

Chaitanya

Improving Lives



ANNUAL REPORT 2013-2014

Chaitanya India Fin Credit Private Limited

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Bangalore 560085.

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CORPORATE INFORMATION

Board of Directors	Head Office
1. K. S. Ravi Independent Director 2. R. Nanda Kumar Independent Director 3. Ramesh Sundaresan Nominee Director 4. A. Narasimha Executive Director 5. Samit S. Shetty Executive Director 6. Anand Rao Managing Director	No. 98, 3 rd Floor, Sirsi Circle, Mysore Road, Chamarajapet, Bangalore – 560018. Tel: 080 – 26750010 Fax: 080 – 26756767 Email: admin@chaitanyaindia.in Website: www.chaitanyaindia.in
	Auditors
	M/s Ramesh Ashwin & Karanth Premier Presidency, #35/17, 1 st Floor, Langford Road, Opp. St. Joseph College, Bangalore – 560025 Tel: 080 – 41464630

Lenders	
Dena Bank	Ratnakar Bank Limited
MAS Financial Services Limited	State Bank of India
Corporation Bank	Karnataka State Finance Corporation
IDBI Bank	Union Bank of India
Reliance Capital Limited	South Indian Bank
IFMR Capital Finance Private Limited	Small Industries Development Bank of India
Canara Bank	Ananya Finance for Inclusive Growth Private Limited

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DIRECTORS REPORT

The Members,

Your Directors are pleased to present the Fourth Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ending 31st March 2014. The summarized financial results for the year ended 31st March 2014 are as under.

Financial Highlights

Amount in Rs.

Year Ended 31st March	2014	2013
Operating Income	10,26,63,695	5,48,09,461
Other Income	58,40,172	28,86,009
Total Income	10,85,03,866	5,74,95,470
Less Expenditure		
Finance Cost	4,63,07,973	1,73,66,199
Personnel Cost	2,87,31,543	2,05,45,205
Administrative Cost	1,61,52,045	1,05,44,829
Depreciation	18,28,937	12,83,062
Bad Debts	70,751	48,659
Provision for Loan Assets as Per RBI Guidelines	40,14,216	3,97,605
Profit/(Loss) Before Tax	1,13,98,402	73,09,911
Less Income Tax	46,91,283	23,09,986
Less Deferred Tax	(12,50,348)	(1,30,090)
Profit/(Loss) After Tax	79,57,467	51,30,015

- The Company's total income for the year ended 31st March 2014 has increased to Rs. 10.85 Crores from Rs. 5.74 Crores in the previous year.
- The Company has had a profitable year of operations and returned a profit after tax of Rs. 79.57 lakhs.

Operational Highlights

Year Ended 31st March	2014	2013
Number of Branches	29	24
Number of Borrowers	46,329	28,062
Number of Employees	237	156
Portfolio Outstanding (in Rs. Crores)	56.48	31.80

During the year, the Company delivered a Profit After Tax(PAT) of Rs. 79.57 lakhs, higher than last year's PAT of 51.30 lakhs, an increase of 55% for the year. The increase was after providing for 1% provision on loan assets as against 0.25% provision till last year. The provisions increased from Rs. 3.97 lakhs to Rs. 40.14 lakhs during the year. The portfolio quality has been good with good repayment rate during the year and overall portfolio at risk of 0.02% of portfolio.

Deposits

As on 31st March 2014 the Company does not have any public deposits.

Dividends

The Company has not made any provision for payment of dividend for the year under consideration.

Code of Conduct, Transparency & Client Protection

The Company has fully implemented the Reserve Bank of India's Fair Practice Code and adopted the Microfinance Institutions Network's (MFIN) Code of Conduct.

Details of Gold Auction Conducted

The Company conducted two gold auctions during the year. The auction was conducted as per the Company's board approved policy on auction of gold jewellery. Further, the auction procedure and process was conducted as per the Reserve Bank of India's guidelines issues in September 16th, 2013.

One auction was conducted on 2nd November 2013 at Jagalur town and the second auction was conducted on 6th November 2013 at Kanahosalli town. No sister concern of the Company participated in the auction process. Details of the outstanding amount and the value fetched of all loan accounts auctioned during the year is given below

Loan Account	Outstanding Amount	Amount in Rs.
		Value Fetched
1	50,622	65,000
2	70,616	55,600
3	35,902	38,500
4	25,390	20,800
5	25,102	29,500
6	12,300	12,300

Personnel

Information required to be furnished u/s 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) rules 1975 is not applicable as there are no employees drawing remuneration beyond the amounts prescribed under this section.

Energy, Technology & Foreign Exchange

Since the Company does not own any manufacturing facility, the other particulars prescribed under section 217 (1) (c) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are NIL.

The Foreign Exchange Inflow for the Company during the year was NIL.

The Foreign Exchange outflow during the year towards revenue expenses was NIL.

Directors Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, Board of Directors confirms that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed.
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
3. The Directors have taken proper and sufficient care for the 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 fraud and other irregularities.

4. The Directors have prepared the annual accounts of the Company on a 'going concern' basis.

Statutory Auditors

M/s. Ramesh Ashwin & Karanth, Chartered Accountants, Bangalore retire as Auditors of the Company at the forthcoming AGM and have expressed their willingness to continue as Auditors, if re-appointed. The shareholders will be required to appoint the Auditors and fix their remuneration.

Acknowledgment

Your Directors take this opportunity to offer their sincere thanks to Bankers, Investors and Independent Directors for their unstinted support and assistance received from them during the year. The Directors would also like to place on record their appreciation of the dedicated efforts put in by the employees of the Company.

Bangalore, 14.05.2014

By order of the Board

Sd/-
Samit S. Shetty
Director

Sd/-
Anand Rao
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Performance

Client Outreach: The number of active clients the Company serves increased from 28,000 to 46,000, an increase of 64% for the year and our loan book grew to 56.5 crores from 32 crores, an increase of 77% for the year. The JLG (Joint liability Group) loan book grew by 68% from 31 crores to 52 crores, whereas the gold loan book increased from 75 lakhs to 181 lakhs and the 2 wheeler loan book increased from 21 lakhs to 244 lakhs. The non JLG lending which comprises gold and 2 wheeler now comprise 8% of the Company's total loan book.

The number of branches in the Company increased from 24 to 29. Operationally, a group of branches are clustered as a region with a region having 5 to 7 branches. We added only one new region during the year with the Belgaum region split into Dharwad and Belgaum. All regions have grown in borrower numbers including the older regions from higher rural penetration.

Repayment Rate and Overdue: We continue to have a very good repayment rate, with the repayment rate being 99.9% during the year. The number of overdue accounts in the Company was 26 in FY 13-14 and the total portfolio at risk for the Company from these 26 loan accounts was Rs. 99,000. In FY 12-13 the number of overdue accounts was 22 and the total portfolio at risk was Rs. 1,21,000.

Operational Efficiency: On various efficiency parameters, the Company's performance has shown improvement during the year. The Operating Cost Ratio (OCR) which is the ratio of operating cost to average outstanding portfolio decreased from 15.6% to 11.7% during the year. For the preceding year, the decrease was from 17.6% to 15.6%. The number of borrowers per loan officer increased from 362 to 394 and the portfolio per loan officer increased from 40 lakhs to 46 lakhs during the year. The number of borrowers per branch increased from 1200 to 1500 and the loan book per branch increased from 1.34 crores to 1.79 crores.

Profitability: The Company closed the year with a profit before tax (PBT) of Rs. 1.13 crores. This was a 56% increase over a year before when the PBT was 73 lakhs. The higher profit came in spite of the higher provisioning that the Company had to provide for (1% from 2013-14 against 0.25% of outstanding loan portfolio till 2012-13).

Risk Management

Credit Risk: We avoid geographical areas where there is a higher concentration of MFIs. All our branches are at locations with a population less than twenty five thousand. We focus on high rural penetration from every branch location. We do a compulsory credit bureau check for every borrower to ensure that borrowers do not have loans from more than one MFI. We go one step further than just going by the results of the credit bureau check. Since the results of the credit bureau are not always accurate, we use the results of the credit bureau check as an information source and further investigate and probe borrowers for more than one MFI loan.

Ever-greening of loans, where new loans are given before earlier loans are closed is a potential problem area in the sector. To prevent it, we give new loans only once the earlier loans are completely paid back by the borrowers. Ensuring right loan utilization by borrowers is very important from a credit risk angle. We ensure that every loan's utilization is checked, recorded and the results of the utilization is used for subsequent loan sanction of borrowers.

We have a robust system of ensuring quick upward information flow about potential borrower repayment problems from the loan officers much before a problem arises. Loan officers are penalized for not passing on any borrower risk related information. Once such information moves up, the branch manager and/or the

regional manager meets with the borrower and takes necessary action to address the issue. This has helped us to proactively address potential repayment problems resulting in a high repayment rate and low number of borrower defaults.

