



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



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

19th ANNUAL REPORT 2013-2014

REGISTERED & CORPORATE OFFICE

4, Dr. NATESAN ROAD, ASHOK NAGAR, CHENNAI – 600 083
TAMILNADU, INDIA.
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CORPORATE INFORMATION

BOARD OF DIRECTORS

Indrani Singh,
Chairman
Nominee Director of DWM Investments
(Cyprus) Limited

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

R. Raghavender Anand,
Managing Director

Aleem Remtula,
Nominee Director of DWM Investments
(Cyprus) Limited

P. Murali Srinivas,
Independent Director

Rajan Samuel,
Independent Director

COMPANY SECRETARY

(Consultants)

S Eshwar Consultants
House of Corporate & IPR Laws
4, Aishwarya, 12B/177,
Kumaran Colony, 6th Street,
Vadapalani, Chennai - 600026

STATUTORY AUDITORS

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

OFFICE

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

SI.No	BANKS	SI.No	FINANCIAL INSTITUTIONS
1	Andhra Bank	1	IFMR Capital Finance Private Ltd
2	Bank of Maharashtra	2	M.V.Microfin Pvt Ltd.
3	BNP Paribas	3	Reliance Commercial Finance
4	Canara Bank	4	Maanaveeya Development & Finance Private Limited
5	Corporation Bank		
6	Dena Bank		
7	Development Credit Bank Ltd		
8	IDBI Bank Ltd		
9	ING Vysya Bank Ltd		
10	Karnataka Bank Ltd		
11	Lakshmi Vilas Bank Ltd		
12	Punjab National Bank		
13	State Bank of Hyderabad		
14	State Bank of Patiala		
15	The Ratnakar Bank Ltd		
16	The South Indian Bank Ltd		
17	Vijaya Bank		

BOARD COMMITTEES

AUDIT COMMITTEE	BORROWING & INVESTMENT COMMITTEE
<p>Mr. Aleem Remtula, Nominee Director of DWM Mr. Rajan Samuel, Independent Director Mr. Murali Srinivas, Independent Director</p>	<p>Ms. Indrani Singh, Chairman Mr. R. Raghavender Anand, Managing Director Mr. J. Bradley Swanson, Nominee Director of DWM Mr. Aleem Remtula, Nominee Director of DWM Mr. Mural Srinivas, Independent Director</p>
SHARE ALLOTMENT & TRANSFER COMMITTEE	CREDIT & NON-PERFORMING ASSETS REVIEW COMMITTEE
<p>Ms. Indrani Singh, Chairman Mr. R. Raghavender Anand, Managing Director Mr. J. Bradley Swanson, Nominee Director of DWM Mr. Aleem Remtula, Nominee Director of DWM</p>	<p>Ms. Indrani Singh, Chairman Mr. R. Raghavender Anand, Managing Director Mr. J. Bradley Swanson, Nominee Director of DWM Mr. Aleem Remtula, Nominee Director of DWM Mr. Murali Srinivas, Independent Director</p>
REMUNERATION & COMPENSATION COMMITTEE	ASSET LIABILITY MANAGEMENT & RISK MANAGEMENT COMMITTEE
<p>Ms. Indrani Singh, Chairman Mr. R. Raghavender Anand, Managing Director Mr. J. Bradley Swanson, Nominee Director of DWM Mr. Aleem Remtula, Nominee Director of DWM Mr. Rajan Samuel, Independent Director Mr. Murali Srinivas, Independent Director</p>	<p>Ms. Indrani Singh, Chairman Mr. R. Raghavender Anand, Managing Director Mr. J. Bradley Swanson, Nominee Director of DWM Mr. Aleem Remtula, Nominee Director of DWM Mr. Rajan Samuel, Independent Director Mr. Murali Srinivas, Independent Director</p>
NOMINATION COMMITTEE	CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE)
<p>Ms. Indrani Singh, Chairman Mr. Aleem Remtula, Nominee Director of DWM Mr. Rajan Samuel, Independent Director Mr. Murali Srinivas, Independent Director</p>	<p>Ms. Indrani Singh, Chairman Mr. R. Raghavender Anand, Managing Director Mr. Rajan Samuel, Independent Director</p>

DIRECTORS' REPORT

Your Directors are pleased to present the Nineteenth 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 2014.

FINANCIAL PERFORMANCE

The Financial Performance for the year 2013-14 is given below:

(Rupees in Lakhs)

Particulars	2013-14	2012-13
Interest Income	7598.83	5271.11
Other Income	474.07	258.31
Total Income	8072.90	5529.42
Less		
Expenses	7265.92	5091.60
Profit before Tax	806.98	437.82
Less		
Provisions for:		
Income Tax	294.82	157.79
Fringe Benefit Tax		0.00
Deferred Tax	(5.60)	12.84
Profit after Tax	517.76	267.19
Add:		
Balance b/f from previous years	1726.86	1513.11
Amount available for Appropriation	2244.62	1780.30
Appropriations:		
Statutory Reserve	103.55	53.44
Balance carried to Balance Sheet	2141.07	1726.86
	2244.62	1780.30
Equity Share Capital	1733.96	1733.96
Reserves	6416.58	5898.82
CRAR (Capital to Risk-weighted Asset Ratio)	30.69%	24.35%



The Company earned a GROSS INCOME of Rs. 80.73 Cr (Previous Year Rs. 55.29 Cr) and PROFIT BEFORE TAX (PBT) of Rs. 8.07 Cr (Previous Year Rs. 4.38 Cr), with expenditures of Rs. 72.66 Cr (Previous Year Rs. 50.92 Cr).

The Company earned a PROFIT AFTER TAX (PAT) of Rs.5.18 Cr (Previous year Rs. 2.67 Crore). The amount transferred to Statutory Reserve is Rs. 1.04 Cr (Previous year Rs. 0.53 Cr).

