earnings per Share

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

2.16 Goods & Services Tax Input Credit

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

2.17 Insurance claims

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

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainity

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

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

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

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

4 Cash and cash equivalents

Particulars	As at 31 March 2021 Amount Rs. in lakhs	As at 31 March 2020 Amount Rs. in lakhs
(a) Cash on hand	3.54	5.79
(b) Balances with Banks		
- In Current Accounts	3,424.69	3,319.37
- In Deposit Accounts - Free of Lien (original maturity less than 3 months)	-	500.00
Total	**3,428.23**	**3,825.16**

5 Bank Balances other than Cash and cash equivalents

Particulars	As at 31 March 2021 Amount Rs. in lakhs	As at 31 March 2020 Amount Rs. in lakhs
Balances with Banks		
- In Deposit Accounts - Free of Lien (original maturity more than 3 months)	447.82	38.39
- In Current Accounts- Earmarked Unpaid Dividend	8.52	8.34
- In Deposit Accounts - Under Lien (Refer Note 5.1 below)	4,500.16	4,575.16
Total	**4,956.50**	**4,621.89**

5.1 Deposit accounts under lien comprise of:

Deposits amounting to Rs. 3536.71 lakhs (As at 31 March 2020: Rs. 2994.52 lakhs) have been placed with certain banks for obtaining term loans.

Deposits amounting to Rs. 696.79 lakhs (As at 31 March 2020 : Rs. 1327.17 lakhs) placed as credit enhancement (cash collateral) towards securitization transactions.

Accrued interest of Rs.266.67 (As at 31 March 2020 : Rs.253.47) lakhs is added to the amount shown against deposit accounts under lien.

6 Loans (at amortised cost (Refer Notes below))

Particulars	As at 31 March 2021 Amount Rs. in lakhs	As at 31 March 2020 Amount Rs. in lakhs
(i) Unsecured and considered good, unless otherwise stated		
Loans	47,049.83	59,876.96
Less : Impairment loss allowance	3,390.15	874.37
Sub Total	**43,659.68**	**59,002.59**

6(a)

Particulars	As at 31 March 2021 Amount Rs. in lakhs	As at 31 March 2020 Amount Rs. in lakhs
(ii) Loan to Staff	11.79	37.32
Grand Total	**11.79**	**37.32**

6.1

Particulars	As at 31 March 2021 Amount Rs. in lakhs	As at 31 March 2020 Amount Rs. in lakhs
The Loan Receivables reflected above excludes microfinance loans assigned to a third party on securitization in accordance with RBI Guidelines which qualify for derecognition as per Ind AS 109.	80.12	737.01

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

(a) As at 31 March 2021

(Amount Rs.in Lakhs)

Asset classification as per RBI norms	Asset classification as per Ind AS 109	Gross carrying amount as per Ind AS	Loss allowances (provisions) as required under Ind AS 109	Net Carrying amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(A)	(B)	(C)	(D)	E = (C-D)	(F)	G = (D-F)
Performing assets						
Standard	Stage 1	40,402.97	460.52	39,942.45	-	460.52
	Stage 2	2,314.36	149.80	2,164.56	-	149.80
Non Performing Assets (NPA)	Stage 3	4,476.49	2,779.82	1,696.67	1,727.62	1,052.20
Total		**47,193.82**	**3,390.14**	**43,803.68**	**1,727.62**	**1,662.52**

(b) As at 31 March 2020

(Amount Rs.in Lakhs)

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

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

(A) As at 31 March 2021

(Amount Rs. In lakhs)

Loan Receivables	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total
i. Loans considered as Qualifying Assets	39,895.92	2,254.92	4,395.19	46,546.03
ii. Loans considered as Non Qualifying Assets	507.05	59.44	81.30	647.79
Gross Carrying Amount of Loans	**40,402.97**	**2,314.36**	**4,476.49**	**47,193.82**
Less : Impairment loss allowance	460.52	149.80	2,779.82	3,390.14
Net Loans	**39,942.45**	**2,164.56**	**1,696.67**	**43,803.68**

(B) As at 31 March 2020

(Amount Rs. In lakhs)

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

6.4 Reconciliation of impairment allowance on Loans

Particulars	Amount Rs.in Lakhs
Impairment allowance as at 1 April 2019	645.54
Add: Impairment allowance provided in statement of Profit & Loss	337.98
Less: Impairment allowance Utilised for writing off Loss assets	109.14
Impairment allowance as at 31 March 2020	**874.38**
Add: Impairment allowance provided in statement of Profit & Loss	3,144.95
Less: Impairment allowance Utilised for writing off Loss assets	629.18
Impairment allowance as at 31 March 2021	**3,390.15**

6.5 As per RBI guidelines on Securitisation DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 updated on April 18, 2019 the details of securitisation are given below:

Particulars	31 March 2021 Numbers/Amount (Rs. In lakhs)	31 March 2020 Numbers/Amount (Rs. In lakhs)
(i) No of SPVs sponsored by the NBFC for securitisation transactions		
a.Through Direct assignment	2	2
b.Through PTC	4	5
Total	**6**	**7**
(ii) Total amount of securitised assets as per books of the SPVs Sponsored (Amount Rs.in Lakhs)		
a.Through Direct assignment	80.12	737.01
b.Through Pass through Certificates	3,084.58	15,561.94
Total	**3,164.70**	**16,298.95**
(iii) Total amount of exposures retained by the NBFC to comply with MRR as on the date of Balance sheet		
a) Off-balance sheet exposures		
- First loss	-	-
- Others	-	-
b)On-balance sheet exposures		
- First loss		
a. Direct Assignment	-	-
a. Pass through Certificates	-	-
- Others (Minimum Retention requirement("MRR"))	-	-
(iv) Amount of exposures to securitisation transactions Other than		
a) Off-balance sheet exposures		
i)Exposure to own securitizations		
- First loss	-	-
a. Direct Assignment	-	-
a. Pass through Certificates	-	-
- Others	-	-
ii)Exposure to third party securitisations		
- First loss	-	-
- Others	-	-
b) On-balance sheet exposures		
i)Exposure to own securitisations		
- First loss	696.79	1,327.17
- Others	-	-
ii) Exposure to third party securitisations		
First loss	-	-
Others	-	-

6.6 Details of Financial Assets sold to Securitisation Company

(Amount Rs in lakhs)

Particulars	For the Year ended 31 March 2021	For the Year ended 31 March 2020
Total number of loan assets securitized during the year	**48,168**	**1,21,711**
a.Through Direct assignment (no. of accounts)	-	26,544.00
b.Through PTC (no. of accounts)	48,168	95,167.00
Book value of loan assets securitized during the year	**6,161.93**	**20,002.84**
a.Through Direct assignment	-	4,440.90
b.Through PTC	6,161.93	15,561.94
Sale consideration received during the year	**5,813.64**	**17,905.52**
a.Through Direct assignment	-	3,996.81
b.Through PTC	5,813.64	13,908.71
MFI Loans Subordinated as Credit Enhancement on Assets Derecognised	**348.29**	**2,097.32**
a.Through Direct assignment	-	444.09
b.Through PTC	348.29	1,653.23
Gain / (loss) on the securitization transaction recognised in P&L	-	-
a.Through Direct assignment	-	-
b.Through PTC	-	-
Gain / (loss) on the securitization transactions deferred	-	-
a.Through Direct assignment	-	-
b.Through PTC	-	-
Quantum of Credit Enhancement provided on the transactions in the form of deposits	-	-
a.Through Direct assignment	-	-
b.Through PTC	696.79	1,327.17
Quantum of Credit Enhancement as at year end	**696.79**	**1,327.17**
a.Through Direct assignment	-	-
b.Through PTC	696.79	1,327.17
Interest spread Recognised in the Statement of Profit and Loss during the Year	**7.08**	**179.25**
a.Through Direct assignment	7.08	179.25
b.Through PTC	-	-