Operational Risk: The Company has put several processes in place to minimize operational risks. Every region has a dedicated audit officer who ensures periodic branch process audits. Every field process needs to be planned one day before and this information is made available to the audit team. This allows the audit team to plan surprise audits of any field process. To ensure proper cash management, all loan sanctions need to be planned 48 hours in advance. Disbursals are generally synchronized with borrower repayment so that cash handling is reduced. There are clearly defined limits for maximum overnight cash we carry in our office, maximum withdrawal from bank, maximum cash transfer permitted and maximum disbursement in a day from a branch. Similarly we have defined individual and joint maximum cheque signing limits for each of the signing authorities. Bank limits in all branch accounts are strictly adhered to and fidelity coverage for all cash transactions is taken for all signatories up to the limits. All loans are disbursed only in the branch and in the presence of senior staff who is not involved in the customer acquisition process. There has been no instance of fraud in the Company in FY 13-14.

Sector Risk: The microfinance regulatory landscape has settled down during the year with few major regulatory changes. Of the two significant changes, one was regarding the maximum interest rate which can be charged by NBFC-MFI's which should be lower of either: the cost of funds plus margin (12% for MFI with loan portfolio less than 100 crores and 10% for MFIs with loan portfolio greater than 100 crores) or the average base rate of the five largest commercial banks by assets multiplied by 2.75. The second policy guideline was regarding Self Regulatory Organization (SRO) guidelines for MFI industry body. RBI has indicated that the SRO should ensure regulatory compliance of all its NBFC-MFI members. Self regulation will be a significant challenge for the industry. The consequence of unsatisfactory self regulation would mean a loss of credibility for the sector and as a consequence a difficult working environment for the sector.

Audit and Internal Controls

The internal audit is done to ensure strict adherence to operational processes in the field and also to ensure that early warning is obtained about poor practices by staff and managers. To focus on two critical but completely different areas the scope of the audit is divided into two broad aspects. Field Level Audit and Branch Level Audit. The Field Level Auditing is headed by an audit manager and a team of audit officers. Between them, the team audits all the branches of the Company. The branch level auditing is conducted by an external team under supervision of a chartered accountant. The branch level auditing team handles compliance to accounting and documentation processes in all branches and human resources processes.

Human Resources

The Company built the HR department during the year. The HR department now has a HR manager and a HR officer. With our industry being people intensive, we believe that the main responsibility of building the operational team should be with operations with the HR department providing support to operations. The HR department's main focus is providing targeted training to all employees, recruitment of senior level & support staff and support the operational team in operational recruitment. This approach should help us have a lean HR team.

We recruit our field officers locally. Being a deep rural player, with branches in small towns and villages, local recruitment has helped us to address the field officer recruitment challenge. We have seen that attrition levels for field officers are high in the initial months, but as people settle down, they build loyalty towards the Company and attrition levels fall with time spent in the Company. We have also seen people grow in their roles. The Company today has a solid base of employees with a significant portion of them having grown in

their roles. Twenty of our branch managers have risen from the level of loan officers. Two of our regional managers have risen from branch managers.

BEYOND JOINT LIABILITY GROUP LENDING

From 2000 till 2009, the commercial microcredit industry grew exponentially as the industry scaled up the Joint Liability Group (JLG) lending model. Today for most players in the industry, the risk of reliance on only the JLG lending model especially when being geographically focused is evident. Companies have taken either one or a combination of the two approaches to address this risk. One is to be geographically spread out in multiple states so that a mass default in one state does not lead to the collapse of the institution and two is to move beyond the JLG product. This could be by diversifying into secularized lending or providing financial services beyond credit such as savings, insurance, pension etc. through tie ups with other financial service providers. This is today largely work in progress with a dynamic regulatory environment, institutions building their internal capabilities and proving the business viability of providing these services.

At Chaitanya our approach from the beginning has been to focus on deeper engagement with our customers. This puts higher priority on product and service diversity than on geographic expansion into multiple states. In our four and a half years of existence, the last two years has been spent in piloting and testing three non JLG products. One is lending against gold, two is 2 wheeler lending and three is livestock insurance. In all the three products, we have followed the approach of seeking profits first and growth later with no product taking a significant amount of investment to adversely affect our profitability. In all the three products we have focused on proving the business viability case, building the organizational capability and integrating the product into the existing microcredit operational structure.

Gold Loans: The business model of lending against gold by NBFCs and banks is well established. The opportunity we see here is to establish gold lending in the small towns and villages we operate in, where currently gold loan NBFCs and banks are not significantly present and competition is largely from local goldsmiths. Our business model is based on a lower cost structure through our existing microcredit presence and our ability to attract demand coming from our well established presence and credibility gained in villages where we operate. At the two branches where we have piloted gold lending, the business case has been proven. Over the past two years we have build the operational capability in terms of safe keeping of gold, gold testing, assessment of customers, sales promotion and auctioning of gold.

Two Wheeler Loans: In the rural locations we cover, we see a significant demand for 2 wheeler loans. The presence of established players is limited in our area of operations. We believe that we are in a very good position to tap the demand for loans due to our reach, knowledge of the market and credibility in the operational area. 2 wheeler loans need some level of loanee assessment which we can do cost effectively through our presence and by extending our assessment capabilities built doing JLG lending. In FY 2013-14, we have proven the business case and built competencies in customer assessment and ensuring timely repayment by borrowers.

In the last one year, the non JLG loan book has grown to around 8% of our total loan book and is well positioned to be scaled up across various branches in the Company. Since the NBFC-MFI regulations restricts the non secularized lending as a percentage of overall portfolio, scaling the secularized business would require us to explore options such as secularizing this loan book, tying up with partners or do this business through another NBFC. Similar to gold and 2 wheeler, we see opportunities in providing housing loans, SME loans and educational loans. In the long term, we see our non JLG loan book to have the potential to grow to 50% of overall loan book.

OUR COMMUNITY INITIATIVES

We believe that our community initiatives should involve our borrowers and their families, complement our core activity of providing microcredit and scale across most of our branches. Our community services during the year has been limited and focused on activities around Livestock, specifically milk yielding cows and buffalo's. Focus has been on three activities. One is providing our borrowers with livestock insurance, two is conducting livestock health camps in partnership with the government veterinary department and three is providing livestock related awareness and education in the communities we work.

Investment in milk livestock is an important source of asset building and income source for rural families. We have seen that our borrowers make one of two choices when it comes to milk livestock investment. One is to invest in local breeds and the other is to invest in non local breeds (cross breeds and special breeds). Local breed animals are cheaper, sturdy but yield less milk and hence lesser income. Non local breeds are expensive, need to be well taken care of, yield more milk and hence higher income. The default choice for most borrowers is to invest in local breeds. The investment required is less and the risk of death of animal is also less. But it is also a lost opportunity to increase their income. Higher loans can be given for addressing the investment requirement. To address the risk of animal death is more difficult. This is linked to the capability of borrowers to select the right non local breeds and in taking care of the non local breeds; good veterinary services; and insurance cover to take care of financial risk from unexpected animal death.

Providing livestock insurance in deep rural areas requires a structure to be put in place to make it operational and effective. The structure requires: one, every animal is to be physically checked and tagged. Two, when there is a livestock death; the death case needs to be investigated speedily to ensure that the death is not done intentionally to claim insurance. Since, there was no structure in place in the areas we operate; we had to develop a structure in partnership with Royal Sundaram, the insurance provider.

The structure we have worked out is that our employee will do the initial inspection and tagging of the animal and also do the investigation and documentation required when there is an animal death. Royal Sundaram limits the maximum sum insured and puts a waiting period criteria (the minimum number of days after tagging before insurance can be considered) to take care of their risk.

It has taken us two years to come up with a structure and capability to physically check and tag an animal and to investigate and process speedily every animal death. At a region, which covers five to seven branches, we have a dedicated livestock officer. The livestock officer is the livestock expert for the region. He/she identifies after discussion with every branch those villages where larger livestock loans can be given. Larger livestock loans are given to cross breed animals and not to special breed animals which have even higher risk. Only villages, where there is some history of taking care of cross breed animals, where there is sufficient green fodder availability, where there is opportunity for selling milk commercially and there is an acceptable level of veterinary service is selected for large livestock loans. In such villages, borrowers are encouraged to come together as a group if they are interested in taking livestock loans. When they come in as a group, the whole process of training borrowers and tagging of livestock becomes more efficient. At every branch one loan officer is trained by the regional livestock officer in checking animals and in tagging them. When there is an animal death, the regional livestock officer does the necessary process. Last year, we have executed this process in our Holelkere region and just started in Dharwad and Belgaum regions. Last year the Company has insured 1375 number of animals and settled 45 livestock insurance claims. This year, we expect the number of animals to be insured to touch 5000 as we expand the activities across all the Company's regions.