Normally during the first quarter, obtaining Bank funds had been difficult in the past. However, the Company had availed loans from Banks / FI and had a cash balance of Rs.72 crores as at March 31, 2013. This surplus liquidity along with the recycling of funds enabled the Company to disburse Rs.133.07 Cr to its members in the first quarter alone.

In the Second and Third quarter, the support from the Banks was overwhelming. In addition, funds were raised by securitizing assets with the help of IFMR Capital through MOSEC structures. This enabled the Company to disburse Rs.159.40 Cr in the second quarter and Rs.176.24 Cr in the third quarter.

However, in the fourth quarter, due to a dispute between shareholders, which has since been resolved, Banks were unable to continue their support for the Company resulting in a significant contraction in disbursement in the fourth quarter.

For FY 2013-14, the Company obtained funding of Rs.263.96 Cr from various Banks and FI, apart from securitizations (Rs.142.71 Cr) resulting in an on-book portfolio of Rs.219.46 Cr and off book portfolio of Rs.38.71 Cr. Despite the dip in disbursement during the fourth quarter, the total income for the Company for FY 2013-14 increased by 46.24 %

Thanks to the introduction of fortnightly repayment model the Company has been able to cut costs and has also been driving organizational, operational and process efficiencies. Operational expenditures as a percentage of average portfolio decreased from 15.6% in 2012-2013 to 14.64% in 2013-2014. On account of this reduction, profit has increased compared to the previous year period. PBT increased from Rs. 4.38 Cr to Rs.8.07Cr which represents 84.25% increase over the previous year. Similarly PAT increased from Rs.2.67 Cr to Rs.5.18 Cr in this year. Net margin (PAT / Total Income) has also increased from 4.83% to 6.42%. As a result of this, Net worth of the Company increased to Rs.81.51 Cr from Rs.76.33 Cr

MICROFINANCE SECTOR SCENARIO

During the year RBI had granted to most of the NBFC in the microfinance sector, licenses under the new dispensation. RBI has also clarified that with effect from April 1, 2014, the interest rate margin shall be capped at 10% for those NBFC MFIs having asset base of over Rs.100 Cr. This would result in reduction in the lending rate to the borrowers with effect from April 1.

Investor sentiment has remained bullish during FY 2013-14, with Investors encouraged by: Bandhan receiving a Banking License, States reinforcing RBI's regulatory role by not following the path of the AP government and the Central Government pushing for "interest rate Margin of 10% for bigger MFIs".

COMPANY SCENARIO

SMILE had the benefit of starting the year with cash balances as it had availed loans during the last day of the previous FY. This resulted in robust disbursements during the first three quarters. However, due to shareholders dispute, since resolved, Bankers and Lenders were unable to support the Company in the 4th quarter. This resulted in a reduction of the portfolio compared to the previous FY. During the year,



SMILE increased its branch network to 158 branches and had a membership base of 4.67 lakh members. Despite challenges in the final quarter, the collection efficiency of SMILE remained at 99.9%.

LOAN DISBURSEMENTS

During the Year under review, the Company sanctioned loans to 3.19 lakh (previous year 3.69 lakh) Borrowers. Loan disbursement for the Year amounted to Rs. 519.98 Cr (previous year Rs. 486.39 Cr), an increase of Rs. 33.59 Cr (7%). Average loan size increased to Rs.16,251 from Rs. 13,168 in the previous year.

ASSETS UNDER MANAGEMENT (AUM)

The total Loan Assets under management of the Company decreased to Rs.258.19 Crore (On Book Portfolio Rs. 219.48 Cr + Managed Portfolio Rs.38.71 Cr), a decrease of Rs.43.45 (14.4%);

Previous Year: Loan Asset under management Rs. 301.64 Cr (On Book Portfolio Rs.232.12 Cr + Managed Portfolio Rs.69.52 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 9.68 Lakhs representing 0.04% of the portfolio. PAR >30 days amounted to Rs.8.24 Lakhs representing 0.03% of the Portfolio. The Company made a Loan Loss Provision of Rs.219.46.Lakhs.

Bad Debts written off during the year – Rs.10.08 Lakhs is lower when compared to Rs.12.08 Lakhs written off in the Previous Year.

FUNDERS

The Company was able to obtain Funds amounting to Rs.121.25 Cr through Term Loans and Rs.142.72 Cr through Securitization of its Pool of Credit Portfolio. The Company added Dena 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.188.13 Cr to all its funding Banks & Financial Institutions. In respect of securitized assets the Company had been prompt in collecting the receivables and making the payment to the buyers to the extent of Rs.173.53 Cr.

COMPUTERISATION OF OPERATIONS

We have successfully implemented BR.Net application software with effect from April 1, 2013. This has enabled the Company to handle increased volume of operations and also service the ever-increasing number of loan beneficiaries efficiently.

DEPOSITS

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

PRUDENTIAL NORMS AND GUIDELINES

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 non-deposit taking NBFC-MFIs.



DIRECTORS

Mr. Bradley Swanson, Director retire by rotation at this meeting.

Your directors would like to state that there was change in the management during the year 2013-2014, which had its impact on the business and its growth.

AUDITORS

M/s Victoria Mathews & Santhakumar, Chartered Accountants, Chennai retire at the conclusion of the Nineteenth Annual General Meeting and are eligible for reappointment. Directors recommend their reappointment from the conclusion of this forthcoming annual general meeting till the conclusion of the 21st annual general meeting.

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 has not incurred any foreign exchange expenditures.

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 proposes to spend 2% of the average of three years' Profit after Tax during this Financial Year also towards CSR activities.

Following CSR activities have been conducted by us during this financial year.