6.7 An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans is as follows:

Particulars	As at 31 March 2021				As at 31 March 2020			
	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total
Gross carrying amount as at 1 April	59,700.66	38.16	133.53	59,872.35	51,258.92	85.85	132.09	51,476.86
New assets originated or purchased	33,404.50	-	-	33,404.50	88,715.08	33.16	20.16	88,768.40
Assets derecognised or repaid (excluding write offs)	(47,652.18)	(3.78)	(5.00)	(47,660.96)	(80,074.54)	(112.90)	(23.85)	(80,211.29)
Interest on moratorium period included in principal amount of loans	1,577.93	-	-	1,577.93				
Transfers to Stage 1	-	(4,023.15)	-	(4,023.15)	-	-	-	-
Transfers to Stage 2	(2,281.33)	6,305.15	(0.66)	4,023.16	(65.93)	32.77	-	(33.16)
Transfers to Stage 3	(4,346.61)	(2.02)	4,977.67	629.04	(122.49)	-	102.33	(20.16)
Amounts written off	-	-	(629.05)	(629.05)	(10.38)	(0.72)	(97.20)	(108.30)
Gross carrying amount as at 31 March	**40,402.97**	**2,314.36**	**4,476.49**	**47,193.82**	**59,700.66**	**38.16**	**133.53**	**59,872.35**

Reconciliation of ECL balance is given below:

Particulars	As at 31 March 2021				As at 31 March 2020			
	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total
ECL allowance as at 1 April	736.56	4.28	133.53	874.37	512.59	0.86	132.09	645.54
New assets originated or purchased	324.76	-	-	324.76	1,829.23	1.86	20.16	1,851.25
Assets derecognised or repaid (excluding write offs)	(543.23)	(0.24)	(3.11)	(546.58)	(1,601.49)	(0.25)	(23.85)	(1,625.59)
Interest on moratorium period included in principal amount of loans	17.99	-	-	17.99				
Transfers to Stage 1	-	(260.30)	-	(260.30)				-
Transfers to Stage 2	(26.01)	406.19	(0.41)	379.78	-	1.81		1.81
Transfers to Stage 3	(49.55)	(0.13)	3,278.85	3,229.17	(1.32)		102.33	101.01
Amounts written off	-	-	(629.05)	(629.05)	(2.45)	(0.00)	(97.20)	(99.65)
ECL allowance as at 31 March	**460.52**	**149.80**	**2,779.82**	**3,390.13**	**736.56**	**4.28**	**133.53**	**874.37**

7 Other financial assets (At amortised cost)

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Security deposits	107.11	102.54
(b) Insurance Commission Receivable	34.70	45.25
(c) Direct Assignment Incentive Receivable	-	23.92
(d) Retained Interest on Asset Assigned	0.95	54.63
(e) Interest Spread Receivable on Securitisation	44.41	6.00
Total	**187.17**	**232.34**

8 Current Tax Assets (Net)

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
Advance Income Tax (Net of provision for tax Rs.351.11 lakhs (31 March 2020: Rs.770 lakhs)	80.30	75.82
Total	**80.30**	**75.82**

9 Deferred Tax Assets (Net)

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
Deferred Tax Assets (Net) (Refer Note 9.1)	1,014.99	387.54
Total	**1,014.99**	**387.54**

9.1 Current Tax and Deferred Tax

(i) Income Tax Expense

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Current tax in respect of current year	351.11	768.81
(b) Deferred tax relating to origination and reversal of temporary differences	(651.25)	(15.38)
Total Tax Expense recognised in statement of profit and loss in respect of current year	**(300.14)**	**753.43**

(ii) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate:

Particulars	For the Year ended 31 March 2021	For the Year ended 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
Profit Before tax from Operations	(1,228.47)	1,997.52
Income Tax using the Company's domestic Tax rate #	(309.18)	502.74
Effect of permanent differences	9.04	150.83
Effect in deferred tax asset due to changes in tax rates in current year		99.86
Income Tax recognised in the Statement of Profit & Loss	**(300.14)**	**753.43**

The tax rate used reconciliations above comprises Corporate tax rate of 22% and applicable surcharge and cess, payable by corporate entities in India on taxable profits under the India Law.

(iii) Income Tax on Other Comprehensive Income

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
Deferred Tax		
Remeasurement of defined benefit obligation	(23.80)	21.48
Total	**(23.80)**	**21.48**

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

(Amount Rs. in Lakhs)

Particulars	For the Year Ended 31 March 2021			
	Opening Balance	Charge/(Credit) recognised in		Closing Balance
		Recognised in profit and Loss	Recognised in OCI	
Tax effect of items constituting deferred tax assets/deferred Tax liability :				
Property, Plant and Equipment	(0.47)	(21.56)	-	21.09
Provision for Employee Benefits	154.32	(14.79)	(23.80)	145.31
Provision for Loan Receivables	154.53	(623.73)	-	778.26
Effective Interest Rate on Borrowings	150.35	42.27	-	108.08
Present Value Discounting of Processing Fee Income	(57.44)	(19.94)	-	(37.51)
Present Value Discounting of Interest spread on Direct Assignment of receivables	(13.75)	(13.51)	-	(0.24)
Total	**387.54**	**(651.25)**	**(23.80)**	**1,014.99**

(Amount Rs. in Lakhs)

Particulars	For the Year Ended 31 March 2020			
	Opening Balance	Charge/(Credit) recognised in		Closing Balance
		Recognised in profit and Loss	Recognised in OCI	
Tax effect of items constituting deferred tax assets/deferred Tax liability :				
Property, Plant and Equipment	18.14	18.61	-	(0.47)
Provision for Employee Benefits	95.94	(36.90)	21.48	154.32
Provision for Loan Receivables	158.62	4.09	-	154.53
Effective Interest Rate on Borrowings	(71.54)	(221.89)	-	150.35
Present Value Discounting of Processing Fee Income	149.52	206.96	-	(57.44)
Present Value Discounting of Interest spread on Direct Assignment of receivables	-	13.75		(13.75)
Total	**350.68**	**(15.38)**	**21.48**	**387.54**

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

S.M.I.L.E. Microfinance Limited
Notes forming part of the Financial Statements for the year ended 31 March 2021

10
A. Current Year period ended (1 April 2020 to 31 March 2021)

(Amount in Rs. in lakhs)

S.No.	Description	Gross Block				Accumulated Depreciation and Amortisation				Net Block	
		Balance as at 1 April 2020	Additions	Disposals	Balance as at 31 March 2021	Balance as at 1 April 2020	For the year	Eliminated on Disposal of Assets	Balance as at 31 March 2021	Balance as at 31 March 2021	Balance as at 01 April 2020
10(a)	**Property, plant and equipment**										
1	Leasehold Improvements	11.66	3.32	-	14.98	3.66	2.93	-	6.59	8.39	8.00
2	Computer Equipments	134.90	23.35	5.70	152.55	50.18	52.78	5.37	97.59	54.96	84.72
3	Furniture and Fixtures	23.15	0.51	0.08	23.58	8.43	3.91	0.08	12.26	11.32	14.72
4	Office Equipments	18.45	1.71	2.13	18.03	2.52	6.71	2.02	7.21	10.82	15.93
5	Vehicles	35.84	-	0.21	35.63	14.43	6.69	0.17	20.95	14.68	21.41
6	Server and Networking	13.83	4.96	-	18.79	3.38	4.33	-	7.71	11.08	10.45
		237.83	**33.85**	**8.12**	**263.56**	**82.60**	**77.35**	**7.64**	**152.31**	**111.25**	**155.23**
10(b)	**Intangible assets**										
1	Computer - Softwares	37.23	23.23	-	60.46	9.68	12.71	-	22.39	38.07	27.55
10(C)	**Right of Use- Lease hold Building**	83.65	0.06	-	83.71	18.59	27.92	-	46.51	37.20	65.06
		120.88	**23.29**	-	**144.17**	**28.27**	**40.63**	-	**68.90**	**75.27**	**92.61**
	Grand Total	**358.71**	**57.14**	**8.12**	**407.73**	**110.87**	**117.98**	**7.64**	**221.21**	**186.52**	**247.84**

B. Previous year (1 April 2019 to 31 March 2020)

(Amount Rs. in Lakhs)

