

FY2016-17



*Chaitanya*  
*Improving lives*

# Annual Report

**Chaitanya India Fin Credit Private Limited**  
**Regd. Office: No. 312, 14 – P, Skyline Surabhi Apartment,**  
**Vidyapeeta Main Road, BSK 3rd Stage, Bangalore 560085.**  
**Phone: 080 – 26750010/080-26747414, Fax: 080-26756767,**  
**Email: [corporate@chaitanyaindia.in](mailto:corporate@chaitanyaindia.in)**  
**Website: [www.chaitanyaindia.in](http://www.chaitanyaindia.in)**

## Table of Contents

VISION .....	3
MISSION.....	3
BOARD OF DIRECTORS.....	4
COMMITTEES OF THE BOARD.....	5
OURPARTNERS.....	7
PRODUCTS.....	10
GRIEVANCE REDRESSAL MECHANISM.....	14
MANAGEMENT AND DISCUSSION ANALYSIS.....	14
DIRECTORS REPORT.....	25
ANNEXURE 1 – EXTRACT OF ANNUAL RETURN.....	33
ANNEXURE 2 – SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017.....	40
ANNEXURE 3- RELATED PARTY DISCLOSURE UNDER SECTION 188(I).....	43
ANNEXURE 4- PARTICULARS OF EMPLOYEES.....	46
GENERAL SHAREHOLDER INFORMATION.....	47
AUDITORS REPORT.....	48
FINANCIAL STATEMENTS.....	54

## CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

Chaitanya aims to serve low-income households in deep rural areas that are un-banked and under-banked. Chaitanya engages with customers with the intention of making a positive impact in the lives of customers on a sustainable basis.

Chaitanya has given loans to more than 4,89,000 households during its operational period. Currently, Chaitanya has over 1,79,000 active customers.



### VISION

“Chaitanya's Vision is to be a Pan India Rural financial Services Company meeting the full spectrum of financial service needs of the low and middle Income Rural Customers.”

### MISSION

“Improving lives of Low Income Families through provision of Financial Services and ensuring sustainable Shareholder Returns.”



## **BOARD OF DIRECTORS**

### **➤ EXECUTIVE DIRECTORS**

**Mr. Samit S Shetty** is Managing Director of the company. He is one of the founders/Promoters of Chaitanya and a Director at Chaitanya. He has done MBA from Indian Institute of Management, Ahmedabad and a BE in Mechanical Engineering from Bangalore University. Before Chaitanya, he has worked in Olam International Limited, a global leader in the supply chain management of agricultural products and food ingredients. He has been associated with Chaitanya since 2008 April. Currently he handles HR, Legal & secretarial, Accounting and finance functions within the company.

**Mr. Anand Rao** is Joint Managing Director of the company. He is one of the founders/Promoters of Chaitanya and a Director of Chaitanya. He has done MA in International Relations from Syracuse University, USA, a Management Degree from Indian Institute of Technology, Bombay and a BE in Mechanical Engineering from Bangalore University. His earlier work experience has been in International Development at World Resources Institute, Washington DC and earlier in the Indian Corporate Sector at PepsiCo India and Bosch India. He comes to Chaitanya from Small Scale Sustainable Infrastructure Development Fund (S3IDF), an international nonprofit organization working in supporting enterprises in the small scale infrastructure space, where he worked for five years. Chaitanya Foundation and the NBFC also focused geographically in the same districts where Anand had gained his experience.

### **➤ INDEPENDENT DIRECTORS**

**Mr. K S Ravi** is an Independent Director and Chairman of the Board at Chaitanya. He is a Chartered Accountant by profession being the Managing Partner of M/s Ravi & Shrihari. He has been regularly engaged by several nonprofits to provide consultancy services relating to finance in the area of rural development and mentoring rural entrepreneurs. He has been regularly providing advice and consultancy services on statutory matters to companies and institutions in the social sector for the last 20 years. He is the Chairman of the Audit Committee.

**Mr. NandaKumar R** is an Independent Director at Chaitanya. He is a science graduate and a Certified Associate of Indian Institute of Bankers. He is a banker by profession with 40 years of experience having worked in ING Vysya Bank in different capacities like Branch Head, Regional Head, Zonal Head, Asst. General Manager, Sr. Asst. General Manager in different areas of operation and in different locations. He is presently working as Group CEO of Emmvee Group of companies. He is the Chairman of the Risk Committee.

### **➤ NOMINEE DIRECTORS**

**Mr. Ramesh Sundaresan** is the Investor's Nominee Director at Chaitanya. He is a graduate from NIT Trichy and Post Graduate from Indian Institute of Management Lucknow. He is the Managing Director of Invenio and he is based in Bangalore. Invenio is engaged in providing market making and risk management solutions in agricultural derivatives to various producers and consumers of commodities. Invenio also has a fund management division that manages third party money by investing in algorithmic and systematic proprietary trading strategies. He is the chairman of Nomination & Remuneration committee.

**Mr. Davis Frederick Golding** is the Investors Nominee Director (nominated by Shoprecap II Limited) at Chaitanya. He is a graduate from Duke University 1981. He is the Director of Equator Capital Partners and he is based in USA. Equator Capital Partners, LLC ("Equator") is a fund management company dedicated to improving lives in lasting ways by investing in private sector financial enterprises in emerging markets. Equator Capital Partners manages the Shore Cap family of funds, which invest in inclusive financial services entities in developing and transitional economies.

## **COMMITTEES OF THE BOARD**

**1.**

### **Audit Committee**

#### Committee Composition

1. Mr. K S Ravi- Chairman
2. Mr. R Nandakumar
3. Mr. Ramesh Sundaresan

#### **Meetings held:**

During the Financial year 2016-2017, the committee met five times and the meetings of the Committee were held On 25<sup>th</sup> May 2016, 8<sup>th</sup> August 2016, 11<sup>th</sup> November 2016, 8<sup>th</sup> February 2017 & 10<sup>th</sup> March 2017.

**2.**

### **Risk Management Committee**

#### Committee Composition

1. Mr. R Nanda Kumar - Chairman
2. Mr. Samit S Shetty
3. Mr. Ramesh Sundaresan

#### **Meetings Held:**

During the Financial year 2016-2017, the committee met two times and the meetings of the committee were held on 8<sup>th</sup> February 2017 & 10<sup>th</sup> March 2017.

**3.**

### **Nomination and Remuneration Committee**

#### Committee composition

1. Mr. Ramesh S- Chairman
2. Mr. K S Ravi
3. Mr. R Nanda Kumar

#### **Meetings Held:**

During the Financial year 2016-17, the committee met once and the meeting of the committee was held on 6<sup>th</sup> August 2016.

#### **4.**

##### **Finance Committee**

###### **Committee composition**

1. Mr. Anand Rao
2. Mr. Samit S Shetty

##### **Meetings Held:**

During the Financial year 2016-17, the committee met Eighteen times for the day to day operation.

SL No.	Finance Committee	SL No.	Finance Committee
1	6th May 2016	10	22nd September 2016
2	10th May 2016	11	26th October 2016
3	23rd May 2016	12	7th November 2016
4	27th May 2016	13	30th November 2016
5	24th June 2016	14	26th December 2016
6	7th July 2016	15	4th February 2017
7	15th July 2016	16	1st March 2017
8	10th August 2016	17	15th March 2017
9	6th September 2016	18	18th March 2017

##### **Head office Address**

No. 98, 3rd Floor, Sirsi Circle, Mysore Road,  
Chamarajapet,  
Bangalore – 560018.  
Tel: 080 – 26750010  
Fax: 080 – 26756767  
Email: [corporate@chaitanyaindia.in](mailto:corporate@chaitanyaindia.in)  
Website: [www.chaitanyaindia.in](http://www.chaitanyaindia.in)

##### **Statutory Auditors**

M/s Ramesh Ashwin & Karanth  
No.37/E, 2nd Floor,  
Beside Surana College,  
South End Road, Near South End Circle,  
Basavanagudi, Bangalore-560004  
Phone: 080 40918409  
Email: [prashanth.karanth@rakca.in](mailto:prashanth.karanth@rakca.in)

##### **Secretarial Auditor**

Pallavi P Rao  
Company Secretary  
1969, 21st Main, 21st Cross  
2nd Sector, H.S.R. Layout  
Bangalore - 560102  
Phone: 080-22586703  
Mobile: 9900516703  
Email: [pallaviprao@outlook.com](mailto:pallaviprao@outlook.com)

##### **Share Registrar & Transfer Agent**

Karvy Computershare Pvt Ltd  
701, Hallmark Business Plaza, Sant  
Dyaneshwar Marg, Opp Guru Nanak  
Hospital, Bandra-East, Mumbai – 400 051  
Website: [www.karvy.com](http://www.karvy.com)

(For Debt Listed Securities)



## OUR PARTNERS

### BANKERS



## FINANCIAL INSTITUTIONS



Maanaveeya Development  
& Finance Private Limited  
(Formerly known as Maanaveeya Holdings & Investments Private Limited)





## INSURANCE PARTNERS



## DEBENTURE TRUSTEES



## CREDIT INFORMATION SERVICES

**High Mark** and **Equifax** are the leading credit rating information providers. They offer access to data from the member microfinance institutions. They have adopted Global best practices in bureau technology to analyze borrower's credit profile. The multiple report formats enables easier and faster understanding of the borrower's credit profile, mitigation of credit risk and enables management decision making.


## RATING AGENCIES



SMERA RATINGS LIMITED

**SMERA RATINGS LIMITED:** SMERA MFI grading is a one-time assessment of a MFI's operational and financial capability to perform and sustain the targeted level of operations. SMERA evaluates MFI grading based on the following 5 parameters:

- a. Operational Track record
- b. Financial Performance
- c. Promoters & management Profile
- d. System & Process
- e. Asset Quality

*Chaitanya has obtained M2- MFI Grading (High capacity of the MFI to manage its operations in a sustainable manner)*

### ACCOUNTING & MIS SOFTWARE



The system originally developed by the Grameen Foundation and currently managed by Conflux Technologies Bangalore is highly adaptable with API based modular technology that allows the CORE-IT platform to interact with a number of diverse systems and platforms.

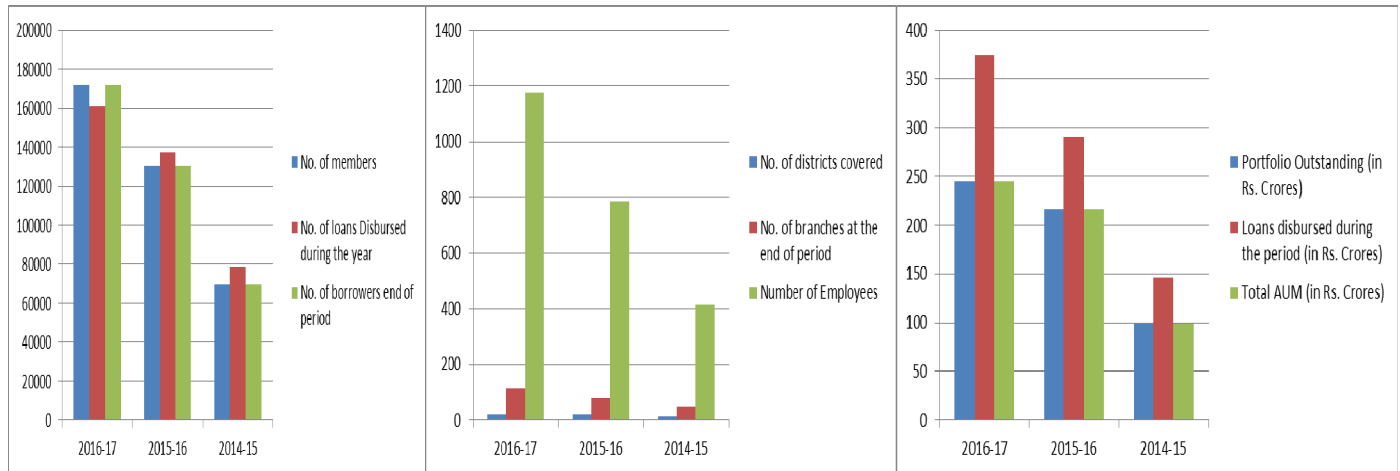
The IT-Strategy in Chaitanya Micro Finance is built on a flexible and reliable core web enabled transaction handling software, interfaced with custom built business automation and decision making tools all reported in through Business Intelligence applications.

### PRODUCTS

We believe in providing financial assistance to women and enable them to achieve their business targets, along with a like-minded group of members (JLG – Joint Liability Group). The Company adopts the Grameen Bank based Joint Liability Group mechanism for loan disbursement. Loans are in the range of Rs. 5,000 to 50,000 with tenure of 12 months to 24 months



## BUSINESS SNAPSHOTS



Indicator	2016-17	2015-16	2014-15
No. of members	171648	130,688	69,995
No. of loans Disbursed during the year	160976	137,582	78,292
No. of borrowers end of period	171648	130,688	69,995
No. of districts covered	23	21	14
No. of branches at the end of period	114	83	47
Number of Employees	1,175	785	414
Portfolio Outstanding (in Rs. Crores)	244.82	216.78	99.07
Loans disbursed during the period (in Rs. Crores)	374.88	290.54	145.87
Total AUM (in Rs. Crores)	244.84	216.80	99.07

## TRAINING & CSR ACTIVITIES:

- Enrolment and Facilitation of Skill Training:** With the goal to increase community awareness about Skill Development Trainings in RUDSETI, RSETI, VSETI & Other training institutions, collectively we are conducting awareness programs in the villages. Presently we have conducted 23 programs from January 2016.





- 



-

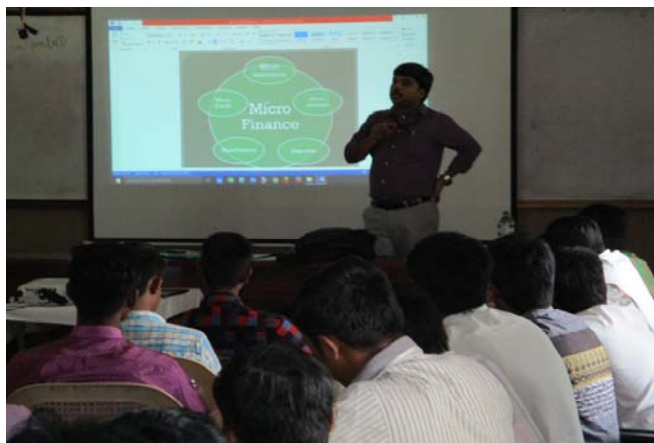


4. **Veterinary Medical Camps:** The objective of the program is to provide the Veterinary Clinical services for the benefit of rural people. We believe the veterinary aid camp will help the local people to improve their animal production. During this period four [4] Veterinary Health Camps were organized by Chaitanya for the benefit of rural farmers. Camps were organized in collaboration with Animal Husbandry Department– Koppal, Bellary, Davangere, and Shimoga District. During the camp, more than 350 animals were treated for different medical, surgical and gynecological ailments. Residents of villages expressed gratitude to the Chaitanya & Veterinary team for its medical assistance.



- 5 **Trainings:** Training is a program that helps employees learn specific knowledge or skills to improve performance in their current roles. The following trainings were conducted:

- Hi potential training
- Co-ordination Training
- Credit Officer's Refreshment Training
- Leadership training
- Business Development Managers

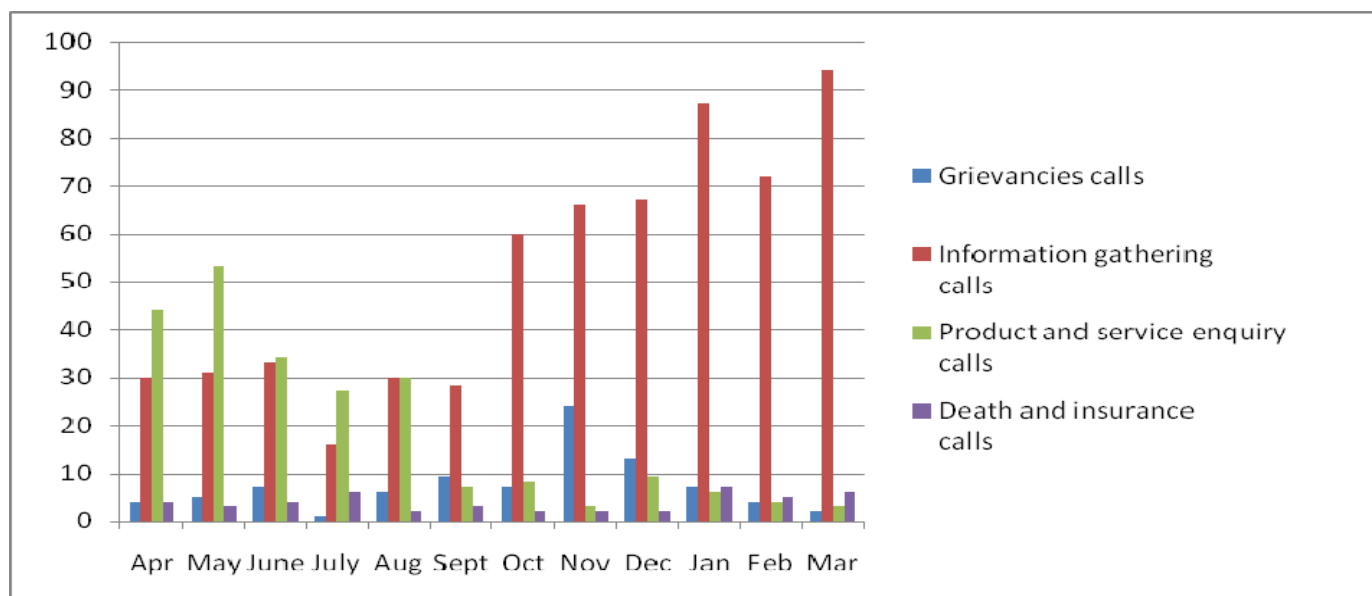


6. **Awareness programme:** The awareness programme was conducted for the female employees to brief about the Indian Law on Sexual harassment.



## GRIEVANCE REDRESSAL MECHANISM

The Company has a systematic procedure for handling customer grievances. Every customer is given a pass book which contains the procedure of Customer Grievances Mechanism and same has been explained.



## MANAGEMENT DISCUSSION AND ANALYSIS

- 1) Key Operational Highlights
- 2) Analysis of Financials
- 3) Portfolio Quality
- 4) Demonetisation and the follow on Crisis.
- 5) Environmental Analysis and current Situation
- 6) Strategic Options
- 7) Business Plan and projections
- 8) Strategic Deliverables for 2017-18

### 1) Key Operational Highlights

**Portfolio Growth:** The Company's plan at the beginning of the year was to build the loan book across three geographically outside the state of Karnataka into Maharashtra and Bihar. The year's performance can be seen in two-time periods, pre-and post-demonetization, with Nov 9<sup>th</sup> being the date of demonetization. The initial plan was to add 44 branches during the year. In the pre-demonetization period, we added 24 branches. Post demonetization we slowed down branch openings adding only another 6 branches and closed the year with a total of 114 Branches, an addition of 30 branches of which 11 were in Maharashtra. During the year, we also started preparations for our Bihar operations. We made senior level recruitments for Bihar and started ground level work setting up base in Bihar.

From April till October, the JLG loan book grew from Rs. 200 crores to Rs. 296 crores. But, after demonetization, disbursals dropped and we ended the year with a JLG portfolio of Rs. 229 crores. The number of active JLG borrowers increased from Rs. 1.2 lakhs to Rs. 1.7 lakhs during the year.



**Portfolio Quality:** Post demonetization, repayments rates deteriorated. The number of JLG borrowers with Days Past Due greater than 1 day (DPD>1 day) increased from 126 to 24000 (14%). North and central Karnataka, where a significant portion of our business is present was affected by political issues which resulted in spike in customers defaults in the months from November to February. The overall number of Loans that are Overdue has come to below 10%, around 7% of our loans – 14,000 Loans are not regular in their repayments up till July 2017 with upwards of 93% of loans getting back into regular repayments.

**Credit team:** The Company invested in building the credit underwriting department during the year. The Team has been in place since Sep 2016 and every loan above Rs.35,000 sourced by the business team passes through the credit underwriting process implemented by the credit team.

