



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



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

**18th
ANNUAL REPORT
2012-2013**

REGISTERED & CORPORATE OFFICE

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CORPORATE INFORMATION

BOARD OF DIRECTORS

M. Sathiyamoorthi, M.A., B.G.L.
Chairman & Managing Director
(Erstwhile. IAS Officer)

J. Bradley Swanson, B.A. MBA
Director
Nominee of DWM Investments (Cyprus)
Limited

Aleem Remtula, B.A. MBA
Director
Nominee of DWM Investments (Cyprus)
Limited

Indrani Singh, B.A.
Director
Nominee of DWM Investments (Cyprus)
Limited
*[Erstwhile Senior Executive in Public Sector Bank
and Regional Manager in Friends of Women's World
Banking (FWWB)]*

A. Tamilarason, M.Com.
Whole-Time Director
(Erstwhile Banker)

P. Murali Srinivas, B.Sc., M.A.,
Independent Director

Rajan Samuel, B.Com .MBA.
Independent Director

COMPANY SECRETARY

G. Somasundaram, M.Com, ACS, LLB

STATUTORY AUDITORS

M/s. Victoria Mathews & Santhakumar
Chartered Accountants
21, (Old No.6) New Street,
Nungambakkam
Chennai 600 034

OFFICES

Registered & Corporate

4, Dr. Natesan Road,
Ashok Nagar, Chennai 600 083,
Tamilnadu, India.

Regional

5/102-C, V.I.P. Garden,
Opp: Madurai High Court,
Melur Road,
Madurai – 625 107

FUNDERS

<u>BANKS</u>	<u>FINANCIAL INSTITUTIONS</u>
Andhra Bank	IFMR Capital Finance Private Ltd
Bank of Maharashtra	M.V.Microfin Pvt Ltd.
BNP Paribas	Reliance Commercial Finance
Corporation Bank	SIDBI
Development Credit Bank Ltd	
ICICI Bank Limited	
IDBI Bank Ltd	
ING Vysya Bank Ltd	
Karnataka Bank Ltd	
Lakshmi Vilas Bank	
Punjab National Bank	
State Bank of Hyderabad	
State Bank of Patiala	
The Karur Vysya Bank Ltd	
The Ratnakar Bank Ltd	
The South Indian Bank Ltd	
Vijaya Bank	

BOARD COMMITTEES

AUDIT COMMITTEE	BORROWING & INVESTMENT COMMITTEE
<p>Mr. M. Sathiyamoorthi Mr. A. Tamilarason Mr. J. Bradley Swanson <i>Primary Nominee - DWM Investments (Cyprus) Ltd.</i> Mr. Aleem Remtula <i>Secondary Nominee - DWM Investments (Cyprus) Ltd.</i> Mrs. Indrani Singh <i>Tertiary Nominee - DWM Investments (Cyprus) Ltd.</i></p> <p>Mr. Rajan Samuel, <i>Independent Director</i></p> <p>Mr. P. Murali Srinivas, <i>Independent Director</i></p>	<p>Mr. M. Sathiyamoorthi Mr. A. Tamilarason Mr. J. Bradley Swanson <i>Primary Nominee - DWM Investments (Cyprus) Ltd.</i> Mr. Aleem Remtula <i>Secondary Nominee - DWM Investments (Cyprus) Ltd.</i> Mrs. Indrani Singh <i>Tertiary Nominee - DWM Investments (Cyprus) Ltd.</i></p>
SHARE ALLOTMENT & TRANSFER COMMITTEE	CREDIT & NON-PERFORMING ASSETS REVIEW COMMITTEE
<p>Mr. M. Sathiyamoorthi Mr. A. Tamilarason Mr. J. Bradley Swanson <i>Primary Nominee - DWM Investments (Cyprus) Ltd.</i> Mr. Aleem Remtula <i>Secondary Nominee - DWM Investments (Cyprus) Ltd.</i> Mrs. Indrani Singh <i>Tertiary Nominee - DWM Investments (Cyprus) Ltd.</i></p>	<p>Mr. M. Sathiyamoorthi Mr. A. Tamilarason Mr. J. Bradley Swanson <i>Primary Nominee - DWM Investments (Cyprus) Ltd.</i> Mr. Aleem Remtula <i>Secondary Nominee - DWM Investments (Cyprus) Ltd.</i> Mrs. Indrani Singh <i>Tertiary Nominee - DWM Investments (Cyprus) Ltd.</i></p> <p>Mr. P. Murali Srinivas, <i>Independent Director</i></p>
REMUNERATION & COMPENSATION COMMITTEE	ASSET LIABILITY MANAGEMENT & RISK MANAGEMENT COMMITTEE
<p>Mr. M. Sathiyamoorthi Mr. A. Tamilarason Mr. J. Bradley Swanson <i>Primary Nominee - DWM Investments (Cyprus) Ltd.</i> Mr. Aleem Remtula <i>Secondary Nominee - DWM Investments (Cyprus) Ltd.</i> Mrs. Indrani Singh <i>Tertiary Nominee - DWM Investments (Cyprus) Ltd.</i></p> <p><i>Mr. Rajan Samuel, Independent Director</i></p> <p><i>Mr. P. Murali Srinivas Independent Director</i></p>	<p>Mr. M. Sathiyamoorthi Mr. A. Tamilarason Mr. J. Bradley Swanson <i>Primary Nominee - DWM Investments (Cyprus) Ltd.</i> Mr. Aleem Remtula <i>Secondary Nominee - DWM Investments (Cyprus) Ltd.</i> Mrs. Indrani Singh <i>Tertiary Nominee - DWM Investments (Cyprus) Ltd.</i></p> <p><i>Mr. Rajan Samuel, Independent Director</i></p>
NOMINATION COMMITTEE	CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE)
<p>Mr. M. Sathiyamoorthi Mr. A. Tamilarason Mr. J. Bradley Swanson <i>Primary Nominee - DWM Investments (Cyprus) Ltd.</i> Mr. Aleem Remtula <i>Secondary Nominee - DWM Investments (Cyprus) Ltd.</i> Mrs. Indrani Singh <i>Tertiary Nominee - DWM Investments (Cyprus) Ltd.</i></p>	<p>Mr. M. Sathiyamoorthi, CHAIRMAN & Managing Director</p> <p>Mr. Rajan Samuel (Independent Director)</p> <p>Mrs. Indrani Singh <i>Tertiary Nominee - DWM Investments (Cyprus) Ltd.</i></p>

DIRECTORS' REPORT

Your Directors are pleased to present the Eighteenth Annual Report of your Company (S.M.I.L.E. Microfinance Limited) together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended, 31st March 2013.

FINANCIAL PERFORMANCE

The Financial Performance for the year 2012-13 is given below:

	(Rupees in Lakhs)	
	2012-13	2011 - 12
Interest Income	5271.11	5278.97
Other Income	258.31	157.31
Total Income	5529.42	5436.28
Less		
Expenses	5091.60	4543.15
Profit before Tax	437.82	883.13
Less		
Provisions for:		
Income Tax	157.79	288.57
Fringe Benefit Tax	0.00	0.00
Deferred Tax	12.84	10.46
Profit after Tax	267.19	570.93
Add:		
Balance b/f from previous years	1513.11	1056.37
Amount available for Appropriation	1780.30	1627.30
Appropriations:		
Statutory Reserve	53.44	114.19
Balance carried to Balance Sheet	1726.86	1513.11
	1780.30	1627.30
Equity Share Capital	1733.96	1733.96
Reserves	5898.82	5631.63
CRAR (Capital to Risk-weighted Asset Ratio)	24.35%	48.58%

The Company earned a GROSS INCOME of Rs. 55.29 Crore (Previous Year Rs. 54.36 Crore) and PROFIT BEFORE TAX (PBT) of Rs. 4.38 Crore (Previous Year Rs. 8.83 Crore), with expenditures of Rs. 50.92 Crore (Previous Year Rs. 45.43 Crore).



The Company earned a PROFIT AFTER TAX (PAT) of Rs. 2.67 Crore (Previous year Rs. 5.71 Crore). The amount transferred to Statutory Reserve is Rs. 0.53 Crore (Previous year Rs. 1.14 Crore).

Banks and Funders increased their funding support to the Company to the levels experienced only prior to the October 2010 AP crisis. For the fiscal year 2012-2013, new funding to the Company increased by 173%. This led to an increase in the total On-Balance Sheet portfolio by 61% (and the total portfolio by 38%). The Company's Liquidity position at the end of the year was strong due to the large increase in lending in the last quarter of the Financial Year 2012 - 2013, thereby positioning the Company for a strong first quarter of 2013-2014. Despite the growth in the loan disbursement and outstanding portfolio during the year, Total income increased only by 1.71% since about 51% of the disbursement was made during the last four months period – from Dec 2012 to March 2013.

The Company has been driving organizational, operational and process efficiencies and as a result there was no increase in personnel and administration costs despite growth in business. Operational expenditures as a percentage of average portfolio decreased from 19.1% in 2011-2012 to 15.6% in 2012-2013. Despite this reduction, profit has decreased compared to the previous year period largely as a result of increase in borrowings and higher interest expenses (increased by Rs.4.28 Crore). PBT stood at 4.38 Crore, which is 50.42% less than the previous year. Net Profit stood at Rs. 2.67 Crore. Net margin (PAT/Total income) stood at 4.83% against 10.50% in the previous year. The Company will continue its cost-cutting efforts to improve profitability and offset higher operational costs. Recent introduction of fortnightly collection model will certainly reduce the operational cost. Net Worth increased to Rs. 74.59 Crore from Rs. 72.57 Crore of previous year.