S.No.	Description	Gross Block				Accumulated Depreciation and Amortisation				Net Block	
		Balance as at 01 April 2019	Additions	Disposals	Balance as at 31 March 2020	Balance as at 01 April 2019	For the year	Eliminated on Disposal of Assets	Balance as at 31 March 2020	Balance as at 31 March 2020	Balance as at 1 April 2019
10(a)	**Property, plant and equipment**										
1	Leasehold Improvements	6.68	5.30	0.32	11.66	1.46	2.20	-	3.66	8.00	5.22
2	Computer Equipments	36.77	98.22	0.09	134.90	8.80	41.42	0.04	50.18	84.72	27.97
3	Furniture and Fixtures	25.30	6.74	8.89	23.15	6.56	5.11	3.24	8.43	14.72	18.74
4	Office Equipments	2.25	16.24	0.04	18.45	0.35	2.17	-	2.52	15.93	1.90
5	Vehicles	26.31	9.62	0.09	35.84	7.58	6.88	0.03	14.43	21.41	18.73
6	Server and Networking	-	13.83	-	13.83	-	3.38		3.38	10.45	-
		97.31	**149.95**	**9.43**	**237.83**	**24.75**	**61.16**	**3.31**	**82.60**	**155.23**	**72.56**
10(b)	**Intangible assets**										
1	Computer - Softwares	16.65	20.58	-	37.23	2.43	7.25	-	9.68	27.55	14.22
10(C)	**Right of Use- Lease hold Building**	-	83.65	-	83.65	-	18.59	-	18.59	65.06	-
		16.65	**104.23**	-	**120.88**	**2.43**	**25.84**	-	**28.27**	**92.61**	**14.22**
	Grand Total	**113.06**	**254.18**	**9.43**	**358.71**	**27.18**	**87.00**	**3.31**	**110.87**	**247.84**	**86.78**

S.M.I.L.E. Microfinance Limited
Notes forming part of the Financial Statements for the year ended 31 March 2021

11 Other non financial assets

Particulars	As at 31 March 2021 Amount Rs. in lakhs	As at 31 March 2020 Amount Rs. in lakhs
(a) Deferred Lease rental	3.68	6.61
(b) Balance with Government authorities		
(i) Goods and Service Tax Input Tax Credit	4.66	1.31
(ii) Amounts paid under Protest-Income Tax Demand	10.00	10.00
(c) Prepaid expenses	23.15	28.67
(d) Advance to Suppliers	8.79	57.00
(e) Insurance premium receivable from Customer	71.13	
	121.41	**103.59**

12 **Trade Payables**

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Total outstanding dues of micro enterprises and small enterprises (Refer Note 38)	2.97	-
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	127.16	141.99
Total	**130.13**	**141.99**

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

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
Redeemable Non-convertible Debentures		
- Secured	7,039.98	8,716.94
- Unsecured	3,997.11	3,984.68
Total	**11,037.09**	**12,701.62**
(i) Debt securities in India	11,037.09	12,701.62
(ii) Debt securities outside India	-	-
Total	**11,037.09**	**12,701.62**

13.1 **Details of Debentures - Secured and Unsecured, Redeemable Non-convertible Debentures (NCD's)- Redeemable at par**

The NCDs are secured by charge on specific loans of the Company.

No. of Debentures	Face value	Interest Rate	Due date of redemption	No. of instalments as at 31 March 2021	As at 31 March 2021	As at 31 March 2020
200	10	13.00%	Maturity Date: December 18, 2020	-	-	2,000.00
258	10	12.96%	Maturity Date: September 15, 2021	1	838.50	2,580.00
387	10	12.96%	Maturity Date: September 15, 2021	1	2,515.50	3,870.00
200	10	15.50%	Maturity Date: July 07, 2022	1	2,000.00	2,000.00
188	10	15.50%	Maturity Date: August 22, 2022	1	1,880.00	1,880.00
12	10	15.50%	Maturity Date: August 22, 2022	1	120.00	120.00
250	10	11.50%	Maturity Date: February 14, 2022	3	2,500.00	-
150	10	14.50%	Maturity Date: December 20, 2021	6	1,000.00	-
			Total		**10,854.00**	**12,450.00**

13.2 The Company has not defaulted in the repayment of dues to debenture holders as on 31 March 2021.

14 **Borrowings (other than debt securities) (At Amortised Cost)**

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Secured		
- Term Loan from Banks	7,694.20	13,184.90
- Term Loan from NBFCs	16,861.00	18,720.84
- Cash credit	-	824.67
(b) Borrowings under securitisation	3,148.58	6,733.98
Total	**27,703.78**	**39,464.39**
Borrowings in India	27,703.78	39,464.39
Borrowings outside India	-	-
Total	**27,703.78**	**39,464.39**

14.1 The Company has not defaulted in the repayment of dues to Banks and NBFC's as on 31 March 2021.

14.2 Security on Term Loans from Banks and Others

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

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Deposits with Banks & Others	4,627.50	2,494.52
(b) Deposits with NBFCs	50.00	500.00
Total	4,677.50	2,994.52

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

(a) As at 31 March 2021

Particulars	As at 31 March 2021	Number of Remaining Instalments	Maturity	
	Amount Rs. in lakhs		< 1 Year	> 1 Year
Base Rate+Spread (Range from 10.90% to 14.50%)	10,017.86	2 to 39	7,817.47	2,200.39
Fixed (Range from 6.43% to 14.90%)	14,569.79	2 to 24	11,057.43	3,512.36
TOTAL	24,587.65		18,874.90	5,712.75

(b) As at 31 March 2020

Particulars	As at 31 March 2020	Number of Remaining Instalments	Maturity	
	Amount Rs. in lakhs		< 1 Year	> 1 Year
Base Rate+Spread (Range from 10.90% to 14.25%)	15,558.01	2 to 39	7,587.76	7,970.25
Fixed (Range from 6.43% to 14.00%)	16,389.46	2 to 24	8,108.99	8,280.47
TOTAL	31,947.47		15,696.75	16,250.72

14.4 Details of Cash Credit from Bank - Secured

(a) The cash credit facility is secured by hypothecation of Microfinance Loans
(b) The details of interest rate and repayment terms are as follows:

(Amount Rs. in lakhs)

Repayment Terms	Interest Rate	As at 31 March 2021	As at 31 March 2020
Repayable on Demand	11.60%	-	824.67

15 Liability for Lease

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Liability for Lease (Refer Note 33)	43.20	68.97

16 Other financial liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Unclaimed Dividends	8.52	8.34
(b) Remittances payable on assignment not due	48.25	256.21
(c) Non Solicitation fee payable-Mahasemam Trust	375.00	525.00
(d) Insurance Proceeds payable to borrowers	14.50	14.56
(e) Payable for Purchase of Capital Asset	0.17	8.17
(f)Excess interest collected refundable to borrowers	1.39	-
Total	447.83	812.28

17 Provisions

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Gratuity Payable (Refer Note 34)	100.33	249.43
(b) Provision for Compensated Absences (Refer Note 34)	322.74	325.45
Total	423.07	574.88

18 Other non financial liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Statutory dues payable	62.96	86.08
(b) Others	187.52	255.71
	-	-
Total	250.48	341.79

19 Equity Share Capital

Particulars	As at 31 March 2021		As at 31 March 2020	
	Number of shares	Amount Rs. In lakhs	Number of shares	Amount Rs. In lakhs
(a) Authorised Equity shares of Rs.10/- each	2,00,00,000	2,000.00	2,00,00,000	2,000.00
TOTAL	**2,00,00,000**	**2,000**	**2,00,00,000**	**2,000**
(b) Issued , Subscribed and Fully Paid Up Equity shares of Rs.10/- each	1,73,39,639	1,733.96	1,73,39,639	1,733.96
TOTAL	**1,73,39,639**	**1,733.96**	**1,73,39,639**	**1,733.96**

Notes:

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

Equity Shares	As at 31 March 2021		As at 31 March 2020	
	Number of shares	Amount Rs. In lakhs	Number of shares	Amount Rs. In lakhs
At the beginning of the year	1,73,39,639	1,733.96	1,73,39,639	1,733.96
Issued during the year	-	-	-	-
Outstanding at the end of the year	**1,73,39,639**	**1,734**	**1,73,39,639**	**1,734**

(ii) Details of shares held by the holding company:

Class of shares / Name of shareholder	As at 31 March 2021		As at 31 March 2020	
	No of shares held	% holding in the class of shares	No of shares held	% holding in the class of shares
Equity Shares of Rs. 10 each DWM Investments (Cyprus) Limited	1,15,54,639	66.64%	1,15,54,639	66.64%

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

Class of shares / Name of shareholder	As at 31 March 2021		As at 31 March 2020	
	No of shares held	% holding in the class of shares	No of shares held	% holding in the class of shares
Equity Shares of Rs. 10 each				
DWM Investments (Cyprus) Limited	1,15,54,639	66.64%	1,15,54,639	66.64%
Dr. S. Gurushankar	27,02,499	15.59%	27,02,499	15.59%

(iv) The Company has only one class of equity shares having a par value of Rs.10. Each holder is entitled to one vote per equity share. Dividends are paid in Indian Rupees.