The livestock officer in each region is also responsible for two other activities. One is to organize livestock health camps and two in improving the awareness among villagers in purchasing and taking care of livestock to reduce the risk of death and in increasing the productivity of animals.

Livestock Health Camps: Many villagers do not take their animals for routine vaccinations and health checkups due to the remoteness of the villages. Veterinary doctors from the government department do not have the time to visit every village regularly to provide this service. Organizing health camps help in getting a large number of animals vaccinated, de-wormed, health checked and some essential medicines distributed. In 2013-14 we have conducted 3 livestock health camps. The details of the health camps conducted during the year are provided below



Photos of Livestock Camp done at Nilagallu village

Location of Camp	Branch	Date	No. of cattle treated
D. Mallapura village	Santebennur	Nov 2013	240
Nilagallu village	Sasvehalli	Dec 2013	140
Kotabagi village	Kittur	Feb 2014	150

Livestock Educational Video: We have seen that the awareness of villagers about livestock related diseases and livestock productivity issues is limited. We came up with a local livestock educational video which addressed locally prevalent health and productivity issues. The videos were shown in the following villages during the year.

Livestock Video Shown Village	Branch	Date	Attendance
Bommanakatte	Holalkere	Dec 2013	45
Channapura	Ajjampura	Dec 2013	35
H Kogalur	Santebennur	Dec 2013	35
Yaraguddi	Bailhongala	Jan 2014	80
Anigol	Bailhongala	Jan 2014	120
Ramapura	Kittur	Jan 2014	60
Udikeri	Kittur	Jan 2014	30
Shalawadi	Navalgund	Feb 2014	40
Hanumanahalli	Sasvehalli	Feb 2014	40
D Hosahalli	Holelkere	March 2014	70
Total			555



Borrowers Geeta and Manjula with their Cross breed Cows

A Case of Livestock Center: Hanumanahalli is a village 2 km from our Sasvehalli branch. The village has 280 households. Sugarcane and paddy are the main crops grown twice a year in the village, which has good irrigation facilities. The average land holding among low income families is around 2 acres. The village has 80 milk yielding livestock with 60 of them being cross breed, 10 being local breed and 10 being high breed livestock. The village generates 300 litres of milk a day which is collected by two diaries. In the month of November 2013, we gave livestock loans to a 8 member group in the village. The 8 members were selected after assessing their ability to take care of cross breed cows. Each of the borrowers was given a 25,000 loan. Three of the borrowers bought buffalo's with an average price of Rs. 17,000 and 5 of them have bought cross breed cows with an average price of Rs. 25000. In addition to the cost of the animal, borrowers spend an addition 1000 to 2000 for transport and broker charges(charges for the person who identified the seller). All the borrowers bought their cows from close by villages. The cross breed cows bought were yielding 8 litres of milk a day from November to March. In April and May the yield has dropped to 6 litres a day due to summer season. The borrowers spend Rs. 1500 a month on special feeds for the cows. At a price per litre of Rs. 23, the borrowers were earning between Rs. 2000 to Rs. 1000 a month after paying for the loan installments and animal feed. Once the loan is repaid in 1.5 to 2 years, the income from each cow will go up by another Rs. 1500 a month. In addition to this, most borrowers get their cows artificially inseminated. The calf that is born is of value if it is a female. Either it can be sold or can be tended to until it grows to yield milk. One of the cross breed cows died 3 months after purchase. The death happened 12 days after the cow delivered a calf. Both cow and calf died. The borrower Pushpa got Rs. 20,000 as insurance claim. The borrower did lose around Rs. 6000 to Rs. 7000. The borrower has accepted this loss as normal business risk. If the loss was the entire loan amount, it would have been a huge financial burden. Due to insurance cover, Pushpa is still keen on investing in another animal to increase her income.

OUR BORROWERS

We are working in the area of microcredit as we sincerely believe that through our intervention we can bring about a positive difference in the lives of low income families. We are also aware that low income families require a suite of quality financial services to meet their needs and aspirations and protect them from unexpected crisis. There are several constraints for a single entity to provide a multitude of financial services to customers, including limited organizational capabilities, regulatory constraints and capital constraints. It is our constant endeavor to work on improving our organizational capabilities and build partnerships with service providers to address the regulatory and capital constraints. We would like to be seen as a trusted and reliable service provider in the communities we work in.

In the area of microcredit we are aware that people use credit for smoothing their cash flows, working capital requirements and in asset building. We are also aware that excessive credit can get low income families into trouble and it is also our responsibility to ensure that we keep our eyes and ears open to proactively identify such borrowers if and when they arise. To ensure that not even a single borrower of ours suffers due to over indebtedness is very important for us. We strictly follow the RBI's fair practices code and the industry's code of conduct. Building the right culture among employees so that following the Company's fair practices code is normal routine for us is our continuous endeavor.

Handling Stressed Borrowers

The company has a standard customer grievance procedure which borrowers can use for any grievance which they have against any employee or the Company. However, handling stressed borrowers requires more than this. Our system of handling customer distress cases rests on, one quick identification and transmission of information from the field to the decision makers(regional managers) and two, decision makers going to the ground and proactively addressing the situation. In the last year we have had three cases of stressed customers.

In the first case in our Belgaum region, a customer had taken a loan of 15,000 from us to purchase a goat. She and her husband were agricultural labourers. All of a sudden, our borrower suffered a health condition where she could not walk and so she could not go to work. Unfortunately, at around the same time her husband also met with an accident and was not able to work. The Company's loan officer identified the situation and immediately informed his higher ups. The regional manager visited the borrower, investigated the borrower's condition and felt best to not take any more repayments from the borrower even though the borrower did not request for this.

In another case, borrower was given loan for livestock and insurance taken for the livestock in our Holekere region. Unfortunately, the cow died in the insurance waiting period. In spite of the fact that the terms and conditions of the insurance were clearly explained to the borrower, the borrower insisted that they would not be able to repay the loan. The regional manager met with the borrower, husband and group members. After understanding the situation it was agreed to give the borrower a partial concession on the loan repayment. In both the above cases, intervention of the regional manager was necessary to understand the situation of the borrower and family and take appropriate decision so that borrower and family did not fall into distress. We have not revealed the names of the borrowers mentioned above to maintain their privacy.

Snapshot of Some Successful Women Entrepreneurs

In the course of our borrowing, we come across many successful borrowers. Their success inspires us and we are happy to be part of their success as providing microcredit at the right time is only one small but important reason of their success.



Prabhavati is a resident of Madan Bhavi village which is 8 km from our Kittur branch in Dharwad district. The village has 500 houses and about eighty percent of the households work as daily wage labourers at Kittur town and Dharwad city. Prabhavati's is a five member family with husband and three children. The eldest son Omprakash is 18 years, he has completed his industrial training and has just got employment since Nov 2013 in a local industry and earns Rs. 5000 a month. He stays with his family and gives his earnings to his mother. Jyothi, daughter is studying in 12th grade and Deepa the youngest daughter is in 10th grade. Husband, Yesarappa is a daily wage earner who works in a local dairy and

earns around Rs. 3500 a month. The family does not own any land.

Prabhavati's story shows us how, it takes perseverance to succeed at a microenterprise and how borrowers have to skillfully manage their finances to succeed. Earlier to 2011, the only source of income for the family was the husband's and Prabhavati's daily wage income which was around Rs. 5500 a month in total. Prabhavati was part of the government's Self help Group (SHG) Stree Shakti Sangha program (this is part of the State Government's Department of Women and Child Development) and the SHG group members were given exposure and training on starting a home based food industry. After getting the training, Prabhavati's decided to invest in a chilli grinder machine. Around October 2011, she got a Rs. 15,000 subsidy from the government and a Rs. 15,000 loan through the SHG. She invested the money in the chilli grinding machine and commercial electricity connection. After starting the business, she realized that it was a seasonal business and her income was limited. After about a year and a half (around Feb 2013), she approached Chaitanya for a 15,000 loan to invest in a rice noodles making machine (popularly called Savige in Kannada). However, due to electricity problems, she had to invest in a diesel generator borrowing an additional Rs. 10,000 from her SHG. Her business improved from then. In Jan 2014, she again approached Chaitanya for further investment in her business, building some civil structure for her existing business, investing in a flour mill and items for a petty shop and borrowed Rs. 25,000. Although the number of machines and businesses look more, she did this to ensure that she would be fully occupied. Now she is fully occupied running her chilli grinding machine, rice noodles machine and flour mill based on seasonal demand as well as attending to her petty shop. She today earns Rs. 6000 a month after paying all her loan installments.