MICROFINANCE SECTOR SCENARIO

In May 2012, the Finance Minister introduced the Micro Finance Institutions (Development and Regulation) Bill to the Parliament. While the legislation is yet to become an Act, it has empowered the Reserve Bank of India (RBI) to more strictly regulate the sector. In advance of the Bill becoming an Act, the RBI has offered additional clarity to the sector, in particular for local lenders, by establishing rules for lending rates, margins, recovery methods, and processing fees, among other things. The RBI has continued to release additional details on MFI regulations over the period. Some of the regulations have been positive (relaxation of qualifying assets and allowance to increase interest rates above 26%) and the restoration of a margin cap to 12% up to 31-3-2014. However, cost control measures are critical to implement to ensure continued profitability.

The guidelines of the RBI also require all MFIs to register under a new category called the NBFC-MFI, which is a necessary step towards effective regulation of the sector.

There are signs of improved investor confidence in the sector. According to MFIN, lending to the sector increased by 79%¹ and new and follow-on equity investments into the sector increased by over 100% in the last year². As of the end of FY 2012-2013, Microfinance actively reached 2.4 Crore clients with a portfolio of Rs. 212.45 bn³. For the first time since the crisis in Oct 2010, AP MFIs have shown growth in portfolio (7%) and disbursements (3%), though this was largely attributed to SKS. Non-AP MFIs increased their portfolio by

¹ MFIN Micrometer 2013

² www.vccircle.com

³ MFIN Micrometer 2013



39% and disbursements by 18%. Tamil Nadu and West Bengal were the two states with the most disbursements in 2012-2013, accounting for 38% of all disbursements.

COMPANY SCENARIO

Like other Indian MFIs, SMILE has faced operational and financial challenges during the year under review due to the limitations on interest rates, margins, loan tenors and loan sizes imposed by the RBI. However, based on the Company's financials and performance, the FUNDERS demonstrated confidence and extended increased Loan facilities in the second half of the Financial Year 2012 – 2013 which resulted in the Company finishing the year with an increase of 21% in Loan disbursements.

The Company, (S.M.I.L.E. MICROFINANCE LIMITED) is one of the largest players in Tamilnadu with 151 Branches in Tamilnadu and Puducherry. The Company serves over 4 Lakh families and provides them the required support for poverty alleviation. Our Mission is to empower poor women to become self-reliant. To date, the Company has disbursed Rs. 1892.69 Crore across Tamilnadu and Puducherry, while ensuring 99.9% collection from its borrowers using responsible collection methods.

LOAN DISBURSEMENTS

During the Year under review, the Company sanctioned loans to 3.69 lakh (previous year 3.56 lakh) Borrowers. Loan disbursement for the Year amounted to Rs. 486.39 Crore, an increase of Rs. 83.37 Crore (20.68%) from that of Rs. 403.02 Crore disbursed in the previous year. Average loan size increased to Rs. 13,168 from Rs. 11,310 in the previous year.

ASSETS UNDER MANAGEMENT (AUM)

The total Loan Assets under management of the Company increased to Rs.301.64 Cr (On Book Portfolio Rs.232.12 Cr + Managed Portfolio Rs.69.52 Cr), an increase of Rs.83.72 Cr (38%); Previous Year: Loan Asset under management Rs.217.92 Cr (On Book Portfolio Rs.143.89 Cr + Managed Portfolio Rs.74.03 Cr).

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

Due to effective recovery efforts of the Company, the PAR and arrears after write-off remained at low levels at year-end with PAR at Rs. 2.40 Lakhs compared to Rs. 13.55 Lakhs in the Previous Year.

PAR >30 days amounted to Rs. 2.40 Lakhs representing 0.01% of the Portfolio. Non-Performing Assets amounted to Rs. 2.40 Lakhs constituting 0.01% of loan portfolio as at 31/3/2013. The Company made a Loan Loss Provision of Rs. 2.40 Lakhs. The Company also made a Contingent Provision against Standard Assets of Rs. 58.02 Lakhs.

Bad Debts written off during the year - Rs.12.08 Lakhs is much lower when compared to Rs.101.27 Lakhs written off in the Previous Year.



FUNDERS

The Company was able to obtain Funds amounting to Rs. 232.50 Crore through Term Loans and Rs. 115.43 Crore through Securitization of its Pool of Credit Portfolio. The Company added State Bank of Hyderabad, Bank of Maharashtra, ING Vysya Bank to its Funders List for the year.

LOAN SERVICING

During the year, the Company serviced all its Term Loans promptly and made Principal repayments of Rs.81.74 Crore to all its funding Banks & Financial Institutions.

COMPUTERISATION OF OPERATIONS

With a view to handle the increased volume of operations and servicing the ever-increasing number of loan beneficiaries efficiently, *BR.Net* application software designed to handle all aspects of the Company's micro finance operations and Branch Accounting functions on-line has been introduced and successfully implemented.

DEPOSITS

The Company has not accepted any public deposits since inception and also during the Year.

PRUDENTIAL NORMS AND GUIDELINES

The Reserve Bank of India (RBI), the Regulator, has issued a set of guidelines and Directives to NBFC-MFIs regulating interest rates, margins, loan tenors, loan sizes, customer income limits, Qualifying Assets and Net Owned Funds among other things.

The Company shall continue to adhere to the guidelines/Directives of the RBI with regard to prudential norms, capital adequacy, Fair practices code and all other norms as applicable to NBFC-MFIs. It will also continue to adhere to the guidelines of the RBI with regard to prudential norms, capital adequacy and all other norms as applicable to non-deposit taking NBFC-MFIs.

DIRECTORS

Mr. A. Tamararason, Director of the Company retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment.

During the year under review:

- i) Mr. A. Tamararason was appointed as a Whole Time Director of the Company for a period of 2 (Two) years w.e.f., 14/12/2012 and his appointment was approved by the Shareholders of the Company at their Annual General Meeting held on 22/08/2012. Mr. A. Tamararason is liable to retire by rotation at the ensuing Annual General Meeting.



- ii) Mr. Rajan Samuel was appointed as an Additional Director on 30/11/2012 to hold the position in the capacity of Independent Director. Being eligible, he offers himself for appointment as a Director in the capacity of Independent Director in the ensuing Annual General Meeting.

- iii) Mr. Murali Srinivas was appointed as an Additional Director on 07/03/2013 to hold the position in the capacity of Independent Director. Being eligible, he offers himself for appointment as a Director in the capacity of Independent Director in the ensuing Annual General Meeting.

AUDITORS

M/s Victoria Mathews & Santhakumar, Chartered Accountants, Chennai retire at the conclusion of the Eighteenth Annual General Meeting and are eligible for reappointment. Directors recommend their reappointment for the current Financial Year.

INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956

The Company has continued to adopt measures to conserve electrical energy by installing Capacitors & Power Factor Meter in its Corporate Office and also by replacing incandescent bulbs and tube lights with CFL lighting.

During this Financial Year, the Company incurred foreign exchange expenditures to the tune of Rs.32.77 Lakhs which includes payment of Consultancy fee and foreign travel expenditure.

PARTICULARS OF EMPLOYEES' REMUNERATION

Statement of particulars pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended:

The Company does not have any employee who was in receipt of remuneration of prescribed sum under the said Rules during this Financial Year.

DIVIDEND

The Company did not consider any dividend payment for the current Financial Year as it is planning on re-investing profits and accumulating reserves in order to rapidly grow the business.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has proposed to spend 2% of the average of three years' Profit after Tax during this Financial Year towards CSR activities.



DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm:

- i) in the preparation of the annual accounts, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2013 and of the profit of the Company for the year ended on that date;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the Directors have prepared the Annual Accounts of the Company on a 'going concern' basis.

CORPORATE GOVERNANCE

Even though, Clause 49 of the Listing Agreement and the Corporate Governance Report required under this Clause are not applicable to the Company, as per the requirements of Guidelines issued by RBI, a separate Report on Corporate Governance is attached which forms part of Directors' Report.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board
S.M.I.L.E. MICROFINANCE LIMITED

Sd/-
M. SATHIYAMOORTHY
CHAIRMAN & MANAGING DIRECTOR

Chennai - 600083
Dated: 30th May, 2013

REPORT ON CORPORATE GOVERNANCE

Corporate Governance is the commitment of an organization to follow Ethics, Fair Practices and Transparency in all its dealings with its various stakeholders such as Customers, Employees, Investors, Government and the Society at large. Sound Corporate Governance is the result of external marketplace commitment and legislation plus a healthy Board Culture which directs the policies and philosophy of the Organization. Your Company is committed to good Corporate Governance in all its activities and processes even though it is only an Unlisted Public Limited Company.

COMPANY PHILOSOPHY

S.M.I.L.E. MICROFINANCE LIMITED's philosophy on Corporate Governance envisages adherence to the highest levels of Transparency, Accountability and fairness, in all areas of its operations and in all interactions with its stakeholders. The Board shall work to ensure the success and continuity of the Company's business through the appointment of Qualified Management and through on-going monitoring to assure that the Company's activities are conducted in a Responsible, Ethical and Transparent manner.

BOARD of DIRECTORS

In terms of Corporate Governance philosophy, all statutory and other significant material information are placed before the Board of Directors to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders. The Board of Directors currently consists of seven Members. Other than the Chairman & Managing Director, there is only one Member of the Board who is an Executive Director. The Chairman & Managing Director Mr. M Sathiyamoorthi and Mr. A. Tamilarason, Director are in Whole-time employment of the Company. Besides the above said 2 Directors and other 2 Independent Directors, there are 3 Non-Executive Directors nominated by DWM Investments (Cyprus) Limited (DWM) who is the largest Shareholder of the Company.

