



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

20th

ANNUAL REPORT

2014-2015

REGISTERED & CORPORATE OFFICE

'The Galaxy' No.30, 48th Street, 9th Avenue, Ashok Nagar, Chennai- 600083

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Website: www.smileltd.in

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Name of the Director	Designation
Indrani Bhagwan Singh	Chairman & Managing Director
J. Bradley Swanson	Nominee Director of DWM Investments (Cyprus) Limited
Aleem Remtula	Nominee Director of DWM Investments (Cyprus) Limited
P. Murali Srinivas	Independent Director
Rajan Samuel	Independent Director

CHIEF FINANCIAL OFFICER

V T Prabakaran

COMPANY SECRETARY

R Venkatasubramanian

STATUTORY AUDITORS

M/s. Victoria Mathews & Santhakumar
Chartered Accountants
Door No.12,Plot No.54,1st Link street, Raghava
Reddy Colony, Ashok Nagar, Chennai-
600083,Phone:044-04890848,Near Kumaran
Nagar Police Station

OFFICES

Registered & Corporate

'The Galaxy' No.30, 48th Street, 9th
Avenue, Ashok Nagar, Chennai-
600083,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	Reliance Commercial Finance
2	Bank of Maharashtra	2	Maanaveeya Development & Finance Private Limited
3	Canara Bank	3	Reliance Home Finance Limited
4	Corporation Bank		
5	DCB Bank Ltd		
6	Dena Bank		
7	IDBI Bank Ltd		
8	RBL Bank Ltd		
9	State Bank of Patiala		
10	The Karnataka Bank Ltd		
11	The Lakshmi Vilas Bank Ltd		
12	The South Indian Bank Ltd		
13	Vijaya Bank		

BOARD COMMITTEES

AUDIT COMMITTEE	BORROWING & INVESTMENT COMMITTEE
Mr. Aleem Remtula, Nominee Director of DWM Mr. Rajan Samuel, Independent Director Mr. Murali Srinivas, Independent Director	Ms. Indrani Bhagwan Singh, Chairman Mr. J. Bradley Swanson, Nominee Director of DWM Mr. Aleem Remtula, Nominee Director of DWM Mr. Murali Srinivas, Independent Director
SHARE ALLOTMENT & TRANSFER COMMITTEE	CREDIT & NON-PERFORMING ASSETS REVIEW COMMITTEE
Ms. Indrani Bhagwan Singh, Chairman Mr. J. Bradley Swanson, Nominee Director of DWM Mr. Aleem Remtula, Nominee Director of DWM	Ms. Indrani Bhagwan Singh, Chairman Mr. J. Bradley Swanson, Nominee Director of DWM Mr. Aleem Remtula, Nominee Director of DWM Mr. Murali Srinivas, Independent Director
REMUNERATION & COMPENSATION COMMITTEE	ASSET LIABILITY MANAGEMENT & RISK MANAGEMENT COMMITTEE
Mr. Aleem Remtula, Nominee Director of DWM Mr. Rajan Samuel, Independent Director Mr. Murali Srinivas, Independent Director	Ms. Indrani Bhagwan Singh, Chairman 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
NOMINATION COMMITTEE	CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE)
Ms. Indrani Bhagwan Singh, Chairman Mr. Aleem Remtula, Nominee Director of DWM Mr. Rajan Samuel, Independent Director Mr. Murali Srinivas, Independent Director	Ms. Indrani Bhagwan Singh, Chairman Mr. Rajan Samuel, Independent Director Mr. Murali Srinivas, Independent Director
Stakeholder Relationship Committee	
Ms. Indrani Bhagwan Singh, Chairman Mr. Aleem Remtula, Nominee Director of DWM	

DIRECTORS' REPORT

Your Directors are pleased to present the Twentieth 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 2015.

FINANCIAL SUMMARY

(Rs. in Lakhs)

Particulars	2014-15	2013-14
Interest Income	4261.38	7598.83
Other Income	384.64	474.07
Total Income	4646.02	8072.9
Less		
Expenses	4591.24	7265.92
Profit before Tax	54.78	806.98
Less		
Provisions for:		
Income Tax	10.44	294.82
Fringe Benefit Tax		
Deferred Tax	-14.58	-5.60
Profit after Tax	58.92	517.76
Add:		
Balance b/f from previous years	2141.07	1726.86
Amount available for Appropriation	2199.99	2244.62
Appropriations:		
Statutory Reserve	11.78	103.55
Balance carried to Balance Sheet	2188.21	2141.07
	2199.99	2244.62
Equity Share Capital	1733.96	1733.96
Reserves	6475.51	6416.58
CRAR (Capital to Risk-weighted Asset Ratio)	60.04%	30.69%

OPERATIONAL REVIEW:

During the year, your company earned a GROSS INCOME of Rs. 46.46 Cr (Previous Year Rs. 80.73 Cr) and PROFIT BEFORE TAX (PBT) of Rs. 0.55 Crs (Previous Year Rs. 8.06 Cr), with expenditures of Rs. 45.91 Cr (Previous Year Rs. 72.65 Cr). The Company earned a PROFIT AFTER TAX (PAT) of Rs.0.59 Crs (Previous year Rs. 5.18 Cr). The amount transferred to Statutory Reserve is Rs. 0.12 Crs (Previous year Rs. 1.03 Cr).