- | | |
|---|----------------------|
| 1. Relief measures – Affected under natural calamities | Spent Rs. 1.57 Lakhs |
| a. Flood relief. | |
| b. Fire accident relief. | |
| c. Eviction of house by government agencies. | |
| 2. Health | Spent Rs. 1.44 Lakhs |
| a. Blood / Urine test camp | |
| b. Eye camp | |
| c. PAP Smear / Screening camp | |
| 3. Education / Skill up gradation | Spent Rs. 4.65 Lakhs |
| a. Vocational Guidance & Training Centre (Skill up gradation) | |
| b. Adult & Non formal education (PiaTUTION) | |
| 4. An amount given to orphanage. | Spent Rs. 2 Lakhs |

A sum of Rs.11,65,000/- For CSR expenses being 2% of Profit after tax for the Financial Year 2013-2014 has been allocated.



An amount of Rs. 9.68 Lakhs was spent towards the above mentioned CSR activities from 01.04.2013 - 31.03.2014

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, 2014 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 of
S.M.I.L.E. MICROFINANCE LIMITED**

-Sd-

**INDRANI SINGH
CHAIRMAN**

Chennai - 600083

Date: 28th June 2014

REPORT ON CORPORATE GOVERNANCE

Corporate Governance is the commitment of an organisation 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 six Members. Chairman of the Board is Ms. Indrani Singh, while the Managing Director is R. Raghavender Anand. Besides the above said 2 Directors there are 2 Independent Directors. And in addition to the Chairman, 2 Non-Executive Directors have also been nominated by DWM Investments (Cyprus) Limited (DWM) who is the largest Shareholder of the Company.

During the Financial Year ended 31st March 2014, five (5) Board Meetings were conducted on the following dates viz., 30th May, 2013; 22nd August, 2013; 5th October, 2013; 22nd November, 2013 and 29th March, 2014.

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 (till 31/12/2013)	4	29	Nil
J. Bradley Swanson	Non-Executive & Nominee of DWM Investments (Cyprus) Limited	4	15	3
AleemRemtula	Non-Executive & Nominee of DWM Investments (Cyprus) Limited	4	15	1
Mrs. Indrani Singh	Non-Executive & Nominee of DWM Investments (Cyprus) Limited	5	33	Nil
A. Tamilarason	Executive - Whole-Time Director	4	30	Nil
Rajan Samuel	Independent	2	5	1
P. MuraliSrinivas	Independent	5	9	2
R. RaghavenderAnand	Managing Director (w.e.f. 01/01/2014)	1	2	Nil

COMMITTEES OF BOARD

The Board has 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

Mr. Aleem Remtula, Nominee Director of DWM
Mr. Rajan Samuel, Independent Director
Mr. Murali Srinivas, Independent Director

Meetings

The Audit Committee met four (4) times during the Financial Year 2013-14 viz., on 29th May, 2013; 21st August, 2013; 21st November, 2013 and 27th March, 2014.

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

Ms. Indrani Singh, Chairman
Mr. R. Raghavender Anand, Managing Director
Mr. J. Bradley Swanson, Nominee Director of DWM
Mr. Aleem Remtula, Nominee Director of DWM
Mr. Rajan Samuel, Independent Director
Mr. Murali Srinivas, Independent Director

The Committee met twice (2) during the Financial Year 2013-14 viz., 29th May, 2013 and 22th Nov, 2013.

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

Ms. Indrani Singh, Chairman
Mr. R. Raghavende Anand, Managing Director
Mr. J. Bradley Swanson, Nominee Director of DWM
Mr. Aleem Remtula, Nominee Director of DWM
Mr. Murali Srinivas, Independent Director

Meetings

The Committee met nineteen (19) times during the Financial Year 2013-14 viz., 11th April, 2013, 13th May, 2013; 5th June, 2013, 31st July, 2013; 2nd August, 2013; 30th August, 2013; 4th September, 2013; 20th September, 2013; 25th September, 2013; 15th October, 2013; 25th October, 2013; 6th November, 2013; 27th November, 2013; 30th November, 2013; 4th December, 2013; 23rd December, 2013; 30th December, 2013; 1st February, 2014; 27th February, 2014;

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

Ms. Indrani Singh, Chairman
Mr. R. Raghavender Anand, Managing Director
Mr. J. Bradley Swanson, Nominee Director of DWM
Mr. Aleem Remtula, Nominee Director of DWM
Mr. Murali Srinivas, Independent Director

The Committee met four (4) times during the Financial Year 2013-14 viz., on 29th May, 2013; 21st August, 2013; 21st November, 2013 and 27th March, 2014.

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. Ms. Indrani Singh, Chairman
2. Mr. R. Raghavender Anand, Managing Director
3. Mr. J. Bradley Swanson, Nominee Director of DWM
4. Mr. Aleem Remtula, Nominee Director of DWM
5. Mr. Rajan Samuel, Independent Director
6. Mr. Murali Srinivas, Independent Director

The Committee met four (4) times during the Financial Year 2013-14 viz., on 29th May, 2013; 21st August, 2013; 21st November, 2013 and 27th March, 2014.

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. Ms. Indrani Singh, Chairman
2. Mr. R. Raghavender Anand, Managing Director
3. Mr. J. Bradley Swanson, Nominee Director of DWM
4. Mr. Aleem Remtula, Nominee Director 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 2013-14.

No meeting was held during the Financial Year 2013 – 14 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. Ms. Indrani Singh, Chairman
2. Mr. Aleem Remtula, Nominee Director of DWM
3. Mr. Rajan Samuel, Independent Director
4. Mr. Murali Srinivas, Independent Director

The Committee met ONCE during the Financial Year 2013-14 viz., on 22nd November, 2013.

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

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. Ms. Indrani Singh
2. Mr. R. Raghavender Anand
3. Mr. Rajan Samuel

No meeting was held during the Financial Year 2013-14 (the Committee was formed 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.