During the Financial Year ended 31st March 2013, four (4) Board Meetings were conducted on the following dates viz., 7th June, 2012;; 24th August, 2012; 30th November, 2012 and 7th March, 2013 and not more than four months elapsed between any two Board Meetings.

Particulars of the Directors' attendance of Board /Committee Meetings and particulars of their other company directorships are given below:-

NAME	Nature of Directorship	Attendance		Other Directorships
		Board	Committee	
M. Sathiyamoorthi	Executive – Chairman & Managing Director	4	40	Nil
J. Bradley Swanson	Non-Executive & Nominee of DWM Investments (Cyprus) Limited	4	15	4
Aleem Remtula	Non-Executive & Nominee of DWM Investments (Cyprus) Limited	4	15	1
Mrs. Indrani Singh	Non-Executive & Nominee of DWM Investments (Cyprus) Limited	4	41	Nil
A. Tamilarason	Executive - Whole-Time Director	4	39	Nil
Rajan Samuel	Independent	2	2	1
P. Murali Srinivas	Independent	1	0	2



CHANGES IN BOARD CONSTITUTION

During the Financial Year ended 31st March 2013, the following changes took place in the constitution of the Board.

Mr. Rajan Samuel who was appointed as an Additional Director by the Board of Directors at its meeting held on 30th November, 2012, in the capacity of Independent Director being eligible for appointment, offers himself for appointment as a Director (in the capacity of Independent Director - liable to retire by rotation) in the ensuing Annual General Meeting.

Mr. P. Murali Srinivas who was appointed as an Additional Director by the Board of Directors at its meeting held on 7th March, 2013, in the capacity of Independent Director being eligible for appointment, offers himself for appointment as a Director (in the capacity of Independent Director - liable to retire by rotation) in the ensuing Annual General Meeting.

COMMITTEES OF BOARD

The Board has currently Eight Committees, namely, Asset Liability Management & Risk Management Committee (ALCO); Audit Committee; Borrowing & Investment Committee; Credit & Non-Performing Assets Review Committee; Remuneration & Compensation Committee; Share Allotment & Transfer Committee, Corporate Social Responsibility Committee and Nomination Committee. The Board is responsible for constituting, assigning and co-opting the members of these Committees. The Board fixes the Terms of Reference of Committees and also delegates powers to the Committees from time to time.

The Minutes of the meetings of the Committees are circulated to the Board for its information and confirmation.

AUDIT COMMITTEE

Composition

1. Mr. M. Sathiyamoorthi, Chairman & Managing Director
2. Mr. A. Tamilarason, Director
3. Mr. J. Bradley Swanson, Director (Nominee of DWM)
4. Mr. Aleem Remtula, Director (Nominee of DWM)
5. Mrs. Indrani Singh, Director (Nominee of DWM)
6. Mr. Rajan Samuel, Director (Independent)
7. Mr. P. Murali Srinivas, Director (Independent)

Meetings

The Audit Committee met four (4) times during the Financial Year 2012-13 viz., on 6th June, 2012; 23rd August, 2012; 29th November, 2012 and 6th March, 2013.

Terms of Reference

The Role of the Committee, among others will include - :

1. Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the audit fees and also appointment of External Auditors for Branch Auditing.
3. Reviewing with the management, the quarterly and annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement, in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with accounting and other legal requirements relating to financial statements;
 - f. Disclosure of any 'related party transactions';
 - g. Qualifications in the Draft Audit Report
4. Reviewing with the management, performance of Internal Auditors and adequacy of the internal control systems.
5. Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
6. Discussion with Internal Auditors about significant findings and follow up there on.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

The Committee shall review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of 'related party transactions' (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
4. Internal Audit reports relating to internal controls of the Company;



REMUNERATION & COMPENSATION COMMITTEE

Composition

1. Mr. M. Sathiyamoorthi, Chairman & Managing Director
2. Mr. A. Tamilarason, Director
3. Mr. J. Bradley Swanson, Director (Nominee of DWM)
4. Mr. Aleem Remtula, Director (Nominee of DWM)
5. Mrs. Indrani Singh, Director (Nominee of DWM)
6. Mr. Rajan Samuel, Director (Independent)
7. Mr. P. Murali Srinivas, Director (Independent)

The Committee met ONCE during the Financial Year 2012-13 viz., 6th June, 2012.

Terms of Reference

The primary role of the Committee is fixing and revising the remuneration payable to the Managing Director and Whole-time Director(s) of the Company from time to time and to recommend to the Board the same for its approval.

The Committee shall determine the Salary, Bonus, Incentive and other Perquisites payable to the Key / Senior Management Personnel of the Company and recommend the same to the Board for its approval.

The Committee shall delegate any of the powers mentioned above to any of the Executives of the Company.

BORROWING & INVESTMENT COMMITTEE

Composition

1. Mr. M. Sathiyamoorthi, Chairman & Managing Director
2. Mr. A. Tamilarason, Director
3. Mr. J. Bradley Swanson, Director (Nominee of DWM)
4. Mr. Aleem Remtula, Director (Nominee of DWM)
5. Mrs. Indrani Singh, Director (Nominee of DWM)

Meetings

The Committee met Twenty-Seven (27) times during the Financial Year 2012-13 viz., 24th April, 2012, 6th June, 2012, 13th June, 2012; 17th July, 2012; 14th August, 2012; 25th August, 2012; 6th September, 2012; 11th September, 2012; 21st September, 2012; 26th September, 2012; 17th October, 2012; 30th October, 2012; 22nd November, 2012; 3rd December, 2012; 18th December, 2012; 19th December, 2012; 29th December, 2012; 22nd January, 2013; 30th January, 2013; 11th February, 2013; 21st February, 2013; 25th February, 2013; 27th February, 2013, 18th March, 2013; 21st March, 2013; 22nd March, 2013 and 27th March, 2013..

Terms of Reference

The role of Borrowing & Investment Committee is to approve borrowings from sources like Banks, Financial Institutions, Corporates, on such terms and conditions as to repayment, interest rate as it thinks fit and to review proposals for fresh issue of securities, or debt and approve the same for availment.



CREDIT & NON-PERFORMING ASSETS REVIEW COMMITTEE

Composition

1. Mr. M. Sathiyamoorthi, Chairman & Managing Director
2. Mr. A. Tamilarason, Director
3. Mr. J. Bradley Swanson, Director (Nominee of DWM)
4. Mr. Aleem Remtula, Director (Nominee of DWM)
5. Mrs. Indrani Singh, Director (Nominee of DWM)
6. Mr. P. Murali Srinivas, Director (Independent)

The Committee met four times during the Financial Year 2012-13 viz., 6th June, 2012; 23rd August, 2012; 29th November, 2012 and 6th March, 2013.

Terms of Reference

The Committee has been authorized to review and submit its recommendations to the Board in the following matters:

1. Business Plans; analysis of Member base; Drop outs; Death Benefits to Members / their Spouses; representations in MFI Associations like MFIN, Sa-Dhan.
2. Revision in Business Plans, Risk Categorisation of Accounts, Compliances as per RBI Guidelines in respect of Interest Rates, Margins etc.,
3. Analysing NPAs, suggestions for controlling NPAs, New Business Initiatives proposed by the Company, etc.

ASSET LIABILITY MANAGEMENT & RISK MANAGEMENT COMMITTEE (ALCO)

Asset Liability Management & Risk Management Committee (ALCO) was constituted by the Company as per the guidelines issued by RBI which are applicable to systemically important NBFCs.

Composition

1. Mr. M. Sathiyamoorthi, Chairman & Managing Director
2. Mr. A. Tamilarason, Director
3. Mr. J. Bradley Swanson, Director (Nominee of DWM)
4. Mr. Aleem Remtula, Director (Nominee of DWM)
5. Mrs. Indrani Singh, Director (Nominee of DWM)
6. Mr. Rajan Samuel, Director (Independent)

The Committee met four (4) times during the Financial Year 2012-13 viz., 6th June, 2012; 23rd August, 2012; 29th November, 2012 and 6th March, 2013



Terms of Reference

1. Liquidity Risk Management
2. Management of Market (Interest Rate) Risk
3. Funding and Capital Planning
4. Pricing, Profit planning and Growth projections
5. Credit and Portfolio Risk Management
6. Setting credit norms for lending products of the company
7. Operational and Process Risk Management
8. Laying down guidelines on KYC norms
9. To approve and revise the actual interest rates to be charged from customers for different products from time to time applying the interest rate model.

SHARE ALLOTMENT & TRANSFER COMMITTEE

Share Allotment & Transfer Committee was constituted as per the guidelines of the Companies Act, 1956.

Composition

1. Mr. M. Sathiyamoorthi, Chairman & Managing Director
2. Mr. A. Tamilarason, Director
3. Mr. J. Bradley Swanson, Director (Nominee of DWM)
4. Mr. Aleem Remtula, Director (Nominee of DWM)
5. Mrs. Indrani Singh, Director (Nominee of DWM)

Share Allotment & Transfer Committee Charter:

The Committee shall consider all the share transfers, share transmissions and allotment of shares as and when the need arises and the Committee shall prepare a consolidated statement of all share transfers/transmissions effected and allotment(s) of shares made and present the same to the Board for its noting.

The Company did not receive any complaints during the Financial Year 2012-13.

No meeting was held during the Financial Year 2012 – 13 as no allotment / transfer of shares took place.

NOMINATION COMMITTEE

Nomination Committee was constituted as per the guidelines issued by RBI for systemically important NBFCs.