## 2) Analysis of the Financials

### CIFCPL (Stand Alone) 5 Years Financial Metrics

Particulars	FY2013	FY2014	FY2015	FY2016	FY2017
PAT (Rs in Crores)	0.51	0.8	0.83	1.49	1.23
Growth in PAT	-26%	55%	5%	80%	-18%
Growth in average assets under management	58%	88%	78%	93%	97%
Yield on average portfolio	26.6%	26.4%	27.6%	27.4%	25.6%
Cost of funding / net average adjusted debt	16.0%	15.7%	16.2%	15.8%	15.3%
Interest margin (Interest margin + LPF)	10.6%	10.7%	11.5%	11.6%	10.2%
OCR (Operating cost ratio)	15.9%	12.0%	11.0%	10.74%	9.96%
Provision on average portfolio	0.2%	1.0%	0.6%	0.7%	0.6%
Fund utilization efficiency	85%	91%	88%	91.5%	91.7%
PAT on average portfolio (ROA)	2.3%	1.9%	1.2%	1.1%	0.4%
ROE	3.8%	5.5%	3.4%	5.80%	2.60%
Return on capital employed (ROCE)	<b>11%</b>	<b>13%</b>	<b>16%</b>	<b>15%</b>	<b>15%</b>

The Highlights from Financials of CIFCPL for the Year 2016-17:

- 1) The PAT decreased by 18% from Rs.1.49 Crores to Rs.1.23 Crores while Assets under Management (Portfolio or AUM) grew only 13% Y-o-Y increasing from 216.78 Cr to 245 Crs. However, this headline number for the Last year needs more detailed analysis, largely due to the dramatic swing in the numbers post November 2016.
- 2) The path to the year-end AUM of 245 Crores was a growth from 216.78 to 303 by November 8<sup>th</sup> 2016, a growth of 40% in 7 months and then a fall over 20% in the last 5 months. This ensured that the Average Portfolio for the year was 271. Crs. The Average Assets for the year was hence 11% above the EOY assets and the Average AUM grew a stupendous 97% from the average assets of 137 Crores of FY 2015-16.
- 3) Since income is earned on Average Assets the impact of precipitous fall in Portfolio in the last 5months is not reflected in the Income metrics when compared with results of FY 16. In all the Key metrics like ROA (1.1% vs 0.4%), Operating Cost Ratio (10.74% vs. 9.96%), ROCE (15.3% vs. 15 %) there is an improvement over FY16 with only ROE showing a deterioration from 5.8% to 2.6% mostly due to the much reduced leverage in FY17. The improved profitability numbers is despite a poorer efficiency of Utilisation of funds which reduced 95% (pre demonetisation) to 91.7%. The drop in efficiency of funds utilisation is mainly due the additional liquidity buffers that were kept in the last 4 months of the year as a defence against possible drying up of liquidity. The cost of holding this additional cash was more than Rs. 1 Crore and dampened the FY17 performance which still comes in much better than FY16.
- 4) The Impact in financials last year can be better deciphered when comparing the FY-17 Numbers Versus Budgets and also comparing actuals with the estimated Numbers for FY 2017 at the half year mark in Sep 2016. In FY17 there was an expectation of realising much of the efficiency gains as the AUM scaled beyond 200 crores in addition to the

benefit of additional equity. Combining these two factors the ROA for FY17 was estimated to cross 1.5% in comparison with the actual 0.4%.

The two important consequences coming out the analysis of EOY FY17 are

- a. Expected efficiency and Margin Improvements in FY 17 over FY 16 have not happened and instead in the last quarter, there is a drop in Operating margin increasing the time needed for the company to improve its ROAs to a targeted 3%.
- b. The Beginning of the Year AUM for FY 18 at 245 Crs is much below the Portfolio Size required to absorb the operational costs of the last Quarter, which is further leading to an unprofitable first two quarters for FY18.

**Performance versus projections:**

Particulars	Budget YTD SEP 2017	Actual YTD SEP 2017	Budget FY2017	Actual FY2017
PAT (Rs in Crores)	1.29	1.73	3.92	1.23
Growth in PAT	36%	66%	162%	-18%
Growth in average assets under management	71%	93%	96%	97%
Yield on average portfolio	27.5%	25.9%	26.7%	25.6%
Cost of funding / net average adjusted debt	15.0%	15.6%	15.4%	15.3%
Interest margin (Interest margin + LPF)	12.5%	10.2%	11.3%	10.2%
OCR (Operating cost ratio)	9.9%	9.7%	9.7%	10.0%
Provision on average portfolio	0.9%	0.4%	0.9%	0.6%
Fund utilization efficiency	88%	99%	93%	92%
PAT on average portfolio (ROA)	1.1%	1.3%	1.5%	0.4%
ROE	9.1%	7.2%	7.1%	2.6%
Return on capital employed (ROCE)	16%	16%	16%	15%

- 1) The overall performance is below projections. The Company achieved 31% of the budgeted PAT ending the year at 1.23 crores PAT against a budget of Rs. 3.92 Crs. Further the EOY AUM is Rs. 244.82 Crores substantially below the projected AUM of Rs. 380 Crores.
- 2) The operating Cost Ratio (OCR) was better at 9.96% compared to a budgeted OCR of 9.68% and this contributed to the Profitability ending at lower than budgets added to that the income growth reduced significantly to the end of the year. Lower processing fee income due to lower disbursements towards the year end led to lower net interest margin of 10.2% compared to the projections of 11.3%.
- 3) The fund utilisation efficiency in the period from was at 91.74% in comparison to the budgeted 93%. While the efficiency of funds utilisation achieved prior to demonetisation was 98.83 % ( Sep 16), the cost of holding excess liquidity was borne in FY 2017.
- 4) Overall, while Actual profitability was below Projections, there is more than 1.70 crores of reduction from profit pool due to the disruption in November in addition to the excess Provisions made for loan losses. Mid-year the Actuals were expected to be significantly better than Projected. We now have to wait beyond March 2018 to observe efficiency gains and the EOY AUM, the employee cost structure and Portfolio quality means that the returns in the year 2017-18 are going to be significantly below past year's performance and the earlier projections shared for 2017-18.

**Equity Infusion:** The Parent Company had an equity infusion of Rs. 46.5 crores during the 2<sup>nd</sup> quarter of FY16-17, out of which Rs 20 Crores was injected into the company. As a result, the company had an improved net worth of Rs. 47.63. Crores as on 30<sup>th</sup> September 2016 (Rs. 25.90 crores as on 31<sup>st</sup> March 2016) thereby an improved Capital Adequacy ratio of the company. On the strength of its improved Balance sheet, the rating for bank loans was upgraded from BB+ to BBB- by all three rating agencies (I.e., ICRA, CARE Ratings and SMERA). As a result, the company started achieving better terms on its borrowings. However, due to demonetisation the company could not convert these improved terms to lower finance cost, as it held higher liquidity during the last quarter of FY16-17.

### Looking Forward into 2017-18

- 1) The company has utilised all of its excess liquidity maintained during demonetisation, through disbursements in the first quarter FY 17-18 and has further raised debt funds through two large NCD's (Non-Convertible Debentures) of about Rs. 58 Crores from Blue Orchard and Symbiotics during Jun-Aug 2017 reiterating its ability to borrow.
- 2) The disbursements however in the month of July are yet to reach pre-demonetisation levels. With a higher cost base and a lower beginning of the year portfolio the recovery from the impact of demonetisation is taking time and break-even month on month is likely to be only in the third quarter of the financial year.

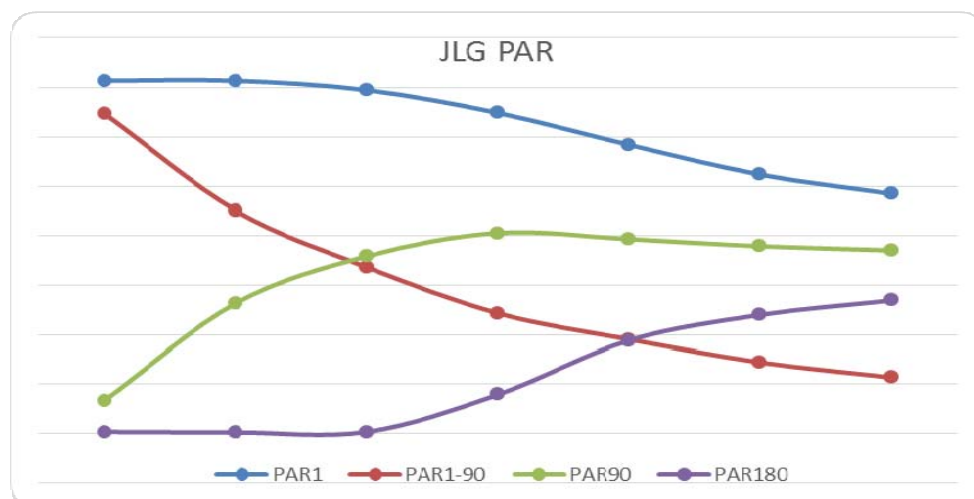
This means that even excluding potential loan losses on Portfolio, for the consolidated Entity the year 2017-18 is unlikely to be Profitable operationally. A detailed discussion on the Portfolio Quality and potential Loan Losses for the Year 17-18 is discussed in the following chapter which would indicate the overall impact on the financials of 2017-18.

The company has retained its ratings during the annual surveillance audits. On the Code of Conduct Assessment (COCA rating) the company improved its rating from C3 (COCA 3) to C2 and on MFI rating, the company retained its rating of M2 from SMERA.

Further the company has invested and is continuing to invest its time and efforts largely on its ERP technology by digitizing the process of loan approvals, loan disbursements, resourcing its loans officers with hand-held devices for repayments. There are positive signs on disbursements, AUM growth and improved collections and hence the company plans to raise the next round of equity sometime during Mar-Apr of 2018 to the tune of Rs. 100 Crores. In its parent company and from that inject Rs 70 Crores in the company.

### 3) Portfolio Quality

#### ➤ JLG Portfolio Quality



The past 9 months have been periods of intense activity in the exercise of monitoring the quality of the Portfolio as the uncertainty was high. However, by the end of July there is far more information about the Portfolio quality and the contours of the impact on asset quality from events of November to January are now clearer.

As on Mar 31<sup>st</sup> the PAR 1 was at INR 32.79 Crores from 23,900 loans which is 14.2% of the March portfolio. Out of these Par>90 as on Mar 31<sup>st</sup> was at INR 12.19 Crores (5.3%) pertaining to 8200 loans. There has been a marginal improvement in the PAR1, as of end of August a total 22590 loans amounting to a Portfolio of 26.2Cr is now PAR1 (which are loans with even 1 day delay in repayment). This is less than 10% of the JLG Portfolio as on August 2017. However more than 70%+ of PAR >1 now is parked in the PAR>90 (7.4% of Portfolio).

Out of the 22590 loans that are overdue around **14,900** loans amounting to an outstanding of 19Cr, are loans that were not fully regular in the period between April to July. If the remaining 7690 loans, while they continue to be overdue the customers are repaying their current installment dues on a regular basis. These loans are delayed beyond their due dates but given the pattern of payment in the last few months, they seem to be recoverable. Out of the irregular 14,900 loans, there 12,000 Loans that are exhibiting delays or non-repayment in the months of June / July and August 2017 also. These loans amounting to an O/s of close to 15Cr from the month of August are being handled by a dedicated team from August onwards. The remaining 2900 Loans are seeing recent regular repayments (in the last 3 months) but they are not completely consistent in their repayments, however the repayments are considered manageable by the regular Credit Officer and the Branch team.

The significant Loan Loss possibilities revolve around the sticky 12,000 Loans. With collection efforts intensifying from August onwards and no further political disturbances affecting MFI repayments in the last 4 months, we expect more than 50% of these loans to be repaid. Our best guesstimate is that the final write-off that would have to be taken on account of these loans would be in the range of INR 5-7 Crores. As on March-17 the total Provisions made was 3.42 Crores (2.42Cr as per statutory requirements and Rs 1 Cr as additional Provision) and further as on July-17 the total provisions is Rs.8 Crores. This number could go up marginally till the month of September as provisioning norms will need us to make newer provisions before the overall quantum of PAR loans reduces as we go towards the end of the financial year.

#### **4) Demonetization and the Follow-on Crisis:**

Demonetisation on the 8<sup>th</sup> of November 2016 triggered a series of events that has led the MFI industry to question the strength of JLG Methodology, and also accelerated a few key dynamics of the Industry. The trigger for the current round of repayment crisis in the Industry began with non-availability of (Rs.500 and Rs.1000- denominated currencies) Bills in the immediate aftermath of demonetisation and was accentuated by the lack of clarity in the Industry of how to handle the resultant circumstances given that a vast majority of customers are reliant on Cash and have barely used a bank account meaningfully. The Initial steps taken by members of the Industry varied between waiving instalments for certain periods to continuing collection of older bills till a few days to insisting on full repayments with new bills from Day1, to collecting part payments from customers to the extent they held legal tender, to insisting on check payments etc. These diffused messages at the ground level led to stressed situations between some customers and employees. Some customers wanted to treat this entire period as a period of financial anarchy and there were employees wanting to do their collections as business-as- usual. The initial stress got politicians into the fray firstly in Western UP, Vidharba Region of Maharashtra and Northern Districts of Karnataka and then the Media got involved and progressively the impact spread to lots of districts with reasonable MFI penetrations in the states of Karnataka, Maharashtra and UP. The demand from the instigators was largely around the need to give time, to repay on account of the currency availability initially and then on account of drought situation in Karnataka.

As a next step the borrowers that had resisted repayments moved to local political agents petitioning the District administration with small rallies and were accompanied on the ground by Intimidation of MFI employees. The combination worked in large parts in creating a disruption for close to 3-4 months but the Industry was eventually able to manage the messaging and communicate that MFI loans will not be waived and needs to be repaid and that

the MFIs deliver a very important service and do them under regulatory supervision and control. The time taken however gave a lot of customers the taste of not repaying for long periods of time. The intervening period also saw Instigators and vested interests within and outside the Joint Liability Group use group bargaining and group defaults as a legitimate and viable strategy of not having to pay. The financial and structural consequences for MFIs are as below:

- 1) As on July 2017 the PAR1 for the NBFC-MFIs (excluding Banks and SFBs) stands at 10.4% and PAR90 is at 6.8%. A proportion of the PAR90 loans are not getting paid as on date and hence it is likely that the Industry wide loss is going to 3%-5% of the loan book which is similar to the estimates of our Company's loss.
- 2) 5 states having PAR1 greater than 30% are Uttarakhand (50%), UP (31%), Maharashtra (30%), Haryana (24%) and Punjab (23%). The PAR90 in these states have been half of the PAR1 indicating that around 50% or more of the PAR>1 loans are regularising. Maharashtra has been the extreme state with 25% PAR90 (out of 30%) pointing to a very hard repayment problem in parts of Maharashtra, where less than 1 in 6 loans going bad or getting delayed beyond 90 days.
- 3) Karnataka (11%), MP (20%), Gujarat (16%) and Rajasthan (11%) are the other states with PAR1 greater than 10% and the range of PAR90 in these states have varied. Karnataka has a PAR90 currently of 7% very comparable to our company's PAR>90.
- 4) The on-going consolidation of the last 12 months has been accelerated by this event and is reflected by the reduced growth of AUM for Smaller MFIs. AUM growth for NBFC-MFIs for the year was 26% with the medium MFIs growing at 33% and the smaller MFIs growing at less than 10%.
- 5) Most MFIs are moving to add further Equity to take care of Provisioning and Potential Loan losses; however Capital Availability for the Smaller MFIs (including debt Capital) continues to be a challenge increasingly indicating that the overall number of NBFC-MFIs is going to be less than the numbers of MFIs that exist today.
- 6) Banking Correspondent Model as a road to leveraged growth for MFIs / Private limited companies through Bank Tie-ups has closed.
- 7) Average Clients per Loan officer and GLP per Loan officer for Middle level MFIs is at 413 Loans and 60 Lakhs of GLP. The average numbers End of Year 2016-17 is a 15% reduction over the efficiency numbers in 15-16 likely caused by collection efficiency drop post demonetization
- 8) Most of the Small Finance Banks (MFIs converted to SFBs) are showing a marked shift towards secured loan products.

In summary, the crisis has slowed down AUM growth, created capital Losses, reduced efficiency, caused deleveraging, accelerating Industry Consolidation and thrust NBFC-MFIs to diversify out of the core MFI assets. Increasingly more MFIs will find safety in size or in the arms of a strategic investor with deeper pockets. Already the list of Independent MFIs has shrunk and will continue to in the next year or two.

#### **5) Key Environment Factors to account for are:**

##### **The Market:**

- 1) The Overall AUM of the Industry as per MFIN Report (including Banks / SFBs etc) as on March 31<sup>st</sup> 2017 is 106 Thousand Crores (16Bn USD of INR 1.06Tn) which is just around **1.5%** of the overall advances of the Banking system. This number reflects around 90% of the JLG borrowing. The SHG-Bank Linkage continues to be around 50,000 Crores. The Current AUM hence is above 150,000 Crores (INR 1.5Tn) and most research expects the potential of the Industry to be between 1.5 times to 3 times the current AUM indicating some potential to grow but also reinforcing the fact the client penetration levels are inching closer to saturation in areas where NBFC-MFIs have been operating for more than 10 years.
- 2) The Retail Lending by the Banks which by most estimates seem to cover 50% of the population (as *50% of India is still not deemed financially included from the Perspective of access to Bank Credit*) is pegged at INR 16.6Tn with over 50% of the assets to retail is for Housing. Adding this to INR 14.4Tn of SME and Agri Loans of Banks the current Asset book of Banks through Non Corporate Products is around INR 30Tn and this covers a market that is around 50% of the Population. The NBFCs all together have an asset size of INR 12Tn. It is estimated that the retail Credit of NBFCs is 6.2Tn housing being the significant majority share. It is reasonable to assume that the Overall Retail plus small business and Agriculture lending size in Indian is between INR 38-40Tn.

- 3) As a proportion of retail / small enterprise lending Portfolio of FIs in the country, the MFI segment (currently lending to an estimated 20% of the households in the country and targeting around 50% of the country's households) has a market share of 4% of the total assets in retail plus SME lending of Banks and NBFCs (INR 1.5Tn out of the INR40T). Even accounting for Income Differential, the head room to grow to a much larger slice of the overall retail plus small business lending is substantial. While potential growth from a JLG model clearly is smaller, but from a customer needs-lens there is significant ground yet to cover for institutions serving the other 50% of the Indian population.
- 4) In the MFI space AUM market share is split as NBFC-MFIs – 28%, Small Finance Banks – 27% and Banks -38% of the overall JLG-business. Surprisingly Banks still are the largest group in micro lending and Public Sector are the principal operators in the SHG-direct lending space. This points to continued opportunity for NBFC-MFIs and SFBs to acquire market share from Banks.
- 5) Further the customer accounts handled by the Industry currently totals close to 6 Cr accounts (Not Unique) which under an assumption of 1.5 Institutional Relationship per borrower is almost 40% of the total potential 10Cr households that form the target segment for microfinance.
- 6) The number of NBFC- MFIs is currently 43. Out of these 43, 11 of them are either subsidiaries of Banks/NBFCs or listed NBFC-MFIs. Out of the remaining 32, there are 6 Independent and large entities in the range of 1000 crores. Of the remaining 26 Small and middle level MFIs 8 are below 100 Crs, and the remaining between 100 to a 500 Crores. The 18 Middle level MFIs are currently growing faster than the segment, but it is not clear how many of them will be successful in scaling to the right size. So overall in Addition to the SFBs, there are 11 relatively strong hands and 6 Institutions greater than 1000Crs in the sector. Despite the size, diversity and potential of India it is very likely that not all the players out of the remaining 26 will reach sustainable size. The importance of being the right size and well diversified has significantly increased post 2016 November Crisis. Hence, the challenge for the 26 MFIs is in reaching a diversified portfolio of the right size in a consolidating industry.
- 7) The Overall y-o-y growth in last financial year was 25% and this is indicative of the Average growth expectation of the Industry in the next 4-5 years. In terms of customer growth most of the Low hanging fruits in urban pockets plus Semi Urban markets across the country and rural location particularly in the south are taken and further rapid growth in these markets increase the risk associated with it. Customer addition will come from difficult-to-reach areas in rural North India and North-East India and hence the customer growth over the next 4-5 years is likely to be around 10%.
- 8) The MFI industry is in its final Lap of faster growth and it is likely to reach the same pace of growth of the overall financial services industry in the next 5 years.
- 9) Outstanding / per customer loan has not grown in the last year mainly due to demonetisation and further as seen in some penetrated markets, the potential to grow loan size or outstanding per customer in the JLG model beyond current levels is limited.
- 10) The Proportion of Urban to Rural penetration continues to show that 70% of Micro Finance Customers to be Urban Dwellers compared to 30% Rural (while the population is still divided **65:35** between Rural and Urban).