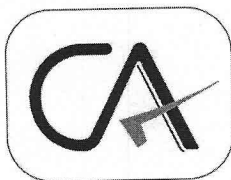
Kasuri is a resident of Hirevankalkunte village, Koppal District where we have a branch. The village has 800 houses. Kasuri's is a four member family with husband and two children. The eldest Chetan is 15 years and Ravikumar is 9 years old. Earlier to 2012, husband Virupakshi was working at a local eatery on daily wages. Kasuri was working as an agricultural labourer. In early 2011, Virupakshi left his job at the local eatery and opened a small road side tea stall due to irregular payments at the local eatery. When the couple heard about Chaitanya, they applied for a loan to expand their tea stall into a small eatery. They got a loan of Rs. 12,000 which they used to rent a place and make the initial

investment in their eatery business. Business did well, but the owner of place asked them to vacate after 6 months. In a year's time, Kasuri took another loan of 25,000 from Chaitanya in July 2012. This time the couple took up land from the Panchayat on lease near the government bus stand and invested in setting up their eatery. At the new place, the business did very well. They employ 2 helpers on a daily wage basis in addition to both husband and wife working in the eatery. In early 2014, Kasuri has again taken a 25,000 loan from Chaitanya for further expanding their eatery business. Their family income has gone up from Rs. 3500 a month before they had their own business to Rs. 10,000 a month now after paying all their business expenses.



Rudramma is also a resident of Hirevankalkunte village. There are 5 members in her family, her husband and 3 children. Daughter, Rekha(22 years) and Gururaj(21 years) are both working in Bangalore after completing their Industrial Training course. Third son Manjunath(19 years) is doing his industrial training course. Husband, Devappa was employed as a driver until he met with an accident a few years back. As a driver Devappa was earning a monthly income of Rs. 5000. With the wage earnings of her husband affected, Rudramma had to look for employment to run their family. She took a 10,000 Rs. loan from Chaitanya in Nov 2010 and invested in a petty shop. Rudramma was also selling

vegetables in the weekly village market. Once Rudramma knew that she would be eligible for another loan she planned to invest in a permanent vegetable selling business and in Dec 2011, she borrowed Rs. 20,000 from Chaitanya for this purpose. In the next year, 2012 she borrowed a further Rs. 25,000 and invested in a tyre repair shop at the same location which her husband would run. Since starting their business, their income has gradually risen from Rs. 5000 a month to around Rs. 10,000 today.



M/s Ramesh Ashwin & Karanth

CHARTERED ACCOUNTANTS

Premier Presidency
35/17, 1st Floor
Langford Road
Opp. St. Joseph College
Bangalore – 560 025
Phone: 080 41464630

INDEPENDENT AUDITOR'S REPORT

To the Members of CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED, which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

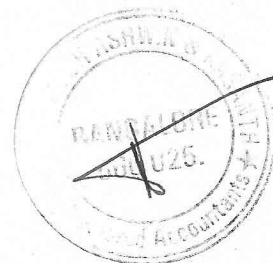
Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) in the case of the Profit and Loss Account, of the **profit** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
 - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e) on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For Ramesh Ashwin & Karanth
Chartered Accountants
F.R.No.010680S



Prashanth Karanth
Partner
M.No.214235.

Date: 14.05.2014
Place: Bangalore

Annexure referred to in paragraph 1 of the Our Report of even date to the members of CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED. on the accounts of the company for the year ended 31st March, 2014.

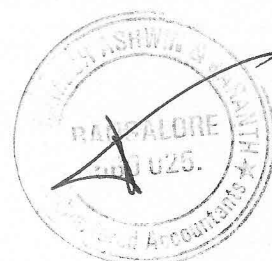
On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

- i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets
 (b) All fixed assets have been physically verified by the management during the year and the material discrepancies noticed during the visit have been properly dealt in books of accounts.
 (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company
- ii) (a) The Company is not manufacturing or trading in goods and does not deal with stores, spare parts and raw materials. Hence, clauses 4(ii) (a), 4(ii) (b) & 4(ii) (c) are not applicable.
- iii) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of clauses iii (b), iii(c) and iii (d) of the order are not applicable to the Company.
- (e) As per the information and explanations provided to us, during the financial year the company has taken unsecured loans, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956 as stated herein.

Details of Loan Taken

Sl. No.	Name of the Party	Relation With the Company	Amount (Rs)	Year End Balance
1	Ramesh Sundareshan	Director	32,00,000	0

- f) The terms & conditions for repayment of principal & interest are not specified. However no interest was paid on the above loan taken by the company.
- g) The Loan taken was repayable on demand and payment was regular.
- iv) In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, with regard to purchase of fixed assets and payment for expenses. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
- v) a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into a register maintained in pursuance of section 301 of the Companies Act, 1956 have been so entered.
 b) In our opinion and according to the information and explanations given to us, there are no transactions exceeding the value of Rs. five lakhs towards contracts or arrangements which requires entry in Register maintained under section 301 of the Companies Act, 1956.



- vi) According to the information and explanation given to us the Company has not accepted any deposits from the public and hence, the directives issued by the Reserve Bank of India and provisions of sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under, are not applicable to the Company.
- vii) As per information & explanations given by the management, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii) Maintenance of cost records has been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 is not applicable to the Company.
- ix) (a) According to the records of the company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31st of March, 2014 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there is no amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty which have not been deposited on account of any disputes.
- x) The Company does not have any accumulated loss and has not incurred cash loss during the financial year covered by our audit and in the immediately preceding financial year.
- xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of dues to a financial institution or bank.
- xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore, the provision of this clause of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
- xiv) According to information and explanations given to us, the Company is not dealing in or trading in Shares, Mutual funds & other Investments. and accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.
- xvi) The term loans taken by the company were applied for the purpose for which it is obtained.
- xvii) Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31st March, 2014, we report that no funds raised on short-term basis have been used for long-term investment by the Company.



- xviii) Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year.
- xix) According to the information and explanations given to us, the Company has not issued any debenture and therefore, the provisions of clause 4(xix) of the Order are not applicable to the Company.
- xx) The Company has not raised any money by public issue during the year.
- xxi) Based on the audit procedures performed and the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.

Date: 14.05.2014
Place: Bangalore

For Ramesh Ashwin & Karanth
Chartered Accountants
F.R.No.0106805

Prashanth Karanth
Partner
M.No.214235.



CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

NO. 312, 14 - P, SKYLINE SURABHI APARTMENT, VIDYAPEETA MAIN ROAD, BSK 3RD STAGE, BANGALORE - 560085

Balance Sheet as at March 31, 2014

Particulars	Note No.	March 31, 2014 (Rupees)	March 31, 2013 (Rupees)
I. EQUITY AND LIABILITIES			
(1) Share holder's fund			
(a) Share capital	3	9,26,69,260	9,26,69,260
(b) Reserves and surplus	4	5,21,92,461	4,42,34,994
		14,48,61,721	13,69,04,254
(2) Share application money pending allotment		-	-
(3) Non-current Liabilities			
(a) Long term borrowings	5	18,17,72,249	12,77,55,271
(b) Long-term provision	6	2,79,196	8,977
		18,20,51,445	12,77,64,248
(4) Current Liabilities			
(a) Short term borrowings	7	11,30,41,954	4,08,92,113
(b) Trade payables	8	1,69,37,927	22,94,637
(c) Other current liabilities	9	18,53,61,694	8,21,21,198
(d) Short-term provisions	10	79,76,982	19,74,123
		32,33,18,558	12,72,82,071
TOTAL		65,02,31,724	39,19,50,573
II. ASSETS			
(1) NON-CURRENT ASSETS			
(a) Fixed assets			
(i) Tangible Assets (Net)	11	68,01,998	45,64,558
(ii) Intangible Assets	12	2,71,959	4,53,265
		70,73,957	50,17,823
(b) Deferred tax assets (Net)	13	13,75,801	1,25,453
(c) Long term loans and advances	14A	24,21,243	16,99,017
(d) Loans and advances towards Financing Activities - [Long Term]	14B	2,77,73,180	28,99,642
(e) Other Non-Current Assets	15	3,74,22,962	1,05,850
		7,60,67,144	98,47,785
(2) CURRENT ASSETS			
(a) Cash and cash equivalents	16	11,81,18,496	10,11,93,775
(b) Loans and advances towards Financing Activities - [Short Term]	17	44,89,99,156	27,75,60,214
(c) Other Short Term Loans & Advances	18	47,88,903	22,53,896
(d) Other Current Assets	19	22,58,026	10,94,903
		57,41,64,580	38,21,02,788
TOTAL		65,02,31,724	39,19,50,573
See accompanying notes to the financial statements			

In terms of our report of even date attached

 RAMESH ASHWIN & KARANTH
 CHARTERED ACCOUNTANTS
 (REGN No.: 0106805)