Composition

1. Mr. M. Sathiyamoorthi, Chairman & Managing Director
2. Mr. A. Tamilarason, Director
3. Mr. J. Bradley Swanson, Director (Nominee of DWM)
4. Mr. Aleem Remtula, Director (Nominee of DWM)
5. Mrs. Indrani Singh, Director (Nominee of DWM)

The Committee met ONCE during the Financial Year 2012-13 viz., on 30th November, 2012.



Terms of Reference

The terms of reference of the Nomination Committee includes:

Analyze the necessity of appointment of Directors to the Board whether Executive / Non Executive / Independent, proposed candidates' ability in contributing to the good of the Company, their value addition etc., and recommending to the Board the right person for appointment to the position of Director in the Board, to the Board-

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Corporate Social Responsibility Committee was constituted as provided by Clause 135 of the Companies Bill even though The Bill is yet to become an Act.

As a responsible and socially committed organization, SMILE strives to improve the social welfare and the quality of life of the communities in which it operates. SMILE commits itself that it will not discriminate beneficiaries of CSR based on membership, gender, caste or creed.

SMILE works for and strives to:

- ✓ Support the health, education and community welfare activities.
- ✓ Protect the environment by adopting "Go Green" culture in work place.
- ✓ Provide suitable facilities to people with special needs and facilitate their requirements
- ✓ Partner with community development authorities to promote, support and participate in community development initiatives.

Composition

1. Mr. M. Sathiyamoorthi, Chairman & Managing Director
2. Mr. Rajan Samuel, Director (Independent)
3. Mrs. Indrani Singh, Director (Nominee of DWM)

No meeting was held during the Financial Year 2012-13 (since the Committee was formed only on 7th March, 2013).

Terms of Reference

The terms of reference of the Corporate Social Responsibility Committee includes:

- Design, implement and Review of CSR Policy periodically.
- Comply Statutory Requirement and CSR practices
- Budget and allocate funds for CSR initiatives and review the spends periodically
- Ensure CSR activities reach the Public and who are in need of basic amenities for their livelihood / relief from natural calamities.

REMUNERATION OF DIRECTORS

The details of remuneration paid to Mr. M. Sathiyamoorthi, the Chairman & Managing Director and Mr. A. Tamararason, Director for the Financial Year ended 31st March 2013 is as follows:

Name of Director	Remuneration in Rs.
Mr. M. Sathiyamoorthi	15,90,000
Mr. A. Tamararason	11,92,500

Note:

In computing the Managing Director's and Director's remuneration, perquisites have been valued in terms of actual expenditure incurred by the Company in providing the benefits.

The details of sitting fees paid to directors are as follows:

Name	Sitting Fees in Rs.		No. of Equity Shares held in the Company
	Board	Committee	
Mr. J. Bradley Swanson	3000	11000	Nil
Mr. Aleem Remtula	3000	Nil	Nil
Mrs. Indrani Singh	19500	83000	Nil
Mr. Rajan Samuel	35000	35000	Nil
Mr. P. Murali Srinivas	Nil	Nil	Nil

GENERAL BODY MEETINGS

During the financial year ended 31st March 2013, one (1) Annual General Meeting (AGM) was held as per details given below:

Date	Time	Venue
22 nd August, 2012 (AGM)	11:00 A.M.	Hotel Saravana Bhavan, a/c Meeting Hall, Y-209, 2nd Avenue, Anna Nagar, Chennai 600040.

All the proposed resolutions, including special resolutions, were passed by the shareholders as set out in the respective Notices.

CODE OF CONDUCT

The Company has formulated and adopted a Code of Conduct for the Board of Directors.

The Code of Conduct is derived from three interlinked fundamental principles, viz. good Corporate Governance, good corporate citizenship and exemplary personal conduct.



FAIR PRACTICES CODE

The Company has formulated a Fair Practices Code pursuant to the RBI guidelines issued in this regard to lay down procedures and practices in dealing with the business transactions, namely, applications for loans and their processing, loan appraisal and terms/conditions, disbursement of loans including changes in terms and conditions and handling of customer grievances. The Code came into effect on 17th March, 2007. The Code was amended by the Board of Directors at their meetings as and when required in order to comply with the changes provided by the Reserve Bank of India through periodical Circulars/Guidelines.

DISCLOSURES

The particulars of transactions between the Company and its related parties, as defined in Accounting Standard 18, are set out in the financial statements.

GENERAL SHAREHOLDER INFORMATION

Financial year: 1st April to 31st March
Shareholding pattern as on 31st March 2013

Category	# of Shares	%
Promoter Group (Dr. N. Sethuraman, Friends, Relatives and Associates)	3475000	20.04%
Other Members	2310000	13.32%
Foreign Shareholding: DWM Investments (Cyprus) Limited	11554639	66.64%
Total	17339639	100.00%

Address for Correspondence

Company Secretary
S.M.I.L.E. Microfinance Limited
4, Dr. Natesan Road,
Ashok Nagar,
Chennai – 600083.
Tel : +91 44 23718588 Tel : +91 44 42318049
Fax: +91 44 23718589
E-mail: cosec@smileltd.in
Web: www.smileltd.in

For and on behalf of the Board of Directors

Sd/-
M. Sathiyamoorthi
Chairman & Managing Director

Place: Chennai
Date: 30th May, 2013



CMD / GM-F&A Certificate

**The Board of Directors
S.M.I.L.E. MICROFINANCE LIMITED**

This is to certify that

- We have reviewed financial statements and the cash flow statement for the Financial Year ended 31st March 2013 and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- There are, to the best of our knowledge and belief, no transactions entered into by the Company during the Financial Year which are fraudulent or illegal.
- We accept responsibility for establishing and maintaining internal controls for financial reporting.

Sd/-
M. Sathiyamoorthi
Chairman & Managing Director

Sd/-
V.T. Prabakaran
General Manager – Finance & Accounts

Place: Chennai
Date: 30th May, 2013



Independent Auditor's Report
to the Members of S.M.I.L.E. MICROFINANCE LIMITED.

1. REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of S.M.I.L.E. MICROFINANCE LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

3. AUDITORS' RESPONSIBILITY

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

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

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

4. OPINION

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



- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date;
and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
 - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For VICTORIA MATHEWS & SANTHAKUMAR
Chartered Accountants
FRN:05458S

Sd/-
B.SANTHAKUMAR
Partner
Membership No: 027583/200
Place: Chennai
Date: 30.05.2013



Annexure referred to in paragraph 5(1) of the Our Report of even date to the members of S.M.I.L.E. MICROFINANCE LIMITED on the accounts of the Company for the year ended 31st March, 2013.

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

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.

(b) As explained to us, fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies were noticed on such verification.

(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets have not been disposed off by the Company during the year. Therefore it does not affect the going concern assumption.
2. The Company's nature of business/activities during the year has been such that clause 4(ii) of the Order is not applicable.
3. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of clauses 4 iii (b), iii(c) and iii (d) of the order are not applicable to the Company.

(b) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not taken loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Thus sub clauses iii (f) & iii (g) of clause 4 are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase and sale of inventory, services and fixed assets. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
5. a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.



b)As per information & explanations given to us and in our opinion, the transaction entered into by the Company with parties covered u/s 301 of the Act does not exceed five lacs rupees in a financial year. Therefore requirement of reasonableness of transactions does not arise.

6. In our opinion and according to the information and explanation given to us, the Company has not accepted 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 the Reserve Bank of India in this regard.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
8. The maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act.
9. (a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31st of March, 2013 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there is no amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty which have not been deposited on account of any disputes.
10. The Company does not have any accumulated loss and has not incurred cash loss during the financial year covered by our audit and in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of dues to financial institutions and banks.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore, the provision of clause (xiii) of the Order is not applicable to the Company.
14. According to information and explanations given to us, the Company is NOT trading in Shares, Mutual funds & other Investments.



15. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.
16. Based on our audit procedures and on the information given by the management, term loans availed by the Company, prima facie, were applied by the Company for the purposes for which the loans were obtained, other than temporary deployment, pending application.
17. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31st March, 2013, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
18. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year.
19. The Company has not issued debentures during the year under audit.
20. The Company has not raised any money by public issue during the year under audit.
21. Based on the audit procedures performed and the information and explanations given to us, 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.

For VICTORIA MATHEWS & SANTHAKUMAR
Chartered Accountants
FRN:05458S

Sd/-
B.SANTHAKUMAR
Partner
Membership No: 027583/200

Place: Chennai
Date: 30.05.2013



BALANCE SHEET as at March 31, 2013

Particulars	Notes	31.03.2013	31.03.2012
		₹	₹
I. EQUITY AND LIABILITIES			
<u>(1) Shareholder's Funds</u>			
(a) Share Capital	1	17,33,96,390	17,33,96,390
(b) Reserves and Surplus	2	58,98,81,663	56,31,63,203
<u>(2) Non-Current Liabilities</u>			
(a) Long-Term Borrowings	3	2,69,30,40,114	1,18,53,81,401
(b) Deferred tax liability (net)	4	4,89,659	-
<u>(3) Current Liabilities</u>			
(a) Short-Term Borrowings		-	-
(b) Other Current Liabilities	5	17,24,90,947	13,94,85,487
(c) Short-Term Provisions	6	60,42,781	44,27,160
Total Equity & Liabilities		3,63,53,41,554	2,06,58,53,641
II. ASSETS			
<u>(1) Non-Current Assets</u>			
(a) Fixed Assets			
(i) Tangible Assets	7	2,36,16,476	67,49,494
(b) Deferred tax assets (net)	4	-	7,94,659
(c) Other Non-Current Assets	8	1,73,92,298	1,01,11,111
<u>(2) Current Assets</u>			
(a) Inventories	9	8,11,874	7,85,686
(b) Receivables under Financing Activities	10	2,33,17,46,182	1,44,46,25,855
(c) Cash and cash equivalents	11	1,21,46,77,936	54,50,80,761
(d) Short-term loans and advances	12	4,70,96,788	5,77,06,075
Total Assets		3,63,53,41,554	2,06,58,53,641
Significant Accounting policies & Notes on Accounts	1 to 36		