### **Competition from Banks and Small Finance Banks**

- 1) Small Finance Banks have started operations and are faced with the twin challenges of recovering from the November crisis and also build a liabilities franchise. A Fair assessment for the next 4-5 years is that they are unlikely to be far ahead on cost of liabilities and are clearly shifting focus to secured loans. This means opportunities for MFIs to occupy a large space in the Industry. It however is important that MFIs build significant differentiators in the next 5 years on the customer or product delivery side.
- 2) Direct Disbursals to customer Bank accounts is being launched by most MFIs despite continued resistance from Customers; however a marked change in the last mile coverage for cash to digital is going to take at least 4-5 more years. Till we see customers robustly using Bank Accounts for their daily cash management, Banks would still find cost of servicing micro finance customers directly prohibitive.
- 3) Digital Sourcing of Loans by Internet Based Platforms continues to grow with most of the Fintech companies tying up with Banks and NBFCs. This growth will continue to accelerate for the next few years with a focus on the urban younger population and small businessmen who are not bankable. With at least 50 fin tech companies working on different customer segments sourcing of loans should principally be digital in the next 5-10 years. A significant strength of MFIs has been its reach and this will get eroded with digital alternatives.



- 4) Alternative Credit Scoring and credit assessment using Mobile and Social Media Data is the current wave of focus for the Fintech companies and will be the principal mechanism to underwrite small value personal loans, consumer durable loans and two-wheeler loans for customers who have a digital footprint in the next 1-2 years. The need hence for all the incumbents to co-opt digital strategies both into their sourcing and underwriting strategies is critical for survival.

#### **Other Factors**

- 1) The Overall Slowdown in the Informal, agriculture and labour intensive sectors combined with a low inflation in factor prices have contributed to an arresting of growth in labour Income. For the first time over the past 10-15 years there is no growth to de-growth in nominal labour income. A revival in growth of nominal labour Income would be crucial for sector's overall development
- 2) Affordable Housing finance companies and SME lenders in different forms have increased access to un-banked in Urban areas and as those markets get better penetrated, the rural markets could be the next frontier for these companies.
- 3) The turmoil in corporate lending of Banks and thrust on housing and small business loans have all ensured that the debt capital available to the sector continues to be robust and will continue to do so for a while.

#### **6) Key Strategic Elements:**

##### **➤ Growth Trajectory and Size**

Efficiency in MFIs is not correlated to size after a threshold size is crossed but the interest of Capital investors both debt and equity is correlated to size. Infusion of additional Equity is presently available for entities that are either already at a reasonable size or show the eagerness and skills to grow to a size. The emergence of Small Finance Banks as vital players in the segment is likely to push the Entrenched MFIs/ NBFCs / Banks to evolve some form of partnership to secure their share in low Income Segment borrowing further spurring consolidation. Consolidation could also be a path for smaller entities to reach their desired size and geographical diversification goals faster than organically. The threshold to be crossed for NBFC-MFIs to diversify well and have reasonable scale in Key Geographies is upward of 2000Cr AUM (300Cr in 5 Geographies) and the pursuit of this could also lead to some more consolidation. All these factors suggest that the Industry is consolidating and fewer stronger players will be the future. The minimum size of efficient operations for Chaitanya is probably not more than 12 months of growth away.

However, the company will pursue the choice of continuing on an accelerated path of growth for the next 36 months to get into a size of relevance in the next 3 years.

##### **➤ Key Differentiator and Competitive Advantage**

Beyond a threshold size of around 500/1000 Crores when costs and efficiency across companies are comparable and impact of cost of funds is marginal in the customer segment we serve, the differentiation between entities is the product service fit and risk management capability fit between MFIs and their chosen customer/product segments. Hence MFIs that invest in developing the organizational capability to deliver a bouquet of products to existing customers and other customer segments that are presently not well served will hold a competitive edge irrespective of size. Further as a large portion of customer service and risk management will continue to be through human interface and the ability to deliver better economic profit would depend on the organization's ability to Skill and Train Employees in service quality and risk assessment. Hence the differentiation going forward would be based on execution capability to be a broad scope MFI covering a range of products and customers.

Hence, the focus in Chaitanya is to continue and build the capability to add more products and gain traction and stability in some of these products in the next 2-3 years. **Continued sharp focus on rural areas and being effective in serving the full credit needs of low income customer base is a key outcome of our strategy.** Development and deployment of diverse loan products like dairy loans, small business working capital loans, Agricultural Loans, Education Loans are crucial to the execution of the strategy.

A significant part of Credit assessment would become data driven the next 3 + years even for customers of the lower income as more of the transactions become digitized and Credit Bureaus become data rich. However the critical role of on the ground / Field credit assessment to check for frauds, intent, systemic risks and various other factors prior to making a loan and when monitoring the repayment can make a big difference in credit costs between firms using the similar data and similar assessment mechanisms. To have the capability to do this “Sniff Test” has been a reason that has differentiated Informal Lenders from the Formal Lenders. To have institutional ability based on tacit information and to weed out potential intentional defaulters is a competitive advantage that local organisations can build on.

Improving the service standard and expectations during the Loan Sourcing Interactions is crucial as we add to the product basket. Further ensuring the right service delivery capability at the right cost to serve either using technology or as combination of low cost local manpower and technology can be a clear competitive advantage in the rural market. The next 1-2 years will focus on building the organizational training capability for employee risk assessment and good customer service.

### ➤ **Geographical Spread vs. Depth**

As part of the Geographical Expansion we established a presence in Bihar this year and this would enable our access to 5 states of UP/Bihar/MP/Chhattisgarh and Jharkhand in the next 2 years. These states together have a population of more than 425 Mn and given the lower penetration levels in rural parts in most of these districts, this geography gives the opportunity to allow for geographical expansion well into the future(3-5 years). Hence strategically it is important to create a strong base in one or two of these states and reach closer to 30 branches in the next 12-18 months primarily focused on JLG lending. Further expansion from these first 30 branches (250 Employees) would determine the long term growth trajectory of the company in North India and hence adequate investment in man power to build these 30 branches is planned.

While geographical diversification is critical to de-risk political and environmental risks, for a multi- product approach, having a significant market share in a chosen geography is a more critical goal for the company. Market Share in a location like a district can create a positive feedback loop both for capability of the origination network and the effectiveness of the collection network. Hence being amongst the top 2-3 players for a product while being critical in JLG can build into a significant competitive advantage. Hence the focus of the coming years would be to build further depth in Rural North Karnataka / South Maharashtra cluster through products from our Bangalore base and build an equally capable cluster around Bihar giving a presence in the 5 Northern States. This combination will give the company a diversification out of Karnataka with additional diversification coming from the product spread.

### ➤ **Building on the Origination and Sourcing Network**

Loan Origination or Sourcing happens through customer touch points in the field, DSAs/ Dealers, agent networks, technology solutions or referrals coming from existing clients. Some of the advantage of a traditional distribution network comes with repeated reinvestment into the network targeted at improving the experience of the customers in effectively using the network. Also, the network’s ability to seek demand at the customer door step and maintain connections at all times even when there is no transaction is critical to the network in getting business and being successful.

As newer products like Housing and Live Stock Business Loans become integral to the product portfolio, the channel by which demand is originated and fulfilled and this network capability to remain in touch and be available and sustainable even when there is no transaction will play a crucial role in the successes of the Origination and Sourcing franchise of the MFI. In this context JLG Centers, their collections teams and the customer networks can be a highly effective network to be able to source demand for variety of financial products. This network can channelize demand for different loans and if effectively built, potentially channelize other products. Hence building a Strong

Sourcing and Origination strength that is riding on a self-sustainable JLG network can be a significant source of competitive advantage. The Reason why some NBFC’s and Banks seek partnerships with MFIs is in the belief that this

network is effective at sourcing. This is an area where the company needs to experiment and improve its ability to build and strengthen the network.

➤ **Investments in Cost efficient collection and follow up capability**

A combination of digital collection systems and field force based door step recovery, telephony solutions for low cost follow-up like automated reminders, escalations systems within organizations and specialized teams to handle legal and difficult recoveries are part of an effective collection and recovery capability. For Banks working in the rural areas, incompatibility of their collection system with the requirement for feet-on-the-street follow up has been the principal cause of poor recoveries. For NBFCs the high cost to follow up and collect at door step from a distributed customer base has caused them to either not serve rural markets or have very high collection and credit costs built into the products. An effective collection and follow up system which uses some of the synergies provided by the JLG network of Branch Managers, Credit officers and Customers could be a source of long term competitive advantage. The Advantage is lesser than that of Origination networks as synergies could be lesser at various times due to the JLG collection mechanism's rigidity but any synergy that can be drawn and used to bring down the cost of monitoring, follow up, recovery and execution will be advantageous. Hence, building in an effective follow-up mechanism using the Synergy of the JLG mechanism can be of significant competitive advantage.

➤ **Technology**

A combination of Aadhar as a database and an authentication tool and evolution of technology development into independent modules connected through APIs have made technology available at a relatively low cost. Hence a Technology having an architecture that is flexible and evolving to be able to integrate into payment systems of Banks is critical. Further the 3 systems of Loan Origination System, Credit Assessment System and Follow up Management System to seamlessly integrate and converse with a Transaction back end system and support analysis of customer Data obtained from these systems will differentiate companies that build a successful and quick technology interface. However given the pace of evolution and the lower costs of newer technology, this does not currently seem like a source of competitive advantage. Ability to analyze the data generated and move into high quality credit decision making systems customized for the low Income Customer base however could be a competitive advantage.

**7) Business Plan and Projections for the Next 5 Years**

**5 Year Projected Income Statement**

**Rs. in Crores**

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Total Income</b>	<b>87.66</b>	<b>146.64</b>	<b>231.21</b>	<b>307.92</b>	<b>389.33</b>
Interest Income	78.50	132.70	209.50	277.68	349.57
Fee Income	6.77	9.81		18.41	22.81
BC Income	0.71	0.84	1.72	2.86	4.11
Other Income [FD]	1.67	3.29	6.01	8.97	12.85

<b>Total Expenses</b>	<b>86.82</b>	<b>132.57</b>	<b>202.97</b>	<b>257.04</b>	<b>321.57</b>
<b>Finance Cost</b>	<b>43.75</b>	<b>66.25</b>	<b>109.35</b>	<b>136.32</b>	<b>172.50</b>
Overheads					
<b>Field Cost</b>	<b>34.78</b>	<b>53.25</b>	<b>76.94</b>	<b>101.15</b>	<b>125.54</b>
Staff Cost	24.38	36.75	53.87	71.79	90.00
Other Admin Cost	10.40	16.50	23.07	29.36	35.54

<b>HO Cost</b>	<b>4.69</b>	<b>5.45</b>	<b>5.87</b>	<b>6.14</b>	<b>6.58</b>
Staff Cost	2.67	3.08	3.37	3.54	3.67
Other Admin Cost	2.02	2.37	2.50	2.60	2.90
Bad Debts written off	3.00	4.91	7.72	10.39	13.30
Provision for Bad Debts	0.60	2.71	3.07	3.04	3.65

<b>PBT</b>	<b>0.84</b>	<b>14.07</b>	<b>28.24</b>	<b>50.87</b>	<b>67.76</b>
<b>PAT</b>	<b>0.55</b>	<b>9.29</b>	<b>18.64</b>	<b>33.58</b>	<b>44.73</b>

### 5 Year Projected Balance Sheet

Rs. in Crores

<b>Assets</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
GLP	473.44	732.58	1,088.36	1,420.44	1,799.02
Less: Off Balance Sheet GLP	70.64	59.07	107.56	135.93	149.87
<b>On Balance Sheet GLP</b>	<b>402.80</b>	<b>673.51</b>	<b>980.80</b>	<b>1,284.51</b>	<b>1,649.14</b>
Fixed Assets	2.78	6.11	6.76	7.13	7.56
Other Assets	22.63	35.07	50.68	65.39	82.06
Security Deposit	41.91	76.46	125.79	180.66	252.80
Cash & Cash Equivalents	2.91	39.17	50.50	60.40	69.12
<b>Total Assets</b>	<b>473.03</b>	<b>830.32</b>	<b>1,214.52</b>	<b>1,598.09</b>	<b>2,060.69</b>

<b>Liabilities</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Equity	51.57	121.57	121.57	191.57	191.57
Reserves & Surplus	6.11	15.40	34.04	67.62	112.35
Borrowings	390.68	654.64	1,002.89	1,266.41	1,665.44
Loan Loss Provision	4.03	6.74	9.81	12.85	16.49
Other Liabilities	20.64	31.98	46.22	59.64	74.84
<b>Total Liabilities</b>	<b>473.03</b>	<b>830.32</b>	<b>1,214.52</b>	<b>1,598.09</b>	<b>2,060.69</b>

### 8) Strategic Deliverables for 2017-18

- 1) Ensure Operational Profits for the year.
- 2) Keep the total Loan Losses from the November 2016 crisis to below 4 Crores.
- 3) Building the Initial Technology and Data Blocks needed to have the Capability to automate some parts of the Credit Decision Making especially in loans with high turnaround time (TAT).
- 4) Ensure operational Stability in the first 15 Branches of Bihar and 25 Branches of Maharashtra
- 5) Create Effective Training Infrastructure and capability around the Skills of the Employees in Risk Assessment and Service Delivery.
- 6) Move Majority of disbursements through Banks by end of the year
- 7) Piloting and understanding Education Loans, Dairy Loans and Small Business Loans to ensure possibility of test to scale in the next year.
- 8) Evolve Customer Processes, Incentive mechanisms and engagement processes to potentially use the Customer network for origination and Sourcing.
- 9) Bring in an aligned Significant Investor with Long Term Interest in the Sector who could support the company on a Unique Journey to be a Multi-product Rural Credit Institution serving focussed on the Lower Income Population.

## **DIRECTORS REPORT**

The Members,

Your Directors are pleased to present the Eighth 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 2017. The summarized financial results for the year ended 31st March 2017 are as under.

### **Financial Highlights**

<b>Year Ended 31st March</b>	<b>2017 Amount in Rs.</b>	<b>2016 Amount in Rs.</b>
Operating Income	61,98,76,977	35,44,06,890
Other Income	3,59,12,735	1,79,92,972
<b>Total Income</b>	<b>65,57,89,713</b>	<b>37,23,99,861</b>
Less Expenditure		
Finance Cost	34,55,80,292	19,38,96,454
Personnel Cost	17,47,84,481	8,80,35,677
Administrative Cost	9,19,46,850	5,19,29,030
Depreciation	97,16,290	58,35,575
Bad Debts	8,75,997	2,04,899
Provision for Loan Assets as Per RBI Guidelines	1,54,54,040	98,07,228
<b>Profit/(Loss) Before Tax</b>	<b>1,74,31,762</b>	<b>22,690,998</b>
Less Income Tax	1,17,58,443	1,18,25,537
Less Deferred Tax	(65,81,332)	(40,58,887)
<b>Profit/(Loss) After Tax</b>	<b>1,22,54,651</b>	<b>1,49,24,348</b>

- The Company's total income for the year ended 31<sup>st</sup> March 2017 has increased from Rs.**37.23 Crores** in the previous year to Rs. **65.57 Crores** in this Financial Year, an increase of **76.12 %** for the year.
- During the year, the Company delivered a Profit after Tax (PAT) of Rs. **1.22 Crores**, lesser than last year's PAT of Rs.**1.49 Crores**, a decrease of **18.12%** for the year.

### **Dividends**

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

### **General Reserve**

The Company has not transferred any amount to General Reserve for the year under consideration.

### **Credit Rating**

SMERA has assigned the company a grading of **M2** on 21<sup>st</sup> January 2017.

### **Capital Adequacy Ratio**

The capital adequacy of ratio was **29.33%** as of 31<sup>st</sup> March 2017 as against the minimum capital adequacy requirements of 15% by RBI.

**Extract of Annual Return**

In accordance with Section - 134(3)(a) of the Companies Act, 2013, an extract of the annual return in the prescribed format is appended as “**Annexure 1**” to the Director’s report.

**No. of Meetings Held:**

During Financial Year 2016-17, the Board of Directors met Twenty one (21) times on following Dates and Directors attendance is also shown below:

SL No.	Date of Meeting	Board No. of Directors Present	SL No.	Date of Meeting	Board No. of Directors Present
1	13.04.2016	03	12	22.09.2016	03
2	19.05.2016	03	13	14.10.2016	03
3	28.05.2016	05	14	25.10.2016	03
4	11.06.2016	05	15	07.11.2016	03
5	08.07.2016	05	16	11.11.2016	05
6	15.07.2016	03	17	22.11.2016	03
7	28.07.2016	03	18	17.12.2016	05
8	05.08.2016	03	19	27.12.2016	03
9	08.08.2016	05	20	29.12.2016	03
10	07.09.2016	03	21	08.02.2017	06
11	15.09.2016	03			

**Declaration by Independent Directors**

The Company has received necessary declaration from each Independent Director under Section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013.

**Nomination and Remuneration Policy**

The Company pursuant to the provisions of Section 178 of the Companies Act, 2013 has formulated and adopted a nomination and remuneration policy which is disclosed on our website at the below link-

<http://www.chaitanyaindia.in/docs/Nomination%20and%20remuneration%20policy.pdf>



## **AUDITORS:**

### **Statutory Auditors**

The company has appointed M/s. Ramesh Ashwin & Karanth, Chartered Accountants, Bangalore as Statutory auditors of the company for period of Five years from the conclusion of fifth Annual General Meeting (held on 7<sup>th</sup> August 2014) till conclusion of Tenth Annual General Meeting subject for ratification by members at every Annual General Meeting.

### **Secretarial Auditor**

The Company has appointed Ms. Pallavi Rao, practicing Company Secretary as Secretarial Auditor of the Company for the F.Y. 2016-17 as required under Section 204 of the Companies Act, 2013 and the Rules made there under. Secretarial Audit report is attached as “Annexure 2” to the Director’s report.

## **EXPLANATIONS OR COMMENTS BY THE BOARD ON EVERY QUALIFICATION, RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE –**

### **(i) Statutory Auditor’s report**

There are no disqualifications, reservations, adverse remarks or disclaimers in the auditor’s report.

### **(ii) Secretarial Auditor’s Report-**

Qualification raised by Secretarial Auditor:

1. The Company has not appointed a Woman Director on the Board as per the requirements of Section 149 of the Companies Act, 2013

**Director’s remarks:** Board is actively looking for Woman Director.

## **LOANS, GUARANTEES AND INVESTMENTS MADE BY THE COMPANY UNDER SECTION 186**

The company has not given any loan and guarantees.

## **TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR**

Information on transaction with related parties pursuant Particulars of contracts or arrangements with related parties referred to in Section 188(1) in the prescribed form AOC -2 is appended as “Annexure 3” to the Board’s Report.

## **MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT:**

There was no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year, to which the Balance Sheet relates and the date of the report.

## **THE CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO, IN THE MANNER AS PRESCRIBED IN RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014**

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION**

Since the Company does not own any manufacturing facility, the particulars relating to conservation of Energy and technology absorption in the above rules are not applicable.

### **FOREIGN EXCHANGE EARNINGS AND OUTGO**

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

The Foreign Exchange expenses incurred during the year was Rs. 27,50,516.

SL No.	Particulars	Amount (Rs.)
1	Web hosting charges	6,66,116
2	Processing fees paid	20,84,400
	<b>TOTAL</b>	<b>27,50,516</b>

### **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.

### **RISK MANAGEMENT**

The Committee reviews the Risk Management Framework of the company and verifies adherence to various risk parameters and compliances. 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 which the organization is exposed to including Credit Risk, Interest Rate Risk, Liquidity Risk, Operational Risk and Regulatory Compliance issues. The Risk Committee approves and makes recommendations to the Board regarding all its risk-related responsibilities, including the review of major risk management and Regulatory compliances

### **CORPORATE SOCIAL RESPONSIBILITY**

As per Section 135 of the Companies Act 2013, constitution of corporate social Responsibility committee is Not Applicable.