 PRASHANTH KARANTH
 a Partner
 Membership No.: 214235

 Place: Bangalore
 Date: 14.05.2014

 For and on behalf of
 CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

 ANAND RAO
 Managing
 Director

 SAMIT S. SHETTY
 Director

 A. NARASIMHA
 Company
 Secretary

 Place: Bangalore
 Date: 14.05.2014


CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

NO. 312, 14 - P, SKYLINE SURABHI APARTMENT, VIDYAPEETA MAIN ROAD, BSK 3RD STAGE, BANGALORE - 560085

Statement of Profit and Loss for the year ended March 31, 2014

Particulars	Note No.	Year ended March 31, 2014 (Rupees)	Year ended March 31, 2013 (Rupees)
I. Revenue from Operations	20	10,26,63,695	5,48,09,461
II. Other Income	21	58,40,172	26,86,009
IV. TOTAL REVENUE (I+II)		10,85,03,866	5,74,95,470
V. Expenses			
(a) Finance Cost	22	4,63,07,973	1,73,66,199
(b) Employee benefits expenses	23	2,87,31,543	2,05,45,205
(c) Depreciation and amortisation expense	11 & 12	18,28,937	12,83,062
(d) Other Administrative expense	24	1,61,52,045	1,05,44,829
(e) Bad Debts Written Off		70,751	48,659
(f) Provision for Receivables under Financing Activity		40,14,216	3,97,605
TOTAL EXPENSES		9,71,05,465	5,01,85,559
VI. Profit / (loss) before exceptional and extraordinary items and tax (III-IV)		1,13,98,402	73,09,911
VII. Exceptional items		-	-
VIII. Profit / (loss) before extraordinary items and tax (V - VI)		1,13,98,402	73,09,911
IX. Extraordinary items		-	-
X. Profit / (loss) before tax (VII - VIII)		1,13,98,402	73,09,911
XI. Provision for taxation:			
(a) Current tax		46,91,283	23,09,986
(b) Deferred tax provision / (write back)		(12,50,348)	(1,30,090)
XII. Profit / (loss) for the period from continuing Operations		79,57,467	51,30,015
XIII. Profit / (loss) for the period from discontinuing Operations		-	-
XV. Tax expense of discontinuing operations		-	-
XVI. Profit / (loss) for the period from discontinuing Operations (after tax)		-	-
XVII. Profit / (loss) for the period		79,57,467	51,30,015

Earnings Per Share

Basic	0.86	0.55
Diluted	0.86	0.55

See accompanying notes to the financial statements

In terms of our report of even date attached

RAMESH ASHWIN & KARANTH
CHARTERED ACCOUNTANTS
(REGN No.: 010680S)

PRASHANTH KARANTH
a Partner
Membership No.: 214235

Place: Bangalore
Date: 14.05.2014

For and on behalf of
CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

ANAND RAO
Managing
Director

Place: Bangalore
Date: 14.05.2014

SAMIT S. SHETTY
Director

A. NARASIMHA
Company
Secretary



CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

NO. 312, 14 - P, SKYLINE SURABHI APARTMENT, VIDYAPEETA MAIN ROAD, BSK 3RD STAGE, BANGALORE - 560085

Notes Forming Part Of Balance Sheet

3 SHARE CAPITAL

Particulars	(Amount in Rupees)	
	As at March 31, 2014	As at March 31, 2013
Authorized capital		
1,00,00,000 equity shares of Rs. 10 each	10,00,00,000	10,00,00,000
Issued, subscribed and paid up capital		
92,66,926 equity shares of Rs. 10 each fully paid-up	9,26,69,260	9,26,69,260
	9,26,69,260	9,26,69,260

3.1 Reconciliation of shares outstanding at the beginning and at the end of the reporting period:

Particulars	Financial year 2013-14 (Units in Nos.)	Financial year 2013-14 (Amount in rupees)	Financial year 2012-13 (Units in Nos.)	Financial year 2012-13 (Amount in rupees)
Number of shares outstanding as at the beginning of the financial year (April 01)	92,66,926	9,26,69,260	92,66,926	9,26,69,260
Add: Increase in number of shares during the year				
- Fresh issue of shares	-	-	-	-
Less: Reduction in number of shares during the year				
- Redemption of shares	92,66,926	9,26,69,260	92,66,926	9,26,69,260
- Forfeiture of shares	-	-	-	-
Number of shares outstanding as at the Close of the financial year (March 31)	92,66,926	9,26,69,260	92,66,926	9,26,69,260

Handwritten signature and initials.



Disclosures to made:

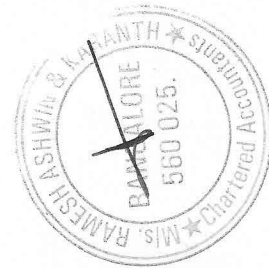
- 3.2 The Company has only one class of equity share having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share.

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

3.3 Details of shareholders holding more than 5% shares in the Company

Name of Shareholder	As at 31 March 2014		As at 31 March 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Samit Shankar Shetty	43,65,635	47.11	43,65,635	47.11
U. Raghurama Rao	5,90,000	6.37	5,90,000	6.37
Anand Rao	5,32,256	5.74	5,32,256	5.74

- 3.4 The Company has not issued bonus shares, not issued shares for consideration other than cash and has not bought back shares during the period of five years immediately preceding the reporting date.



CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

NO. 312, 14 - P, SKYLINE SURABHI APARTMENT, VIDYAPEETA MAIN ROAD, BSK 3RD STAGE, BANGALORE - 560085

Notes Forming Part Of Balance Sheet

4 RESERVES AND SURPLUS

(Amount in Rupees)		
Particulars	As at March 31, 2014	As at March 31, 2013
(a) Securities Premium Account		
Opening Balance	3,19,43,408	3,19,43,408
Add : Securities premium credited on Share issue	-	-
Less: Premium Utilised for various reasons	-	-
Premium on Redemption of Debentures	-	-
For Issuing Bonus Shares	-	-
Closing Balance	3,19,43,408	3,19,43,408
(b) Statutory Reserve		
Opening Balance	27,24,237	16,98,234
Add : Current Year Transfer	15,91,493	10,26,003
Less: Written Back in Current Year	-	-
Closing Balance	43,15,730	27,24,237
(c) Surplus		
Opening balance	95,67,349	54,63,337
Add : Net Profit/(Net Loss) For the current year	79,57,467	51,30,015
Add : Transfer from Reserves	-	-
Less: Proposed Dividends	-	-
Less: Interim Dividends	-	-
Less: Transfer to Reserves	15,91,493	10,26,003
Closing Balance	1,59,33,323	95,67,349
Total	5,21,92,461	4,42,34,994

5 LONG TERM BORROWINGS

(Amount in Rupees)		
Particulars	As at March 31, 2014	As at March 31, 2013
Long Term Borrowings		
(a) Term loans		
Secured		
From Banks [Refer sub-note A-i]	17,42,72,249	11,77,55,267
From Financial Institutions [Refer sub-note A-ii]	75,00,000	1,00,00,004
	18,17,72,249	12,77,55,271
Total	18,17,72,249	12,77,55,271

6 LONG TERM PROVISIONS FOR RECEIVABLES UNDER FINANCING ACTIVITY

(Amount in Rupees)		
Particulars	As at March 31, 2014	As at March 31, 2013
Long Term Provisions		
Provision for receivables under financing activity	2,79,196	8,977
Total	2,79,196	8,977



7 SHORT TERM BORROWINGS

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
Short Term Borrowings		
(a) Term Loan		
<u>Secured</u>		
From Financial Institutions [Refer sub-note B]	11,30,41,954	4,08,92,113
Total	11,30,41,954	4,08,92,113

8 TRADE PAYABLES

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
Sundry Creditors		
Dues to others	1,69,37,927	22,94,637
Total	1,69,37,927	22,94,637

9 OTHER CURRENT LIABILITIES

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Current maturities of long-term borrowings [Refer sub-note A-i & ii]	18,25,90,460	8,06,43,133
(b) Insurance Payable	20,06,534	10,81,401
(c) Other payables	7,64,700	3,96,664
Total	18,53,61,694	8,21,21,198

10 SHORT TERM PROVISIONS

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Provision for Employee Benefit	1,29,495	1,08,616
(b) Provision for Payment to Auditor	1,02,360	1,09,593
(c) Provision for Expenses	13,46,993	2,52,008
(d) Provision for Income Tax	19,01,264	8,11,445
(e) Provision for Receivables under Financing Activity	44,96,870	6,92,461
Total	79,76,982	19,74,123



CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

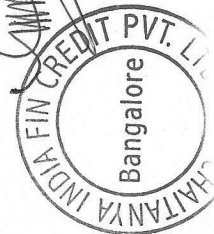
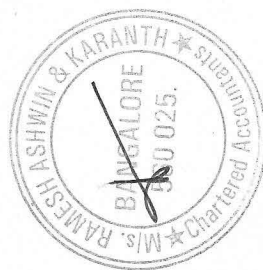
NO. 312, 14 - P, SKYLINE SURABHI APARTMENT, VIDYAPEETA MAIN ROAD, BSK 3RD STAGE, BANGALORE - 560085