20 Other Equity

Particulars	As at 31 March 2021 Amount Rs. In lakhs	As at 31 March 2020 Amount Rs. In lakhs
(a) Securities Premium Account	3,740.20	3,740.20
(b) Statutory Reserve	1,872.41	1,872.41
(c) Surplus in Statement of Profit and Loss	6,275.58	7,163.50
(d) Other Comprehensive Income (OCI)	(11.14)	(81.90)
Total	11,877.05	12,694.21

Particulars	As at 31 March 2021 Amount Rs. In lakhs	As at 31 March 2020 Amount Rs. In lakhs
(a) Securities Premium Account		
Opening balance	3,740.20	3,740.20
Add : Premium on shares issued during the year	-	-
Less : Utilised during the year	-	-
Closing Balance	3,740.20	3,740.20
(b) Statutory Reserve		
Opening balance	1,872.41	1,623.59
Add: Additions during the year	-	248.82
Less: Utilised / transferred during the year	-	-
Closing Balance	1,872.41	1,872.41
(c) Surplus in Statement of Profit and Loss		
Opening Balance	7,163.50	6,168.22
Add:(Loss)/ Profit for the year	(887.92)	1,244.10
Less:Transfer to Statutory Reserve	-	248.82
Closing Balance	6,275.58	7,163.50
(d) Other Comprehensive Income (OCI)		
Opening Balance	(81.90)	(18.02)
Add: Profit / (Loss) for the Year	70.76	(63.88)
Less:Transfer to Statutory Reserve	-	-
Closing Balance	(11.14)	(81.90)
TOTAL (a+b+c+d)	11,877.05	12,694.21

21 Interest Income

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Interest on Microfinance Loans	11,108.65	12,056.38
(b) Interest on deposits with Banks and Financial Institutions	398.06	337.50
	11,506.71	12,393.88

22 Net Gain on derecognition of Financial Instrumentsunder amortised cost category

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. In lakhs	Amount Rs. In lakhs
Net Gain on derecognition of Financial Instruments under amortised cost category	7.08	179.25
	7.08	179.25

23 Commission Income

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. In lakhs	Amount Rs. In lakhs
Insurance commission	81.36	132.62
	81.36	132.62

24 Other Operating Income

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Loss Assets recovered	1.61	4.48
(b) Gain on sale of current investments in Mutual Funds	18.50	131.13
Total	20.11	135.61

25 Other Income

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Profit on Sale of Property, Plant & Equipment	0.03	-
(b) Interest on Staff Loan	4.84	7.63
(c) Servicer Fee	1.00	11.00
(d)Incentive on Direct Assignment	-	49.15
(e) Miscellaneous income	22.69	2.68
(f) Income From IT Refund interest AY 2018-19	14.16	-
Total	42.72	70.46

26 **Finance Cost**

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Interest on Borrowings		
- Term Loans from Banks	1,369.93	1,614.39
- Term Loans from NBFCs	2,170.27	1,554.15
- Cash Credit	60.62	46.32
(b) Interest on Debt Securities		
- Debentures	1,799.58	1,848.18
- Borrowings under securitisation arrangement	398.05	909.62
(c) Other Borrowing Costs		
- Processing Fees & Others	37.18	145.23
- Bank Charges	38.35	28.70
	5,873.98	**6,146.59**

27 Impairment of financial instruments

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. In lakhs	Amount Rs. In lakhs
Loans (Also refer Note 6.4)	3,144.95	337.98
Total	3,144.95	337.98

28 Employee Benefit Expenses

Particulars	As at 31 March 2021	As at 31 March 2020
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Salaries and Wages	2,424.56	2,301.46
(b) Contributions to Provident and Other Funds (Refer Note 34)	154.57	143.08
(c) Staff Welfare Expenses	87.00	48.34
Total	2,666.13	2,492.88

29 Other expenses

	As at 31 March 2021	As at 31 March 2020
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Electricity	26.32	31.90
(b) Rent including Lease Rentals (Refer Note 33)	181.98	169.53
(c) Repairs and Maintenance - Building	25.46	35.02
(d) Repairs and Maintenance - Others	22.93	124.47
(e) Insurance	50.74	37.50
(f) Rates and Taxes	45.98	120.11
(g) Communication Expenses	49.53	43.80
(h) Travel and Conveyance	221.84	257.92
(i) Loss on sale of Property, Plant & equipment	-	2.73
(j) Printing and Stationery	28.60	49.16
(k Directors' Sitting Fees	17.75	19.00
(l) Subscription Fees	2.30	1.82
(m) Corporate Social Responsibility (Refer Note 47)	53.06	49.29
(n) Legal and Professional Fees	148.08	142.92
(o) Software Costs	135.39	109.72
(p) Security Charges	4.18	4.30
(q) Customer welfare Expenses	1.62	1.77
(r) Meeting and Seminar Expenses	7.94	21.05
(s) Filing Fees	0.69	0.96
(t) Vehicle Maintenance	9.42	14.15
(u) Payments to Statutory Auditors' (net of input tax credit)		
- Statutory Audit	19.25	33.00
- Tax Audit	2.20	2.00
- Other Services (Limited Review and Certification)	21.05	7.75
(v) Miscellaneous Expenses	7.08	19.97
Total	1,083.39	1,299.84

30 Exceptional Item

	As at 31 March 2021	As at 31 March 2020
	Amount Rs. In lakhs	Amount Rs. In lakhs
Non Solicitation Payment (Refer note 49)	-	550.00
Total	-	550.00

31 Segment Reporting

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

32 Earnings per share

Basic and Diluted earnings per share :

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

Particulars	For the Year Ended 31 March 2021	For the Year Ended 31 March 2020
(a) Net Profit attributable to Equity Shareholders - Rs. in lakhs (Basic and Diluted)	(887.92)	1,244.10
(b) Weighted average number of equity shares in calculating basic Earnings Per Share (Nos.)	1,73,39,639	1,73,39,639
(c) Earnings per share - Basic and Diluted - Rs.	(5.12)	7.17

33 Leases

(A) Break-up of Current and Non-Current Liabilities

The Following is the break-up of Current and NonCurrent Liabilities as at March 31, 2021

Particulars	As at March 31, 2021	As at March 31, 2020
Current Lease Liabilities	31.33	25.76
Non-Current Lease Liabilities	11.87	43.20

(B) Movement in Lease Liabilities

The following is the movement in lease liabilities for the year ended March 31, 2021

Particulars	As at March 31, 2021	As at March 31, 2020
Balance as on 1st April	68.96	83.64
Additions	-	-
Finance Cost accrued during the period	7.69	6.92
Deletions	-	-
Payment of Lease Liabilities	33.45	21.60
Total	**43.20**	**68.96**

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

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Depreciation expense on right-of-use assets	27.92	18.59
Interest expense on lease liabilities	7.69	6.92
Lease expense on Low Value Assets / Short term assets	181.98	169.53

(D) The table below provides details regarding the contractual maturities of lease liabilities As at March 31, 2021 on undiscounted basis

Particulars	As at 31 March 2021	As at 31 March 2020
Less Than one year	35.20	33.52
One to Five Years	11.92	47.17
More Than Five Years	-	-

34 Employee benefits

34.1 Defined Contribution Plan

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

(b) Expenses Recognised

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Contributions to provident and pension funds	123.76	112.28
Contributions to Employee State Insurance	30.82	30.81
Total	154.57	143.09

34.2 Compensated Absences

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Included under "Salaries & Wages" (Refer Note 28)	(2.71)	106.25

(Amount Rs. In lakhs)

Particulars	As at 31 March 2021	As at 31 March 2020
(b) Net liability recognised in the Balance Sheet	322.74	325.45
Current portion of the above	123.15	116.91
Non - current portion of the above	199.59	208.54

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

Particulars	As at 31 March 2021	As at 31 March 2020
Discount Rate (% p.a)	6.20%	6.40%
Future Salary Increase (% p.a)	8.00%	10.00%
Attrition rate:		
Upto grade of Branch Managers	16.00%	16.00%
Above grade of Branch Managers	8.00%	8.00%

34.3 Defined Benefit Plans:

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

In respect of the plan, the most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2021 by M/s KP Actuaries and Consultants, Fellow of the Institute of Actuaries of India. The present value of the defined benefit obligation, and the related current service cost and paid service cost, were measured using the projected unit cost credit method.