However, in the year 2016-17, the initiatives undertaken by the Company on CSR activities are as follows:

SL No.	Particulars	Date	Objective
1	Financial Awareness Program	April 2016-Dec 2016	To create awareness among the financially excluded people in villages on various social security schemes like the PMJDY, PMSBY, PMJBSY and Sukhanya Suraksha Yojana etc.
2	Awareness on Skill Trainings	April 2016-Dec2016	To encourage youth in the villages to undergo with the residential trainings, provided by RUDSETI, RSETI, VSETI & Other training institutions.
3	Veterinary Medical Camps	March 2016-Sept 2016	To provide the Veterinary Clinical services for the benefit of rural people.
4	Livelihood Programs	Sept 2016-Nov 2016	To identify the basic tailors who are interested to stitch Tambulam Bags & earn minimal wages in their spare time.

## **BOARD EVALUATION**

The Board of Directors has carried out an annual evaluation of its own performance, Board committees and Individual Directors pursuant to the provisions of the Companies Act, 2013.

In a separate meeting of Independent Directors held on 10<sup>th</sup> March 2017, performance of Non-Independent Directors, performance of the board as a whole and performance of the chairman was evaluated, taking into account the views of Executive directors and Non-executive directors. The same was discussed in the board in their meeting that followed the meeting of the independent directors, at which the performance of the board, its committees and individual directors was also discussed. Performance evaluation of Independent Directors was done by the entire board, excluding the independent director being evaluated.

## **DETAILS AS REQUIRED UNDER RULE 8 OF THE COMPANIES (ACCOUNTS) RULES, 2014**

1. **The change in nature of business:** NIL
2. **Details of Directors/KMP who have appointed or resigned during the year:**
  - Mr. Ane Narasimha, Non-Executive Director of the Company resigned on 19<sup>th</sup> September 2016.
  - Mr. Davis F Golding, Nominee Director of Shore cap II Limited was appointed on 17<sup>th</sup> December 2016.
3. **Deposits:** As on 31st March 2017, the Company does not have any public deposits.
4. **Names of Companies which have become or ceased to be its subsidiaries, Joint ventures or associate companies during the year :** NIL
5. **The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future:** None
6. **The details in respect of adequacy of internal financial controls (IFC) with reference to the Financial Statement:** The Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures

## **OTHER DISCLOSURES:**

1. **DETAILS OF EQUITY SHARES WITH DIFFERENTIAL RIGHTS:** The Company has not issued any equity shares with differential rights during the year.

M/s. Chaitanya India Fin Credit Private Limited issued 55,09,641 equity shares of Rs.10/- each in the capital of the Company be and is hereby allotted at Rs. 10/- each at premium of Rs.26.3/- in physical form.

Name of the Shareholder	Address	No. of Shares	Date of Allotment
Chaitanya Rural Intermediation Development Services Private Limited	312, 14-P, Sky Line Surabhi Apartments, Vidyapeeta Main, Kathriguppe, Bangalore 560085	13,50,000	15.07.2016
Chaitanya Rural Intermediation Development Services Private Limited	312, 14-P, Sky Line Surabhi Apartments, Vidyapeeta Main, Kathriguppe, Bangalore - 560085	38,68,074	05.08.2016
Chaitanya Rural Intermediation Development Services Private Limited	312, 14-P, Sky Line Surabhi Apartments, Vidyapeeta Main, Kathriguppe, Bangalore - 560085	2,91,567	15.09.2016
<b>Total</b>		<b>55,09,641</b>	

**2. DETAILS OF SWEAT EQUITY SHARES ISSUED:** The Company has not issued any sweat equity shares during the year

**3. DETAILS OF EMPLOYEE STOCK OPTION SCHEME:** M/s. Chaitanya Rural Intermediation Development Services Private Limited has planned to grant Employee Stock Option (ESOP) through Trust route to the permanent employees including the employees of subsidiary company. The company has established EMPLOYEE STOCK OPTION PLAN (ESOP) for compensation to its employees, being **CHAITANYA EMPLOYEE STOCK OPTION SCHEME 2017**. The said scheme has been approved by the Board in the Board meeting held on 31<sup>st</sup> March 2017 in replacing the resolution passed in the Board meeting held on 30<sup>th</sup> October 2015 and by the shareholders in the Extra Ordinary general meeting held on 24<sup>th</sup> April 2017 replacing the resolution passed in the meeting of the members of the Company held on 25<sup>th</sup> November 2015.

**4. ISSUE OF NON CONVERTIBLE DEBENTURES THROUGH PRIVATE PLACEMENT**

Chaitanya India Fin Credit Private Limited has allotted Non-Convertible Debentures through private placement during the year.

Sl No.	Investor's Name	Investor's Address	Number of debentures	Face value (in Rs.)	Total amount	Date of allotment
1.	Micro Build I, B.V.	Micro Build I, B.V. Nachtwachtlaan 20 1058EA Amsterdam Netherlands	2,043	1,00,000.00	20,43,00,000	22.11.2016
2.	Karvy Capital Limited – A/c Demeter Portfolio	802 Hallmark Business Plaza Sant Dnyaneshwar Bandra Mumbai	15,00,00,000	1.00	15,00,00,000	29.12.2016

**5. ALTERATION IN CAPITAL CLAUSE OF MEMORANDUM OF ASSOCIATION:** The capital clause of the Company has been altered as under:

*V. "The Authorized Share Capital of the Company is Rs. 25, 00,00,000/- (Rupees Twenty Five Crores Only) divided into 250,00,000 (Two Crore Fifty Lakhs Only) Equity Shares of Rs. 10 (Rupees Ten Only) each.*

**6. DETAILS OF FRAUD NOTICED DURING THE YEAR:**

**For the year ended 31<sup>st</sup> March 2017**

Category	No of Instances	Amount RS.
Embezzlement of cash	02	Rs. 4,79,842

**NOTE:** Out of the above an amount of Rs.14,967/- has been recovered.

## **7. VIGIL MECHANISM**

The Company promotes ethical behavior in all its business activities and has put in place a mechanism of reporting illegal or unethical behavior. The Company has a vigil mechanism process wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to an e-mail ID designated or by post. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

### **Name and Address of the Whistle & Ethics Officer**

Mr. Anand Rao

Chaitanya India Fin Credit Private Limited

#98,3<sup>rd</sup> floor, Sirsi circle, Mysore Road, Chamrajpet, Bangalore-560018, Karnataka.

Email- [anand@chaitanyaindia.in](mailto:anand@chaitanyaindia.in)

### **Name and Address of MD of the Company**

Mr. Samit S Shetty

Chaitanya India Fin Credit Private Limited

#98,3<sup>rd</sup> floor, Sirsi circle, Mysore Road, Chamrajpet, Bangalore-560018, Karnataka.

Email: [samit@chaitanyaindia.in](mailto:samit@chaitanyaindia.in)

### **Name and Address of Chairman (Audit Committee):**

Mr. K Subramanyam Ravi

# 121, 'SHRUTHI' Central Excise Layout, Vijayanagar, Bangalore - 560040

Email: [ksravi121@gmail.com](mailto:ksravi121@gmail.com)

The whistle blower policy of the Company is disclosed on our website at the below link- <http://www.chaitanyaindia.in/docs/Chaitanya%20Whistle%20Blower%20policy.pdf>

## **PARTICULARS OF EMPLOYEES**

The table containing the names and other particulars of employees in accordance with the provisions of Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is appended as “**Annexure 4**”.

Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014(A statement containing the names of every employee employed throughout the financial year and in receipt of remuneration of 60 lakh or more, or employed for part of the year and in receipt of 5 lakh or more a month ) is **Not Applicable**.

### **Disclosure under the Sexual Harassment of women at workplace (prevention, prohibition and redressal) act, 2013**

Your Company has always believed in providing a safe and harassment free workplace for every individual working in Chaitanya premises through various interventions and practices. The Company always endeavors to create and provide an environment that is free from discrimination and harassment including sexual harassment.

The Company is in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has a prevention of sexual harassment policy in place. The Directors further state that during the year under review, there was one case filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and immediate action was taken.

### **Directors Responsibility Statement**

Pursuant to the requirement under Section 134 (5) of the Companies Act, 2013, Board of Directors confirms that:

1. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. 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;
3. 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;
4. The directors had prepared the annual accounts on a going concern basis; and
5. The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
6. 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.

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 and 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 2016-17.

### **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, 24.05.2017

By order of the Board

Sd/-	Sd/-
Samit S. Shetty	Anand Rao
Managing Director	Joint Managing Director



**ANNEXURE 1 – EXTRACT OF ANNUAL RETURN**

<b>FORM NO. MGT 9</b>
<b>EXTRACT OF ANNUAL RETURN</b>
<b>as on financial year ended on 31.03.2017</b>
<b>Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management &amp; Administration) Rules, 2014.</b>

**I REGISTRATION & OTHER DETAILS:**

i	CIN	U67190KA2009PTC049494
ii	Registration Date	31-03-2009
iii	Name of the Company	Chaitanya India Fin Credit Private Limited
iv	Category/Sub-category of the Company	NBFC- MFI
v	Address of the Registered office & contact details	NO-312, 14-P, SKYLINE SURABHI APARTMENTS, VIDYAPEETA MAIN ROAD, BSK 3RD STAGE, KATRIGUPPE, BANGALORE- 560085, KARNATAKA. TEL: 080-26750010, FAX: 080-26756767
vi	Whether listed company	Yes- (Debt securities listed)
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Karvy Computershare Private Limited 7th floor   701, Hallmark Business Plaza Sant Dnyaneshwar Marg , Off Bandra Kurla Complex, Bandra East , Mumbai - 400 051

**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

SL No	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the company
	NBFC- MFI - Micro lending		
1	JLG	K64199	100%

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

SI No	Name & Address of the Company	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
1	Chaitanya Rural Intermediation Development Services Private Limited REG off: NO-312, 14-P, SKYLINE SURABHI APARTMENTS, VIDYAPEETA MAIN ROAD, BSK 3RD STAGE, KATRIGUPPE, BANGALORE- 560085, KARNATAKA	U65923KA2012PTC062537	Holding Company	100%	2(46)

#### IV SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

##### (i) CATEGORY-WISE SHAREHOLDING:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	-	1	1	0.01%	-	1	1	0.01%	NIL
b) Central Govt.or State Govt.	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	-	127,81,925	127,81,925	99.99%	-	182,91,566	182,91,566	99.99%	-
d) Bank/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL:(A) (1)</b>	-	127,81,926	127,81,926	100%	0	182,91,567	182,91,567	100%	NIL
<b>(2) Foreign</b>									
a) NRI- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other...	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL (A) (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Shareholding of Promoter (A)= (A)(1)+(A)(2)</b>	-	127,81,926	127,81,926	100%	0	182,91,567	182,91,567	100%	NIL
<b>B. PUBLIC SHAREHOLDING</b>									
<b>(1) Institutions</b>									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central govt	-	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIS	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL (B)(1):</b>	-	-	-	-	-	-	-	-	-
<b>(2) Non Institutions</b>									
<b>a) Bodies corporates</b>									
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
<b>b) Individuals</b>									
i) Individual shareholders holding nominal share capital upto Rs.1 lakhs	-	-	-	-	-	-	-	-	-
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL (B)(2):</b>	-	-	-	-	-	-	-	-	-
<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>									
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	127,81,926	127,81,926	100%	0	182,91,567	182,91,567	100%	

**NOTE:** Chaitanya Rural Intermediation Development Services Private Limited (CRIDS) is a 100% Holding company. "Promoter" means who has control over the affairs of the company directly or indirectly whether as a shareholder, director or otherwise. Hence CRIDS is considered as Promoter.

**(ii) SHAREHOLDING OF PROMOTERS**

SI No.	Shareholders 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
1	Anand Rao	1	0.01%	-	1	0.01%
2	Chaitanya Rural Intermediation Development Services Private Limited	1,27,81,925	99.99%	-	1,82,91,566	99.99%
	Total	1,27,81,926	100%		1,82,91,567	100%

**(iii) CHANGE IN PROMOTERS' SHAREHOLDING (SPECIFY IF THERE IS NO CHANGE)**

SL. No.	Name of the Shareholder	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
	Chaitanya Rural Intermediation Development Services Private Limited				
	At the beginning of the year	1,27,81,925	99.99%	1,27,81,925	99.99%
	Date wise increase/decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	(Rights issue allotment) 13,50,000 38,68,074 291,567	99.99%	1,41,31,925 1,79,99,999 1,82,91,566	99.99%
	At the end of the year			1,82,91,566	99.99%

SI. No	Name of the Shareholder	Shareholding at the end 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
	Anand Rao (No change)				
	At the beginning of the year	1	0.01%	1	0.01%
	Date wise increase/decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	-	-	-	-
	At the end of the year	-	-	1	0.01%

**(iv) SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (OTHER THAN DIRECTORS, PROMOTERS & HOLDERS OF GDRS & ADRS)-NIL**

Sl. No		Shareholding at the end 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
	For Each of the Top 10 Shareholders				
	At the beginning of the year	-	-	-	-
	Date wise increase/decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	-	-	-	-
	At the end of the year (or on the date of separation, if separated during the year)	-	-	-	-

**(v) SHAREHOLDING OF DIRECTORS & KMP**

Sl. No	Name of the Director	Shareholding at the end 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
	Anand Rao-No change				
	At the beginning of the year	1	0.01%	1	0.01%
	Date wise increase/decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	-	-	-	-
	At the end of the year	-	-	1	0.01%

**FOLLOWING DIRECTORS/KMP DID NOT HOLD ANY SHARES DURING THE FY 2016-17:**

1. Ravi K S- Independent Director
2. Samit Shankar Shetty-Managing Director
3. Ramesh Sundaresan-Nominee Director
4. Nandakumar Rachamadugu-Independent Director
5. Srinivasan Vedakumar Chengalpet-Chief Financial Officer(KMP)
6. Dimple J Shah- Company Secretary (KMP)

## V INDEBTEDNESS

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtness at the beginning of the financial year(FY 16)</b>				
i) Principal Amount	1,56,64,64,106	19,58,33,333	-	1,76,22,97,439
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	73,09,934	-	-	73,09,934
<b>Total (i+ii+iii)</b>	<b>1,57,37,74,039</b>	<b>19,58,33,333</b>	<b>-</b>	<b>1,76,96,07,372</b>
<b>Change in Indebtedness during the financial year</b>				
Additions	1,61,88,00,000	15,00,00,000	-	1,76,88,00,000
Reduction	1,11,53,34,920	-	-	1,11,53,34,920
<b>Net Change</b>	<b>50,34,65,080</b>			<b>50,34,65,080</b>
<b>Indebtedness at the end of the financial year (FY 16)</b>				
i) Principal Amount	2,08,65,95,854	32,91,66,665	-	2,41,57,62,519
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	1,51,89,573	-	-	1,51,89,573
<b>Total (i+ii+iii)</b>	<b>2,10,17,85,426</b>	<b>32,91,66,665</b>	<b>-</b>	<b>2,43,09,52,091</b>

## VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl.No	Particulars of Remuneration	Name of the MD/WTD/Manager		Total Amount
1	<b>Gross salary</b>	Anand Rao	Samit S Shetty	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	33,63,000	33,63,000	67,26,000
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	-	-	-
	(c ) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	as % of profit	-	-	-
	others (specify)	-	-	-
5	Others, please specify	-	-	-
	<b>Total (A)</b>	<b>33,63,000</b>	<b>33,63,000</b>	<b>67,26,000</b>
	<b>Ceiling as per the Act</b>	NA	NA	NA

**B. Remuneration to other directors:**

SL No	Particulars of Remuneration	Name of the Directors		Total Amount
1	Independent Directors	K S Ravi	R Nanda Kumar	
	(a) Fee for attending board /committee meetings	1,12,500	1,12,500	2,25,000
	(b) Commission	-	-	-
	(c ) Others, please specify	-	-	-
	<b>Total (1)</b>	<b>1,12,500</b>	<b>1,12,500</b>	<b>2,25,000</b>
2	Other Non-Executive Directors	Ramesh S		
	(a) Fee for attending board /committee meetings	90,000		90,000
	(b) Commission	-	-	-
	(c) Others, please specify.	-	-	-
	<b>Total (2)</b>	<b>90,000</b>		<b>90,000</b>
	<b>Total (B)=(1+2)</b>	<b>2,02,500</b>	<b>1,12,500</b>	<b>3,15,000</b>
	<b>Total Managerial Remuneration</b>			
	<b>Overall Ceiling as per the Act.</b>	NA	NA	NA

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD**

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
1	Gross Salary	CEO	Company Secretary	CFO	Total
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	-	5,59,612	22,80,000	28,39,612
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-	-
	(c ) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	as % of profit	-	-	-	-
	others, specify	-	-	-	-
5	Others, please specify	-	-	-	-
	<b>Total</b>	<b>-</b>	<b>5,59,612</b>	<b>22,80,000</b>	<b>28,39,612</b>



**VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: NOT APPLICABLE**

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

## **ANNEXURE 2 – SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017**

### **SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017**

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

To,  
The Members,  
Chaitanya India Fin Credit Private Limited.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Chaitanya India Fin Credit Private Limited (hereinafter called the Company) Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

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

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Chaitanya India Fin Credit Private Limited for the financial year ended on March 31, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowing;
- (v) The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz.:
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with the client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (vi) And other applicable laws.

I have also examined compliance with the applicable clauses of the Listing Agreement entered into by the Company with the Bombay Stock Exchange.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above except to the extent as mentioned below:

**1. The Company has not appointed a woman director on the Board as per the requirements of Section 149 of the Companies Act, 2013.**

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings. Agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while dissenting members' view are captured and recorded as part of the minutes.

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

I further report that during the audit period, the Company has made a rights issue of

- (a) 1,350,000 Equity Shares of Rs. 10 each at a premium of Rs. 26.3 per share on July 15, 2016;
- (b) 3,868,074 Equity Shares of Rs. 10 each at a premium of Rs. 26.3 per share on August 05, 2016; and
- (c) 291,567 Equity Shares of Rs. 10 each at a premium of Rs. 26.3 per share on September 15, 2016.

The Company has made a preferential allotment of

- (a) Listed Non-convertible debentures of Rs. 20.43 Crores on November 22, 2016; and
- (b) Listed Non-Convertible debentures of Rs. 15 Crores on December 29, 2016.

Place: Bangalore

Signature:

Date: May 12, 2017

Pallavi P. Rao  
ACS No.: 24862  
C. P. No.: 8955

This report is to be read with my letter of even date which is annexed as **ANNEXURE A** and forms an integral part of this report.

**ANNEXURE A**

To,  
The Members,  
Chaitanya India Fin Credit Private Limited.

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

1. Maintenance of Secretarial record is the responsibility of the Management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the practices and processes that I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of the financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules, 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 the Management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Bangalore  
Date: May 12, 2017

Signature:

Pallavi P. Rao  
ACS No.: 24862  
C. P. No.: 8955

**ANNEXURE 3- RELATED PARTY DISCLOSURE UNDER SECTION 188(I)****1. Transactions with related parties during the year:****Key Managerial Personnel**

Particulars	March 31, 2017	March 31, 2016
Remuneration	(RS.)	(RS.)
Mr. Samit S Shetty	33,63,000	22,98,290
Mr. Anand Rao	33,63,000	22,98,290
Mr. Ane Narasimha	-	-
Mr. Srinivasan C V	22,80,000	3,21,034
Ms. Dimple Shah	5,59,612	3,84,000

**Director Fees**

Particulars	March 31,2017	March 31,2016
Sitting Fees	(Rs.)	(Rs.)
Mr. K S Ravi	1,12,500	75,000
Mr. Nanda Kumar	1,12,500	75,000
Mr. Ramesh S ( Nominee Director)	90,000	60,000
Mr. Ane Narasimha	-	45,000

**Investment by Holding Company**

Particulars	Name of the Company	Amount (RS.) March 2017	Amount (RS.) March 2016
Share Application Money Received	Chaitanya Rural Intermediation Development Services Private Ltd. ( Holding Company)	-	-
Equity Shares Allotted	Chaitanya Rural Intermediation Development Services Private Ltd. ( Holding Company)	5,50,96,410	1,07,50,000
Securities Premium Received	Chaitanya Rural Intermediation Development Services Private Ltd. ( Holding Company)	14,49,03,558	1,93,50,000
Sale of Loan Portfolio	Chaitanya Rural Intermediation Development Services Private Ltd. ( Holding Company)	25,27,76,569	2,00,15,013
Service Fee Received ( Excluding Service Tax)	Chaitanya Rural Intermediation Development Services Private Ltd. ( Holding Company)	61,82,539	-

**PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES REFERRED TO IN SECTION 188(1) IN THE PRESCRIBED FORM BELOW;****1. Details of contracts or arrangements or transactions not at arm's length basis:**

There were no contracts or arrangements or transactions entered in to during the year ended March 31, 2017, which were not at arm's length basis.