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	-	-	Nil
Mr. Aleem Remtula	-	-	Nil
Mrs. Indrani Singh	17500	87500	Nil
Mr. Rajan Samuel	35000	70000	Nil
Mr. P. Murali Srinivas	87500	140000	Nil

GENERAL BODY MEETINGS

One (1) Extra-ordinary General Meeting (EGM) was held as per details given below:

Date	Time	Venue
26 th June, 2014	11:00 A.M.	Hotel Gokulam Park - Gayathri Hall - 4th Floor No. 67, 1st Avenue, Ashok Nagar, Chennai -600083

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 2014

Category	Number 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:

Chairman
S.M.I.L.E. Microfinance Limited
4, Dr. Natesan Road,
Ashok Nagar,
Chennai – 600083.
Tel : +91 44 23718588 Tel : +91 44 42910100

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

-Sd-
INDRANI SINGH
Chairman

Chennai – 600083
Date: 28th June 2014



MD /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 2014 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-

**R. RaghavenderAnand
Managing Director**

-Sd-

**V.T. Prabakaran
General Manager – Finance & Accounts**

Place: Chennai

Date: 28th June 2014

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, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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") and the guidelines issued by the Reserve Bank of India. 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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, 2014;
- 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, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For VICTORIA MATHEWS & SANTHAKUMAR
Chartered Accountants
FRN: 05458S

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

Place: Chennai
Date: 28.06.2014

Annexure referred to in paragraph 5(1) of the 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, 2014.

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

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets, which is not updated.

(b) The Company has a phased programme of physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the Company and nature of fixed assets. In accordance with the programme, the fixed assets have been physically verified by the management during the year. The discrepancies noticed on such verification were not material.

(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, 2014 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there is no amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty which have not been deposited on account of any disputes.
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 sub clause (xiii) of clause 4 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, 2014, 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: 28.06.2014

BALANCE SHEET AS AT MARCH 31, 2014

Particulars	Notes	31.03.2014 ₹	31.03.2013 ₹
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	64,16,58,225	58,98,81,663
<u>(2) Non-Current Liabilities</u>			
(a) Long-Term Borrowings	3	2,02,42,23,632	2,69,30,40,114
(b) Deferred tax liability (net)	4	-	4,89,658
<u>(3) Current Liabilities</u>			
(a) Short-Term Borrowings		-	-
(b) Other Current Liabilities	5	17,38,19,056	17,24,90,947
(c) Short-Term Provisions	6	2,43,80,805	60,42,781
Total Equity & Liabilities		3,03,74,78,108	3,63,53,41,553
II. ASSETS			
<u>(1) Non-Current Assets</u>			
(a) Fixed Assets			
(i) Tangible Assets	7	2,28,19,159	2,36,16,475
(b) Deferred tax assets (net)	4	71,041	-
(c) Other Non-Current Assets	8	1,30,02,234	1,73,92,298
<u>(2) Current Assets</u>			
(a) Inventories	9	11,74,559	8,11,874
(b) Receivables under Financing Activities	10	2,20,49,91,071	2,33,17,46,182
(c) Cash and cash equivalents	11	76,45,62,441	1,21,46,77,936
(d) Short-term loans and advances	12	3,08,57,603	4,70,96,788
Total Assets		3,03,74,78,108	3,63,53,41,553
Significant Accounting policies	19		

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

for and on behalf of the Board

-Sd-
INDRANI SINGH
CHAIRMAN

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

-Sd-
R. RAGHAVENDER ANAND
MANAGING DIRECTOR

-Sd-
RAJAN SAMUEL

Place : Chennai
Date: 28th June 2014

INDEPENDENT DIRECTOR

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

S.No.	Particulars	Notes	31.03.2014 ₹	31.03.2013 ₹
I	Revenue from operations	13	75,98,82,952	52,71,11,498
II	Other Income	14	4,74,06,885	2,58,30,964
III	Total Revenue (I +II)		80,72,89,837	55,29,42,462
IV	Expenses:			
	Financial Costs	15	37,85,50,107	21,30,15,503
	Employee Benefit Expense	16	21,09,09,992	18,61,76,400
	Other Administrative Expenses	17	11,30,88,720	10,36,12,747
	Depreciation and Amortization Expense	18	81,39,038	47,40,295
	Loan Loss Provision/ Provision for NPA		1,59,03,751	(5,92,790)
	Contingent Provisions against Standard Assets		-	22,08,411
	Total Expenses (IV)		72,65,91,608	50,91,60,566
V	Profit before tax (III - IV)		8,06,98,229	4,37,81,896
VI	Tax expense:			
	(1) Current tax		2,94,82,367	1,57,79,118
	(2) Deferred tax Provision		(5,60,699)	12,84,318
VII	Profit/(Loss) for the year		5,17,76,561	2,67,18,460
VIII	Earning per equity share of Rs.10/- each:			
	(1) Basic		2.99	1.54
	(2) Diluted		2.99	1.54
	Significant Accounting policies	19		

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

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

Place : Chennai
Date: 28th June 2014

for and on behalf of the Board

-Sd-
INDRANI SINGH
CHAIRMAN
-Sd-
R. RAGHAVENDER ANAND
MANAGING DIRECTOR

-Sd-
RAJAN SAMUEL

INDEPENDENT DIRECTOR

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Note 1: Share Capital

S. No.	Particulars	31.03.2014 ₹	31.03.2013 ₹
1	<u>AUTHORIZED CAPITAL</u> 20,000,000 Equity Shares of Rs. 10/- each.	200,000,000	200,000,000
		200,000,000	200,000,000
2	<u>ISSUED , SUBSCRIBED & PAID UP CAPITAL</u> 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%:

S. No.	Name of the Shareholder	31.03.2014		31.03.2013	
		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

S. No.	Particulars	₹	₹
1	Share Premium	37,40,19,752	37,40,19,752
2	Statutory Reserve Balance at the beginning of the Year Add: Amount transferred from surplus in the statement of Profit & Loss Closing Balance	4,31,75,724 1,03,55,312 5,35,31,036	3,78,32,032 53,43,692 4,31,75,724
3	Surplus (Profit & Loss Account) Balance brought forward from previous year Add: Profit for the period Less: Transfer to Statutory reserve Closing Balance	17,26,86,188 5,17,76,561 1,03,55,312 21,41,07,437	15,13,11,419 2,67,18,460 53,43,692 17,26,86,187
	Total	64,16,58,225	58,98,81,663