Per our report of even date
for VICTORIA MATHEWS & SANTHAKUMAR
Chartered Accountants
FRN: 05458S

for and on behalf of the Board

Sd/-
B. SANTHAKUMAR
Partner
Membership No: 27583/200

Sd/-
M. SATHIYAMOORTHY
CHAIRMAN & MANAGING DIRECTOR

Sd/-
A. TAMILARASON
Director

Place : Chennai
Dated : 30.05.2013

Sd/-
G. SOMASUNDARAM
Company Secretary



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED March 31, 2013

Sr. No	Particulars	Notes	31.03.2013	31.03.2012
			₹	₹
I	Revenue from operations	13	52,71,11,498	52,78,96,541
II	Other Income	14	2,58,30,964	1,57,31,430
III	Total Revenue (I +II)		55,29,42,462	54,36,27,971
IV	Expenses:			
	Financial Costs	15	21,30,15,503	16,34,27,192
	Employee Benefit Expense	16	18,61,76,400	17,94,91,121
	Other Administrative Expenses	17	10,36,12,747	10,83,03,603
	Depreciation and Amortization Expense	18	47,40,295	43,98,713
	Provision for NPA		(5,92,790)	1,03,188
	Contingent Provisions against Standard Assets		22,08,411	(4,08,421)
	Total Expenses (IV)		50,91,60,566	45,53,15,396
V	Profit before tax (III - IV)		4,37,81,896	8,83,12,575
VI	Tax expense:			
	(1) Current tax			
	Current Year		1,57,79,118	2,88,57,122
	Prior Year			13,16,020
	(2) Deferred tax Provision		12,84,318	10,46,272
VII	Profit/(Loss) for the year		2,67,18,460	5,70,93,159
VIII	Earning per equity share of Rs.10/- each:			
	(1) Basic		1.54	3.29
	(2) Diluted		1.54	3.29
	Significant Accounting policies & Notes on Accounts	1 to 36		

Per our report of even date
for VICTORIA MATHEWS & SANTHAKUMAR
Chartered Accountants
FRN: 05458S

for and on behalf of the Board

Sd/-
B. SANTHAKUMAR
Partner
Membership No: 27583/200

Sd/-
M. SATHIYAMOORTHY
CHAIRMAN & MANAGING DIRECTOR

Sd/-
A. TAMILARASON
Director

Place : Chennai
Dated : 30.05.2013

Sd/-
G. SOMASUNDARAM
Company Secretary



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Note 1: Share Capital

Sr. No	Particulars	31.03.2013	31.03.2012
1	AUTHORIZED CAPITAL 20,000,000 Equity Shares of Rs. 10/- each.	₹ 200,000,000	₹ 200,000,000
		200,000,000	200,000,000
2	ISSUED , SUBSCRIBED & PAID UP CAPITAL 17,339,639 Equity Shares of Rs. 10/- each, Fully Paid up	173,396,390	173,396,390
	Total	173,396,390	173,396,390

There is no increase in the capital during the year.

Details of shareholding more than 5% :

Sr. No.	Name of the Shareholder	31.03.2013		31.03.2012	
		No.	% of holding	No.	% of holding
1	DWM Investments (Cyprus) Limited	11,554,639	66.64%	11,554,639	66.64%
2	Dr. N. Sethuraman	993,000	5.73%	993,000	5.73%

Note 2: Reserves & Surplus

Sr. No	Particulars	31.03.2013	31.03.2012
1	Share Premium	37,40,19,752	37,40,19,752
2	Statutory Reserve Balance at the beginning of the Year	3,78,32,032	2,64,13,400
	Add: Amount transferred from surplus in the statement of Profit & Loss	53,43,692	1,14,18,632
	Closing Balance	4,31,75,724	3,78,32,032
3	Surplus (Profit & Loss Account) Balance brought forward from previous year	15,13,11,419	10,56,36,892
	Add: Profit for the period	2,67,18,460	5,70,93,159
	Less: Transfer to Statutory reserve	53,43,692	1,14,18,632
	Closing Balance	17,26,86,187	15,13,11,419
	Total	58,98,81,663	56,31,63,203

There is no change in the Share premium account during the year.

Note 3: Long Term Borrowings

Sr. No	Particulars	31.03.2013 ₹	31.03.2012 ₹
1	Term Loan Secured by charge on Micro Credit Loan Receivables		
	- From Banks	2,38,34,85,907	97,82,28,246
	- From Others:		
	Bodies Corporates	28,33,65,207	15,23,92,155
	Statutory Bodies	2,61,89,000	5,47,61,000
	Total	2,69,30,40,114	1,18,53,81,401



These loans are secured against hypothecation of the book debts arising out of micro loans.

From Banks	₹
Andhra Bank -TL 2	11,24,99,806
Andhra Bank -TL 3	9,16,66,667
Andhra Bank -TL 4	15,00,00,000
Bank of Maharashtra	8,33,97,985
BNP Paribas TL 5	7,50,00,000
Corporation Bank TL 3	5,81,19,907
Corporation Bank TL 4	5,00,00,000
Development Credit Bank -TL-2	50,00,000
Development Credit Bank -TL-3	3,33,33,336
Development Credit Bank -TL-4	6,41,66,667
Development Credit Bank -TL-5	5,00,00,000
ICICI Bank (The Bank of Rajasthan Ltd.)	50,00,000
IDBI Bank Ltd.-TL 2	5,00,00,000
IDBI Bank Ltd.-TL 3	40,00,00,000
ING Vysya Bank Ltd.,TL-1	5,00,00,000
ING Vysya Bank Ltd.,TL-2	5,00,00,000
Karnataka Bank Ltd.	80,52,077
Karur Vysya Bank TL6	1,56,31,528
Lakshmi Vilas Bank TL 3 Tr#1	1,83,32,473
Lakshmi Vilas Bank TL 3 Tr#2	2,74,98,711
Punjab National Bank	8,30,92,573
South Indian Bank Ltd.-TL-1	41,63,000
South Indian Bank Ltd.-TL-2	10,00,00,000
State Bank of Hyderabad	10,00,08,366
State Bank of Patiala-TL1	2,51,83,758
State Bank of Patiala-TL2	20,00,00,000
The Ratnakar Bank Ltd. TL-1	8,58,39,476
The Ratnakar Bank Ltd. TL-2 (ADB)	8,75,00,000
The Ratnakar Bank Ltd. TL-3	9,99,99,577
The Ratnakar Bank Ltd. TL-4	10,00,00,000
Vijaya Bank-TL-2	10,00,00,000
Total	2,38,34,85,907
From Bodies Corporate	
IFMR Capital Finance Private Ltd. -TL 2	99,53,612
IFMR Capital Finance Private Ltd. -TL 3	43,57,041
IFMR Capital Finance Private Ltd. -TL 4	1,52,67,973
IFMR Capital Finance Private Ltd. -TL 5	2,53,21,165
IFMR Capital Finance Private Ltd. -TL 6	1,84,24,250
M V Microfin Pvt. Ltd.TL-4	2,00,00,000
Reliance Commercial Finance -TL-4	19,00,41,166
Total	28,33,65,207
From Statutory Body	
Small Industries Development Bank of India - TL 2	2,61,89,000
Total	2,61,89,000
Grand Total	2,69,30,40,114

**Note 4: Deferred Tax.**

S.No	Particulars	31.03.2013	31.03.2012
		₹	₹
	As per previous year Balance	7,94,659	18,40,931
	Less: Provision for the year	(12,84,318)	(10,46,272)
		(4,89,659)	7,94,659

Note 5: Other Current Liabilities

1	Interest Accrued but not due on Secured Loans	91,25,681	24,17,602
2	Portfolio collections in respect of Securitisation	11,24,80,862	10,47,79,346
3	Un-matured surplus on Securitisation	1,69,81,308	1,09,69,857
4	Insurance premium deposits	-	48,30,038
5	Advance Collection - Interest	-	19,58,909
6	- Principal	3,79,169	4,43,040
7	Others	2,17,06,781	81,48,494
8	Sundry Creditors for Expenses	1,18,17,146	59,38,201
	Total	17,24,90,947	13,94,85,487

Note 6: Short Term Provisions

1	<u>Provision For Employees Benefit</u>		
	Gratuity payable	-	-
2	<u>Others</u>		
	Provision for NPA	2,40,317	8,33,107
	Contingent Provisions against Standard Assets	58,02,464	35,94,053
	Total	60,42,781	44,27,160