## 2. Details of contracts or arrangements or transactions at arm's length basis:

### A. Sell - out transaction - 2 Wheeler Portfolio:

Name(s) of the related party and nature of relationship	<b>M/s. Chaitanya Rural Intermediation Development Services Private Limited ( Holding company)</b> Mr. Samit S Shetty, Promoter and Director Mr. Anand Rao, Promoter and Director Mr. Ramesh Sundaresan- Nominee Director
Nature of contracts/arrangements/transactions	Sell-out transaction - 2 wheeler portfolio
Duration of the contracts / arrangements/transactions	22 months
Salient terms of the contracts or arrangements or transactions including the value, if any:	Rs. 3,96,12,986 (Gross) at the rate of 16% P.A. payable monthly with a tenor of 22 months and at MRR of 5%.
Date(s) of approval by the Board, if any:	15 <sup>th</sup> July 2016
Amount paid as advances, if any:	NIL

### B. Sell - out transaction - 2 Wheeler Portfolio:

Name(s) of the related party and nature of relationship	<b>M/s. Chaitanya Rural Intermediation Development Services Private Limited ( Holding company)</b> Mr. Samit S Shetty, Promoter and Director Mr. Anand Rao, Promoter and Director Mr. Ramesh Sundaresan- Nominee Director
Nature of contracts/arrangements/transactions	Sell-out transaction - 2 wheeler portfolio
Duration of the contracts / arrangements/transactions	22 months
Salient terms of the contracts or arrangements or transactions including the value, if any:	Rs. 3,40,60,308 (Gross) at the rate of 16% P.A. payable monthly with a tenor of 22 months and at MRR of 5%.
Date(s) of approval by the Board, if any:	10 <sup>th</sup> August 2016
Amount paid as advances, if any:	NIL

### C. Sell - out transaction - JLG Portfolio:

Name(s) of the related party and nature of relationship	<b>M/s. Chaitanya Rural Intermediation Development Services Private Limited ( Holding company)</b> Mr. Samit S Shetty, Promoter and Director Mr. Anand Rao, Promoter and Director Mr. Ramesh Sundaresan- Nominee Director
Nature of contracts/arrangements/transactions	Sell-out transaction - JLG Loan portfolio
Duration of the contracts / arrangements/transactions	22 months
Salient terms of the contracts or arrangements or transactions including the value, if any:	Rs. 8,41,00,691 (Gross) at the rate of 16% P.A. payable monthly with a tenor of 22 months and at MRR of 5%.
Date(s) of approval by the Board, if any:	10 <sup>th</sup> August 2016
Amount paid as advances, if any:	NIL



D. Sell - out transaction - 2 Wheeler Portfolio:

Name(s) of the related party and nature of relationship	<b>M/s. Chaitanya Rural Intermediation Development Services Private Limited ( Holding company)</b> Mr. Samit S Shetty, Promoter and Director Mr. Anand Rao, Promoter and Director Mr. Ramesh Sundaresan- Nominee Director
Nature of contracts/arrangements/transactions	Sell-out transaction - 2 wheeler portfolio
Duration of the contracts / arrangements/transactions	22 months
Salient terms of the contracts or arrangements or transactions including the value, if any:	Rs. 4,58,68,146 (Gross) at the rate of 16% P.A. payable monthly with a tenor of 22 months and at MRR of 5%.
Date(s) of approval by the Board, if any:	22nd September 2016
Amount paid as advances, if any:	NIL

E. Sell - out transaction - MHL Portfolio:

Name(s) of the related party and nature of relationship	<b>M/s. Chaitanya Rural Intermediation Development Services Private Limited ( Holding company)</b> Mr. Samit S Shetty, Promoter and Director Mr. Anand Rao, Promoter and Director Mr. Ramesh Sundaresan- Nominee Director
Nature of contracts/arrangements/transactions	Sell-out transaction - MHL portfolio
Duration of the contracts / arrangements/transactions	42 months
Salient terms of the contracts or arrangements or transactions including the value, if any:	Rs. 6,59,07,265/- (Gross) at the rate of 14.50% P.A. payable monthly with a tenor of 42 months and at MRR of 10%
Date(s) of approval by the Board, if any:	15 <sup>th</sup> March 2017
Amount paid as advances, if any:	NIL

#### **ANNEXURE 4- PARTICULARS OF EMPLOYEES**

Information as per Rule 5(1) of Chapter XIII, Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

##### **1. Remuneration paid to Whole Time Directors**

<b>Name of the Director</b>	<b>Designation</b>	<b>Remuneration in FY 2016-2017</b>	<b>% increase of remuneration in 2017 as compared to 2016</b>	<b>Ratio of remuneration to MRE</b>
Mr. Samit S Shetty	Managing Director	33,63,000	46.33%	17.54
Mr. Anand Rao	Joint Managing Director	33,63,000	46.33%	17.54

##### **2. Remuneration paid to KMP**

<b>Name of the KMP</b>	<b>Designation</b>	<b>Remuneration in FY 2016-2017</b>	<b>% increase of remuneration in 2016 as compared to 2015</b>	<b>Ratio of remuneration to MRE</b>
Mr. Srinivasan	Chief Financial Officer	22,80,000	NIL	11.89
Ms. Dimple Shah	Company Secretary	5,59,612	46.00%	2.92

1. The median remuneration of employees of the Company during the financial year was Rs. 1,91,690/-
2. The percentage increase in the median remuneration of employees the financial year, there was an increase of **4.2%**;
3. The number of employees on the rolls of Company as on March 31, 2017 is **1175**;
4. Relationship between average increase in remuneration and company performance: - The Profit before Tax for the financial year ended March 31, 2017 decreased by **23.0%** whereas the increase in median remuneration was **4.2%**;
5. Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2016-17 was **4.2%** whereas the increase in the managerial remuneration for the same financial year was **46.33%**;
6. There are no variable component of remuneration availed by the Directors.
7. The ratio of the remuneration of the highest paid Director to that of the employees who are not Directors but receive remuneration in excess of the highest paid Director during the year – **Not Applicable**
8. It is hereby affirmed that the remuneration paid is as per the as per the Policy for Directors, Key Managerial Personnel and other Employees.

## **GENERAL SHAREHOLDER INFORMATION:**

### **COMPANY REGISTRATION DETAILS:**

The Company is registered in the state of Karnataka, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is **U67190KA2009PTC049494**.

### **ANNUAL REPORT:**

The Annual report containing inter alia, Audited Annual Accounts, Director's Report, Auditor's Report and other important information is circulated to members and others entitled thereto. The Management's Discussion and Analysis (MD&A) Report forms part of the Annual Report and the Annual Report is also displayed on the website [www.chaitanyaindia.in](http://www.chaitanyaindia.in).

**DEBT SECURITIES LISTING:** The Bombay Stock Exchange

### **DEBENTURE TRUSTEE:**

#### **CATALYST TRUSTEESHIP LIMITED (Formerly GDA TRUSTEESHIP LIMITED)**

(Formerly known as GDA Trusteeship Ltd)

GDA House, Plot No. 85, Bhusari Colony (Right),  
Paud Road, Pune – 411038.

Phone No. : 020 - 2528 0081

Fax No. : 020 - 25280275

Email: [dt@gdatrustee.com](mailto:dt@gdatrustee.com)

Website: [www.gdatrustee.com](http://www.gdatrustee.com)

#### **IDBI TRUSTEESHIP SERVICES LIMITED**

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

**Phone:** 022 4080 7000

Email id: [swapneil.tiwari@idbitrustee.com](mailto:swapneil.tiwari@idbitrustee.com)

Website: [www.idbitrustee.com](http://www.idbitrustee.com)

### **REGISTRAR AND SHARE TRANSFER AGENT**

Karvy Computershare Pvt Ltd  
701, Hallmark Business Plaza,  
Sant Dyaneshwar Marg,  
Opp Guru Nanak Hospital,  
Bandra-East, Mumbai – 400 051  
Website: [www.karvy.com](http://www.karvy.com)

### **PAYMENT OF LISTING FEES & DEPOSITORY FEES:**

Annual Listing fee for the year 2017-18 was paid on 28<sup>th</sup> April 2017 to the BSE.

Annual Custody/Issuer fee for the year 2017-18 was paid on 4<sup>th</sup> May 2017 by the Company to NSDL.

### **SEBI COMPLAINTS REDRESS SYSTEM (SCORES):**

The investor complaints are processed in a centralized web-based complaints redress system by Securities Exchange Board of India for debt listing. The salient features of this system are centralized database of all complaints, online upload of Action Taken Reports (ATRs) by concerned companies and online viewing by investors of actions taken on the complaint and its current status. Till the date of the report the status of the investor compliance are NIL.



# **M/S RAMESH ASHWIN & KARANTH**

**CHARTERED ACCOUNTANTS**

**Firm Reg. No : 010680S**

**Partners**

**Ramesh B N (M.No : 015170) Mob:9448468958**

**Ashwin B R (M.No : 214199) Mob: 9886415958**

**Prashanth Karanth (M.No: 214235) Mob: 9886282946**

## **Independent Auditor's Report**

**To the Members of CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED**

### **Report on the Standalone Financial Statements**

We have audited the accompanying standalone financial statements of **Chaitanya India Fin Credit Private Limited** ('the Company'), which comprise the balance sheet as at 31 March 2017, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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

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

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a



# M/S RAMESH ASHWIN & KARANTH

CHARTERED ACCOUNTANTS

Firm Reg. No : 010680S

Partners

Ramesh B N (M.No : 015170) Mob:9448468958

Ashwin B R (M.No : 214199) Mob: 9886415958

Prashanth Karanth (M.No: 214235) Mob: 9886282946

true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2017 and its profit and its cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.
2. As required by Section 143 (3) of the Act, we report that:
  - (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this Report are in agreement with the books of account;
  - (d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
  - (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. the Company doesn't have any Pending litigations as on Balance Sheet date.
    - ii. the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses.
    - iii. the Company is not required to transfer any amount to the Investor Education and Protection Fund by the Company.
    - iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. However, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management. Refer Note No. 2(II)(x) to the financial statements.

For Ramesh Ashwin & Karanth  
Chartered Accountants  
Firm's registration number: 010680S

Place: Bangalore  
Date: 24/05/2017

Prashanth Karanth  
Partner  
Membership number: 214235



# M/S RAMESH ASHWIN & KARANTH

CHARTERED ACCOUNTANTS

Firm Reg. No : 010680S

Partners

Ramesh B N (M.No : 015170) Mob:9448468958

Ashwin B R (M.No : 214199) Mob: 9886415958

Prashanth Karanth (M.No: 214235) Mob: 9886282946

## Annexure - A to the Auditors' Report

The Annexure referred to in Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2017, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of 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) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no any immovable properties held in the name of the Company.

(ii) The Company is not manufacturing or trading in goods and does not deal with stores, spare parts and raw materials. Hence, clause 3 (ii) 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. Hence the Clauses 3 (iii) (a), 3 (iii) (b) and 3 (iii) (c) are not applicable.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans and investments made.

(v) The Company has not accepted any deposits from the public during the year under review.

(vi) Maintenance of cost records as prescribed by the Central Government under section 148 (1) of the Companies Act, 2013 is not applicable to the Company.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, income-tax, Employee state insurance, profession tax, service tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, Employee state insurance, profession tax, service tax, cess and other material statutory dues were in arrears as at 31 March 2017 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 provident fund, income-tax, Employee state insurance, profession tax, service tax, cess which have not been deposited on account of any disputes.

(viii) The Company has not defaulted in repayment of loans or borrowings to any financial institution, banks, government or debenture holders during the year.

(ix) According to the information and explanations given to us, The Company did not raise any money by way of initial public offer or further public offer (including debt instruments). However, it raised term loans from banks and Financial Institutions during the year and the company has utilized the money raised by way of Term Loans for the purposes for which it was raised.

(x) According to the information and explanations given to us, we report that no fraud by the company or any fraud on the company by its officers or employees has been noticed / reported during the year.





# M/S RAMESH ASHWIN & KARANTH

CHARTERED ACCOUNTANTS

Firm Reg. No : 010680S

Partners

Ramesh B N (M.No : 015170) Mob:9448468958

Ashwin B R (M.No : 214199) Mob: 9886415958

Prashanth Karanth (M.No: 214235) Mob: 9886282946

(xi) The Provisions of Sec 197 of Companies Act 2013 shall apply only to a Public Company. Since Chaitanya India Fin Credit Private Limited is a Private Limited Company, Clause 3 (Xi) is not applicable.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has made private placement of Non convertible debentures during the year under review, requirements of Section 42 of the companies act 2013 have been complied with and the amount raised have been used for the purposes for which fund has been raised.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) The Company has been registered under section 45-IA of the Reserve Bank of India Act 1934.

For Ramesh Ashwin & Karanth

Chartered Accountants

Firm's registration number: 010680S

Place: Bangalore

Date: 24/05/2017

Prashanth Karanth

Partner

Membership number: 214235



# **M/S RAMESH ASHWIN & KARANTH**

**CHARTERED ACCOUNTANTS**

**Firm Reg. No : 010680S**

**Partners**

**Ramesh B N (M.No : 015170) Mob:9448468958**

**Ashwin B R (M.No : 214199) Mob: 9886415958**

**Prashanth Karanth (M.No: 214235) Mob: 9886282946**

## **Annexure - B to the Auditors' Report**

### **Report on the Internal Financial Controls 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 **Chaitanya India Fin Credit Private Limited** ("the Company") as of 31 March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). 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.

#### **Auditors' Responsibility**

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

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

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

#### **Meaning of Internal Financial Controls over Financial Reporting**

#37/E, 2nd Floor, Beside Surana College, South End Road, South End circle, Basavanagudi,  
Bangalore - 560 004. Phone: 080 - 40918409. Email: [rakca2004@gmail.com](mailto:rakca2004@gmail.com)



# M/S RAMESH ASHWIN & KARANTH

CHARTERED ACCOUNTANTS

Firm Reg. No : 010680S

Partners

Ramesh B N (M.No : 015170) Mob:9448468958

Ashwin B R (M.No : 214199) Mob: 9886415958

Prashanth Karanth (M.No: 214235) Mob: 9886282946

=====

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, 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 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

*For Ramesh Ashwin & Karanth  
Chartered Accountants  
Firm's registration number: 010680S*

Place: Bangalore  
Date: 24/05/2017

*Prashanth Karanth  
Partner  
Membership number: 214235*

=====

#37/E, 2nd Floor, Beside Surana College, South End Road, South End circle, Basavanagudi,  
Bangalore – 560 004. Phone: 080 – 40918409. Email: [rakca2004@gmail.com](mailto:rakca2004@gmail.com)

**CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED**

CIN: U67190KA2009PTC049494

No. 312, 14 - P, Skyline Surabhi Apartment, Vidyapeeta Main Road, Bsk 3 rd Stage, Bangalore - 560085

**Balance Sheet as at March 31, 2017**

Particulars	Note No.	As at March 31, 2017 (Rupees)	As at March 31, 2016 (Rupees)
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Share holder's fund</b>			
(a) Share capital	3	1829,15,670	1278,19,260
(b) Reserves and surplus	4	2883,71,239	1312,13,026
		4712,86,909	2590,32,286
<b>(2) Non-current Liabilities</b>			
(a) Long term borrowings	5	12428,15,162	8696,58,828
(b) Long-term provisions	6	13,69,689	35,42,032
		12441,84,851	8732,00,860
<b>(3) Current Liabilities</b>			
(a) Short term borrowings	7	-	360,00,000
(b) Trade payables	8	560,29,927	462,00,757
(c) Other current liabilities	9	11831,50,714	8754,72,753
(d) Short-term provisions	10	591,16,415	406,10,561
		12982,97,056	9982,84,071
<b>TOTAL</b>		<b>30137,68,816</b>	<b>21305,17,217</b>
<b>II. ASSETS</b>			
<b>(1) NON-CURRENT ASSETS</b>			
(a) Fixed assets			
(i) Tangible Assets (Net)	11	211,50,888	139,58,211
(ii) Intangible Assets (Net)	12	19,34,566	19,40,913
		230,85,454	158,99,124
(b) Deferred tax assets (Net)	13	144,40,359	78,59,027
(c) Long term loans and advances	14A	63,38,887	47,26,232
(d) Loans and advances towards Financing Activities - [Long Term]	14B	1363,34,675	3539,09,406
(e) Other Non-Current Assets	15	921,77,818	780,09,856
		2723,77,193	4604,03,645
<b>(2) CURRENT ASSETS</b>			
(a) Cash and cash equivalents	16	6665,95,626	1089,05,057
(b) Loans and advances towards Financing Activities - [Short Term]	17	19941,88,910	15249,64,455
(c) Other Short Term Loans & Advances	18	135,94,781	155,40,958
(d) Other Current Assets	19	670,12,305	207,03,102
		27413,91,623	16701,13,572
<b>TOTAL</b>		<b>30137,68,816</b>	<b>21305,17,217</b>

See accompanying notes to the financial statements

In terms of our report of even date attached

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

*For and on behalf of*  
**CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED**

**PRASHANTH KARANTH**  
*a Partner*  
**Membership No.: 214235**

**ANAND RAO**  
**DIN: 01713987**  
**Managing Director**

**SAMIT S SHETTY**  
**DIN: 02573018**  
**Managing Director**

*Place: Bangalore*  
**Date: 24.05.2017**

*Chief Financial Officer    Company Secretary*

**CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED**

**CIN: U67190KA2009PTC049494**

**No. 312, 14 - P, Skyline Surabhi Apartment, Vidyapeeta Main Road, Bsk 3 rd Stage, Bangalore - 560085**

**Statement of Profit and Loss for the year ended March 31, 2017**

<b>Particulars</b>	<b>Note No.</b>	<b>Year ended March 31, 2017 (Rupees)</b>	<b>Year ended March 31, 2016 (Rupees)</b>
I. Revenue from Operations	20	6198,76,977	3544,06,890
II. Other Income	21	359,12,735	179,92,972
<b>III. TOTAL REVENUE (I+II)</b>		<b>6557,89,713</b>	<b>3723,99,861</b>
<b>IV. Expenses</b>			
(a) Finance Cost	22	3455,80,292	1938,96,454
(b) Employee benefit expenses	23	1747,84,481	880,35,677
(c) Depreciation and amortisation expense	11 & 12	97,16,290	58,35,575
(d) Other Administrative expense	24	919,46,850	519,29,030
(e) Bad Debts Written Off		8,75,997	2,04,899
(f) Provision for Receivables under Financing Activity		154,54,040	98,07,228
<b>TOTAL EXPENSES</b>		<b>6383,57,951</b>	<b>3497,08,863</b>
<b>V Profit / (loss) before exceptional and extraordinary items and tax (III-IV)</b>		<b>174,31,762</b>	<b>226,90,998</b>
VI. Exceptional items		-	-
<b>VII. Profit / (loss) before extraordinary items and tax (V - VI)</b>		<b>174,31,762</b>	<b>226,90,998</b>
VIII. Extraordinary items		-	-
<b>IX. Profit / (loss) before tax (VII - VIII)</b>		<b>174,31,762</b>	<b>226,90,998</b>
<b>X. Provision for taxation:</b>			
(a) Current tax		117,58,443	118,25,537
(b) Deferred tax provision / (write back)		(65,81,332)	(40,58,887)
<b>XI. Profit / (loss) for the period from continuing Operations</b>		<b>122,54,651</b>	<b>149,24,348</b>
<b>XII. Profit / (loss) for the period from discontinuing Operations</b>		<b>-</b>	<b>-</b>
<b>XIII. Tax expense of discontinuing operations</b>		<b>-</b>	<b>-</b>
<b>XIV. Profit / (loss) for the period from discontinuing Operations ( after tax)</b>		<b>-</b>	<b>-</b>
<b>XV. Profit / (loss) for the period</b>		<b>122,54,651</b>	<b>149,24,348</b>