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

Note 3: Long Term Borrowings

S. No.	Particulars	₹	₹
1	<u>Term Loan</u> Secured by charge on Micro Credit Loan Receivables - From Banks - From Others: Bodies Corporates Statutory Bodies Secured by charge on Vehicles	1,57,23,14,285 44,74,83,997 - 44,25,350	2,38,34,85,907 28,33,65,207 2,61,89,000 -
	Total	2,02,42,23,632	2,69,30,40,114

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

Term Loans:	
From Banks	₹
Andhra Bank -TL-2	6,25,00,000
Andhra Bank -TL-3	5,83,32,772
Andhra Bank -TL-4	11,24,99,577
Bank of Maharashtra - TL 1	5,03,83,385
Bank of Maharashtra - TL 2	8,32,00,000
BNP Paribas TL 5	3,75,00,000
Canara Bank	7,39,89,463
Corporation Bank - TL-3	2,37,48,176
Corporation Bank - TL-4	3,21,41,866
Dena Bank	3,12,51,677
DCB bank Ltd -TL-5	83,33,340
DCB Bank Ltd -TL-6	2,50,00,004
DCB Bank Ltd -TL-7	7,33,33,333
IDBI Bank Ltd - TL-3	10,00,00,000
INGVysya Bank Ltd - TL-2	41,66,674
INGVysya Bank Ltd - TL-3	7,50,00,001
Karnataka Bank Ltd - TL-2	4,58,30,000
Lakshmi Vilas Bank TL 3 Tr#1	1,16,61,971
Lakshmi Vilas Bank TL 3 Tr#2	1,73,07,061
Punjab National Bank	1,62,92,573
South Indian Bank Ltd.-TL-2	7,49,98,000
South Indian Bank Ltd.-TL-3	5,00,01,798
State Bank of Hyderabad	4,99,93,083
State Bank of Patiala - TL-2	14,53,14,892
RBL Bank Ltd - TL-1	10,828
RBLBank Ltd - TL-2 (ADB)	3,75,00,000
RBLBank Ltd - TL-3	4,28,57,143
RBLBank Ltd - TL-4	5,00,00,000
RBLBank Ltd - TL-5	11,25,00,000
Vijaya Bank-TL-2	6,66,66,668
Total	1,57,23,14,285
From Bodies Corporate	
IFMR Capital Finance Private Ltd. -TL 7	2,58,88,336
IFMR Capital Finance Private Ltd. -TL 8	1,03,58,250
IFMR Capital Finance Private Ltd. -TL 9	1,36,42,864
IFMR Capital Finance Private Ltd. -TL 10	1,52,68,890
M V MicrofinPvt. Ltd.TL-5	3,50,00,000
M V MicrofinPvt. Ltd.TL-6	2,75,00,000
M V MicrofinPvt. Ltd.TL-7	2,00,00,000
Reliance Commercial Finance -TL-4	6,01,88,505
Reliance Commercial Finance -TL-5	11,46,37,152
Maanaveeya Development & Finance Private Ltd	12,50,00,000
Total	44,74,83,997
Vehicle Loans	
HDFC Bank	44,25,350
Grand Total	2,02,42,23,632

Note 4: Deferred Tax.

S.No.	Particulars	31.03.2014 ₹	31.03.2013 ₹
1	As per previous year Balance	(4,89,658)	7,94,660
	Less: Provision for the year	5,60,699	(12,84,318)
		71,041	(4,89,658)

Note 5: Other Current Liabilities

		₹	₹
1	Interest Accrued but not due on Secured Loans	15,538,797	91,25,681
2	Portfolio collections in respect of Securitisation	106,824,177	11,24,80,862
3	Un-matured surplus on Securitisation	16,488,501	1,69,81,308
4	Advance Collection - Principal	-	3,79,169
5	Others	27,338,385	2,17,06,781
6	Sundry Creditors for Expenses	7,629,196	1,18,17,146
	Total	17,38,19,056	17,24,90,947

Note 6: Short Term Provisions

		₹	₹
1	Loan Loss Provision/ Provision for NPA	2,19,46,532	2,40,317
2	Contingent Provisions against Standard Assets	-	58,02,464
3	Provision for Taxation	24,34,273	-
	Total	2,43,80,805	60,42,781



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

Notes Forming Integral Part of the Balance Sheet as at 31st March, 2014

Note 7: Fixed Asset

I. Tangible Assets

S.No.	Particulars	Rate	Gross Block				Depreciation				Net Block	
			01.04.2013 ₹	Addition during the year ₹	Deduction during the year ₹	31.03.2014 ₹	01.04.2013 ₹	Addition during the year ₹	Deduction during the year ₹	31.03.2014	WDV as on 31.03.2014	WDV as on 01.04.2013 ₹
1	Plant & Machinery											
	Electrical Fixtures	13.91%	23,99,501	1,99,750	-	25,99,251	8,16,053	2,37,260	-	10,53,313	15,45,938	15,83,448
	Office Equipment	13.91%	33,24,719	2,71,505	-	35,96,224	9,20,995	3,57,537	-	12,78,532	23,17,692	24,03,724
	Computer	40.00%	1,34,00,948	6,94,247	-	1,40,95,195	78,84,460	23,24,292	-	1,02,08,752	38,86,443	55,16,488
	Software	40.00%	72,28,496	15,98,293	-	88,26,789	19,52,433	25,34,505	-	44,86,938	43,39,851	52,76,063
2	Furniture & Fixtures	18.10%	63,79,201	4,94,890	8,000	68,66,091	13,56,891	9,64,372	2,277	23,18,986	45,47,105	50,22,310
3	Vehicles (Cars)	25.89%	63,23,793	59,33,018	23,97,799	98,59,012	25,09,350	17,21,072	5,53,540	36,76,882	61,82,130	38,14,442
	TOTAL		3,90,56,658	91,91,703	24,05,799	4,58,42,562	1,54,40,182	81,39,038	5,55,817	2,30,23,403	2,28,19,159	2,36,16,475