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

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Amounts recognised in statement of Profit & Loss in respect of these defined benefit plans are as follows:		
Service Cost		
- Current Service Cost	52.19	46.03
- Past Service Cost	-	-
- Net interest expense	15.95	8.07
Components of defined benefit costs recognised in statement of profit or loss (A)	68.14	54.10
Actuarial (gain)/loss on Plan Obligations	91.82	(84.50)
Difference between Actual Return and Interest Income on Plan Assets- (gain)/loss	2.74	(0.68)
Components of defined benefit costs recognised in other comprehensive income (B)	(94.56)	85.18
Total	(26.42)	139.28

(i) The current service cost and interest expense for the year are included in the Note 28 - Employee Benefit Expenses in the statement of profit & loss.
(ii) The remeasurement of the net defined benefit liability is included in other comprehensive income.

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

(Amount Rs. In lakhs)

Particulars	As at 31 March 2021	As at 31 March 2020
I. Net Asset/(Liability) recognised in the Balance Sheet		
Present value of defined benefit obligation	454.03	477.45
Fair value of plan assets	353.70	228.02
Net Asset/(Liability) recognised in the Balance Sheet	(100.33)	(249.43)
Current portion of the above	-	-
Non current portion of the above	(100.33)	(249.43)

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

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Change in the obligation during the year ended		
Present value of defined benefit obligation at the beginning of the year	477.45	332.68
Expenses Recognised in Profit and Loss Account		
- Current Service Cost	52.19	46.03
- Past Service Cost	-	-
- Interest Expense (Income)	30.53	24.34
Remeasurement gains / (losses)		
- Effect of Changes in demographic Assumptions	3.09	8.18
- Effect of Changes in Financial Assumptions	(60.95)	31.49
- Effect of Experience Adjustments	(33.96)	53.01
Benefit payments	(14.33)	(10.28)
Present value of defined benefit obligation at the end of the year	**454.03**	**477.45**

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

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Change in fair value of assets during the year		
Fair value of plan assets at the beginning of the year	228.02	222.40
Expenses Recognised in Profit and Loss Account		
- Expected return on plan assets	14.58	16.27
Remeasurement gains / (losses)		
- Actuarial gains/(loss) arising from changes in financial assumptions	2.74	(0.68)
Contributions by employer (including benefit payments recoverable)	122.69	0.31
Benefit payments	(14.33)	(10.28)
Fair value of plan assets at the end of the year	**353.70**	**228.02**

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

(Amount Rs. In lakhs)

Particulars	As at 31 March 2021	As at 31 March 2020
Investment Funds with Insurance Company - Life Insurance Corporation of India	353.70	228.02

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

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

Investment Risk:

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

Interest Risk:

A decrease in the yield of Indian government securities will increase the plan liability.

Longevity Risk

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

Salary Risk:

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

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

Particulars	As at 31 March 2021	As at 31 March 2020
Discount rate	6.20%	6.40%
Expected rate of salary increase	8.00%	10.00%
Withdrawal Rate		
Upto grade of Branch Managers	16.00%	16.00%
Above grade of Branch Managers	8.00%	8.00%
Mortality	100% of IALM 2012-14	100% of IALM 2012-14

1. The discount rate is based on the prevailing market yields of Indian Government securities as at balance sheet date for the estimated term of the obligation.

2. The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

3. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are maintained with an insurer managed fund (maintained by the Life Insurance Corporation ("LIC")) and is well diversed.

Sensitivity Analysis

The benefit obligation results of a such a scheme are particularly sensitive to discount rate, longevity risk, salary growth and employee attrition, if the plan provision do provide for such increases on commencement of pension..
The following table summarizes the impact in financial terms on the reported defined benefit obligation at the end of the reporting period arising on account changes in these four key parameters:

(Amount Rs. In lakhs)

Impact on the Defined benefit Obligation	As at 31 March 2021	As at 31 March 2020
(a) Discount Rate		
- Increase by 1%	422.37	442.54
- Decrease by 1%	490.26	517.52
(b) Salary Growth Rate		
- Increase by 1%	488.84	514.32
- Decrease by 1%	422.64	443.78
(c) Withdrawal Rate		
- Increase by 50%	436.55	445.22
- Decrease by 50%	485.38	539.12
(d) Mortality Rate		
- Increase by 10%	453.91	477.25
- Decrease by 10%	454.13	477.65

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

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

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

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

(i) Maturity profile of defined benefit obligation:

Expected cash flows over the next (valued on undiscounted basis):	Amount in Rs. In lakhs
Within 1 year	72.74
2 to 5 years	171.66
6 to 10 years	177.19
More than 10 years	374.48

(i) Experience Adjustments *

(Amount Rs. In lakhs)

Experience Adjustments	For the year ended 31 March 2021	For the year ended 31 March 2020
Defined Benefit Obligation	454.03	477.45
Fair value of plan assets	353.70	228.02
Surplus/(Deficit)	(100.33)	(249.43)
Experience adjustment on plan liabilities [(Gain)/Loss]	91.82	(84.50)
Experience adjustment on plan assets [Gain/(Loss)]	2.74	(0.68)

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

35 Related Party Transactions

35.1 Names of Related Parties and Nature of Relationship

Description of Relationship	As at 31 March 2021	As at 31 March 2020
Holding Company	DWM Investments (Cyprus) Limited	DWM Investments (Cyprus) Limited
Key Managerial Personnel of the Company	Mr. Murali Srinivas Managing Director and CEO	Mr. Murali Srinivas Managing Director and CEO
	Mr. R Venkatasubramanian Company Secretary	Mr. R Venkatasubramanian Company Secretary
	Mr. Prabakaran Thangavelu Chief Financial Officer	Mr. Prabakaran Thangavelu Chief Financial Officer
Directors	Mr. Suresh Kodihalli Krishna	Mr. Suresh Kodihalli Krishna
	Mr. Rajan Samuel	Mr. Rajan Samuel
	Mr. Aleem Remtula	Mr. Aleem Remtula
	Mr. Bradley Swanson	Mr. Bradley Swanson
	Mrs. Indrani Bhagwan Singh	Mrs. Indrani Bhagwan Singh
	Mr. V S Padmanaban	Mr. V S Padmanaban
	Ms. Aparna Sharma	

Note: Related party relationships are as identified by the Management and relied upon by auditors

35.2 Transactions with the Related Parties

(Amount Rs. In lakhs)

Transaction	Related Party	For the Year Ended 31 March 2021	For the Year Ended 31 March 2020
Remuneration to Key Managerial Personnel	Mr. Murali Srinivas Managing Director and CEO	65.78	66.35
	Mr. Prabakaran Thangavelu Chief Financial Officer	32.72	35.27
	Mr. R Venkatasubramanian Company Secretary	16.27	17.47
Sitting Fees	Mr. Suresh Kodihalli Krishna	5.75	8.75
	Mr. Rajan Samuel	5.50	7.75
	Mrs. Indrani Bhagwan Singh	2.00	1.75
	Mr. V S Padmanaban	2.00	0.75
	Mrs.Aparana Narendra Sharma	1.00	-
Employee Loan given	Mr. Murali Srinivas		11.00
	Mr. R Venkatasubramanian		3.00
Employee Loan repaid	Mr. Murali Srinivas	6.60	4.40
	Mr. R Venkatasubramanian	0.60	2.40
Interest Received on employee Loan	Mr. Murali Srinivas Managing Director and CEO	0.66	0.44
	Mr. R Venkatasubramanian Company Secretary	0.06	0.24
Reimbursement of Travelling Expenses	DWM Investments (Cyprus) Limited	1.97	-