**Earnings Per Share**

Basic	0.75	1.17
Diluted	0.75	1.17

*See accompanying notes to the financial statements*

*In terms of our report of even date attached*

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

*For and on behalf of*  
**CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED**

**PRASHANTH KARANTH**  
*a Partner*  
**Membership No.: 214235**

**ANAND RAO**  
**DIN: 01713987**  
**Managing Director**

**SAMIT S SHETTY**  
**DIN: 02573018**  
**Managing Director**

**Place: Bangalore**  
**Date: 24.05.2017**

**Chief Financial Officer**

**Company Secretary**

**CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED**

**CIN: U67190KA2009PTC049494**

**No. 312, 14 - P, Skyline Surabhi Apartment, Vidyapeeta Main Road, Bsk 3 rd Stage, Bangalore - 560085**

**Cash Flow Statement**

<b>Particulars</b>	<b>For the Year Ended 31.03.2017 (Rupees)</b>	<b>For the Year Ended 31.03.2016 (Rupees)</b>
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	174,31,762	226,90,998
Adjustments for:		
Add: Depreciation	97,16,290	58,35,575
Assets Written off / Loss on sale of Assets	1,54,322	-
Interest & Finance Charges Paid	3455,80,292	3554,50,904
<b>Operating Profit before Working Capital Changes</b>	<b>3728,82,666</b>	<b>2224,23,027</b>
Adjustments for:		
Decrease/ (Increase) in Cash Margin & Deposits	(150,98,101)	(123,30,054)
Decrease/(Increase) in Loans & Advances	(2596,95,731)	(9831,13,443)
Decrease /(Increase) in Other Current Assets	(435,80,867)	(185,25,950)
Increase/(Decrease) in Payables & Others	175,31,895	(3008,42,804)
<b>Cash generated from operations</b>	<b>720,39,862</b>	<b>(7136,16,657)</b>
Income Tax paid	(51,77,111)	(77,66,650)
<b>Net Cash flow from Operating activities</b>	<b>668,62,751</b>	<b>(7213,83,307)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(171,19,442)	(117,77,158)
Sale of Fixed Assets	62,500	-
Short Term Capital Loss	-	-
Dividend Income	-	-
<b>Net Cash used in Investing activities</b>	<b>(170,56,942)</b>	<b>(117,77,158)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Decrease)/Increase in Borrowings	6534,65,080	6396,60,685
Increase in Share Capital	550,96,410	107,50,000
Increase/(Decrease) in Share Application Money	-	(301,00,000)
Increase in Securities Premium	1449,03,562	193,50,000
Interest & Finance Charges paid	(3455,80,292)	(1938,96,454)
<b>Net Cash used in financing activities</b>	<b>5078,84,760</b>	<b>4457,64,231</b>
Net increase in cash & Cash Equivalents	5576,90,569	(2873,96,234)
Cash and Cash equivalents Opening Balance	1089,05,057	3963,01,291
Cash and Cash equivalents Closing Balance	6665,95,626	1089,05,057
<b>Cash &amp; Cash Equivalents</b>	<b>As on 31.03.2017</b>	<b>As on 31.03.2016</b>
Cash in Hand	22,93,426	2,55,617
Cash at Bank (Current Account)	3662,59,406	514,46,906
Cash at Bank (Cash Collateral & FD)	2980,42,795	572,02,534
<b>Cash &amp; Cash equivalents as stated</b>	<b>6665,95,626</b>	<b>1089,05,057</b>

See accompanying notes to the financial statements  
In terms of our report of even date attached

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

*For and on behalf of*  
**CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED**

**PRASHANTH KARANTH**  
*a Partner*  
Membership No.: 214235

**ANAND RAO**  
DIN: 01713987  
Managing Director

**SAMIT S SHETTY**  
DIN: 02573018  
Managing Director

Place: Bangalore  
Date: 24.05.2017

Chief Financial Officer

Company Secretary



## 1. CORPORATE INFORMATION

Chaitanya India Fin Credit Private Limited 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's 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 Joint Liability Groups (JLG), Members of JLGs, discrete individuals or small groups which are in the process of forming JLGs and / or other micro-credit aspirants, And to assist, execute, provide consultancy service and promote and finance such programs, either directly or through an independent agency and/or in any other manner.

The Company is a Non-Banking Finance Company - Micro Finance Institution (NBFC-MFI). The Company has received Certificate of registration from Reserve Bank of India dated 25<sup>th</sup> September 2009, to carry on the business of Non- Banking Financial Institution without accepting deposits. During the year ended 31<sup>st</sup> March 2014, the company has obtained registration under the Non-Banking Finance Company - Micro Finance Institution ( Reserve Bank) Directions, 2011 vide RBI Letter dated 05<sup>th</sup> September 2013.

Chaitanya India Fin Credit Private Limited is a subsidiary of Chaitanya Rural Intermediation Development Services Private Limited with effect from 12<sup>th</sup> November 2014.

## 2.

### (I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### a) Basis of Accounting

The Financial Statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the Financial Statements are consistent with those followed in the previous year.

The Company is a Non-Banking Finance Company - Micro Finance Institutions (NBFC-MFI). The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by the Reserve Bank of India for Non-Banking Finance Company - Micro Finance institution (NBFC-MFI).

#### b) Revenue Recognition

- i. 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.
- ii. Revenues from loan processing charges are recognized as income on cash basis.
- iii. Income on securitization is recognized on the basis of Circular DBOD.No.BP.BC.60/21.04.048/2005-06 dated 1<sup>st</sup> February 2006 issued by RBI. The said circular has prescribed a formula for Amortization of Securitization Profits. The Securitization transactions undertaken during financial year 2016-17 is at Par Value (where as in the earlier years it was done at a premium which was recognised as income over the period of underlying portfolio as stated in Circular DBOD.No.BP.BC.60/21.04.048/2005-06 dated 1<sup>st</sup> February 2006 issued by RBI). As such in the current year there is no income that is received by the company upfront which requires to be deferred. Income recognition on the securitization

transactions undertaken during the current year is being done as per the terms between originator and the buyer.

- iv. 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.
- v. Short term capital gains on sale of investment instruments (treasury operations) are recognized on actual sale of instruments.
- vi. Service Fee received in case of Securitization and buyout transactions is recognised upfront on the execution of Securitization / buyout agreement.

#### 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

##### i. Tangible Fixed Assets

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of a tangible asset comprises its purchase price net of any trade discounts and rebates, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities) and any directly attributable expenditure on making the asset ready for its intended use.

##### ii. Intangible Fixed Assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities) and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognized as an expense when incurred, unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

#### e) Depreciation and Amortization

Depreciation on Tangible Fixed Assets has been provided on the Written down value method as prescribed in Schedule II of Companies Act 2013 or the rates determined by the management as per estimated useful life of the Assets, whichever is higher. In case the remaining useful life of the asset is nil as on the opening day of the Financial year as per Schedule II of Companies Act 2013, the net carrying amount of such asset minus residual value has been charged to Retained earnings as per The Application Guide on the Schedule II to the Companies Act 2013 issued by Institute of Chartered Accountants of India. All Individual Assets (other than Furniture & Fixtures and Office equipments) valued less than Rs. 5000/- are depreciated in full in the year of acquisition. The Useful life of the Assets are as follows:

##### Tangible Assets:

Sl. No	Asset	Useful Life ( In Years)
1.	Furniture & Fixtures	10
2.	Computer & Peripherals	3
3.	Office Equipments	5
4.	Electrical Equipments	10

5.	UPS	10
6.	Motor Bikes	10
7.	Motor Car	8
8.	Safe Locker	10

#### **Intangible Assets:**

Sl. No	Asset	Useful Life ( In Years)
1.	Computer Software	3

The company is charging depreciation on Computer software on Straight Line method as the company feels the same would result in a more appropriate presentation of Financial Statements.

#### **f) Investments**

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried at the lower of cost and fair market value. Cost of investments includes acquisition charges such as brokerage, fees and duties.

#### **g) Employee Retirement Benefits**

Employee benefits include provident fund, gratuity and ESI.

##### **Defined contribution plan:**

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

##### **Defined benefit plans:**

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit (PUC) actuarial method, with actuarial valuations being carried out at balance sheet date. Actuarial gains and losses are recognized in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets.

#### **h) Leases**

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

#### **i) Provisions and Contingencies**

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.

**j) Taxes on Income**

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.

**k) Borrowing Costs**

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

**l) Segment reporting**

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.

**m) Earnings per Share**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post-tax effect of extraordinary items, if any) 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 (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive 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.

**n) Impairment of Assets**

The carrying values of assets are reviewed at each reporting date to determine if there is indication of any impairment. If any indication exists, the assets recoverable amount is estimated. For assets that are not yet available for use, the recoverable amount is estimated at each reporting date. An

impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the Statement of Profit and Loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, as if no impairment loss had been recognised.

## **(II) NOTES ON ACCOUNTS:**

### **a) Contingent Liabilities**

Particulars	Amount Rs. /-
Shortfall in Payment to the buyers in case of Securitisation Transactions to the extent of Cash Margin	2,07,77,207

### **b) Disclosure regarding Defined Benefit Plans**

Company adopted Accounting Standard 15 "Employee Benefits" ('AS 15') as specified in Rule 3 of the Companies (Accounting Standard) Rules, 2006:

Particulars	31 March 2017 (Rs.)	31 March 2016 (Rs.)
<b>Change in present value of obligation</b>		
Present value of obligation as at the beginning of the year	36,57,061	17,94,649
Current service cost	27,07,467	17,43,025
Interest cost	2,92,565	1,43,572
Actuarial (gain) / loss	19,340	(24,185)
Benefits paid	-	-
Present value of obligation as at the end of the year	66,76,433	36,57,061
<b>Change in plan assets</b>		
Plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contribution by the Company	-	-
Benefits paid	-	-
Actuarial gain / (loss)	-	-
Plan assets at the end of the year	-	-
<b>Liability recognized in the financial statement</b>	<b>66,76,433</b>	<b>36,57,061</b>
<b>Expense recognized in the Statement of Profit and Loss</b>		
Current service cost	27,07,467	17,43,025
Interest cost	2,92,565	1,43,572
Actuarial (gain) / loss	19,340	(24,185)
Expense recognized in the Statement of Profit and Loss	30,19,372	18,62,412
<b>Constitution of plan assets</b>		
Other than equity, debt, property and bank a/c	Not applicable	Not applicable
Funded with LIC	Not applicable	Not applicable

Particulars	31 March 2017 (Rs.)	31 March 2016 (Rs.)
<b>Main actuarial assumptions</b>		
Discount rate	7.33%	8.00%
Expected future salary increase*	5.00%	5.00%
Expected rate of return on plan assets	-	-

Demographic assumptions		
Retirement age	60 years	60 years
Mortality table	Indian Assured Lives Mortality ( 2006-08)	Indian Assured Lives Mortality ( 2006-08)
Withdrawal rate:		
Up to 25 years	5%	8%
26 to 30 years	5%	7%
31 to 35 years	5%	6%
36 to 40 years	5%	5%
41 to 45 years	5%	4%
46 to 50 years	5%	3%
51 to 55 years	5%	2%
Above 56 years	5%	1%

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Present value of obligation at the end	66,76,433	36,57,061
Fair value of plan assets at the end	-	-
Net liability recognized in Balance Sheet	66,76,433	36,57,061
Experience adjustment on plan liabilities (loss) / gain	(5,42,969)	(24,185)
Experience adjustment on plan assets (loss) / gain	-	-

- c) The Balances of Trade payables, Long Term / Short Term Loans & Advances towards financing activities, Long Term / Short Term Loans & Advances and Other Current assets are subject to confirmation.
- d) Provisions for all known liabilities are adequate in the opinion of the Management.
- e) The Company has written off Bad debts to the tune of Rs 8,75,997/- as the company feels that the chances of recovery of the said advances are remote.
- f) **Related Party Disclosures**

Nature of Transaction	Related Party	Relationship	For the Year Ended 31st March 2017	For the Year Ended 31st March 2016
			Rs.	Rs.
Remuneration to Key Managerial Personnel	Mr. Anand Rao	Managing Director	33,63,000	22,98,290
	Mr. Samit Shankar Shetty	Managing Director	33,63,000	22,98,290
	Mr. Srinivasan C V	CFO	22,80,000	3,21,034
	<b>Total</b>		90,06,000	49,17,614
Director's Sitting Fees	Mr. K S Ravi	Director	1,12,500	75,000
	Mr. R Nanda Kumar	Director	1,12,500	75,000
	Mr. Ramesh Sundaresan	Nominee Director	90,000	60,000
	Mr. Ane Narasimha	Director	-	45,000
	<b>Total</b>		3,15,000	2,55,000
Face Value of Equity Shares allotted	Chaitanya Rural Intermediation	Holding Company	5,50,96,410	107,50,000

	Development Services Pvt. Ltd.			
Securities Premium Received	Chaitanya Rural Intermediation Development Services Pvt. Ltd.	Holding Company	14,49,03,558	193,50,000
Sale of Loan Portfolio	Chaitanya Rural Intermediation Development Services Pvt. Ltd.	Holding Company	25,27,76,569	200,15,013
Service Fee Received (Excluding Service Tax)	Chaitanya Rural Intermediation Development Services Pvt. Ltd.	Holding Company	61,82,539	-

**g) Auditors Remuneration**

<b>PARTICULARS</b>	<b>2016-2017</b>
STATUTORY AUDIT FEES	1,35,000/-
TAX AUDIT FEES	40,000/-
SERVICE TAX	26,250/-

- h) During the year company has auctioned the gold & 2 Wheelers in case of defaults in repayment of gold loans & 2 Wheeler Loans. The details of such auction conducted during the year are as follows.

<b>Particulars</b>	<b>Number of Cases</b>	<b>Auction Proceeds</b>
Gold	167	49,17,200/-
2 Wheeler	36	11,86,401/-

- i) The company has Qualifying assets of Rs. 210,98,32,515/- the qualifying assets is as defined in RBI Circular No. RBI/2015-16/20 DNBR.(PD) CC. No. 047 /03.10.119/2015-16, Dated 1<sup>st</sup> July 2015 the percentage of qualifying assets to total assets is 93.08%.

**j) Capital Adequacy Ratio**

<b>Capital Adequacy Ratio</b>		
<b>Particulars</b>	<b>As at 31st March 2017 (Rs.)</b>	<b>As at 31st March 2016 (Rs.)</b>
Tier I Capital	43,17,41,782	24,31,01,748
Tier II Capital	22,82,66,919	10,96,84,441
Total Capital	66,00,08,701	35,27,86,189
Total Risk Assets	225,01,44,003	193,87,14,605
<b>Capital Ratios</b>		
Tier I Capital as a percentage of Total Risk Assets (%)	19.19%	12.54%
Tier II Capital as a percentage of Total Risk Assets (%)	10.14%	5.66%
Total Capital (%)	29.33%	18.20%

- k) Disclosure as required under RBI Circular No. RBI/2015-16/20 DNBR.(PD) CC. No. 047 /03.10.119/2015-16, Dated 1<sup>st</sup> July 2015:

Margin Cap of the Company as on 31 March 2017 is 9.36%. This has been computed as suggested by MFIN in their representation to the RBI Circular No. RBI/2015-16/20 DNBR.(PD) CC. No. 047 /03.10.119/2015-16, Dated 1<sup>st</sup> July 2015.

## I) Asset classification & Provisioning

### 1. Classification of Assets:

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. RBI/2015-16/20 DNBR.(PD) CC. No. 047/ 03.10.119/2015-16, Dated 1st July 2015.

Classification of Assets	As at 31st March 2017	As at 31st March 2016
Standard Assets	208,59,12,825	187,23,18,755
<u>Sub-standard Assets</u>		
Secured Loans	49,36,466	56,84,584
Unsecured Loans	3,96,74,294	8,70,522
<b>Total Sub- Standard Assets</b>	<b>4,46,10,760</b>	<b>65,55,106</b>
Staff Loans	18,57,760	11,75,244
<b>Total</b>	<b>213,05,23,585</b>	<b>188,00,49,105</b>

### 2. Provisioning Norms for Loans - As Per RBI Guidelines [Non-Banking Financial Companies - Micro Finance Institutions (Reserve Bank) Directions, 2011]

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

1% of the outstanding loan portfolio or

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

Provision for Assets	As at 31 <sup>st</sup> March 2017	As at 31 <sup>st</sup> March 2016
<b>1% of Aggregate Loan Portfolio (A)</b>	<b>2,13,23,813</b>	<b>1,88,00,491</b>
50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days	2,03,56,229	12,62,295
100% of the aggregate loan installments which are overdue for 180 days or more	38,98,302	28,51,410
<b>Total Provision on Sub-Standard Assets (B)</b>	<b>2,42,54,531</b>	<b>41,13,705</b>
<b>Higher of (A) &amp; (B)</b>	<b>2,42,54,531</b>	<b>1,88,00,491</b>
Less: Provision at the Beginning of the Period	(1,88,00,491)	(89,93,263)
Provision for the year	54,54,040	98,07,228
Additional Provision made	1,00,00,000	-
<b>Total Provision for the year</b>	<b>1,54,54,040</b>	<b>98,07,228</b>



It is to be noted that RBI Vide Circular No.RBI/2016-17/143 DBR.No.BP.BC.37/21.04.048/2016-17 dated 21<sup>st</sup> November 2016 and RBI/2016-17/198 DBR.No.BP.BC.49/21.04.048/2016-17 dated 28<sup>th</sup> December 2016 had given Relaxation in Prudential Norms by way of additional 90 days beyond what is applicable for Non - Deposit Accepting/taking NBFC (MFI)'s for recognition of loan accounts as sub standard. However, the company has decided not to take the benefits of the above said circulars while classifying loan accounts as sub standard. All the loan accounts which have installment over dues beyond 180 days have been classified as Non Performing Assets. As a matter of Prudence and considering the impact of Demonetisation, the company has decided to provide an additional provision of Rs. 1,00,00,000/- than what is stated in Prudential Norms.

**m) Statutory Reserve:**

As per Section 45-IC of the Reserve bank of India Act, 1934, the Company is required to create a reserve fund at the rate of 20% of the net profit after tax of the Company every year. Accordingly the Company has transferred an amount of Rs. 24,50,930/- (Previous Year Rs.29,84,870/-), out of the net profit after the tax for the year ended 31<sup>st</sup> March 2017 to Statutory Reserve.