Note 8: Other Non-Current Assets

S.No	Particulars	31.03.2014 ₹	31.03.2013 ₹
1	Unamortized Expenses	1,30,02,234	1,73,92,298
	Total	1,30,02,234	1,73,92,298

Note 9: Inventories

		₹	₹
1	Stock of Two wheeler & Stationery	11,74,559	8,11,874
	Total	11,74,559	8,11,874

Note 10: Receivables under Financing Activities

		₹	₹
1	<u>Secured – Considered good:</u>		
	Loans against hypothecation of Two Wheelers to Staff	5,83,336	6,21,283
2	<u>Unsecured - Considered good:</u>		
	Micro Credit Loans to Poor Women	2,19,20,43,005	2,31,84,35,902
	Staff Loans	20,23,784	21,68,916
	Interest Accrued on Micro Credit Loans	1,03,40,946	1,05,20,081
	Total	2,20,49,91,071	2,33,17,46,182

Note 11: Cash & Cash Equivalent

		₹	₹
1	<u>Cash-in-Hand</u>		
	Cash Balance	2,29,70,913	85,98,064
2	<u>Bank Balance</u>		
	in Current Account	20,74,79,579	74,84,31,151
	in Fixed Deposits		
	(a) Earmarked-Security Deposit	96,30,795	17,55,000
	(b) Earmarked for Margin Money:		
	- upto 12 months of Maturity	25,92,87,223	20,94,38,941
	- More than 12 months Maturity	23,07,08,532	22,57,15,618
3	Interest accrued on Deposits with banks	3,44,85,399	2,07,39,162
	Total	76,45,62,441	1,21,46,77,936

Note 12: Short Term Loans and Advances

S.No.	Particulars	31.03.2014 ₹	31.03.2013 ₹
1	<u>Loans & Advances –Others</u>		
	Advance Recoverable in cash or in kind for value to be received Amount Receivable from Bajaj Allianz Life Insurance Company Ltd towards Death Claim & Refund	1,54,64,392 41,53,000	1,14,29,651 2,76,14,192
	Advance Income Tax and TDS (Previous Years)	94,41,337	50,05,233
	Advance Income Tax and TDS (Current Year)	48,874	30,47,712
	Cash Collateral with a Body Corporate	17,50,000	-
	Total	3,08,57,603	4,70,96,788

Note 13: Revenue from Operations

		₹	₹
1	Interest on Loans	65,20,89,716	43,69,23,553
2	Profit on securitisation of Micro Credit Loan receivables	5,82,95,466	4,65,42,379
3	Processing fee receipts	4,94,59,598	4,32,88,776
4	Bad debts recovered	38,172	3,56,790
	Total	75,98,82,952	52,71,11,498

Note 14: Other Income

		₹	₹
1	Dividend earned on Liquid Fund Investments	73,48,667	14,51,610
2	Interest on Fixed Deposits	3,96,86,706	2,39,22,062
3	Profit on Sale of Assets	20,253	2,92,582
4	Misc. Income	351,259	1,64,710
	Total	4,74,06,885	2,58,30,964

Note 15: Finance Cost

		₹	₹
1	Interest to – Banks	29,88,04,240	16,86,13,322
	- Bodies Corporate	6,18,18,432	2,34,29,150
	- Statutory Bodies	14,60,282	51,41,561
2	Documentation Charges	54,055	11,11,824
3	Bank Charges	23,36,304	24,62,941
4	Processing Fees – Banks	1,15,61,020	1,08,31,304
	- Body Corporate	25,15,774	14,25,401
	Total	378,550,107	21,30,15,503

Note 16: Employee Benefit Expenses

		₹	₹
1	Salaries & Bonus	17,35,65,027	15,20,49,684
2	Staff Welfare Expenses	2,06,20,848	1,71,07,901
3	Gratuity Expenses	16,26,016	16,27,255
4	PF and ESI Expenses	1,22,87,101	1,26,09,060
5	Directors' Remuneration	28,11,000	27,82,500
	Total	21,09,09,992	18,61,76,400

Note 17: Other Administrative Expenses

S.No	Particulars	31.03.2014 ₹	31.03.2013 ₹
1	Telephone Expenses	47,92,066	40,08,856
2	Travelling Expenses	2,24,16,856	2,29,91,138
3	Repairs& Maintenance (Building)	5,62,577	9,12,922
4	Repairs& Maintenance (Machinery)	39,72,975	41,58,397
5	Electricity Charges	37,96,000	36,77,670
6	CSR Activity Expenses	9,76,098	11,18,240
7	Customer Welfare Expenses	4,70,265	8,22,030
8	Bad Debts written off	10,08,426	12,08,420
9	General Expenses	8,89,632	3,97,272
10	Insurance Expenses	29,28,618	13,30,745
11	Membership fees	11,70,806	5,82,959
12	Postage & Telegram	3,00,870	2,16,418
13	Professional Charges	2,45,80,375	2,36,01,623
14	Vehicle Maintenance	32,51,842	27,95,054
15	Filing Fees	36,756	59,862
16	Directors' Sitting Fees	4,37,500	1,89,500
17	Security Expenses	12,72,500	8,18,159
18	Stationery Expenses	63,36,309	64,57,195
19	Auditors' Remuneration	12,62,520	12,07,000
20	Rents, Rates & Taxes	2,36,05,437	1,89,79,267
21	Software Expenses	81,18,476	76,40,126
22	Meeting and Seminar Expenses	6,54,304	4,39,894
23	Loss on Sale of Asset	2,47,512	-
	Total	11,30,88,720	10,36,12,747

Note 18: Depreciation & Amortised Cost

		₹	₹
1	Depreciation	81,39,038	47,40,295
	Total	81,39,038	47,40,295

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.
- 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. For FY2012-13
 - A. 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
 - B. In respect of assets sold out, the necessary provisions are included along with the other NPA provisions.
4. The Company has made a provision on all the Loan Assets @ 1.00% as per the Reserve Bank of India directions for FY2013-14.