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 during the year. Post resolution of dispute, the Company obtained funding of Rs. 35 Crs from Banks and Financial Institutions for the FY 2014-15.

Your Directors' are focusing on the long term and stay true to a clear and consistent strategy for the growth of the Company.

LOAN OBTAINED AND DISBURSED

During the Year under review, the Company obtained funds amounting to Rs. 35 Cr through Term Loan and the Company sanctioned loans to 1.78 lakh (previous year 3.19 lakh) Borrowers. Loan disbursement for the Year amounted to Rs. 220.85 Cr (previous year Rs. 519.98 Cr. Average loan size decreased to Rs. 12,399 from Rs.16,251 in the previous year.

ASSETS UNDER MANAGEMENT (AUM)

The total Loan Assets under management of the Company decreased to Rs. 133.74 Crore (On Book Portfolio Rs. 133.74 Cr), a decrease of Rs.124.45 Cr (48.20%);

Previous Year: Loan Assets under management Rs. 258.19 Cr (On Book Portfolio Rs. 219.48 Cr + Managed Portfolio Rs.38.71 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 13.33 Lakhs representing 0.10% of the portfolio. PAR >30 days amounted to Rs.10.67 Lakhs representing 0.08% of the Portfolio. The Company made a Loan Loss Provision of Rs133.74 Lakhs.

Bad Debts written off during the year – Rs 9.32 Lakhs is lower when compared to Rs10.08 Lakhs written off in the Previous Year.

LOAN SERVICING

During the year, the Company serviced all its Term Loans promptly and made Principal repayments of Rs.146.93 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 investors to the extent of Rs.38.71 Cr.

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.

MICROFINANCE SECTOR SCENARIO

The Reserve Bank of India (RBI) on April 8, 2015 has notified the revised lending guidelines for NBFC-Micro Finance Institutions (MFIs), raising the limit for overall indebtedness of an individual borrower from Rs. 50,000 to Rs. 100,000 and Loan to be disbursed to a borrower with a rural household annual income not exceeding Rs. 1,00,000 (vs. Rs. 60,000) or urban and semi-urban household with income not exceeding Rs. 1,60,000 (vs. Rs. 1,20,000)

The change in the guidelines is likely to support the MFIs' growth prospects, address the borrowers' growing needs and reduce their dependence on local moneylenders and other informal fund sources.

DIVIDEND

The Company did not consider any dividend payment for the current Financial Year.

SHARE CAPITAL

The paid up equity capital as on March 31, 2015 was Rs.17,33,96,390/-. During the year under review, the Company has not issued any equity share and shares with differential voting rights nor granted stock options nor sweat equity.

FIXED DEPOSITS

The Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The company has not given any loans or guarantees covered under the provisions of section 186 of the Companies Act, 2013.

The detail of the investments made by company is given in the notes to the financial statements.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit function is defined in the Internal Audit Manual. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board & to the Chairman & Managing Director.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company.

Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and recommendations along with corrective actions thereon are presented to the Audit Committee of the Board.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:

(A) Conservation of energy:

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.

(B) Technology absorption:

The Company is operating through BR.Net application software with effect from 2013. This has enabled the Company to handle increased volume of operations and also service the increasing number of loan beneficiaries efficiently.

(C) Foreign exchange earnings and Outgo

During this Financial Year, the Company has not incurred any foreign exchange expenditures.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the FY 2014-15 Mr Tamilarasan and Mr Ragavendra Anand resigned from the Board w.e.f. 19th June, 2014 and 26th August, 2014 respectively. The Board of Directors places on record its appreciation for the valuable contributions made by Mr Ragavendra Anand during their association.

During the FY 2014-15 Mrs Indrani Bhagwan Singh was appointed as Managing Director of the Company w.e.f. 27th August, 2014.

During the FY 2014-15 Mr R Venkatasubramanian was appointed as Company Secretary of the Company w.e.f. 16th March, 2015.

During the calendar year Mr V T Prabakaran was appointed as Chief Financial Officer of the Company w.e.f. 01st April, 2015.

The Current Board of Directors and Key Managerial Personnel of the Company:

S.no	Name of the Director/Key Managerial Personnel	Designation
1	Mrs Indrani Bhagwan Singh	Chairman & Managing Director
2	Mr Bradley Swanson	Nominee Director
3	Mr Aleem Remtula	Nominee Director
4	Mr Murali Srinivas	Independent Director
5	Mr Rajan Samuel	Independent Director
6	Mr V T Prabakaran	Chief Financial Officer
7	Mr R Venkatasubramanian	Company Secretary

Remuneration Policy

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report.

MEETINGS

A calendar of Meetings is prepared and circulated in advance to the Directors.