**n) Securitization of Assets**

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

Particulars	For the Year Ended 31st March 2017 (Rs.)	For the Year Ended 31st March 2016 (Rs.)
Total Number of Loan Assets Securitized during the Year	31,786	12,943
Book Value of Loans Assets Securitized during the Year	56,94,35,455	15,37,15,490
Micro Finance Loans Subordinated as Credit Enhancements for Assets De-Recognised	-	-
Sale Consideration Received during the Year	54,09,63,683	16,43,79,648
Quantum of Credit Enhancement provided during the Year in the form of Deposits (including Accrued Interest)	3,48,17,139	1,00,04,690
Un-amortized Income as at year end	-	65,63,717
Interest spread Recognised in the Statement of Profit and Loss during the Year	14,14,340	14,14,340

**o) Disclosures Pursuant to Reserve Bank of India Guidelines on Securitization Transactions RBI/2015-16/107 DNBR(PD).CC.NO.056/03.10.119/2015-16 dated July 1<sup>st</sup> 2015**

Sl.No.	Particulars	As at 31 March 2017	As at 31 March 2016
1	No of special purpose vehicle's (SPV's) sponsored by the NBFC for securitization transactions (Nos.)	4	3
2	Total amount of securitized assets as per books of the SPVs sponsored by the NBFC	56,94,35,455	15,37,15,490
3	Total amount of exposures retained by the NBFC to comply with Minimum Retention Ration( MRR) as on the date of balance sheet		
	a) Off-balance sheet exposures		
	First loss	-	-
	- Others	-	-
	b) On-balance sheet exposures		
	- First loss ( Cash Collateral) (including Accrued Interest)	3,48,17,139	1,00,04,690
	- Others ( MRR)	2,84,71,772	-

4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitizations		
	- First loss	-	-
	- Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitizations		
	- First loss	-	-
	- Others	-	-
	ii) Exposure to third party securitizations		
	- First loss		
	- Others		

p) Disclosure for Buy-out Transactions

Particulars	For the Year Ended 31 <sup>st</sup> March 2017 (Rs.)	For the Year Ended 31 <sup>st</sup> March 2016 (Rs.)
No. of Buy-out Transactions during the year	7	5
Total Number of Loan Assets buy-out during the Year	19,414	13,241
Loans Assets buy-out during the Year	37,47,01,788	21,80,32,154
Total amount of exposures retained by the NBFC to comply with Minimum Retention Ratio ( MRR)	2,27,13,807	1,38,17,759
Consideration Received during the Year	35,19,87,981	20,42,14,395

q) Disclosure Pursuant to paragraph 13 of Non- Banking Financial ( Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007):

	Particulars	As on 31 March 2017		As on 31 March 2016	
		Amount Outstanding in Rs.	Amount Overdue in Rs.	Amount Outstanding in Rs.	Amount Overdue in Rs.
	<b><u>Liabilities:</u></b>				
1	<b>Loans and Advances availed by the NBFC inclusive of interest accrued there on but not paid:</b>				
(a)	Debentures				
	- Secured	21,68,00,000	-	9,16,66,525	-
	- Unsecured	-	-	-	-
	( other than falling within the meaning of public deposits)				
(b)	Deferred Credits	-	-	-	-
(c)	Term Loans				
	- Secured	186,97,95,854	-	147,47,97,581	-
	- Unsecured	7,91,66,665	-	9,58,33,333	-
(d)	Inter- Corporate Loans and Borrowings	-	-	-	-
(e)	Commercial Paper	-	-	-	-
(f)	Cash Credits	-	-	-	-
(g)	Sub Debt	25,00,00,000	-	10,00,00,000	-

	Particulars	Amount outstanding as at 31 March 2017 in Rs.	Amount outstanding as at 31 March 2016 in Rs.
	<b>Assets:</b>		
2	<b>Break -up of loans and Advances including Bills Receivables [Other than those included in (3) below]:</b>		
(a)	Secured	1,28,82,954	12,39,58,187
(b)	Unsecured	211,76,40,631	175,49,15,674

3	<b>Break up of Leased Assets and Stock on Hire and Other Assets Counting towards AFC activities</b>		
(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	-	-

	Particulars	Amount outstanding as at 31 March 2017 in Rs.	Amount outstanding as at 31 March 2016 in Rs.
4	<b>Break-up if Investments</b>		
	<b>Current Investments</b>		
I	<b>Quoted:</b>		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Other(Please specify)		
II	<b>Unquoted:</b>		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Other(Please specify)	-	-
	<b>Long Term Investments</b>		
I	<b>Quoted:</b>		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Other( Please specify)	-	-
II	<b>Unquoted:</b>		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-

(iv)	Government Securities	-	-
(v)	Investment in Pass Through Certificates	-	-

5	Borrower Group-wise Classification of Assets Financed as in(2)and (3) above				
	Category	As at 31 March 2017 Amount in Rs.		As at 31 March 2016 Amount in Rs.	
		Secured	Unsecured	Secured	Unsecured
1	Related Parties				
	(a) Subsidiaries	-	-	-	-
	(b) Companies in the same Group	-	-	-	-
	( c) Other Related Parties	-	-	-	-
2	Other than Related Parties	1,28,82,954	211,76,40,631	12,39,58,187	175,49,15,674
	<b>Total</b>	<b>1,28,82,954</b>	<b>211,76,40,631</b>	<b>12,39,58,187</b>	<b>175,49,15,674</b>

6	Investor Group-wise Classification of all Investments(Current and Long Term) in Shares and Securities ( both Quoted and Unquoted):				
	Category	Market Value/Break-up value or Fair value or Net Asset Value (Company's Share) as on 31 March 2017	Book Value as on 31 March 2017	Market Value/ Break-up value or Fair value or Net Asset Value (Company's Share) as on 31 March 2016	Book Value as on 31 March 2016
1	Related Parties				
	(a) Subsidiaries	-	-	-	-
	(b) Companies in the same Group	-	-	-	-
	(c) Other Related Parties	-	-	-	-
2	Other than Related Parties( Refer Note Below)"	-	-	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

7	Other Information				
	Category	As at 31 March 2017		As at 31 March 2016	
		Related Parties	Other than Related Parties	Related Parties	Other than Related Parties
(i)	Gross Non-Performing Assets	-	4,46,10,760	-	65,55,106
(ii)	Net Non-Performing Assets	-	2,03,56,229	-	24,41,401
(iii)	Assets Acquired in Satisfaction of Debt	-	-	-	-

r) Expenditure incurred in Foreign Currency ( On Accrual basis):

Particulars	For the year ended 31 <sup>st</sup> March 2017 (Rs.)	For the year ended 31 <sup>st</sup> March 2016 (Rs.)
Web hosting charges	6,66,116	6,51,405
Processing Fees Paid	20,84,400	-

s) Payable to Micro & Small Enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Based on the information presently available with the management, the disclosures required under Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act") are given below:

Sl. No	Particulars	As at 31 March 2017 (Rs.)	As at 31 March 2016 (Rs.)
1	The principal amount remaining unpaid to any supplier as at the end of the year	-	-
2	The interest due on the principal remaining outstanding as at the end of the year	-	-
3	The amount of interest paid under the Act, along with the amounts of the payment made beyond the appointed day during the year	-	-
4	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act	-	-
5	The amount of interest accrued and remaining unpaid at the end of the year	-	-
6	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under the Act	-	-

t) Details of Fraud Noticed during the year:

Based on the audit procedures performed and the information and explanations given to us, we report that following frauds has been noticed during the year:

Category	For the year ended 31 <sup>st</sup> March 2017		For the year ended 31 <sup>st</sup> March 2016	
	No Of Instances	Amount Rs.	No Of Instances	Amount Rs.
Embezzlement of Cash	02	4,79,842	01	81,755

Note: Out of the above an amount of Rs. 14,967/- has been recovered by the company.

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

Sl. No	Loans and Advances in the nature of Loans	As at 31 March 2017		As at 31 March 2016	
		Amount Outstanding	Maximum Amount Outstanding during the year	Amount Outstanding	Maximum Amount Outstanding during the year
1	From Holding Company:				
	- Chaitanya Rural Intermediation Development Services Private Limited	-	-	-	-

2	To Fellow Subsidiaries				
3	To Associates				
	-No Associate during the Current Year	-	-	-	-
4	Where there is				
	- No Repayment Schedule	-	-	-	-
	Repayment Schedule beyond seven years				
	- No Interest	-	-	-	-
	Interest below the rate as specified in section 372A of the Companies Act	-	-	-	-
5	To Firms/ Companies in which directors are interested (other than the 1 and 2 above).	-	-	-	-
6	Investments by Loanee in the shares of Parent and Subsidiary Company	-	-	-	-

v) Figures have been rounded off to nearest rupee wherever necessary.

w) Previous year figures have been regrouped wherever necessary.

x) Disclosure regarding Specified Bank Notes (SBNs):

During the year, the Company had done transactions in specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated March 31, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December, 30 2016. The denomination wise SBNs and other notes as per the notification is given below:

Particulars	SBNs	Other Denominations	Total
Closing cash in hand as on 08.11.2016	7,40,000	2,85,275	10,25,275
(+) Permitted receipts	-	64,97,100	64,97,100
(+) Repayments Received from Customers of the Company on account of Loans disbursed	5,59,96,000	60,47,74,255	66,07,70,255
(-) Permitted payments	-	35,36,71,208	35,36,71,208
(-) Amount deposited in Banks	5,67,36,000	21,27,88,056	26,95,24,056
(-) Amount deposited in Banks (By Customers)		3,93,54,997	3,93,54,997
Closing cash in hand as on 30.12.2016	-	57,42,369	57,42,369

*\* For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8th November, 2016.*

### 3. SHARE CAPITAL

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Authorized capital</b> 2,50,00,000 equity shares of Rs.10 each ( <i>Previous Year 1,80,00,000 equity shares of Rs. 10 each</i> )	2500,00,000	1800,00,000
<b>Issued, subscribed and paid up capital</b> 182,91,567 equity shares of Rs. 10 each fully paid-up ( <i>Previous Year 127,81,926 equity shares of Rs. 10 each</i> )	1829,15,670	1278,19,260
	<b>1829,15,670</b>	<b>1278,19,260</b>

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

Particulars	Financial year 2016-17 (Units in Nos.)	Financial year 2016-17 (Amount in rupees)	Financial year 2015-16 (Units in Nos.)	Financial year 2015-16 (Amount in rupees)
Number of shares outstanding as at the beginning of the financial year (April 01)	127,81,926	1278,19,260	117,06,926	1170,69,260
Add: Increase in number of shares during the year				
- Fresh issue of shares	55,09,641	550,96,410	10,75,000	107,50,000
	182,91,567	1829,15,670	127,81,926	1278,19,260
Less: Reduction in number of shares during the year				
- Redemption of shares	-	-	-	-
- Forfeiture of shares	-	-	-	-
Number of shares outstanding as at the Close of the financial year (March 31)	182,91,567	1829,15,670	127,81,926	1278,19,260

#### 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 shareholders.

#### 3.3 Details of Shares held by Holding Company

Particulars	As at 31 March 2017		As at 31 March 2016	
	No. of Shares held	Amount in Rupees	No. of Shares held	Amount in Rupees
Chaitanya Rural Intermediation Development Services Private Limited	182,91,566	1829,15,660	127,81,925	1278,19,250

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

Name of Shareholder	As at 31 March 2017		As at 31 March 2016	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Chaitanya Rural Intermediation Development Services Private Limited	182,91,566	100.00	127,81,925	100.00

**3.5 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.**

### 4. RESERVES AND SURPLUS:

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>(a) Securities Premium Account</b>		
Opening Balance	878,93,408	685,43,408
Add : Securities premium credited on Share issue	1449,03,562	193,50,000
Less: Premium Utilised	-	-
Closing Balance	2327,96,970	878,93,408
<b>(b) Statutory Reserve</b>		
Opening Balance	89,68,320	59,83,450
Add : Current Year Transfer	24,50,930	29,84,870
Less: Written Back in Current Year	-	-
Closing Balance	114,19,250	89,68,320
<b>(c) Surplus</b>		
Opening balance	343,51,298	224,11,820
Add : Net Profit/(Net Loss) For the current year	122,54,651	149,24,348
Add : Transfer from Reserves	-	-
Less: Proposed Dividends	-	-
Less: Interim Dividends	-	-
Less: Transfer to Reserves	24,50,930	29,84,870
Closing Balance	441,55,019	343,51,298
<b>Total</b>	<b>2883,71,239</b>	<b>1312,13,026</b>

### 5. LONG TERM BORROWINGS:

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Long Term Borrowings</b>		
<b><u>Secured</u></b>		
<b>(a) Term loans</b>		
From Banks [ Refer sub-note A-i ]	2234,58,523	3536,48,338
From Financial Institutions [ Refer sub-note A-ii ]	5025,56,642	3243,43,825
	7260,15,165	6779,92,163
<b>(b) NCDs</b>		
[ Refer sub-note C ]	2043,00,000	125,00,000



	2043,00,000	125,00,000
<b>Unsecured</b>		
(a) Sub-Debts [ Refer sub-note D ]	2500,00,000	1000,00,000
	2500,00,000	1000,00,000
(c) Unsecured Loan [ Refer sub-note E ]	624,99,997	791,66,665
	624,99,997	791,66,665
<b>Total</b>	<b>12428,15,162</b>	<b>8696,58,828</b>

#### 6. LONG TERM PROVISIONS:

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Long Term Provisions</b>		
Provision for receivables under financing activity - Long Term	13,69,689	35,42,032
<b>Total</b>	<b>13,69,689</b>	<b>35,42,032</b>

#### 7. SHORT TERM BORROWINGS:

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Short Term Borrowings</b>		
(a) Term Loan		
<b>Secured</b>		
From Financial Institutions [ Refer sub-note B ]	-	360,00,000
<b>Total</b>	<b>-</b>	<b>360,00,000</b>

#### 8. TRADE PAYABLES:

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Sundry Creditors</b>		
Dues to MSMED's	-	-
Dues to others	560,29,927	462,00,757
<b>Total</b>	<b>560,29,927</b>	<b>462,00,757</b>

**9. OTHER CURRENT LIABILITIES:**

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Current maturities of Secured long-term borrowings [ Refer sub-note A-i & ii ]	11437,80,689	7608,05,417
(b) Current maturities of NCDs [ Refer sub-note C ]	125,00,000	791,66,525
(c) Current maturities of Unsecured long-term borrowings [ Refer sub-note E ]	166,66,668	166,66,668
(d) Insurance Payable	35,41,782	84,39,055
(e) Other payables	57,04,277	38,31,370
(f) Cash Profit on Loan Transfer Transactions Pending Recognition	9,57,298	65,63,717
<b>Total</b>	<b>11831,50,714</b>	<b>8754,72,753</b>

**10. SHORT TERM PROVISIONS:**

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Provision for Employee Benefit	20,89,347	74,49,315
(b) Provision for Gratuity	66,76,433	36,57,061
(c) Provision for Payment to Auditor	1,83,750	1,56,750
(d) Provision for Expenses	20,92,471	26,26,232
(e) Provision for Income Tax	-	41,12,090
(f) Provision for Receivables under Financing Activity - Short Term	328,84,842	152,58,459
(g) Provision for Cash Loss	-	40,721
(h) Provision for Interest Accrued but not due on Loans	151,89,573	73,09,934
<b>Total</b>	<b>591,16,415</b>	<b>406,10,561</b>

**13. DEFERRED TAX ASSET:**

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Opening balance as at the beginning of the year (April 01)		
- Depreciation on tangible fixed assets	4,33,887	2,93,583
- on Asset Provisioning	62,16,006	29,17,864
- on Gratuity Provision	12,09,134	5,82,274
-Un absorbed loss as per Income Tax Act	-	6,419
	<b>78,59,027</b>	<b>38,00,140</b>
(b) Adjustments during the financial year		
- Depreciation on tangible fixed assets	4,73,467	1,40,304
- on Asset Provisioning	51,09,570	32,98,142
- on Gratuity Provision	9,98,295	6,26,860
-Un absorbed loss as per Income Tax Act	-	(6,419)
	<b>65,81,332</b>	<b>40,58,887</b>

(c) Closing balance as at the end of the year (March 31)		
- Depreciation on tangible fixed assets	9,07,354	4,33,887
- on Asset Provisioning	113,25,576	62,16,006
- on Gratuity Provision	22,07,429	12,09,134
-Un absorbed loss as per Income Tax Act	-	-
<b>Total</b>	<b>144,40,359</b>	<b>78,59,027</b>

#### 14A. LONG TERM LOANS AND ADVANCES:

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Security deposits - Unsecured, considered good		
Rental deposits	44,33,988	35,21,028
Other deposits	47,139	29,960
	<b>44,81,127</b>	<b>35,50,988</b>
(b) Other Loans and Advances		
Loans to employees - Unsecured, considered good	18,57,760	11,75,244
<b>Total</b>	<b>63,38,887</b>	<b>47,26,232</b>

#### 14B. LOANS AND ADVANCES TOWARDS FINANCING ACTIVITIES - LONG TERM:

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
<b><u>Receivable under Financing Activities</u></b>		
(a) Secured and Considered Good - Long term <i>[Assets Derecognized on account of securitization &amp; Buy-out of receivables is Rs. 4,52,92,464 /- (P.Y. - Nil)]</i>	83,97,373	580,72,804
(b) Unsecured and Considered Good - Long term <i>[Assets Derecognized on account of securitization &amp; Buy-out of receivables is Rs. 58,68,452/- (P.Y. - Nil)]</i>	1279,37,302	2958,36,602
<b>Total</b>	<b>1363,34,675</b>	<b>3539,09,406</b>

#### 15. OTHER NON-CURRENT ASSETS:

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
<b><u>Others bank balances</u></b>		
Cash Collateral		
Cash Collateral with maturity more than 12 months (TL) - Banks	815,04,175	726,03,954
Cash Collateral with maturity more than 12 months (TL)- FI s	106,73,643	54,05,902
<b>Total</b>	<b>921,77,818</b>	<b>780,09,856</b>

**16. CASH AND CASH EQUIVALENTS:**

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
<b><u>(a) Cash on hand</u></b>	22,93,426	2,55,617
<b><u>(b) Balances with banks</u></b>		
In current account	3662,59,406	514,46,906
Fixed Deposit Bank		
maturity less than 12 months	2000,00,000	1,33,711
<b>Cash Collateral</b>		
Cash Collateral with maturity less than 12 months		
(TL) - Banks	492,14,362	306,67,413
Cash Collateral with maturity less than 12 months		
(TL)- FI s	53,62,270	163,96,720
Cash Collateral with maturity less than 12 months		
(Securitisation)	434,66,163	100,04,690
	<b>6643,02,201</b>	<b>1086,49,440</b>
<b>Total</b>	<b>6665,95,626</b>	<b>1089,05,057</b>

**17. LOANS AND ADVANCES TOWARDS FINANCING ACTIVITIES - SHORT TERM:**

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
<b><u>Receivable under Financing Activities</u></b>		
(c) Secured and Considered Good	44,85,581	658,85,383
<i>[Assets Derecognized on account of securitization &amp; Buy-out of receivables is Rs. 8,75,22,183 /- (P.Y. Rs. 3,98,79,425/-)]</i>		
(d) Unsecured and Considered Good	19897,03,329	14590,79,072
<i>[Assets Derecognized on account of securitization &amp; Buy-out of receivables is Rs. 17,90,26,162/- (P.Y. Rs. 24,90,50,750/-)]</i>		
<b>Total</b>	<b>19941,88,910</b>	<b>15249,64,455</b>

**18. OTHER SHORT TERM LOANS & ADVANCES:**

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Prepaid expenses	14,37,120	10,87,532
Interest Accrued on Loan Portfolio	121,57,661	144,53,426
<b>Total</b>	<b>135,94,781</b>	<b>155,40,958</b>

**19. OTHER CURRENT ASSETS:**

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Interest accrued on fixed deposits but not Due	-	42,225
Advances to Others	12,27,703	32,83,068
Advance to Staffs	12,17,476	1,31,954
Advance EMI	83,33,334	-
Receivable from CRIDS	6,82,879	-
CENVAT Credit	7,08,522	8,73,734
Insurance Claim Receivable	85,29,632	61,09,746
IT Refund Receivable	8,26,112	-
Other Receivables	1,65,108	1,19,985
Retention Money on Buyout Transaction	453,21,539	101,42,390
<b>Total</b>	<b>670,12,305</b>	<b>207,03,102</b>

**FIXED ASSETS:****11. TANGIBLE ASSETS:**

FIXED ASSETS										(Amount in Rupees)
TANGIBLE ASSETS										
Particulars	Gross Block				Accumulated Depreciation				Net block	
	As at April 1, 2016	Addition during the year	Disposals during the year	Balance as at March 31, 2017	As at April 1, 2016	For the year	Adjustment during the year	Balance as at March 31, 2017	As at March 31, 2017	As at March 31, 2016
Computers & Computer Equipments	105,68,168	56,53,833	5,25,094	156,96,907	63,19,419	47,65,248	4,27,458	106,57,209	50,39,698	42,48,749
Furniture and fixtures	75,00,738	24,80,936	38,575	99,43,099	24,49,170	16,86,142	17,097	41,18,215	58,24,884	50,51,568
Motor Car	60,63,253	38,82,192	1,45,000	98,00,445	31,51,753	16,76,797	66,448	47,62,102	50,38,343	29,11,500
Motor Bike	1,32,538	66,703	-	1,99,241	92,319	18,825	-	1,11,144	88,097	40,219
UPS	18,34,626	8,12,501	35,100	26,12,027	5,68,589	4,45,078	19,942	9,93,725	16,18,302	12,66,037
Office equipments	5,43,560	99,675	-	6,43,235	3,51,076	1,27,307	-	4,78,383	1,64,852	1,92,484
Godrej Safe	4,54,845	32,67,812	-	37,22,657	2,11,189	1,34,756	-	3,45,945	33,76,712	2,43,656
Electrical Equipments	17,245	-	17,245	-	13,247	-	13,247	-	-	3,998
<b>Total</b>	<b>271,14,973</b>	<b>162,63,652</b>	<b>7,61,014</b>	<b>426,17,611</b>	<b>131,56,762</b>	<b>88,54,153</b>	<b>5,44,192</b>	<b>214,66,723</b>	<b>211,50,888</b>	<b>139,58,211</b>
Previous period (2015-16)	168,56,413	102,58,560	-	271,14,973	78,25,560	53,31,202	-	131,56,762	139,58,211	90,30,853