Transaction	Related Party	As at 31 March 2021 Amount Rs. In lakhs	As at 31 March 2020 Amount Rs. In lakhs
Balance as at Year End			
Employee Loan Receivable	Mr. Murali Srinivas Managing Director and CEO	-	6.60
	Mr. R Venkatasubramanian Company Secretary	-	0.60

Note:

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

36 Financial Instruments

36.1 Capital Management

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

Gearing Ratio :

(Amount in Rs. in lakhs)

Particulars	As at 31 March 2021	As at 31 March 2020
Borrowings	38,740.87	52,166.01
Cash and Bank Balance	(8,384.73)	(8,447.05)
Net Debt (A)	**30,356.14**	**43,718.96**
Total Equity (B)	13,611.01	14,428.17
Net Debt to equity ratio (A/B)	**2.23**	**3.03**

36.2 Categories of Financial Instruments

The carrying value of the financial instruments by categories as on 31 March 2021 and 31 March 2020 is as follows:

(Amount in Rs. in lakhs)

Particulars	Carrying Value		Fair Value	
	As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020
(a) Financial Assets				
(i) Measured at amortised cost				
- Loans	43,659.68	59,002.59	43,659.68	59,002.59
- Cash and Bank balance	8,384.73	8,447.05	8,384.73	8,447.05
- Other financial assets	187.17	232.34	187.17	232.34
- Loan given to staff	11.79	37.32	11.79	37.32
	52,243.37	**67,719.30**	**52,243.37**	**67,719.30**
(b) Financial Liabilities : Measured at amortised cost				
- Borrowings	38,740.87	52,166.01	38,740.87	52,166.01
- Other payables	127.16	141.99	127.16	141.99
- Other financial liabilities	447.83	812.28	447.83	812.28
	39,315.86	**53,120.28**	**39,315.86**	**53,120.28**

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

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

The amortized cost of the Company's interest-bearing borrowings are determined by using the Effective Interest method. The own non- performance risk as at 31 March 2021 was assessed to be insignificant.
There were no items of financial assets or financial liabilities which were valued at fair value as of 31 March 2021 and 31 March 2020.

37 Financial Risk Management Framework

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

37.1 Liquidity Risk Management :

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

Liquidity and Interest Risk Tables :

Refer Note 41.6 which details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the Company may be required to pay.

37.2 Market Risk

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

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest ratesfor different periods. We assess and manage our interest rate risk by managing our assets and liabilities. Our Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately.

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

Price Risk

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

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

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

37.4 Offsetting of financial assets and financial liabilities

The Company has not offset financial assets and financial liabilities.

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

Based on and to the extent of information received by the Company from the suppliers during the year regarding their status under the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), the relevant particulars for the years ended 31 March 2021 and 31 March 2020 are furnished below:

Particulars	For the Year Ended 31 March 2021 Amount in Rs. In lakhs	For the Year Ended 31 March 2020 Amount in Rs. In lakhs
Principal amount remaining unpaid to any supplier as at the end of the accounting year.	2.97	-
Interest due thereon remaining unpaid to any supplier as at the end of the accounting year.	-	-
The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
The amount of interest due and payable for the year.	-	-
The amount of interest accrued and remaining unpaid at the end of the accounting year.	-	-
The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid.	-	-

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

39 **Commitments and Contingencies**

Particulars	As at 31 March 2021 Amount in Rs. In lakhs	As at 31 March 2020 Amount in Rs. In lakhs
A. Contingent Liabilities:		
Income Tax (Refer Note (a) below	133.41	133.41
Labour Case (Refer Note (b) below	10.00	-
B. Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for:	-	-

(a) Income Tax:

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

(ii) While completing the Income Tax assessment for the Assessment Year 2017-18, the department via order dated 31 December 2019, demanded an amount of Rs. 1,30,50,323 assessing the Specified Bank Notes deposited in excess of cash balance on 08 November 2016 as unexplained cash credit u/s 68 of the Income Tax Act, 1961. The Company believes that the claim is untenable and hence, has filed a writ petition with the Madras High Court against the said order. The high court has granted an interim stay on the said petition as on 03 February 2020; The company has paid an amount of Rs. 10,00,000 under protest.

(b) Labour Case:
The company had terminated an employee Mr.Sivakumar.K on 8th May 2015. He has filed a case in the Labour Court. The company has calculated the back wages to be paid in case of an unfavourable decision.

40 Disclosure Pursuant to Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 updated 16 April 2019

40.1 Customer Complaints *

(a)	No. of complaints pending as on 1 April 2020	-
(b)	No. of complaints received during the year	1,969
(c)	No. of complaints redressed during the year	1,946
(d)	No. of complaints pending as on 31 March 2021	23

* As disclosed by the Management and relied upon by the Auditors.

40.2 Details of Registration with Financial Regulators

S.No	Regulator	Registration No.
1	Ministry of Company Affairs	U67190TN1995PLC030604
2	Reserve Bank of India	B-07.00537

40.3 Ratings assigned by Credit Rating Agencies

Particulars	As at 31 March 2021 (Refer Note below)	As at 31 March 2020
Long Term Bank Facilities	[ICRA] BBB-	[ICRA] BBB
Long term Non-Convertible Debentures	CARE BBB-; Negative CARE BBB-; Negative CARE BBB-; Negative	CARE BBB; stable CARE BBB; stable CARE BBB; stable
MFI Grading	M2	M2

Note: The credit rating agencies have subsequently reaffirmed the rating of the instruments after due consideration of the latest developments; Accordingly, the outlook of the instruments has been revised to 'negative' from 'stable'.

40.4 Concentration of Advances, Exposures and NPA's

Particulars	As at 31 March 2021	As at 31 March 2020
Total Advances and Exposures to twenty largest borrowers	Refer Note below	Refer Note below
Total Exposure to top four NPA accounts	Refer Note below	Refer Note below
Percentage of Advances and Exposures to twenty largest borrowers to Total Advances of the NBFC	Refer Note below	Refer Note below

The Company operates in the business of microfinance providing collateral free loans for fixed amounts ranging from Rs. 5,000 to Rs. 50,000 to women engaged in various income generating activities. As at 31 March 2021, the Company has provided loans to more than 41 lakhs women and hence, the disclosure relating to concentration to advances, exposures and NPA's are not applicable to the Company.

40.5 Details of non-performing financial assets purchased / sold

There have been no Non performing assets purchased or sold by the Company as at 31 March 2021 and 31 March 2020.

40.6 Sector-wise NPAs as on 31 March 2021

Sl.No	Sector	Percentage of NPAs to Total Advances in that sector as on 31 March 2021	Percentage of NPAs to Total Advances in that sector as on 31 March 2020
1	Agriculture & allied activities	7.81%	0.13%
2	MSME	6.63%	0.04%
3	Corporate borrowers	0.00%	0.00%
4	Services	10.82%	0.05%
5	Unsecured personal loans	0.00%	0.00%
6	Transport	3.39%	0.00%
7	Other loans	12.32%	0.00%

40.7 Provisions and Contingencies

Particulars	For the Year Ended 31 March 2021 Amount Rs.in Lakhs	For the Year Ended 31 March 2020 Amount Rs.in Lakhs
Impairment Loss Allowance	2,515.77	220.04
Provision for Income Tax (excluding deferred tax)	351.11	770.00

40.8 Movement of NPAs

Sl.No	Particulars	As at 31 March 2021 Amount Rs.in lakhs	As at 31 March 2020 Amount Rs.in lakhs
(i)	Net NPAs to Net Advances (%)	3.60%	0.00%
(ii)	**Movement of NPAs (Gross)**		
	(a) Opening balance	133.53	132.09
	(b) Net Additions/(deletions) during the year	4,342.96	1.44
	(c) Closing balance	4,476.49	133.53
(iii)	**Movement of Net NPAs**		
	(a) Opening balance	-	-
	(b) Net Additions/(deletions) during the year	1,696.67	-
	(c) Closing balance	1,696.67	-
(iv)	**Movement of provisions for receivables under financing activities**		
	(a) Opening balance	874.37	645.54
	(c) Provisions made during the year	3,144.95	337.98
	(c) Write-off / write-back of excess provisions	(629.18)	(109.15)
	(d) Closing balance	3,390.14	874.37

40.9 During the year there are no instances of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeding the sanctioned limit or outstanding or entire outstanding whichever is higher.