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 31stMar 2014. 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)	2013-14 ₹	2012-13 ₹
i	Net NPA to Advances (%)	NIL	NIL
ii	Movement of NPAs (Gross):		
	a) Opening Balance	2,40,317	8,33,107
	b) Additions during the year	5,58,994	-
	c) Reduction during the year	16,489	(5,92,790)
	d) Written-off during the year	2,81,546*	-
	e) Closing Balance	5,01,276	2,40,317
iii	Movement of NPAs (Net):		
	a) Opening Balance	-	-
	b) Additions during the year	-	-
	c) Reduction during the year	-	-
	d) Closing Balance	-	-
iv	Movement of Loan Loss Provision:		
	a) Opening Balance	60,42,781**	8,33,107
	b) Provision made during the year	1,59,03,751	-
	c) Write-off/ Write back of excess provisions	-	(5,92,790)
	d) Closing balance	2,19,46,532	2,40,317
	Contingent Provision against Standard Assets	NA	58,02,464

*Bad Debts written off during the year Rs 10,08,426/- includes Loans Rs.2,81,546/- and other Receivables Rs. 7,26,880/-.

**Includes Contingent Provision

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 2014 is Rs. 38,71,24,608/-.

a. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC HERMES 2013

	PARTICULARS	2013-14	2012-13
I	No. of Accounts	23,377	NIL
II	Aggregate value of accounts sold ₹	19,06,91,000	NIL
III	Aggregate Consideration ₹	19,63,64,135	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years ₹	NIL	NIL
V	Aggregate gain/loss over net book value ₹	56,73,135	NIL

b. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC PERSES 2013

	PARTICULARS	2013-14	2012-13
I	No. of Accounts	29,030	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	23,52,40,000	NIL
III	Aggregate Consideration ₹	24,25,03,000	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years ₹	NIL	NIL
V	Aggregate gain/loss over net book value ₹	72,63,000	NIL

c. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC GENYMEDE 2013

	PARTICULARS	2013-14	2012-13
I	No. of Accounts	4,714	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	3,70,75,620	NIL
III	Aggregate Consideration ₹	3,82,80,127	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years ₹	NIL	NIL
V	Aggregate gain/loss over net book value ₹	12,04,507	NIL

d. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC HYPNOS 2013

	PARTICULARS	2013-14	2012-13
I	No. of Accounts	14,102	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	17,03,87,100	NIL
III	Aggregate Consideration ₹	17,87,00,797	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years ₹	NIL	NIL
V	Aggregate gain/loss over net book value ₹	83,13,697	NIL

e. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC HERA 2013

	PARTICULARS	2013-14	2012-13
I	No. of Accounts	18,332	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	14,23,88,220	NIL
III	Aggregate Consideration ₹	14,79,62,810	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years ₹	NIL	NIL
V	Aggregate gain/loss over net book value ₹	55,74,590	NIL

f. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC DIONE 2013

	PARTICULARS	2013-14	2012-13
I	No. of Accounts	35,806	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	29,03,07,800	NIL
III	Aggregate Consideration ₹	29,91,96,666	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years ₹	Nil	NIL
V	Aggregate gain/loss over net book value ₹	88,88,866	NIL

g. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC TELESTO 2013

	PARTICULARS	2013-14	2012-13
I	No. of Accounts	24,395	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	25,85,29,900	NIL
III	Aggregate Consideration ₹	27,15,84,903	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years ₹	Nil	NIL
V	Aggregate gain/loss over net book value ₹	1,30,55,003	NIL

h. IFMR CAPITAL FINANCE PRIVATE LTD – MOSEC CHARON 2013

	PARTICULARS	2013-14	2012-13
I	No. of Accounts	4,712	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	4,99,78,000	NIL
III	Aggregate Consideration ₹	5,25,72,391	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years ₹	Nil	NIL
V	Aggregate gain/loss over net book value ₹	25,94,391	NIL

The Company maintains a Cash Collateral in respect of the above Securitization transactions and the balance as on 31st March 2014 is Rs.15,66,52,131/-

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.SATHIYAMOORTHI, Chairman & Managing Director (resigned as Chairman & Managing Director w.e.f. 01-Jan-2014 but Continued as Director till 30-Mar-2014)
- Mr. A. TAMILARASON, Whole Time Director
- Mr. R. RAGHAVENDER ANAND, Managing Director (appointed w.e.f. 01-Jan-2014)

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

(a) Lease of Premises:

During the year ended March 31, 2014, the Company paid rent of Rs.1,78,000/- (Previous year Rs.44,700/-) to Mr. S. Lingesh Lakshmi Kumar son of Mr.M.Sathiyamoorthi, Chairman & Managing Director (resigned w.e.f. 01-Jan-2014).

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

Remuneration to whole-time Directors:

During the year ended March 31, 2014, the Company paid remuneration to the whole-time Directors: –

Mr. M. SATHIYAMOORTHI (till 31-Dec-2013)

Nature	2013-14	2012-13
Salary	12,06,000	14,40,000
Ex-gratia & Incentive	2,17,000	1,50,000
Total	14,23,000	15,90,000

Mr. A. TAMILARASON

Nature	2013-14	2012-13
Salary	9,00,000	10,80,000
Ex-gratia & Incentive	1,62,500	1,12,500
Total	10,62,500	11,92,500

Mr. R. RAGHAVENDER ANAND (from 01-Jan-2014)

Nature	2013-14	2012-13
Salary	7,05,000	-
Ex-gratia & Incentive	-	-
Total	7,05,000	-

29) Earnings per Share as per Accounting Standard 20.

