



# **S.M.I.L.E. MICROFINANCE LIMITED**

## **ANNUAL REPORT 2010 - 2011**

### **REGISTERED & CORPORATE OFFICE**

No. 4, Dr. NATESAN ROAD, ASHOK NAGAR,  
CHENNAI – 600 083  
TAMILNADU, INDIA.

Tel : 044 – 2371 8588, 044 – 42318049

Fax : 044 – 2371 8589

Website : [www.smileltd.org](http://www.smileltd.org).

Partners :

**B. SANTHAKUMAR**, M.Com., F.C.A.  
**SORNARAJAN T. VICTORIA**, M.Com., F.C.A.  
**MAMMEN MATHEWS**, M.Com., F.C.A.

21, (Old No. 6) New Street,  
Nungambakkam, Chennai - 600 034.  
Ph : 2824 1647, 2821 8193  
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**AUDITORS' REPORT TO THE MEMBERS OF  
S.M.I.L.E.MICROFINANCE LIMITED**

1. We have audited the attached Balance Sheet of **S.M.I.L.E. MICROFINANCE LIMITED** as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, in which we have also considered the reports of 30 branches audited by other auditors and 10 branches audited by us. The branches audited by us and those audited by others have been selected by the Management on the authority of the shareholders. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standard generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.
3. As required by Companies (Auditor' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we give in the annexure, a statement of matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of accounts as required by the law have been kept by the Company, so far as appears from our examination of the books of the Company;



**VICTORIA MATHEWS & SANTHAKUMAR**  
CHARTERED ACCOUNTANTS

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- (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Profit and Loss Account and the Balance Sheet comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (e) On the basis of the written representations received from the Directors as on March 31, 2011, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial accounts, read together with the notes on accounts attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
- i) In the case of the Balance Sheet, of the State of Affairs of the Company as at March 31, 2011.
- ii) In the case of the Profit and Loss Account, of the profits of the Company for the year ended on that date and
- iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **VICTORIA MATHEWS & SANTHAKUMAR**  
(FRN No. 5458S)  
Chartered Accountants



A handwritten signature in blue ink, appearing to be 'B. Santhakumar'.

**B. SANTHAKUMAR**  
Partner

Membership No: 27583/200

Place: Chennai  
Dated : 30<sup>th</sup> May, 2011.

Partners :

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**ANNEXURE TO THE AUDITORS' REPORT**  
**Referred to in paragraph 3 of our Report of Even Date**

**Re: S.M.I.L.E. MICROFINANCE LIMITED**

1. a. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. We are informed by the Management that all the Assets have been physically verified by them during the year and no material discrepancies were noticed on such verification.
- c. The Company has not disposed off any of fixed assets during the year.
2. a. Company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Therefore, reporting under sub clauses (a) to (d) of clauses 4 (iii) does not arise.
- b. The Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Therefore, reporting under sub clauses (e) to (g) of clauses 4 (iii) does not arise.
3. In our opinion and according to the information and explanation given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and for the services rendered. We are informed that there are no continuing failures to correct major weaknesses in internal control system, as corrective actions are taken immediately.
4. a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered in the register maintained under that Section have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Act do not exceed the value of rupees five lakhs in respect of any party during the year and those transactions made at a value of rupees five lakhs and below, prima facie, have been made at prices which are reasonable having regard to the nature of the service and the prevailing market prices at the relevant time.



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5. In our opinion according to the information and explanations given to us, the Company has not accepted any deposits from the public within the purview of section 58A of the Companies Act, 1956 and the company has complied with the directives issued by Reserve Bank of India with regard to acceptance of deposits.
6. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
7.
  - a. According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including income tax, wealth tax and other material statutory dues applicable to it with the appropriate authorities during the year.
  - b. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax and other material statutory dues applicable to it, which are outstanding as at 31<sup>st</sup> March, 2011 for a period of more than six months from the date they became payable.
8. According to the records of the company and the information and explanation given to us, there are no dues of wealth tax, customs duty, excise duty and cess which have not been deposited on account of dispute.
9. The Company does not have any accumulated losses and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
10. In our opinion and according to information and explanations given to us, the Company has not defaulted in repayment of dues to Financial Institutions, Banks or Non-banking Financial Companies.
11. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. The Company does not carry on the business of Chit funds, Nidhi, mutual benefit fund and society. Hence, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.



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13. Based on the examination of records and the information and explanations given to us, the Company does not deal / trade in shares, securities, debentures and other investments.
14. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions are not *prima facie* prejudicial to the interest of the Company.
15. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained.
16. According to the information and explanations given to us and on overall examination of the financial statements of the Company and after placing reliance on the reasonable assumptions made by the Company for classification of long term and short term usages of funds, we are of the opinion that, *prima facie*, short terms funds have not been utilized for long term purposes.
17. The Company has made preferential allotment of shares to parties and companies covered in register maintained under section 301 of the Companies Act, 1956, during the year and the same is not, *prima facie*, prejudicial to the interest of the Company.
18. The Company has not issued any debentures during the year and therefore the question of creating security in respect thereof does not arise.
19. The Company has not made any public issue of any security during the year and therefore the question of disclosing the end-use of money raised by any public issue does not arise.