40.10 During the year company has not given any advances with intangible collateral such as charge over the rights, licenses, authority etc.

40.11 Registration Obtained from Other Financial Sector Regulators

During the year the company has not obtained any registrations from other financial regulators.

40.12 Penalties Imposed by RBI and Other Regulators

No penalties imposed by RBI or Other Regulators.

40.13 Investments

Particulars	As at 31 March 2021 Amount Rs.in Lakhs	As at 31 March 2020 Amount Rs.in Lakhs
Value of Investments		
(i) Gross Value of Investments		
(a) In India	-	-
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	-	-
(b) Outside India.	-	-
Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / write-back of excess	-	-
(iv) Closing balance	-	-

40.14 Derivatives:

The Company has no transactions / exposure in derivatives for all years presented.

41 Disclosure Pursuant to Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 (updated 16th April, 2019)

Capital Adequacy Ratio

Particulars	As at 31 March 2021 Amount Rs.in Lakhs	As at 31 March 2020 Amount Rs.in Lakhs
Tier I Capital	12,282.35	13,517.92
Tier II Capital	360.90	337.82
Total Capital	12,643.25	13,855.74
Total Risk Assets	45,797.46	58,611.27
Capital Ratios		
Tier I Capital as a percentage of Total Risk Assets (%)	26.82%	23.06%
Tier II Capital as a percentage of Total Risk Assets (%)	0.79%	0.58%
Total Capital (%)	**27.61%**	**23.64%**

41.1 Exposure to Real Estate Sector

Category	As at 31 March 2021 Amount Rs.in Lakhs	As at 31 March 2020 Amount Rs.in Lakhs
a) Direct Exposure		
(i) Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	-	-
(ii) Commercial Real Estate -		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure shall also include non-fund based limits	-	-
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures	-	-
a.Residential		
b.Commercial Real Estate		
Total Exposure to Real Estate Sector	-	-

41.2 Exposure to Capital Market

The Company does not have any exposure to Capital market as at 31 March 2021 and 31 March 2020

41.3 Draw Down from Reserves

No Drawdown from Reserves has been noted in the financial years ended 31 March 2021 and 31 March 2020

41.4 Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

There are no overseas assets of the Company as there are no Joint Ventures and subsidiaries abroad

41.5 Off-balance Sheet SPVs sponsored

There have been no off- balance sheet SPVs sponsored by the Company during the financial years ended 31 March 2021 and 31 March 2020

41.6 Asset Liability Management

(a) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2021:

(Amount Rs.in Lakhs)

Particulars	1 day to 30 - 31 days (One Month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks & NBFCs	1,127.72	1,114.43	1,931.45	3,885.97	10,815.33	5,712.75	-	-	**24,587.65**
Market Borrowings	1,257.75	-	350.00	1,188.50	4,057.75	4,000.00	-	-	**10,854.00**
Assets									
Advances (Micro Finance Loans)	8,880.37	4,743.13	4,514.50	10,415.77	11,732.18	6,907.87	-	-	**47,193.82**

(b) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2020:

(Amount Rs.in Lakhs)

Particulars	1 day to 30 - 31 days (One Month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks & NBFCs	353.25	187.53	1,650.55	4,830.70	8,674.72	16,000.72	250.00	-	**31,947.47**
Market Borrowings	-	-	-	-	2,000.00	10,450.00	-	-	**12,450.00**
Assets									
Advances (Micro Finance Loans)	-	-	7,273.40	19,812.18	24,595.39	8,191.38	-	-	**59,872.35**
Investments	-	-	-	-	-	-	-	-	-

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

(Amount Rs.in Lakhs)

S.No	Particulars	As at 31 March 2021		As at 31 March 2020	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
	Liabilities:				
1	***Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:***				
(a)	Debentures (Refer Note Below)				
	- Secured	7,039.98	-	8,720.15	-
	- Unsecured	3,997.11	-	4,001.70	-
	(other than falling within the meaning of public deposits)			-	
(b)	Term Loans (Refer Note Below)	24,555.20		32,102.38	
(c)	Inter-Corporate Loans and Borrowings		-		-
(d)	Commercial Paper	-	-	-	-
(e)	Finance Lease obligations	-		-	
(f)	Cash Credits	-	-	824.67	-

Note: Includes Interest Accrued but Not Due on Debentures amounting to Rs.200.18 Lakhs (As at 31 March 2020 : Rs.271.85 Lakhs) and Term Loans amounting to Rs. 68.18 Lakhs (As at 31 March 2020: Rs.154.91 Lakhs).

(Amount Rs.in Lakhs)

S.No	Particulars	Amount Outstanding as at 31 March 2021	Amount Outstanding as at 31 March 2020
	Assets:		
2	***Break-up of Loans and Advances including Bills Receivables [other than those included in (3) below] :***		
(a)	Secured	-	-
(b)	Unsecured	47,479.25	60,474.35
3	***Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities***		
(i)	Lease Assets including Lease Rentals Accrued and Due:		
	(a) Financial Lease	-	-
	(b) Operating Lease	-	-
(ii)	Stock on Hire including Hire Charges under Sundry Debtors:		
	(a) Assets on Hire	-	-
	(b) Repossessed Assets	-	-
(iii)	Other Loans counting towards AFC Activities		
	(a) Loans where Assets have been Repossessed	-	-
	(b) Loans other than (a) above	-	-

(Amount Rs.in Lakhs)

S.No	Particulars	Amount Outstanding as at 31 March 2021	Amount Outstanding as at 31 March 2020
4	***Break-up of Investments***		
	Current Investments		
I	**Quoted:**		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Others (please specify)		-
II	**Unquoted:**		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Others (please specify)		-
	Long Term Investments		
I	**Quoted:**		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Others (please specify)	-	-
II	**Unquoted:**	-	
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Investement in Pass Through Certificates	-	-

(Amount Rs.in Lakhs)

5	***Borrower Group-wise Classification of Assets Financed as in (2) and (3) above***				
	Category	**As at 31 March 2021 (Net of Provisions)**		**As at 31 March 2020 (Net of Provisions)**	
		Secured	**Unsecured**	**Secured**	**Unsecured**
1	Related Parties				
	(a) Subsidiaries	-	-	-	-
	(b) Companies in the same Group	-	-	-	-
	(c) Other Related Parties	-	-	-	-
2	Other than Related Parties	-	44,089.10	-	59,599.98
	Total	-	**44,089.10**	-	**59,599.98**

(Amount Rs.in Lakhs)

6	**Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted) :**	**Market Value / Break up Value or Fair Value or Net Asset Value (Company's Share) as on 31 March 2021**	**Book Value as on 31 March 2021**	**Market Value / Break up Value or Fair Value or Net Asset Value (Company's Share) as on 31 March 2020**	**Book Value as on 31 March 2020**
	Category				
1	Related Parties				
(a)	Subsidiaries	-	-	-	-
(b)	Companies in the Same Group	-	-	-	-
(c)	Other Related Parties	-	-	-	-
2	Other than Related Parties (Refer Note Below)	-	-	-	-
	Total	-	-	-	-

7	***Other Information***	**As at 31 March 2021**		**As at 31 March 2020**	
		Amount Rs. In Lakhs		**Amount Rs. In Lakhs**	
		Related Parties	**Other than Related Parties**	**Related Parties**	**Other than Related Parties**
(i)	Gross Non-Performing Assets	-	4,476.49	-	133.53
(ii)	Net Non-Performing Assets	-	1,696.67	-	-
(iii)	Assets Acquired in Satisfaction of Debt	-	-	-	-