Notes Forming Part Of Balance Sheet

FIXED ASSETS											(Amount in Rupees)
TANGIBLE ASSETS											
Particulars	Gross Block				Accumulated Depreciation			Net block			
	As at April 1, 2013	Addition during the year	Disposals during the year	Other adjustments	Balance as at March 31, 2014	As at April 1, 2013	For the year	Adjustment during the year	Balance as at March 31, 2014	As at March 31, 2013	
Computers & Computer Equipments	23,84,647	8,92,204	57,745	-	32,19,107	10,61,378	6,72,269	9,999	17,23,648	13,23,269	
Furniture and fixtures	9,93,400	18,55,677	11,331	-	28,37,746	2,48,568	2,53,637	5,302	4,96,903	7,44,832	
Motor Car	25,54,996	8,62,646	-	-	34,17,642	8,53,643	5,77,863	-	14,31,506	17,01,353	
Motor Bike	1,26,938	5,600	-	-	1,32,538	34,005	25,037	-	59,042	92,933	
UPS	4,69,040	1,38,882	29,992	-	5,77,930	1,00,306	57,744	8,725	1,49,325	3,68,734	
Office equipments	1,44,081	1,38,045	-	-	2,82,126	30,987	26,583	-	57,570	1,13,094	
Godrej Safe	2,55,278	81,696	17,999	-	3,18,975	46,123	33,026	3,970	75,179	2,09,155	
Electrical Equipments	18,201	-	956	-	17,245	7,014	1,472	348	8,138	11,187	
Total	69,46,582	39,74,750	1,18,023	-	1,08,03,309	23,82,024	16,47,631	28,344	40,01,311	45,64,558	
Previous period	40,92,617	28,70,952	16,987	-	69,46,582	13,94,181	9,93,715	5,872	23,82,024	45,64,558	

12 INTANGIBLE ASSETS											(Amount in Rupees)
Particulars	Gross Block			Accumulated Depreciation			Net block				
	As at April 1, 2013	Addition during the year	Disposals during the year	Other adjustments	Balance as at March 31, 2014	As at April 1, 2013	For the year	Adjustment during the year	Balance as at March 31, 2014	As at March 31, 2013	
Computer software	13,74,070	-	-		13,74,070	9,20,805	1,81,306	-	11,02,111	2,71,959	
Total	13,74,070	-	-		13,74,070	9,20,805	1,81,306	-	11,02,111	2,71,959	
Previous period	13,50,016	24,054	-		13,74,070	6,31,458	2,89,347	-	9,20,805	4,53,265	

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13 DEFERRED TAX ASSET

(Amount in Rupees)		
Particulars	As at March 31, 2014	As at March 31, 2013
(a) Opening balance as at the beginning of the year (April 01)		
- Depreciation on tangible fixed assets	(1,39,909)	(1,76,100)
- on Preliminary expenses	28,961	57,922
- on Asset Provisioning	2,36,401	1,13,541
-Un absorbed loss as per Income Tax Act	-	-
	1,25,453	(4,637)
(b) Adjustments during the financial year		
- Depreciation on tangible fixed assets	33,793	36,191
- on Preliminary expenses	(28,961)	(28,961)
- on Asset Provisioning	12,39,403	1,22,860
-Un absorbed loss as per Income Tax Act	6,113	
	12,50,348	1,30,090
(c) Closing balance as at the end of the year (March 31)		
- Depreciation on tangible fixed assets	(1,06,116)	(1,39,909)
- on Preliminary expenses	-	28,961
- on Asset Provisioning	14,75,804	2,36,401
-Un absorbed loss as per Income Tax Act	6,113	-
Total	13,75,801	1,25,453

14A LONG TERM LOANS AND ADVANCES

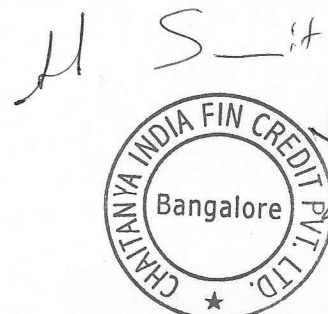
(Amount in Rupees)		
Particulars	As at March 31, 2014	As at March 31, 2013
(a) Security deposits - Unsecured, considered good		
Rental deposits	15,54,200	9,69,650
Other deposits	32,835	38,135
	15,87,035	10,07,785
(b) Other Loans and Advances		
Loans to employees - Unsecured, considered good	8,34,208	6,91,232
Total	24,21,243	16,99,017

14B LOANS AND ADVANCES TOWARDS FINANCING ACTIVITIES - LONG TERM

(Amount in Rupees)		
Particulars	As at March 31, 2014	As at March 31, 2013
Receivable under Financing Activities		
(a) Secured and Considered Good	96,07,194	21,35,603
(b) Unsecured and Considered Good	1,81,65,986	7,64,039
Total	2,77,73,180	28,99,642

15 OTHER NON-CURRENT ASSETS:

(Amount in Rupees)		
Particulars	As at March 31, 2014	As at March 31, 2013
Others bank balances		
Fixed Deposit Bank		
maturity more than 12 months	-	1,05,850
Cash Collateral with maturity more than 12 months (Term Loan)		
- With Banks	3,59,22,075	-
- With Financial Institutions	15,00,887	-
Total	3,74,22,962	1,05,850



16 CASH AND CASH EQUIVALENTS

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Cash on hand	14,00,842	2,87,533
(b) Balances with banks		
In current account	8,21,41,052	6,35,73,358
Fixed Deposit Bank		
maturity less than 12 months	1,14,579	-
Cash Collateral with maturity less than 12 months (Term Loan)		
- With Banks	84,73,653	1,93,14,437
- With Financial Institutions	1,09,70,926	1,18,15,925
Cash Collateral with maturity less than 12 months (Securitisation)	1,50,17,444	62,02,523
	11,67,17,654	10,09,06,243
Total	11,81,18,496	10,11,93,775

17 LOANS AND ADVANCES TOWARDS FINANCING ACTIVITIES - SHORT TERM

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
Receivable under Financing Activities		
(a) Secured and Considered Good	3,63,42,911	74,85,143
(b) Unsecured and Considered Good	41,26,56,245	27,00,75,071
<i>[Assets Derecognized on account of securitization of receivables is Rs. 8,79,91,781/- (P.Y. Rs. 3,75,46,386/-)]</i>		
Total	44,89,99,156	27,75,60,214

18 OTHER SHORT TERM LOANS & ADVANCES

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
Prepaid expenses	1,86,607	1,13,287
Interest Accrued on Loan Portfolio	46,02,296	21,40,609
Total	47,88,903	22,53,896

19 OTHER CURRENT ASSETS

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
Interest accrued on fixed deposits but not Due	42,225	4,471
Advances to Others	8,51,897	5,39,826
Advance to Staffs	52,900	5,700
CENVAT Credit	1,70,295	2,781
Insurance Claim Receivable	7,59,159	5,40,107
IT Refund Receivable	17,050	-
Other Receivables	3,64,500	2,018
Total	22,58,026	10,94,903



CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

NO. 312, 14 - P, SKYLINE SURABHI APARTMENT, VIDYAPEETA MAIN ROAD, BSK 3RD STAGE, BANGALORE - 560085

Notes Forming Part Of Statement of Profit & Loss

20 REVENUE FROM OPERATIONS

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
Interest Received from Customers	8,82,77,503	4,51,56,051
Loan Processing Fees	87,76,910	48,87,087
Securitization Income	56,09,282	47,66,323
Total	10,26,63,695	5,48,09,461

21 OTHER INCOME

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
<u>Interest income</u>		
On Bank Deposits	40,42,042	21,14,613
<u>Dividend income</u>		
On Current Investments	14,25,296	4,18,208
Short Term Capital gain on Mutual Fund	(19,783)	-
Loan Processing Fees on employee loan	13,410	9,350
Interest on employee loan	2,10,848	1,30,085
Interest Received on IT Refund	-	1,140
Bad Debt Recovered	4,000	2,800
Prior Period Income	12,363	-
Income Tax Excess Provision Made written back	16,217	-
Other Income	1,35,779	9,814
Total	58,40,172	26,86,009

22 FINANCE COSTS

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
Interest expense	4,16,95,296	1,29,04,620
Bank charges	2,12,781	87,082
Loan Processing Expenses	43,99,896	43,74,497
Total	4,63,07,973	1,73,66,199

23 EMPLOYEE BENEFIT EXPENSES

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
Salary, Wages, Allowances & other Benefits	2,58,02,333	1,86,27,590
Contributions to P.F., ESI & Others	15,47,842	8,82,057
Staff welfare expenses	13,81,368	10,35,558
Total	2,87,31,543	2,05,45,205