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

Notes Forming Integral Part of the Balance Sheet as at 31st March, 2013

Note 7: Fixed Asset

I. Tangible Assets

No	Particulars	Rate	Gross Block				Depreciation				Net Block	
			01.04.2012	Addition during the year	Deduction during the year	31.03.2013	01.04.2012	Addition during the year	Deduction during the year	31.03.2013	WDV as on 31.03.2013	WDV as on 01.04.2012
			₹									
1	Plant & Equipment											
	Electrical Fixtures	13.91%	10,83,594	13,15,907	-	23,99,501	6,65,991	1,50,062	-	8,16,053	15,83,448	4,17,603
2	Furniture & Fixtures	18.10%	12,83,061	50,96,140	-	63,79,201	7,76,266	5,80,625	-	13,56,891	50,22,310	5,06,795
3	Vehicles (Cars)	25.89%	52,88,528	36,83,041	26,47,777	63,23,793	38,28,764	4,67,757	17,87,171	25,09,350	38,14,442	14,59,764
4	Office Equipment	13.91%	16,88,316	17,92,311	1,55,908	33,24,719	6,50,425	2,79,185	8,615	9,20,995	24,03,724	10,37,891
5	Computer	40.00%	67,75,319	66,71,129	45,500	1,34,00,948	65,11,233	13,99,825	26,598	78,84,460	55,16,488	2,64,086
6	Software	40.00%	31,52,946	40,75,550	-	72,28,496	89,592	18,62,841	-	19,52,433	52,76,063	30,63,354
	TOTAL		1,92,71,764	2,26,34,078	28,49,185	3,90,56,658	1,25,22,271	47,40,295	18,22,384	1,54,40,182	2,36,16,475	67,49,493

**Note 8: Other Non-Current Assets**

Sr. No	Particulars	31.03.2013	31.03.2012
1	Unamortized Expenses	₹ 1,73,92,298	₹ 1,01,11,111
	Total	1,73,92,298	1,01,11,111

Note 9: Inventories

1	Stock of Two wheeler & Stationary	8,11,874	7,85,686
	Total	8,11,874	7,85,686

Note 10: Receivables under Financing Activities

1	<u>Secured – Considered good:</u> Loans against hypothecation of Two Wheelers to Staff	6,21,283	26,37,462
2	<u>Unsecured - Considered good:</u> Micro Credit Loans to Poor Women Staff Loans Interest Accrued on Micro Credit Loans	2,31,84,35,902 21,68,916 1,05,20,081	1,43,47,91,631 14,71,122 57,25,640
	Total	2,33,17,46,182	1,44,46,25,855

Note 11: Cash & Cash Equivalent

Sr. No	Particulars	31.03.2013	31.03.2012
1	<u>Cash-in-Hand</u> Cash Balance	₹ 85,98,064	₹ 70,56,162
2	<u>Bank Balance</u> in Current Account in Fixed Deposits (a) Earmarked-Security Deposit (b) Earmarked for Margin Money: - upto 12 months of Maturity - More than 12 months Maturity	74,84,31,151 17,55,000 20,94,38,941 22,57,15,618	16,91,76,121 17,55,000 25,39,11,798 9,90,00,000
3	Interest accrued on Deposits with banks	2,07,39,162	1,41,81,680
	Total	1,21,46,77,936	54,50,80,761

**Note 12: Short Term Loans and Advances**

Loans & Advances -Others			
	Advance Recoverable in cash or in kind for value to be received	1,14,29,651	2,70,87,220
	Amount Receivable from Bajaj Allianz Life Insurance Company Ltd towards Death Claim & Refund	2,76,14,192	2,56,13,622
	Advance Income Tax and TDS (Previous Years)	50,05,233	5,51,712
	Advance Income Tax and TDS (Current Year)	30,47,712	44,53,522
Total		4,70,96,788	5,77,06,075

Note 13: Revenue from Operations

Sr.No	Particulars	31.03.2013	31.03.2012
		₹	₹
1	Interest on Loans	43,69,23,553	46,58,99,004
2	Profit on securitisation of Micro Credit Loan receivables	4,65,42,379	2,46,12,330
3	Processing fee receipts	4,32,88,776	3,65,23,463
4	Bad debts recovered	3,56,790	8,61,744
Total		52,71,11,498	52,78,96,541

Note 14: Other Income

1	Dividend earned on Liquid Fund Investments	14,51,610	4,58,397
2	Interest on Fixed Deposits	2,39,22,062	1,52,73,033
3	Profit on Sale of Assets	1,64,710	-
4	Misc. Income	2,92,582	-
Total		2,58,30,964	1,57,31,430

Note 15: Finance Cost

Sr.No	Particulars	31.03.2013	31.03.2012
		₹	₹
1	Interest to - Banks	16,86,13,322	11,85,37,434
	- Bodies Corporate	2,34,29,150	2,71,40,592
	- Statutory Bodies	51,41,561	87,46,937
2	Documentation Charges	11,11,824	10,63,252
3	Bank Charges	24,62,941	19,03,158
4	Processing Fees - Banks	1,22,56,705	60,35,819
	- Body Corporate	-	-
Total		21,30,15,503	16,34,27,192

**Note 16: Employee Benefit Expenses**

1	Salaries & Bonus	15,20,49,684	14,87,14,453
2	Staff Welfare Expenses	1,71,07,901	1,31,10,894
3	Gratuity Expenses	16,27,255	19,27,259
4	PF and ESI Expenses	1,26,09,060	1,33,65,515
5	Directors Remuneration	27,82,500	23,73,000
	Total	18,61,76,400	17,94,91,121

Note 17: Other Administrative Expenses

Sr. No	Particulars	31.03.2013	31.03.2012
1	Telephone Expenses	40,08,856	42,55,068
2	Travelling Expenses	2,57,86,192	2,68,48,171
3	Repair & Maintenance (Building)	9,12,922	15,52,237
4	Repair & Maintenance (Machinery)	41,58,397	30,33,828
5	Electricity charges	36,77,670	31,57,320
6	CSR Activity Expenses	11,18,240	7,18,083
7	Customer Welfare Expenses	8,22,030	8,17,357
8	Bad Debts written off	12,08,420	1,01,27,282
9	General Expenses	3,97,272	4,96,088
10	Insurance Expenses	13,30,745	51,25,014
11	Membership fees	5,82,959	4,35,294
12	Postage & Telegram	2,16,418	3,30,243
13	Professional Charges	2,36,01,623	1,05,21,144
14	Filing Fees	59,862	26,164
15	Sitting Fees	1,89,500	68,000
16	Security Expenses	8,18,159	10,17,282
17	Stationery Expenses	64,57,195	1,45,59,346
18	Auditors' Remuneration	12,07,000	11,33,000
19	Rents, Rates & Taxes	1,89,79,267	1,77,18,064
20	Software Expenses	76,40,126	56,94,788
21	Meeting and Seminar Expenses	4,39,894	6,69,830
	Total	10,36,12,747	10,83,03,603

Note 18: Depreciation & Amortised Cost

1	Depreciation	47,40,295	43,53,917
	Total	47,40,295	43,53,917



19). SIGNIFICANT ACCOUNTING POLICIES:

a) Basis of preparation of financial statements

The financial statements have been prepared under historical cost conventions and on accrual system, assuming the principle of going concern and applying all the applicable accounting standards as notified by the Government of India/ issued by The Institute of Chartered Accountants of India as applicable. The Company follows the directions issued by the Reserve Bank of India for Non- Banking Financial Companies.

b) Cash Flow Statement

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

c) Revenue Recognition:

- 1) Interest on microfinance loans is recognized on accrual basis, as per the contract with the borrowers. A portion of interest is charged on loan amount at the time of disbursement up to 30th June, 2011 upfront, which is amortized over the period of loan.
- 2) Processing fee is recognized based on its collections, at the time of disbursement of Loans.
- 3) Interest on Non-Performing Assets, representing microfinance loans, is recognized only when received.
- 4) Profit on sale of loan receivables is recognized on transfer of clear title and is apportioned on time basis.
- 5) Interest on deposits is recognized on accrual basis.

d) Borrowing Costs:

The interest costs incurred in connection with borrowing of funds are charged to revenue on accrual basis, and processing fees paid upfront to the funders are charged to revenue on time basis.

e) Fixed Asset:

- 1) All fixed assets have been valued at cost inclusive of direct and incidental expenses related to acquisition.
- 2) Depreciation on the assets is provided on Written down value method at the rates specified in the Schedule XIV to the Companies Act, 1956.
- 3) In respect of additions to fixed assets, the depreciation is provided on proportionate basis from the date when the asset is put into use.

**f) Inventories:**

Inventories comprise of two wheelers, meant for field staff, and stationery items. These are stated at cost.

g) Provisions:

1. A provision arising out of a present obligation is recognized when it is probable that an outflow of resources will be required to settle the obligation and the amount that be reasonably estimated.
2. Whenever there is a possible obligation that may, but probably will not, require an outflow of resources, the same is disclosed by way of contingent liability.
3. Loans are classified and provided for as per the norms different from but not lower than those provided under Non-Banking Financial (Non- Deposit Accepting and Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
4. In respect of assets sold out, the necessary provisions are included along with the other NPA provisions.
5. The Company has also made a contingency provision on the standard assets @ 0.25% as per the Reserve Bank of India directions.

h) Gratuity:

The Company has covered its employees under group gratuity scheme of Life Insurance Corporation of India. The premium paid to Life Insurance Corporation of India is charged to revenue.

i) Unamortized Expenses:

This represents the processing fee on loans to the extent not written off.

20) Receivables under Financing Activities:

All loan exposures to borrowers with installments structure are stated at the outstanding balance including overdue.