**12. INTANGIBLE ASSETS:**

INTANGIBLE ASSETS										(Amount in Rupees)
Particulars	Gross Block				Accumulated Depreciation				Net block	
	As at April 1, 2016	Addition during the year	Disposals during the year	Balance as at March 31, 2017	As at April 1, 2016	For the year	Adjustment during the year	Balance as at March 31, 2017	As at March 31, 2017	As at March 31, 2016
Computer software	38,84,432	8,55,790	-	47,40,222	19,43,519	8,62,137	-	28,05,656	19,34,566	19,40,913
<b>Total</b>	<b>38,84,432</b>	<b>8,55,790</b>	<b>-</b>	<b>47,40,222</b>	<b>19,43,519</b>	<b>8,62,137</b>	<b>-</b>	<b>28,05,656</b>	<b>19,34,566</b>	<b>19,40,913</b>
Previous period (2015-16)	23,65,834	15,18,598	-	38,84,432	14,39,146	5,04,373	-	19,43,519	19,40,913	9,26,688

**20. REVENUE FROM OPERATIONS:**

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Interest Received from Customers	5526,43,638	3154,79,410
Loan Processing Fees	445,07,199	349,13,937
Securitization Income	227,26,141	40,13,543
<b>Total</b>	<b>6198,76,977</b>	<b>3544,06,890</b>

**21. OTHER INCOME:**

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
<u>Interest income</u>		
On Bank Deposits	136,47,307	101,59,189
Short Term Capital gain on Mutual Fund	121,80,366	70,51,101
Loan Processing Fees on employee loan	22,129	10,342
Interest on employee loan	2,23,781	3,10,733
Service Fees Received on BC	71,09,920	-
Service Fees Received on Securitisation	22,99,000	-
Bad Debt Recovered	2,775	-
Other Income	4,27,456	4,61,607
<b>Total</b>	<b>359,12,735</b>	<b>179,92,972</b>

**22. FINANCE COSTS:**

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Interest expense		
On Term Loans	2842,12,882	1538,72,936
On NCDs	275,15,407	167,29,863
Bank charges	16,51,249	4,03,856
Loan Processing Expenses	226,49,561	164,35,420
NCD Expenses	95,51,194	64,54,379
<b>Total</b>	<b>3455,80,292</b>	<b>1938,96,454</b>

**23. EMPLOYEE BENEFIT EXPENSES:**

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Salary, Wages, Allowances & other Benefits	1512,84,632	765,16,672
Contributions to P.F., ESI & Others	135,93,088	62,36,574
Gratuity Expenses	30,64,718	18,62,412
Staff welfare expenses	68,42,043	34,20,019
<b>Total</b>	<b>1747,84,481</b>	<b>880,35,677</b>

**24. OTHER EXPENSES:**

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Conveyance Expenses	275,56,412	144,08,978
Rent	95,54,693	55,69,873
Printing, Books & Other Stationary	73,52,091	48,31,007
Vehicle Running & Maintenance	42,28,729	26,52,999
Telephone & Internet Charges	67,76,436	38,30,363
Professional Charges	68,05,373	25,43,907
Tour & Travelling Expenses	34,89,801	25,67,511
Meeting & Training Expenses	53,48,827	31,98,921
Rent Paid For Server Hosting	29,51,407	2,59,882
Remuneration to Statutory Auditors	1,91,125	1,64,826
Remuneration to Internal Auditors	3,66,281	4,45,721
Business Promotion Expenses	3,99,170	2,87,588
Service Tax Paid	74,11,489	45,20,425
Membership Fee & Subscription	17,41,315	4,41,889
Electricity Charges	13,20,643	6,61,431
Postage & Courier Charges	5,36,265	3,51,937
Director's Sitting Fees	3,50,000	2,55,000
Repairs & Maintenance [General]	1,60,985	2,73,089
Repairs & Maintenance of Computers	92,562	2,14,983
Water Charges	8,69,739	4,60,611
Insurance Charges	2,51,106	3,85,206
Office & General Expenses	19,21,737	13,43,541
Brokerage for Office	19,900	13,700
Rates & Taxes	13,93,257	18,40,152
Recruitment Expenses	4,79,487	3,54,871
Auction Related Expenses	1,38,260	9,900
Cash loss	85,437	40,721
Assets Written Off	1,32,385	-
Loss on sale of Assets	21,937	-
<b>Total</b>	<b>919,46,850</b>	<b>519,29,030</b>

## Sub note Forming Part Of Balance Sheet

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

#### i. From Banks:

Sl. No.	Rate of Interest	Original Loan Tenure	No. of Installments O/s as on 31.03.2017	Name of the Bank	Facility Availed	Long Term Borrowings		Current Maturities of Long Term Borrowings		Securities Offered
						31.03.2017	31.03.2016	31.03.2017	31.03.2016	
1	12.55%	36 Months	0	Dena Bank	Term Loan 01	-	-	-	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
2	12.55%	33 Months	0	Dena Bank	Term Loan 02	-	-	-	150,00,012	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
3	12.55%	33 Months	10	Dena Bank	Term Loan 03	-	300,00,018	307,06,523	403,55,734	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
4	12.55%	30 Months	30	Dena Bank	Term Loan 04	56,99,996	-	38,00,004	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
5	12.35%	36 Months	0	Corporation Bank	Term Loan	-	-	-	84,13,814	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
6	14.00%	20 Months	0	IDBI Bank	Term Loan 01	-	-	-	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
7	14.00%	20 Months	0	IDBI Bank	Term Loan 02	-	-	-	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
8	14.00%	20 Months	0	IDBI Bank	Term Loan 03	-	-	-	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
9	14.00%	18 Months	0	IDBI Bank	Term Loan 04	-	-	-	114,10,000	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
10	13.00%	18 Months	8	IDBI Bank	Term Loan 05	-	200,00,000	184,66,674	300,00,000	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
12	12.45%	36 Months	27	State Bank of India	Term Loan 02	192,95,942	333,37,000	172,22,066	146,91,625	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
14	14.00%	30 Months	0	South Indian Bank	Term Loan 02	-	-	-	55,03,736	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
15	14.00%	30 Months	6	South Indian Bank	Term Loan 03	-	54,30,000	54,30,000	111,15,650	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
16	14.00%	30 Months	18	South Indian Bank	Term Loan 04	54,57,000	163,65,000	109,08,000	112,27,482	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
17	12.00%	48 Months	5	South Indian Bank	Vehicle Loan	-	61,799	61,329	1,49,480	Motor Car Hypothecated to Bank
18	14.75%	18 Months	0	RBL Bank	Term Loan 01	-	-	-	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
19	14.50%	18 Months	0	RBL Bank	Term Loan 02	-	-	-	142,85,715	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
20	13.50%	18 Months	5	RBL Bank	Term Loan 03	142,85,714	-	571,42,857	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
21	12.50%	22 Months	0	Union Bank of India	Term Loan	-	-	-	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
22	12.50%	24 Months	3	Union Bank of India	Term Loan	-	53,12,500	53,12,500	212,50,000	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, Corporate Guarantee of Chaitanya Rural Intermediation Development Services Pvt Ltd
23	14.70%	36 Months	0	Canara Bank	Term Loan 01	-	-	-	100,00,000	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
24	12.40%	36 Months	12	Canara Bank	Term Loan 02	166,66,664	333,33,332	169,04,476	166,66,668	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
25	14.00%	30 Months	1	State Bank of Mysore	Term Loan 01	-	6,25,000	17,31,979	87,29,518	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
26	13.65%	30 Months	23	State Bank of Mysore	Term Loan 02	120,00,439	190,00,000	123,11,920	110,11,189	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
27	12.75%	36 Months	10	Vijaya Bank	Term Loan	-	99,01,307	98,27,623	120,00,000	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
28	13.50%	36 Months	4	Dhanalaxmi Bank	Term Loan	-	181,81,815	183,62,039	181,81,820	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, Corporate Guarantee of Chaitanya Rural Intermediation Development Services Pvt Ltd
29	13.75%	36 Months	13	Bank of Maharashtra	Term Loan	14,93,785	196,80,848	191,69,822	186,34,169	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, Corporate Guarantee of Chaitanya Rural Intermediation Development Services Pvt Ltd
30	14.00%	48 Months	0	KSFC	Term Loan	-	-	-	80,00,000	Personal Guarantees of Promoter Directors, Book Debts Assigned
31	10.50%	36 Months	2	NABARD	Re-finance 01	-	333,33,333	340,77,806	333,33,334	Personal Guarantees of Promoter Directors, Book Debts Assigned
32	10.50%	36 Months	4	NABARD	Re-finance 02	166,63,998	499,97,332	333,33,334	333,33,334	Personal Guarantees of Promoter Directors, Book Debts Assigned
33	11.75%	60 Months	6	ICICI Bank	Vehicle Loan 01	-	32,318	32,232	59,819	Motor Car Hypothecated to Bank
34	11.75%	60 Months	6	ICICI Bank	Vehicle Loan 02	-	32,318	32,232	59,819	Motor Car Hypothecated to Bank
35	15.75%	60 Months	8	ICICI Bank	Hypothecation Loan	-	82,342	82,341	1,21,928	Motor Car Hypothecated to Bank
36	13.00%	18 Months	0	DCB	Term Loan 01	-	-	-	375,00,000	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
37	12.50%	22 Months	18	DCB	Term Loan 02	150,00,000	-	300,00,000	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
38	13.00%	24 Months	11	Kotak Mahindra Bank	Term Loan 01	-	229,16,667	231,73,402	250,00,000	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
39	12.50%	78 Months	22	Karnataka Bank	Term Loan 01	153,84,620	176,92,310	32,71,341	23,07,690	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
40	13.75%	36 Months	22	Kaveri Grameen Bank	Term Loan 01	77,94,874	183,33,100	102,01,990	103,02,100	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
41	9.35%	60 Months	56	HDFC Bank	Vehicle Loan 01	3,78,155	-	84,880	-	Motor Car Hypothecated to Bank
42	13.00%	30 Months	30	SIDBI	Term Loan 02	600,04,000	-	407,79,562	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
43	13.50%	30 Months	9	Bandhan Bank	Term Loan 01	333,33,335	-	172,39,953	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
Total (a)						2234,58,523	3536,48,338	4196,66,885	4546,44,636	



## ii. From Financial Institutions:

Sl. No.	Rate of Interest	Original Loan Tenure	No. of Installments O/s as on 31.03.2017	Name of the Financial Institution	Facility Available	Long Term Borrowings		Current Maturities of Long Term Borrowings		Securities Offered
						31.03.2017	31.03.2016	31.03.2017	31.03.2016	
2	16.50%	24 Months	0	MAS Financial Services Ltd	Term Loan 08A	-	-	-	75,00,000	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount
3	16.50%	24 Months	0	MAS Financial Services Ltd	Term Loan 08B	-	-	-	100,00,004	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount
4	15.00%	24 Months	13	MAS Financial Services Ltd	Term Loan 10A	20,83,345	-	249,99,996	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount
5	15.00%	24 Months	13	MAS Financial Services Ltd	Term Loan 10B	20,83,345	-	249,99,996	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount
6	14.50%	24 Months	21	MAS Financial Services Ltd	Term Loan 11	374,99,995	-	500,00,004	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount
11	15.25%	18 Months	0	IFMR Capital	Term Loan 09	-	-	-	54,88,100	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
12	15.25%	24 Months	4	IFMR Capital	Term Loan 10	-	37,87,802	37,87,804	102,16,381	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
13	15.25%	24 Months	6	IFMR Capital	Term Loan 11	-	223,51,416	223,51,414	398,53,067	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
14	15.25%	36 Months	20	IFMR Capital	Term Loan 12	131,79,567	305,55,982	173,76,414	149,33,612	Personal Guarantees of Promoter Directors, Book Debts Assigned
15	15.25%	36 Months	20	IFMR Capital	Term Loan 13	131,79,567	305,55,982	173,76,414	149,33,612	Personal Guarantees of Promoter Directors, Book Debts Assigned
16	15.25%	36 Months	25	IFMR Capital	Term Loan 14	207,43,931	-	163,13,323	-	Personal Guarantees of Promoter Directors, Book Debts Assigned
17	15.25%	36 Months	25	IFMR Capital	Term Loan 14B	207,43,931	-	163,13,323	-	Personal Guarantees of Promoter Directors, Book Debts Assigned
18	15.00%	36 Months	26	IFMR Capital	Term Loan 15A	221,84,443	-	160,99,582	-	Personal Guarantees of Promoter Directors, Book Debts Assigned
19	15.00%	36 Months	31	IFMR Capital	Term Loan 15B	583,34,417	-	302,66,401	-	Personal Guarantees of Promoter Directors, Book Debts Assigned
20	15.50%	24 Months	21	Maanaveeya Development & Finance Pvt. Ltd	Term Loan 01	-	-	-	187,55,000	Personal Guarantees of Promoter Directors, Book Debts Assigned
21	15.00%	36 Months	23	Maanaveeya Development & Finance Pvt. Ltd	Term Loan 02	458,25,000	958,29,000	500,04,000	500,04,000	Personal Guarantees of Promoter Directors, Book Debts Assigned
22	15.50%	36 Months	10	Habitat	Term Loan 01	-	48,82,922.00	48,83,028	50,89,786.00	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
23	15.00%	36 Months	20	Habitat	Term Loan 02	39,35,273	91,51,291.00	52,16,018	44,93,645.00	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
24	14.00%	48 Months	32	Habitat	Term Loan 03	344,17,638	-	107,45,247	-	Personal Guarantees of Promoter Directors, Book Debts Assigned
25	16.50%	24 Months	12	Caspian	Term Loan	-	-	-	264,28,571	Personal Guarantees of Promoter Directors, Book Debts Assigned
26	16.00%	24 Months	0	Ananya	Term Loan 03	-	-	-	50,00,000	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
27	16.00%	24Months	0	Ananya	Term Loan 04	-	-	-	37,49,995	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
28	15.75%	18 Months	0	Ananya	Term Loan 05	-	-	-	41,66,664	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
29	15.75%	18 Months	0	Ananya	Term Loan 06	-	-	-	49,99,998	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
30	15.75%	18 Months	2	Ananya	Term Loan 07	-	11,11,104	11,11,104	66,66,672	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
31	14.00%	36 Months	8	Manappuram	Term Loan 01	166,66,664	333,33,332	166,66,668	166,66,668	Personal Guarantees of Promoter Directors, Book Debts Assigned
32	14.75%	24 Months	17	Religare Finvest	Term Loan 01	316,34,428	577,84,997	684,84,886	422,15,003	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
33	14.50%	36 Months	22	Capital First	Term Loan 01	166,66,663	349,99,997	200,00,004	150,00,003	Personal Guarantees of Promoter Directors, Book Debts Assigned
34	14.00%	18 Months	15	Reliance Capital	Term Loan 03A	181,49,429	-	665,99,465	-	Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount
35	14.00%	18 Months	17	Reliance Capital	Term Loan 03B	299,02,899	-	650,72,251	-	Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount
36	15.50%	24 Months	15	Jaisons Finlease (Intellgrow)	Term Loan 01A	114,29,955	-	252,78,280	-	Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount
37	15.50%	24 Months	17	Jaisons Finlease (Intellgrow)	Term Loan 01B	159,65,081	-	246,30,964	-	Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount
38	13.50%	33 Months	27	Hero FinCorp	Term Loan 01	150,21,883	-	172,04,282	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
39	15.25%	24 Months	15	Au Financiers	Term Loan 01	124,99,993	-	500,00,004	-	Personal Guarantees of Promoter Directors, Book Debts Assigned
40	13.45%	24 Months	17	Tata Capital Ltd	Term Loan 01	104,17,300	-	249,99,600	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
41	13.50%	36 Months	10	Nabkisan	Term Loan 01	499,91,895	-	333,33,332	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned
Total (b)						5025,56,642	3243,43,825	7241,13,804	3061,60,781	

**B. Short Term Borrowings:****From Financial Institutions:**

Sl. No.	Rate of Interest	Loan Tenure	No. of Installments O/s as on 31.03.2017	Name of the Bank / FI	Facility Availed	Short Term Borrowings				Securities Offered
						31.03.2017	31.03.2016	31.03.2017	31.03.2016	
1	15.50%	12 Months	0	Reliance Capital	Term Loan	-	-	-	-	Cash Collateral, Book Debts Assigned, PDCs for EMI Amount
2	16.25%	12 Months	0	MAS Financial Services Ltd	Empowered Loan 02	-	-	-	160,00,000	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount
3	16.50%	12 Months	0	MAS Financial Services Ltd	Term Loan 06	-	-	-	-	Cash Collateral, Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount
4	16.00%	12 Months	0	Au Finance	CC	-	-	-	200,00,000	Personal Guarantees of Promoter Directors, Book Debts Assigned, PDCs for EMI Amount
Total						-	-	-	360,00,000	

**Note:**

(a) The Company has not defaulted in the repayment of dues to Banks and Financial Institutions

(b) The Interest Rate disclosed above represents the rate interest as on 31.03.2017

**C. Details of Non-Convertible Debentures:**

Sl. No.	Coupon Rate	Maturity Date	Debenture Details			As at 31.03.2017	As at 31.03.2016	Options Available	Date of Redemption if Option is exercised
			Nos.		Face Value		Rs.		
1	12.95%	28-Jul-16	75	Hinduja Leyland	10,00,000		125,00,025	No	NA
2	11.88%	28-Jan-17	50	Ratnakar Bank Ltd	10,00,000		166,66,500	No	NA
3	13.50%	28-Jun-17	100	Hinduja Leyland	10,00,000	125,00,000	625,00,000	No	NA
4	13.80%	22-Aug-22	2,043	Triple Jump	1,00,000	2043,00,000	-	No	NA
Total						2168,00,000	916,66,525		
Less: Current Maturities of NCDs						125,00,000	791,66,525		
Long Term Portion of NCDs						2043,00,000	125,00,000		

**Note:**

- The Secured, Non-Convertible Debentures are secured by hypothecation of specified Receivables under Financing Activities
- The above Non-Convertible Debentures are listed on BSE Limited (Bombay Stock Exchange). Further, the Company has entered into an agreement with GDA Trusteeship Services Limited to act as Debentures Trustees for the Debentures
- The Company has not defaulted in the repayment of dues to the Debenture Holders.

**D. Sub Debt:**

Sl. No.	Rate of Interest	Original Loan Tenure	No. of Instalments O/s as on 31.03.2017	Name of the Bank	Facility Availed	Long Term Borrowings		Current Maturities of Long Term Borrowings		Securities Offered
						31.03.2017	31.03.2016	31.03.2017	31.03.2016	
1	16.50%	78 Months	1	Capital First	Sub-Debt	500,00,000	500,00,000	-	-	NA
2	17.00%	75 Months	1	IFMR Fimpact	Sub-Debt	500,00,000	500,00,000	-	-	NA
3	14.50%	72 Months	1	Kharvi Capital	Sub-Debt	1500,00,000	-	-	-	NA
<b>Total</b>						<b>2500,00,000</b>	<b>1000,00,000</b>	<b>-</b>	<b>-</b>	

**E. Unsecured Loan:**

Sl. No.	Rate of Interest	Original Loan Tenure	No. of Instalments O/s as on 31.03.2017	Name of the Bank	Facility Availed	Long Term Borrowings		Current Maturities of Long Term Borrowings		Securities Offered
						31.03.2017	31.03.2016	31.03.2017	31.03.2016	
1	17.45%	36 Months	7	Caspian	Term Loan	124,99,997	291,66,665	166,66,668	166,66,668	NA
2	14.50%	75 Months	1	IFMR Fimpact	Term Loan	500,00,000	500,00,000	-	-	NA
<b>Total</b>						<b>624,99,997</b>	<b>791,66,665</b>	<b>166,66,668</b>	<b>166,66,668</b>	
<b>Grand Total (A+B+C+D+E)</b>						<b>12428,15,162</b>	<b>8696,58,828</b>	<b>11729,47,357</b>	<b>8926,38,610</b>	