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20. Based on the audit procedures performed and the representation obtained from the management, we report that no fraud on or by the Company, having a material misstatement on the financial statements has been noticed or reported during the year under audit.
21. In our opinion and according to the information and explanation given to us, the nature of the company's business/activities during the year have been such that other clauses of the said Order are, in our opinion, not applicable to the Company for the year.

For **VICTORIA MATHEWS & SANTHAKUMAR**  
(FRN No. 5458S)  
Chartered Accountants



A handwritten signature in blue ink, appearing to be "B. Santhakumar".

**B. SANTHAKUMAR**  
Partner

Membership No: 27583/200

Place: Chennai  
Dated: 30<sup>th</sup> May, 2011

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

**BALANCE SHEET AS AT 31.03.2011**

PARTICULARS	Sch	31.03.2011	31.03.2010
		Rs.	Rs.
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	173,396,390	115,623,190
Share Application Money Pending for Allotment		-	24,767
Reserves and Surplus	2	506,070,044	227,221,857
<b>Loan Funds</b>			
Secured Loans	3	1,118,042,714	1,259,082,104
Deferred Tax Liability		-	308,330
<b>TOTAL</b>		<b>1,797,509,148</b>	<b>1,602,260,248</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	13,990,233	12,619,565
Less: Depreciation		8,123,556	4,329,482
Net Block		<b>5,866,677</b>	<b>8,290,083</b>
DEFERRED TAX ASSET		1,840,931	-
<b>Current Assets, Loans &amp; Advances</b>			
Current Assets	5	259,954,982	259,204,562
Loans & Advances	6	1,620,097,741	1,393,215,585
	(A)	<b>1,880,052,723</b>	<b>1,652,420,147</b>
<b>Less: Current Liabilities And Provisions</b>			
Current Liabilities	7	80,360,458	63,419,377
Provisions	8	16,207,340	3,383,150
	(B)	<b>96,567,798</b>	<b>66,802,527</b>
<b>Net Current Assets</b>	(A-B)	<b>1,783,484,925</b>	<b>1,585,617,620</b>
<b>Miscellaneous Expenditure</b>			
To The Extent Not Written Off	9	6,316,615	8,352,545
<b>TOTAL</b>		<b>1,797,509,148</b>	<b>1,602,260,248</b>
Notes to the Accounts	16		

Per our report of even date  
for **VICTORIA MATHEWS & SANTHAKUMAR**  
Chartered Accountants

**B. SANTHAKUMAR**  
Partner  
Membership No: 27583/200

Place : Chennai  
Dated : 30.05.2011



By order of the BOARD

**Dr. N. SETHURAMAN**  
CHAIRMAN

**M. SATHIYAMOORTHY**  
Managing Director

**G. SOMASUNDARAM**  
Company Secretary

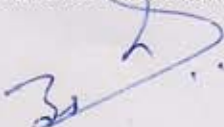


## S.M.I.L.E. MICROFINANCE LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011

PARTICULARS	Sch	31.03.2011	31.03.2010
		Rs.	Rs.
<b>INCOME</b>			
Income from financing operation	10	489,955,087	169,433,487
Miscellaneous	11	552,692	114,688
<b>Total</b>		<b>490,507,779</b>	<b>169,548,175</b>
<b>EXPENDITURE</b>			
Financial Expenses	12	178,554,554	81,196,122
Establishment Expenses	13	127,939,856	40,528,444
Administration & Other Expenses	14	39,761,324	18,576,878
Provision for Non Performing Assets under RBI directions		539,774	(257,190)
Contingent Provisions against Standard Assets.		4,002,474	-
Depreciation		3,794,075	1,970,173
		<b>354,592,057</b>	<b>142,014,427</b>
<b>Profit before Taxation</b>		<b>135,915,722</b>	<b>27,533,748</b>
Less : Provision for Tax: Current Year		47,053,233	9,522,257
Earlier year		-	90,975
Deferred		(2,149,261)	226,100
<b>Profit after Tax</b>		<b>91,011,750</b>	<b>17,694,416</b>
Add: Balance brought forward from previous year		32,827,542	18,673,127
<b>Profit available for appropriation</b>		<b>123,839,292</b>	<b>36,367,542</b>
<b>APPROPRIATION</b>			
Transfer to Statutory Reserve		18,202,400	3,540,000
Balance carried to Balance Sheet		105,636,892	32,827,542
<b>Total</b>		<b>123,839,292</b>	<b>36,367,542</b>
Accounting Policies	15		
Notes to the Accounts	16		

Per our report of even date  
for **VICTORIA MATHEWS & SANTHAKUMAR**  
Chartered Accountants




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Partner  
Membership No: 27583/200

Place : Chennai  
Dated : 30.05.2011

By order of the BOARD



**Dr. N. SETHURAMAN**  
CHAIRMAN



**M. SATHIYAMOORTHI**  
Managing Director



**G. SOMASUNDARAM**  
Company Secretary