Particulars	2013-14	2012-13
Profit after tax (₹)	5,17,76,561	2,67,18,460
No. of Equity Shares of Rs.10 each as on 31 st March	1,73,39,639	1,73,39,639
Basic EPS (₹)	2.99	1.54

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 Asset of Rs. 71,041/- during the year. (Previous year Deferred Tax Liability of Rs. 4,89,659/-).

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, 2014 ₹	March 31, 2013 ₹
As Auditor		
For Statutory Audit	9,58,320	8,71,000
For Branch Audit	76,000	72,000
For Taxation Matters	74,500	35,000
For Reimbursement of Expenses	24,823	15,000
Total	11,33,643	9,93,000

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.1,33,124 /- (Previous Year: Rs. 55,560)

Professional Fees – Rs. NIL (Previous Year: Rs. 32,21,447)

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, Pricing of Credit, Exposure to Real Estate Sector & 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, Pricing of Credit, Liquidity and Disclosure Norms issued by the Reserve Bank:

Capital Adequacy Ratio

(Rs. In Cr)

Particulars	As at 31 March 2014	As at 31 March 2013
Tier I Capital	80.12	74.59
Tier II Capital	0.00	0.58
Total Capital	80.12	75.17
Total Risk Weighted Assets	261.29	308.74
Capital Ratios		
Tier I Capital as a Percentage of Total Risk Weighted Assets (%)	30.69	24.16
Tier II Capital as a Percentage of Total Risk Weighted Assets (%)	0.00	0.19
Total Capital (%)	30.69	24.35

Pricing of Credit

The average interest paid on borrowings for the Company for financial year 2013-14 is 14.31% and the average interest charged by the Company on the loans granted to members is 24.49%, calculated as per the RBI guidelines.

On micro-credit, the Company was charging interest @26% on diminishing balance method, which is in compliance with the pricing guidelines.

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 2014 and 31st March 2013.

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	9.97	7.55	32.80	38.07	57.14	56.81	0.08	Nil
Assets								
Advances	28.74	26.31	24.76	70.97	54.95	13.74	Nil	Nil
Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Per our report of even date

for and on behalf of the Board

for VICTORIA MATHEWS & SANTHAKUMAR

Chartered Accountants

FRN: 05458S

-Sd-

INDRANI SINGH
CHAIRMAN

-Sd-

B. SANTHAKUMAR

Partner

Membership No: 27583/200

-Sd-

R. RAGHAVENDER ANAND
MANAGING DIRECTOR

Place : Chennai

Dated : 28.06.2014

-Sd-

RAJAN SAMUEL
INDEPENDENT DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

CASH FLOW STATEMENT		31.03.2014	31.03.2013
		₹	₹
CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit Before Taxes		8,06,98,229	4,37,81,896
Adjustment for Non- Cash Items			
Loan Loss Provision/ Provision for NPA & on Contingent Provision		159,03,751	16,15,621
Loss / (Profit) on Sale of Assets (Net)		2,27,259	(1,64,710)
Depreciation		81,39,038	47,40,295
Operating Profit Before Changes in Working Capital		10,49,68,277	4,99,73,103
Adjustments for:			
(Increase)/ Decrease in Micro-credit Advances		12,63,92,897	(88,36,44,271)
(Increase)/ Decrease in Other Current Assets		(1,83,550)	(48,20,629)
(Increase)/ Decrease in Other Loans & Advances		1,64,22,264	1,19,27,672
(Increase)/ Decrease in Miscellaneous Assets		43,90,064	(72,81,187)
(Decrease)/Increase in Other Liabilities and Provisions		37,62,382	3,30,05,460
Net cash generated from operating activities Before Tax		25,57,52,334	(80,08,39,851)
Income Tax Paid		(2,94,82,367)	(1,57,79,118)
Net cash Generated / (used) from Operating Activities After Tax	(A)	22,62,69,967	(81,66,18,969)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(91,91,703)	(2,26,34,078)
Sale of Fixed Assets		16,22,723	11,91,511
Net Cash Generated from Investing Activities	(B)	(75,68,980)	(2,14,42,568)
CASH FLOW FROM FINANCING ACTIVITIES			
Net Increase in Loans Received		(66,88,16,482)	1,50,76,58,712
Net Cash Generated from Financing Activities	(C)	(66,88,16,482)	1,50,76,58,712
Net Increase/(Decrease) in Cash and Cash equivalents during the year (A)+(B)+(C)		(45,01,15,495)	66,95,97,175
Cash and Cash Equivalents at the beginning of the year		1,21,46,77,936	54,50,80,761
Cash and Cash Equivalents at the end of the year		76,45,62,441	1,21,46,77,936

In terms of our report attached

FOR VICTORIA MATHEWS &SANTHAKUMAR
CHARTERED ACCOUNTANTS
FRN: 05458S

-Sd-

B.SANTHAKUMAR
PARTNER
Membership No. : 27583/200

Place : Chennai
Date : 28.06.2014

for and on behalf of the Board

-Sd-

INDRANI SINGH
CHAIRMAN

.-Sd-

R. RAGHAVENDERANAND
MANAGING DIRECTOR

-Sd-

RAJAN SAMUEL
INDEPENDENT DIRECTOR

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 31.03.2014.

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	0	0
(other than falling within the meaning of public deposits*)		
(b) Deferred Credits	0	0
(c) Term Loans	20,242	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	21,941	6
(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

(4) Break-up of Investments :	Cost	Market Value
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	21,941	21,947
TOTAL	6	21,941	21,947

(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	5
(ii) Net Non-Performing Assets	
(a) Related parties	0
(b) Other than related parties	0
(iii) Assets acquired in satisfaction of debt	0

NOTES:

1. As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

2. Provisioning norms shall be applicable as prescribed in Non-Banking Financial (Non-Deposit-Accepting or Holding) Companies Prudential Norms(Reserve Bank) Directions, 2007.

3. 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.