21) Confirmation of balances is yet to be received from a few parties.**22) Estimated amount of Contracts remaining to be executed on capital account and not provided for is Rs.NIL (Previous Year – Rs. NIL).****23) Reconciliation of subsidiary records with General Ledger has been completed up to 31stMar2013. Steps for elimination of outstanding entries are in progress. Since the outstanding entries to be eliminated are insignificant, no material consequential effect is anticipated.****24) The entire operation of the company falls under one business segment only viz Loans.**



25) ASSET QUALITY:

	Non-Performing Assets (NPAs)	2012-13 ₹	2011-12 ₹
i	Net NPA to Advances (%)	NIL	NIL
ii	Movement of NPAs (Gross):		
	a) Opening Balance	8,33,107	2,02,912
	b) Additions during the year	-	6,30,195
	c) Reduction during the year	(5,92,790)	-
	d) Closing Balance	2,40,317	8,33,107
iii	Movement of NPAs (Net):		
	a) Opening Balance	-	-
	b) Additions during the year	-	-
	c) Reduction during the year	-	-
	d) Closing Balance	-	-
iv	Movement of Provision for NPAs:		
	a) Opening Balance	8,33,107	2,02,912
	b) Provision made during the year	-	5,80,670
	c) Write-off/ Write back of excess provisions	(5,92,790)	49,525
	d) Closing balance	2,40,317	8,33,107
v	Contingent Provisions against Standard Assets.	58,02,464	35,94,053

26) Details of Financial Assets sold under Securitization System:

Under securitization of financial assets (Micro Finance Portfolio) arrangement between the Company and the Assignees, the Company acts as a collection agent for managing such Portfolio. The Company entered into a separate collection agency agreement in this respect. The Principal outstanding in respect of such loan contracts as on 31st March 2013 is Rs.69,52,16,302/-.

a. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC 14

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	11,324	NIL
II	Aggregate value of accounts sold ₹	8,87,05,700	NIL
III	Aggregate Consideration ₹	9,11,44,840	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	24,39,140	NIL



b. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC 15

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	7,234	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	4,16,96,160	NIL
III	Aggregate Consideration ₹	4,24,43,240	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	7,47,080	NIL

c. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC 16

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	9,534	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	5,71,94,420	NIL
III	Aggregate Consideration ₹	6,25,93,514	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	53,99,094	NIL

d. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC 18

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	6,840	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	6,22,27,920	NIL
III	Aggregate Consideration ₹	6,41,57,764	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	19,29,844	NIL

**e. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC 20**

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	7,101	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	5,78,50,460	NIL
III	Aggregate Consideration ₹	5,94,40,058	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	15,89,598	NIL

f. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC 23

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	10,385	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	9,06,16,820	NIL
III	Aggregate Consideration ₹	9,36,05,826	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	29,89,006	NIL

g. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC 24

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	8,021	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	7,80,67,460	NIL
III	Aggregate Consideration ₹	8,08,06,507	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	27,39,047	NIL

**h. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC 25**

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	3,106	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	1,83,05,140	NIL
III	Aggregate Consideration ₹	1,87,14,783	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	4,09,643	NIL

i. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC 26

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	11,482	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	9,75,08,380	NIL
III	Aggregate Consideration ₹	10,08,58,572	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	33,50,192	NIL

j. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC 28

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	15,756	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	4,91,64,400	NIL
III	Aggregate Consideration ₹	5,02,27,487	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	10,63,087	NIL

**k. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC 29**

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	6,961	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	6,02,15,460	NIL
III	Aggregate Consideration ₹	6,21,67,993	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	19,52,533	NIL

I. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC 30

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	6,093	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	5,00,16,340	NIL
III	Aggregate Consideration ₹	5,15,73,348	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	15,57,008	NIL

m. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC 31

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	16,435	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	13,88,41,700	NIL
III	Aggregate Consideration ₹	14,33,12,786	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	44,71,086	NIL

The Company maintains a Cash Collateral with IFMR Capital Finance Pvt Ltd in respect of the above Securitization transactions and the balance as on 31st March 2013 is Rs.8,92,59,590/-



n. RELIANCE COMMERCIAL FINANCE

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	19,226	NIL
II	Aggregate value of accounts sold ₹	12,34,50,273	NIL
III	Aggregate Consideration ₹	12,34,50,273	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	Nil	NIL
VI	Profit in the form of Differential Interest ₹	24,90,020	NIL

The Company maintains a Cash Collateral with Reliance Commercial Finance in respect of the above transaction and the balance as on 31st March 2013 is Rs.2,40,00,000/-. Credit Enhancement of 10% of the pool principal as originator's residual share is maintained for this transaction.

o. IDBI BANK LTD

	PARTICULARS	2012-13	2011-12
I	No. of Accounts	17459	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	9,61,24,069	NIL
III	Aggregate Consideration ₹	9,61,24,069	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	Nil	NIL
VI	Profit in the form of Differential Interest ₹	36,96,061	NIL

The Company maintains a Cash Collateral with IDBI Bank Ltd. in respect of the above transaction and the balance as on 31st March 2013 is Rs.90,46,972/-. Credit Enhancement of 15% of the pool principal as originator's residual share is maintained for this transaction.

27) Comparative Figures:

Previous year's figures have been regrouped/ rearranged wherever necessary.

28) Related Party Transactions:-

As per Accounting Standard 18, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below.



Key Management Personnel:

- Mr. M.SATHIYAMOORTHY, Chairman & Managing Director
- Mr. A. TAMILARASON, Whole Time Director.

Relatives of Key Management Personnel with whom transactions have taken place are given below:

(a) Lease of Premises:

During the year ended March 31, 2013, the Company paid Rs.1,15,000/- as rental advance (Previous year Nil) and rent of Rs.44,700/- (Previous year Nil) to Mr.S. Lingesh Lakshmi Kumar son of Mr. M.Sathiyamoorthi, Chairman & Managing Director.

Associates/ Related entities with whom transactions have taken place: Nil

Remuneration to whole-time Directors:

During the year ended March 31, 2013, the Company paid remuneration to the whole-time Directors: –

Mr. M. SATHIYAMOORTHY

Nature	2012-13	2011-12
Salary	14,40,000	11,78,000
Ex-gratia & Incentive	1,50,000	-
Total	15,90,000	13,14,000

Mr. A. TAMILARASON

Nature	2012-13	2011-12
Salary	10,80,000	6,00,000
Ex-gratia & Incentive	1,12,500	-
Total	11,92,500	6,00,000

29) Earnings per Share as per Accounting Standard 20.

Particulars	2012-13	2011-12
Profit after tax (₹)	26,718,460	57,093,159
No. of Equity Shares of Rs.10 each as on 31 st March	17,339,639	17,339,639
Basic EPS (₹)	1.54	3.29



30) TAXATION:

Income Tax:

Current Tax is the amount of tax payable on the taxable income for the year and this is determined in accordance with the provisions of Income Tax Act, 1961

Deferred tax:

Income tax expenses comprise of current and deferred tax charge or credit. Deferred tax assets / liabilities are measured by applying tax rate and tax laws that are in force on the date of adoption of the balance sheet. Deferred tax assets on account of timing differences are recognized only to the extent there is certainty of its realization. At each balance sheet date, the carrying amount of deferred tax asset is reviewed based on developments to reassess realization.

The Company has arrived at a Deferred Tax Liability of Rs.4,89,659/- during the year. (Previous year Deferred Tax Asset Rs. 7,94,659/-).

31) Accounting Standard 28 – Impairment of Assets:

In the opinion of the management, there is no impairment of any of the Fixed Assets of the Company.

32) Accounting Standard 29 – Provision for Contingent Liabilities and Contingent Assets:

In respect of legal suits involving the Company, the Company believes that the possibility of any outflow is remote. This was supported by an opinion from an external legal counsel. Hence no Contingent Liability is recognized.

33) Auditors' Remuneration:

Particulars	Year ended	
	March 31, 2013 ₹	March 31, 2012 ₹
As Auditor		
For Statutory Audit	8,71,000	792,000
For Branch Audit	72,000	85,000
For Taxation Matters	35,000	35,000
For Reimbursement of Expenses	15,000	18,000
Total Fees	9,93,000	9,30,000

34) Micro, Small & Medium Enterprises

Based on and to the extent of information received by the Company from the suppliers during the year regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) and relied upon by the auditors, the relevant particulars as at the year end is NIL



35) Expenditure in foreign currency:

Foreign Travel– Rs.55,560 /- (Previous Year: Rs. 18,27,524)

Professional Fees – Rs.32,21,447/- (Previous Year: Rs. Nil)

There was no profit/loss in above foreign exchange transactions as the payments were recognized and effected on the transaction dates itself.

36) Disclosure of Capital Adequacy & Liquidity:

The Company makes the following disclosure as per the Guidelines for Systemically Important Non-deposit taking Non-Banking Finance Companies as regards Capital Adequacy, Liquidity and Disclosure Norms issued by the Reserve Bank of India on Aug 1, 2008:

Capital Adequacy Ratio

(Rs. In Cr)

Particulars	As at 31 March 2013	As at 31 March 2012
Tier I Capital	74.59	72.56
Tier II Capital	0.58	0.36
Total Capital	75.17	72.92
Total Risk Weighted Assets	308.74	150.64
Capital Ratios		
Tier I Capital as a Percentage of Total Risk Weighted Assets (%)	24.16	48.17
Tier II Capital as a Percentage of Total Risk Weighted Assets (%)	0.19	0.24
Total Capital (%)	24.35	48.41

i. Exposure to Real Estate Sector, both Direct and Indirect

The Company does not have any direct or indirect exposure to the real estate sector during the year ended 31st March 2013 and 31st March 2012.



ii. **Asset Liability Management**

Maturity Pattern of Certain Items of Assets and Liabilities

(Rs in Crores)