24 OTHER EXPENSES

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
Conveyance Expenses	35,19,155	22,05,154
Rent	23,34,905	13,96,732
Printing, Books & Other Stationary	13,29,407	8,29,178
Vehicle Running & Maintenance	11,50,459	5,61,117
Telephone & Internet Charges	11,26,377	7,79,062
Professional Charges	9,62,454	7,26,022
Tour & Travelling Expenses	9,26,843	6,18,943
Meeting & Training Expenses	7,50,743	4,95,003
Rent Paid For Server Hosting	3,76,417	3,73,332
Remuneration to Auditors	2,07,725	2,47,270
Business Promotion Expenses	4,44,556	2,46,859
Service Tax Paid	10,65,478	6,04,018
Membership Fee & Subscription	2,89,643	3,12,177
Electricity Charges	2,44,055	1,63,225
Postage & Courier Charges	81,175	51,576
Director's Sitting Fees	95,562	90,000
Repairs & Maintenance [General]	1,99,177	1,06,496
Repairs & Maintenance of Computers	1,23,101	71,026
Water Charges	1,26,419	70,157
Insurance Charges	90,014	47,953
Office & General Expenses	3,66,381	2,60,726
Brokerage for Office	63,012	-
Rates & Taxes	1,86,713	1,87,673
Prior Period Expenses	16,779	-
Recruitment Expenses	30,105	89,580
Assets Written Off	39,031	11,505
Interest Paid on Service Tax	2,021	46
Loss on sale of Assets	4,339	-
Total	1,61,52,045	1,05,44,829

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CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

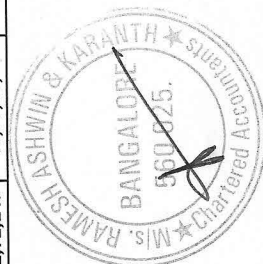
NO. 312, 14 - P, SKYLINE SURABHI APARTMENT, VIDYAPEETA MAIN ROAD, BSK 3RD STAGE, BANGALORE - 560085

Subnote Forming Part Of Balance Sheet

A. Long Term Borrowings & Current Maturities Of Long-Term Borrowings

i. From Banks

Name of the Bank	Facility Availed	Long Term Borrowings		Current Maturities of Long Term Borrowings		Securities Offered	Original Loan Tenure	Rate of Interest
		31.03.2014	31.03.2013	31.03.2014	31.03.2013			
Dena Bank	Term Loan 01	3,45,00,007	8,04,99,985	4,59,99,996	3,45,00,015	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	36 Months	Base Rate + 3.50%
Dena Bank	Term Loan 02	3,33,33,330	-	1,66,66,670	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	33 Months	Base Rate + 3.50%
Corporation Bank	Term Loan	2,49,98,000	-	1,71,06,033	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	36 Months	Base Rate + 2.10%
IDBI Bank	Term Loan 01	40,00,000	-	1,20,00,000	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	23 Months	Base Rate + 3.75%
IDBI Bank	Term Loan 02	1,25,00,000	-	1,25,00,000	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	23 Months	Base Rate + 3.75%
State Bank of India	Term Loan	-	1,19,68,022	1,14,20,958	1,20,00,000	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	30 Months	Base Rate + 4.75%
South Indian Bank	Term Loan 01	-	-	10,00,000	1,00,00,000	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	13 Months	Base Rate + 3.50%
South Indian Bank	Term Loan 02	1,27,16,000	-	72,84,000	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	36 Months	Base Rate + 3.50%
South Indian Bank	Vehicle Loan	3,43,701	-	1,21,502	-	Motor Car Hypothecated to Bank		Base Rate + 1.50%
KSFC	Term Loan	1,80,00,000	2,45,00,000	67,06,740	57,53,151	Personal Guarantees of Promoter Directors, Book Debts Assigned	48 Months	14.00%
RBL Bank	Term Loan	1,71,42,858	-	1,29,05,635	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	24 Months	Base Rate + 3.75%
Union Bank of India	Term Loan	36,36,364	-	1,09,43,960	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	22 Months	Base Rate + 2.50%
Canara Bank	Term Loan	1,25,00,000	-	1,01,54,048	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	36 Months	Base Rate + 4.50%
ICICI Bank	Vehicle Loan 01	1,50,810	2,00,474	50,760	45,520	Motor Car Hypothecated to Bank	60 Months	11.75%
ICICI Bank	Vehicle Loan 02	1,50,810	2,00,474	50,760	45,520	Motor Car Hypothecated to Bank	60 Months	11.75%
ICICI Bank	Hypothecation Loan	3,00,368	3,86,312	88,778	76,868	Motor Car Hypothecated to Bank	60 Months	15.75%
SIDBI	Term Loan	-	-	-	20,23,431	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for Repayment Amount	36 Months	12.75%
HDFC Bank	Vehicle Loan 01	-	-	-	31,002	Motor Car Hypothecated to Bank	36 Months	10.50%
HDFC Bank	Vehicle Loan 02	-	-	-	31,002	Motor Car Hypothecated to Bank	36 Months	10.50%
Total (a)		17,42,72,249	11,77,55,267	16,49,99,840	6,45,06,509			



ii. From Financial Institutions

Name of the Financial Institution	Facility Availed	Long Term Borrowings		Current Maturities of Long Term		Securities Offered	Original Loan Tenure	Rate of Interest
		31.03.2014	31.03.2013	31.03.2014	31.03.2013			
MAS Financial Services Ltd	Term Loan 05	-	1,00,00,004	1,00,72,312	1,00,25,516	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount	24 Months	MAS PLR + 2.25%
MAS Financial Services Ltd	Term Loan 07	75,00,000	-	75,18,308	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount	24 Months	MAS PLR + 1.50%
Ananya	Term Loan	-	-	-	61,11,108	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	18 Months	16.00%
Total (b)		75,00,000	1,00,00,004	1,75,90,620	1,61,36,624			
Total (a) + (b)		18,17,72,249	12,77,55,271	18,25,90,460	8,06,43,133			

B. Short Term Borrowings

From Financial Institutions

Name of the Bank / FI	Facility Availed	Short Term Borrowings		Securities Offered	Loan Tenure	Rate of Interest
		31.03.2014	31.03.2013			
Reliance Capital	Term Loan	-	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount	12 Months	15.50%
MAS Financial Services Ltd	Term Loan 3A	-	3,08,27,134	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount	12 Months	MAS PLR + 1.25%
MAS Financial Services Ltd	Term Loan 3B	-	50,24,038	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount	12 Months	MAS PLR + 1.25%
MAS Financial Services Ltd	Term Loan 04	-	50,30,051	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount	12 Months	MAS PLR + 1.25%
MAS Financial Services Ltd	Empowered Loan	-	25,04,005	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount	12 Months	MAS PLR + 1.50%
IFMR Capital	Term Loan 01	-	6,00,00,000	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	12 Months	15.20%
IFMR Capital	Term Loan 02	-	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	12 Months	16.55%
IFMR Capital	Term Loan 03	-	1,21,33,608	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	12 Months	14.96%
IFMR Capital	Term Loan 04	-	1,00,81,212	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned	12 Months	14.97%
Total		-	11,30,41,954			
Grand Total		18,17,72,249	12,77,55,271			

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CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

NO. 312, 14 - P, SKYLINE SURABHI APARTMENT, VIDYAPEETA MAIN ROAD, BSK 3RD STAGE, BANGALORE - 560085

Cash Flow Statement

For the Year Ended 31.03.2014

For the Year Ended 31.03.2013

A CASH FLOW FROM OPERATING ACTIVITIES

Net Profit Before Tax	1,13,98,402	73,09,911
Adjustments for:		
Add: Depreciation	18,28,937	12,83,062
Dividend Income	(14,25,296)	(4,18,208)
Assets Written off / Loss on sale of Assets	43,370	11,505
Short Term Capital Loss	19,783	-
Interest & Finance Charges Paid	4,63,07,973	1,68,66,339
Operating Profit before Working Capital Changes	5,81,73,168	2,50,52,609
Adjustments for:		
Decrease/ (Increase) in Cash Margin & Deposits	(3,78,96,362)	1,23,11,387
Decrease/(Increase) in Loans & Advances	(19,68,14,727)	(13,70,92,741)
Decrease / (Increase) in Other Current Assets	(45,89,207)	(1,03,418)
Increase/(Decrease) in Payables & Others	2,22,09,537	(11,38,044)
Cash generated from operations	(15,89,17,590)	(10,09,70,207)
Income Tax paid	(34,40,935)	(21,79,896)
Net Cash flow from Operating activities	(16,23,58,525)	(10,31,50,103)