43 Loan Portfolio and Provision for Standard and Non Performing Assets

(a) Current Year

Asset Classification	Loan Outstanding as at 31 March 2021 (Gross) Amount in Rs. Lakhs	Provision as at 31 March 2021 Amount in Rs in Lakhs	Loan Outstanding as at 31 March 2021 (Net) Amount in Rs. In Lakhs
Receivables under Financing Activities (including securitised assets)			
Standard Assets	42,717.33	610.33	42,107.00
Non - Performing Assets	4,476.49	2,779.82	1,696.67
Total	47,193.82	3,390.15	43,803.67

(b) Previous Year

Asset Classification	Loan Outstanding as at 31 March 2020 (Gross) Amount in Rs. Lakhs	Provision as at 31 March 2020 Amount in Rs in Lakhs	Loan Outstanding as at 31 March 2020 (Net) Amount in Rs. In Lakhs
Receivables under Financing Activities (including securitised assets)			
Standard Assets	59,738.82	740.84	58,997.98
Non - Performing Assets	133.53	133.53	-
Total	59,872.35	874.37	58,997.98

44 Changes in Provisions

(a) Current Year

Amount Rs.in Lakhs

Particulars	As at 1 April 2021	Provision for the Year	Utilization/ Reversal	As at 31 March 2021
Loans	874.38	3,144.95	(629.18)	3,390.15
Total	874.38	3,144.95	(629.18)	3,390.15

(b) Previous Year

Amount Rs.in Lakhs

Particulars	As at 1 April 2020	Provision for the Year	Utilization/ Reversal	As at 31 March 2020
Loans	645.54	337.98	(109.14)	874.38
Total	645.54	337.98	(109.14)	874.38

45 **Disclosures of Fraud**

a) **Current Year**

Category	More than Rs. 1 lakh		Less than Rs. 1 lakh	
	Number of Instances	Amount in Rs. In Lakhs	Number of Instances	Amount in Rs. In Lakhs
Embezzlement of Cash - By Employees - By Others	Nil	Nil	5	0.22
Total	-	-	**5**	**0.23**

b) **Previous Year 2019-20**

Category	More than Rs. 1 lakh		Less than Rs. 1 lakh	
	Number of Instances	Amount in Rs. In Lakhs	Number of Instances	Amount in Rs. In Lakhs
Embezzlement of Cash - By Employees - By Others	Nil	Nil	5	0.24
Total	-	-	**5.00**	**0.24**

Note:
The above summary is prepared based on the information available with the Company and relied upon by the Auditors.

45.1 **Disclosure as required under Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 (updated 16th April, 2019)**

Net Interest Margin during the Year:

Particulars	For the Year ended 31 March 2021	For the Year ended 31 March 2020
Average Interest (a)	19.64%	23.50%
Average effective cost for borrowing Interest (b)	13.48%	13.50%
Net Interest Margin (a-b)	6.16%	10.00%

The Average interest represents the effective rate at which loans have been disbursed to the customers for the year ended 31 March 2021 and 31 March 2020

The Average interest cost of borrowings of the Company for the years ended 31 March 2021 and 31 March 2020 has been computed based on the monthly borrowing cost (including interest, upfront processing fee paid and other charges) divided by the average monthly balances of outstanding borrowings.

46 Disclosures of Transactions Pursuant to Regulation 34(3) of SEBI (LODR) Regulations, 2015:

S.No	Loans and Advances in the nature of Loans	As at 31 March 2021 Amount in Rs. In Lakhs		As at 31 March 2020 Amount in Rs. In Lakhs	
		Amount Outstanding	Maximum Amount Outstanding during the year	Amount Outstanding	Maximum Amount Outstanding during the year
(a)	From Holding Company:	-	-	-	-
(b)	To Fellow Subsidiaries - No Fellow Subsidiaries during the Current Year	-	-	-	-
(c)	To Associates - No Associate during the Current Year	-	-	-	-
(d)	Where there is				
	- No Repayment Schedule	-	-	-	-
	- Repayment Schedule beyond seven years	-	-	-	-
	- No Interest	-	-	-	-
	- Interest below the rate as specified in section 186 of the Companies Act, 2013	-	-	-	-
(e)	To Firms / Companies in which directors are interested (Other the (a) and (b) above)				
(f)	Investments by the Loanee in the Shares of Parent Company and Subsidiary Company	-	-	-	-

47 Corporate Social Responsibility (CSR)

As per Section 135 of the Companies Act 2013, the company is required to spend Rs. 52.58 lakhs (Previous year: Rs. 48.65 lakhs) (2% of the average net profits of the Company made during the three immediately preceding financial years) towards CSR activities for the financial year 2020-21. Break up for the same is as follows:
i) Gross Amount required to be spent during the financial year 2020-21 - Rs. 52.58 lakhs (Previous year- Rs. 48.65 lakhs)
ii) Amount spend towards CSR Activities as per Company's CSR Policy : Rs. 52.66 lakhs (Previous year- Rs. 49.29 lakhs)
iii) Unspent amount as on March 31, 2021: Nil (Previous Year- NIL)

48 Statutory Reserve

As per Section 45-IC of the Reserve Bank of India Act, 1934, the Company is required to create a reserve fund at a rate of 20% of the net profit after tax of the Company every year. Considering the Profit after tax on OCI for the year ended 31 March 2021: Rs. 14.15 Lakhs is transferred to the statutory reserve as required under Section 45-IC of Reserve Bank of India (RBI) Act, 1934.

49 The Company entered in to a non-solicitation agreement dated 20th March, 2020 with Mahasemam Trust, an entity from which the Company acquired the employee pool and client base, in order to restrict Mahasemam Trust from poaching the employees and to mitigate the consequential risk of losing the clients and business. On the basis of valuation from a SEBI approved valuer, the consideration agreed in the agreement is Rs.550 lakhs, of which Rs. 25 lakhs was paid in the previous financial year on signing the agreement. The balance shall be paid in tranches on achieving milestones as per the agreement. The amount was disclosed under 'Exceptional Items' in the financial statements for the year ended 31 March 2020.

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

Further, the Company has, based on current available information and based on the policy approved by the board, determined the provision for impairment of financial assets. Given the uncertainty over the potential macro-economic impact, the Company's management has considered internal and external information including credit reports and economic forecasts upto the date of approval of these financial statement.

The Company is actively monitoring the impact of the global health pandemic on its financial condition, liquidity, operations, borrowers and industry. The Company has used the principles of prudence in applying judgments, estimates and assumptions based in assessing the recoverability of assets such as receivables, loans, investments, financial assets and other assets. Based on current indicators of future economic conditions, the Company expects to recover the carrying amounts of its assets.

51

(i) **Expenditure incurred in Foreign Currency**

Particulars	For the year ended 31 March 2021 Amount in Rs.	For the year ended 31 March 2020 Amount in Rs.
Reimbursement of Travelling Expenses	1,96,841	1,81,257

(ii) The Company did not have any unhedged Foreign currency exposure as at 31 March 2021 and 31 March 2020 and the Company did not have any derivatives.

52 **Previous Year Figures**

Previous year's figures have been regrouped / reclassified, wherever necessary, to correspond with the current year's classification / disclosure.

53 The Board of Directors of the Company has reviewed the realisable value of all the financial assets and has confirmed that the value of such assets in the ordinary course of business will not be less that the value at which these are recognized in the financial statements. In addition, the Board has also confirmed the carrying value of the non-financial assets in the financial statements. The Board, duly taking into account all the relevant disclosures made, has approved these financial statements in its meeting held on 29 June 2021.

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

P. Murali Srinivas
CEO and Managing Director
DIN - 00554309
Place : London
Date : 29 June 2021

Suresh K Krishna
Director
DIN - 01217401
Place : Bengaluru
Date : 29 June 2021

V.T. Prabakaran
Chief Financial Officer
Place : Chennai
Date : 29 June 2021

R. Venkatasubramanian
Company Secretary
Place : Chennai
Date : 29 June 2021

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