	Up to 1 month	Over 1 month up to 2 months	Over 2 months up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 yr	Over 1 yr up to 3 yrs	Over 3 yrs up to 5 yrs	Over 5 yrs
Liabilities								
Borrowing from Banks	6.47	7.74	19.38	44.49	83.61	107.62	Nil	Nil
Assets								
Advances	27.65	27.75	24.92	69.39	68.59	14.88	Nil	Nil
Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Per our report of even date
for VICTORIA MATHEWS & SANTHAKUMAR
 Chartered Accountants
 FRN: 05458S

for and on behalf of the Board

Sd/-
B. SANTHAKUMAR
 Partner
 Membership No: 27583/200

Sd/-
M. SATHIYAMOORTHY
 CHAIRMAN & MANAGING DIRECTOR

Sd/-
A. TAMILARASON
 Director

Place : Chennai
 Dated : 30.05.2013

Sd/-
G. SOMASUNDARAM
 Company Secretary



CASH FLOW STATEMENT FOR THE YEAR ENDED March 31, 2013

CASH FLOW STATEMENT		31.03.2013	31.03.2012
		₹	₹
CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit Before Taxes		4,37,81,896	8,83,12,573
Adjustment for Non- Cash Items			
Provision for NPA& on Contingent Provision		16,15,621	(3,05,233)
Profit on Sale of Assets		(1,64,710)	
Depreciation		47,40,295	43,98,713
Operating Profit Before Changes in Working Capital		4,99,73,103	9,24,06,053
Adjustments for:			
(Increase)/ Decrease in Micro-credit Advances		(88,36,44,271)	16,22,07,188
(Increase)/ Decrease in Other Current Assets		(48,20,629)	11,89,064
(Increase)/ Decrease in Other Loans & Advances		1,19,27,672	(3,80,84,183)
(Increase)/ Decrease in Miscellaneous Assets		(72,81,187)	(37,94,496)
(Decrease)/Increase in Other Liabilities and Provisions		3,30,05,460	4,76,50,082
Net cash generated from operating activities Before Tax		(80,08,39,851)	26,15,73,708
Income Tax Paid		(1,57,79,118)	(3,01,73,142)
Net cash Generated / (used) from Operating Activities After Tax	(A)	(81,66,18,969)	23,14,00,567
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(2,26,34,078)	(52,81,531)
Sale of Fixed Assets		11,91,511	-
Net Cash Generated from Investing Activities	(B)	(2,14,42,568)	(52,81,531)
CASH FLOW FROM FINANCING ACTIVITIES			
Net Increase in Loans Received		1,50,76,58,712	6,73,38,687
Net Cash Generated from Financing Activities	(C)	1,50,76,58,712	6,73,38,687
Net Increase/(Decrease) in Cash and Cash equivalents during the year (A)+(B)+(C)		66,95,97,175	29,34,57,722
Cash and Cash Equivalents at the beginning of the year		54,50,80,761	25,16,23,039
Cash and Cash Equivalents at the end of the year		1,21,46,77,936	54,50,80,761
In terms of our report attached FOR VICTORIA MATHEWS & SANTHAKUMAR CHARTERED ACCOUNTANTS FRN: 05458S		for and on behalf of the Board	
Sd/- B.SANTHAKUMAR PARTNER Membership No. : 27583/200		Sd/- M. SATHIYAMOORTHY CHAIRMAN & MANAGING DIRECTOR	
		Sd/- A. TAMILARASON DIRECTOR	
Place : Chennai Date : 30.05.2013		Sd/- G. SOMASUNDARAM COMPANY SECRETARY	



Schedule to the Balance Sheet of a non-deposit taking Non-Banking Financial Company (as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as at 31.03.2013.

Liabilities side :

(Rs. in lakhs)

Particulars	Amount Outstanding	Amount Overdue
(1) Loans and advances availed by the Non-Banking Financial Company Inclusive of interest accrued thereon but not paid		
(a) Debentures : Secured	0	0
: Unsecured (other than falling within the meaning of public deposits*)	0	0
(b) Deferred Credits	0	0
(c) Term Loans	26930	0
(d) Inter-Corporate loans and borrowing	0	0
(e) Commercial Paper	0	0
(f) Other Loans (specify nature)	0	0
* Please see Note 1 below		

Assets side :

(2) Break-up of Loans and Advances including bills receivables (other than those included in (4) below):		
(a) Secured	6	0
(b) Unsecured	23206	2
(3) Break up of Leased Assets and stock on hire and other assets counting towards AFC activities		
(i) Lease assets including lease rentals under sundry debtors:		
(a) Financial lease	0	0
(b) Operating lease	0	0
(ii) Stock on hire including hire charges under sundry debtors:		
(a) Assets on hire	0	0
(b) Repossessed Assets	0	0
(iii) Other loans counting towards AFC activities		
(a) Loans where assets have been repossessed	0	0
(b) Loans other than (a) above	0	0



	Cost	Market Value
(4) Break-up of Investments :		
Current Investments :		
1. Quoted :		
(i) Shares : (a) Equity		0
(b) Preference		0
(ii) Debentures and Bonds		0
(iii) Units of mutual funds		0
(iv) Government Securities		0
(v) Others (please specify)		0
2. Unquoted :		
(i) Shares : (a) Equity		0
(b) Preference		0
(ii) Debentures and Bonds		0
(iii) Units of mutual funds		0
(iv) Government Securities		0
(v) Others (please specify)		0
Long Term Investments :		
1. Quoted :		
(i) Shares : (a) Equity		0
(b) Preference		0
(ii) Debentures and Bonds		0
(iii) Units of mutual funds		0
(iv) Government Securities		0
(v) Others (please specify)		0
2. Unquoted :		
(i) Shares : (a) Equity		0
(b) Preference		0
(ii) Debentures and Bonds		0
(iii) Units of mutual funds		0
(iv) Government Securities		0
(v) Others (please specify)		0



- (5) **Borrower group-wise classification of assets financed as in (2) and (3) above:**
Please see Note 2 below

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties **			
(a) Subsidiaries	0	0	0
(b) Companies in the same group	0	0	0
(c) Other related parties	0	0	0
2. Other than related parties	6	23206	23212
TOTAL	6	23206	23212

- (6) **Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):**
Please see note 3 below

Category	Market / Break-up value or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties **		
(a) Subsidiaries	0	0
(b) Companies in the same group	0	0
(c) Other related parties	0	0
2. Other than related parties	0	0
TOTAL	0	0

** As per Accounting Standard of ICAI (Please see Note 3)

(7) Other Information

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	0
(b) Other than related parties	2
(ii) Net Non-Performing Assets	
(a) Related parties	0
(b) Other than related parties	0
(iii) Assets acquired in satisfaction of debt	0

NOTES:

- As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in Non-Banking Financial (Non-Deposit-Accepting or Holding) Companies Prudential Norms(Reserve Bank) Directions, 2007.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4) above.



FAIR PRACTICES CODE

The Company shall abide by this “**FAIR PRACTICES CODE**” as applicable to the business of providing microfinance services to its WOMEN members. In order to enhance value and relevance to the Borrowers, this CODE would be subjected to review from time to time. Suggestions for improvement are expected from all quarters.

1. LOAN APPLICATION – PROCESSING

- Application forms for loans will include terms & conditions of the loan and the documents required to be submitted.

Applicant who has completed Group Recognition Test and submitted KYC documents to the satisfaction of the Company will be eligible to submit application for loan.

Receipt of completed application forms will be duly acknowledged.

All loan applications will be disposed off within a period of 4 weeks (or such extended time as mutually agreed upon) from the date of receipt of duly completed loan applications i.e. with all the requisite information and related documents.

Loan sanction letters incorporating all terms of sanction will be issued to members as & when sanctioned.

2. LOAN APPRAISAL AND TERMS/ CONDITIONS

- In accordance with Company's prescribed assessment procedures, each loan application will be appraised based on Company's guidelines viz. purpose, attendance at centre meetings, past repayment record, current income and repayment capacity

The sanction of loan along with the terms and conditions thereof is conveyed to the Applicant in writing.

3. DISBURSEMENT OF LOAN

- Disbursement of loans sanctioned shall be made only on compliance of terms and conditions including execution of loan documents governing such sanction.

Any change in the terms and conditions, including disbursement schedule, interest rate and processing charges, will be notified to the Borrower.

Changes in interest rates/processing charges will be effected prospectively only.

Company shall intimate the terms & conditions and interest rate to the borrower in the form of a pass book sheet.

Company shall frame internal principles and procedures to determine and adopt interest rates and other charges and ensure that they are not excessive.

4. POST DISBURSEMENT

- A decision to recall/accelerate payment or performance shall be as per loan agreement entered into with the Borrower.

In the course of recovery, Company would not resort to harassment and avoid any conduct suggestive of any threat or violence.

Company shall conduct itself decently when its Authorized Persons visit the Borrower's place in case of need to recover dues and such calls will generally be between 0700 hours and 1800 hours, and shall also avoid visiting at odd hours/inappropriate/calamitous occasions.

A repayment holiday equivalent to the frequency of repayment (Weekly / Fortnightly / Monthly) from the date of disbursement will be permitted and the collection will start from the subsequent centre meetings.

5. GRIEVANCES – REDRESSAL

- In case of any complaint/grievance from the Applicants/Borrowers, Company's Officials will respond to redress it within 4 weeks and in case of dissatisfaction, they can take it to higher level for redress.

Contact details of Company officials are prominently displayed at offices for the benefit of loan applicants / Borrowers.

Company officials from Corporate Office and Controlling offices will make regular visits to interact with Centre/Group Leaders and loan Applicants/Borrowers to attend to complaints / grievances and ensure redressal.

6. ASSURANCE

- The company would refrain from interference in the affairs of the Borrower except for what is provided in the terms and conditions of loan sanction documents (unless new information, not earlier disclosed by the Borrower, has come to the notice of the Company as 'lender').

The Company will not discriminate between the loan applicants on the basis of gender, caste or religion

The Company is taking care to prevent inappropriate staff behavior & also ensure timely grievance redressal.

The Company will always adhere to the Principle of being transparent and fair lending practices.