B CASH FLOW FROM INVESTING ACTIVITIES

Purchase of Fixed Assets	(39,74,750)	(28,95,396)
Sale of Fixed Assets	46,309	-
(Increase)/ Decrease in Current Investments	-	-
Short Term Capital Loss	(19,783)	-
Dividend Income	14,25,296	4,18,208
Net Cash used in Investing activities	(25,22,928)	(24,77,188)

C CASH FLOW FROM FINANCING ACTIVITIES

(Decrease)/Increase in Borrowings	22,81,14,146	21,19,58,595
Increase in Share Capital	-	-
Increase/(Decrease) in Share Application Money	-	-
Increase in Share Premium	-	-
Interest & Finance Charges paid	(4,63,07,973)	(1,68,66,339)
Net Cash used in financing activities	18,18,06,174	19,50,92,256
Net increase in cash & Cash Equivalents	1,69,24,720	8,94,64,965
Cash and Cash equivalents Opening Balance	10,11,93,775	1,17,28,810
Cash and Cash equivalents Closing Balance	11,81,18,496	10,11,93,775

Cash & Cash Equivalents

As on 31.03.2014

As on 31.03.2013

Cash in Hand	14,00,842	2,87,533
Cash at Bank (Current Account)	8,21,41,052	6,35,73,358
Cash at Bank (Cash Collateral & FD)	3,45,76,602	3,73,32,885
Cash & Cash equivalents as stated	11,81,18,496	10,11,93,775



1. CORPORATE INFORMATION

The Company was incorporated on March 31, 2009, to carry on the business of Lending, Installment Financing, Bill discounting, Providing Working Capital and Term Loan Facilities to Small and Medium Business Enterprises including Individual loans, with or without all or any types of securities. And the Company act as facilitator for provision of micro finance, savings and other financial services by acting as intermediaries between Bank, Financial Institutions, Individuals, Corporate bodies or other entities (whether incorporated or not), of one part, with The Self Help Groups (SHG), Members of SHGs, discrete individuals or small groups which are in the process of forming SHGs and / or other micro-credit aspirants, And to assist, execute, provide consultancy service and promote and finance such programmes, either directly or through an independent agency and/or in any other manner.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The Financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the notified Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956("the Act"). The financial statements have been prepared under the historical cost convention on an accrual basis and considering the directions issued by the Reserve Bank of India (RBI) to the extent applicable to the Company.

b. Revenue Recognition

- Revenue from Interest on loans financed by the Company is recognized on accrual basis, except for loans outstanding for more 90 days which will be recognized only on receipt basis, considering the directions issued by the RBI from time to time.
- Revenues from loan processing charges are recognised as income on cash basis.
- Income on securitization is recognized on cash basis.
- Revenue from interest income in fixed deposits with banks is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.
- Dividend income is recognized when the right to receive is established.
- Short term capital gains on sale of investment instruments (treasury operations) are recognized on actual sale of instruments.

c. Use Of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the results of operations at the end of reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively.

d. Fixed Assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its present condition for intended use.



e. Depreciation

Depreciation on fixed assets is charged proportionately from the date of acquisition / installation under the WDV method at rates, which are equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956. Individual assets costing less than Rs. 5,000/- are depreciated in full, in the year of acquisition.

f. Investments

Idle funds are temporarily parked in short term investments as part of treasury operations of the Company. Such investments are carried at book value and not marked to market.

g. Employee Retirement Benefits

None of the employees serving the company have completed the minimum statutory period required to be eligible for gratuity. As such no provision has been made towards gratuity in the books of accounts. However, the Company has subscribed to Employees' Provident Fund scheme as per the statutory requirements.

h. Asset classification & Provisioning

The Company follows Prudential Norms of the Reserve Bank of India (RBI) with regards to classification in respect of all loans extended to its customers. Loans where the installment is overdue for a period of 90 days or more or on which interest amount remained overdue for a period of 90 days or more is treated as Non Performing Assets. Provision is made for loan assets as per the RBI Circular No. DNBS. (PD)CC.No. 347 03.10.38 2013-14, Dated 1st July 2013.p

Classification of Assets	As at 31 st March 2014	As at 31 st March 2013
Standard Assets	47,60,12,909/-	27,98,84,153/-
Sub-standard Assets		
Secured Loans	7,48,460/-	6,36,115/-
Unsecured (JLG) Loans	10,967/-	0/-
Total Sub - standard Assets	7,59,427/-	6,36,115/-
Total	47,67,72,336/-	28,05,20,268/-

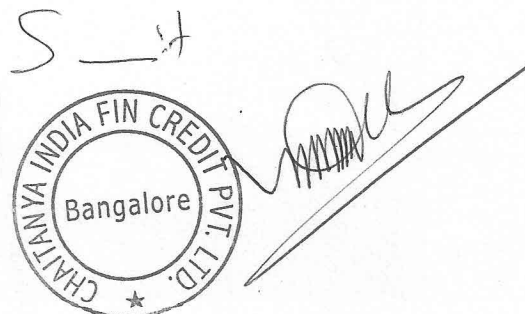
i. Lease

Assets acquired under lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charges to the statement of Profit and Loss on accrual basis.

j. Provisions and Contingent Liabilities

A provision is recognized when an enterprise has a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made, Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date, these are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

All material known liabilities are provided for and liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.



k. Taxes

Tax expense comprises of current and deferred tax.

Current income tax is measured after taking into consideration benefits/disallowances admissible under the provisions of the Income Tax Act, 1961.

Deferred tax is recognized, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets on unabsorbed depreciation and carried forward business losses, are recognized only if there is virtual certainty that they will be realized and are reviewed every year. The tax effect is calculated on the accumulated timing differences at the end of the period based on enacted or substantially enacted tax rates.

l. Deferred Tax Expense/Income

The Deferred Tax Expense /Income for the period ended 31.03.2014 is worked out by considering the difference between depreciation under the Companies Act, 1956 and the Income Tax Act, 1961, recognition of preliminary expenses to the extent permitted under section 35D of the Income Tax Act, 1961 and difference in treatment of provision for standard assets under Income Tax act, 1961. and Companies Act, 1956.

m. Related Party Disclosures

As required by AS -18: 'Related Party Disclosures' are given below:

A: Relationships

i) Directors.

- a) Anand Rao, Managing Director
- b) Samit S. Shetty, Director
- c) K S Ravi, Director
- d) Ane Narasimha, Director
- e) Nanda Kumar, Director
- f) Ramesh Sundresan, Nominee Director

Transactions carried out with related parties referred in (A) above in the ordinary course of business:

NATURE OF TRANSACTION	RELATED PARTIES	
	DIRECTORS	RELATIVES OF DIRECTORS AND KEY MANAGEMENT PERSONNEL
Loans received from Directors	32,00,000	0
Loan Repayment to Director	32,00,000	0
Salary	31,95,024	0
Sitting Fees	90,000	0



n. AUDITORS' REMUNERATION

PARTICULARS	2013-2014
STATUTORY AUDIT FEES	75,000/-
TAX AUDIT FEES	25,000/-
SERVICE TAX	12,360/-

- o. The Balances in Trade payable, other current liabilities [other than current maturities of long term borrowings], short term provisions, Long Term / Short Term Loans & Advances towards financing activities, Long Term / Short Term Loans & Advances and Other Current assets are subject to confirmation.
- p. The company does not have a distinguishable and reportable business or geographical segment. As such disclosure requirements stated in Accountant Standard -17(Segment reporting) are not applicable to the company.
- q. Provisions for all known liabilities are adequate in the opinion of the Management.
- r. The Company has written off Bad debts to the tune of Rs 70,751/- as the company feels that the chances of recovery of the said advances are remote.
- s. During the year company has auctioned the gold in case of defaults in repayment of gold loans. The details of such auction conducted during the year are as follows.

Number of Cases	Amount recovered
6	2,21,700/-

- t. A provision of 1% of the outstanding loan portfolio is provided as 'Provision Under Financing Activity' as required by RBI Circular No. RBI/2013-14/49 DNBS.(PD)CC.No. 347 /03.10.38/2013-14, Dated 1st July 2013.
- u. The company has Qualifying assets of Rs. 42,99,35,306/- the qualifying assets is as defined in RBI Circular No. RBI/2013-14/49 DNBS.(PD)CC.No. 347 /03.10.38/2013-14, Dated 1st July 2013 the percentage of qualifying assets to total assets is 87.13%.
- v. The Capital Adequacy Ratio of the Company is 29.56% against the Reserve Bank of India's requirement of 15%.
- w. Disclosure as required under DNBS (PD) CC. No 300 / 03.10.038/2012-13 dated August 3, 2012.
Margin Cap of the Company as on 31 March 2014 is 9.95%. This has been computed as suggested by MFIN in their representation to the Reserve Bank India dated August 29, 2012 (Subject reference: RBI/2012-13/161 ONBS (PO) CC. No 300 / 03.10.038/2012-13 dated August 3, 2012)
- x. Previous year figures have been regrouped wherever necessary