During the year five Board Meetings and four Audit Committee Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.



DIRECTOR'S RESPONSIBILITY STATEMENT

In pursuance of section 134 (5) of the Companies Act, 2013, the Directors hereby confirm that:

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis; and

(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS

From 29th May 2015, the Company has been reclassified as NBFC-MFI by Reserve Bank of India.

RELATED PARTY TRANSACTIONS

During the financial year there were no related party transactions made by the company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the company at large.

SUBSIDIARY COMPANIES

The Company does not have any subsidiary.

AUDITOR'S REPORT

The observation made in the Auditors' Report read together with relevant notes thereon are self-explanatory and hence, do not call for any further comments under Section 134 of the Companies Act, 2013.

AUDITORS

M/s Victoria Mathews & Santhakumar, Chartered Accountants, Chennai retire at the conclusion of the Twentieth 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.

VIGIL MECHANISM

The Company has a vigil mechanism named Risk Management Policy to deal with instance of fraud and mismanagement, if any.

The RM Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern. The Policy is under the supervision of the Audit Committee and the Board.

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT-9 is annexed herewith as "Annexure A".

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.



DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS

<p>The Board of Directors M/s S.M.I.L.E. Microfinance Limited</p> <p>Dear Sir,</p> <p>I undertake to comply with the conditions laid down in section 149 and Schedule IV of the Companies Act, 2013 in relation to conditions of independence and in particular:</p> <p>(a) I declare that upto the date of this certificate, apart from receiving director's remuneration, I did not have any material pecuniary relationship or transactions with the Company, its promoter, its directors, senior management or its holding Company, its subsidiary and associates as named in the Annexure thereto which may affect my independence as director on the Board of the Company. I further declare that I will not enter into any such relationship/transactions. However, if and when I intend to enter into such relationships/transactions, whether material or non-material I shall keep prior approval of the Board. I agree that I shall cease to be an independent director from the date of entering into such relationship/transaction.</p> <p>(b) I declare that I am not related to promoters or persons occupying management positions at the Board level or at one level below the board and also have not been executive of the Company in the immediately preceding three financial years.</p> <p>(c) I was not a partner or an executive during the preceding three years, of any of the following:</p> <p>(i) the statutory audit firm or the internal audit firm that is associated with the Company and</p> <p>(ii) the legal firm(s) and consulting firm(s) that have a material association with the company</p> <p>(d) I have not been a material suppliers, service provider or customer or lessor or lessee of the company, which may affect independence of the director, and was not a substantial shareholder of the Company i.e., owning two percent or more of the block of voting shares.</p> <p style="text-align: right;">Thanking You.</p> <p style="text-align: right;">Yours Faithfully, P Murali Srinivas (Independent director)</p> <p>Date: 17th June, 2015 Place: Chennai</p>	<p>The Board of Directors M/s S.M.I.L.E. Microfinance Limited</p> <p>Dear Sir,</p> <p>I undertake to comply with the conditions laid down in section 149 and Schedule IV of the Companies Act, 2013 in relation to conditions of independence and in particular:</p> <p>(a) I declare that upto the date of this certificate, apart from receiving director's remuneration, I did not have any material pecuniary relationship or transactions with the Company, its promoter, its directors, senior management or its holding Company, its subsidiary and associates as named in the Annexure thereto which may affect my independence as director on the Board of the Company. I further declare that I will not enter into any such relationship/transactions. However, if and when I intend to enter into such relationships/transactions, whether material or non-material I shall keep prior approval of the Board. I agree that I shall cease to be an independent director from the date of entering into such relationship/transaction.</p> <p>(b) I declare that I am not related to promoters or persons occupying management positions at the Board level or at one level below the board and also have not been executive of the Company in the immediately preceding three financial years.</p> <p>(c) I was not a partner or an executive during the preceding three years, of any of the following:</p> <p>(i) the statutory audit firm or the internal audit firm that is associated with the Company and</p> <p>(ii) the legal firm(s) and consulting firm(s) that have a material association with the company</p> <p>(d) I have not been a material suppliers, service provider or customer or lessor or lessee of the company, which may affect independence of the director, and was not a substantial shareholder of the Company i.e., owning two percent or more of the block of voting shares.</p> <p style="text-align: right;">Thanking You.</p> <p style="text-align: right;">Yours Faithfully, Rajan Samuel (Independent director)</p> <p>Date: 17th June, 2015 Place: Chennai</p>
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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.

- By order of the Board –
For S.M.I.L.E. MICROFINANCE LIMITED
Sd/-

INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

Place: Chennai
Date : 17 June, 2015

**FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN**

As on financial year ended 31.03.2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014

I. REGISTRATION & OTHER DETAILS:

1.	CIN	U67190TN1995PLC030604
2.	Registration Date	21/03/1995
3.	Name of the Company	S.M.I.L.E. MICROFINANCE LIMITED
4.	Category/Sub-category of the Company	Company Limited by Shares/ Indian Non –Government Company
5.	Address of the Registered office & contact details	'The Galaxy' No.30, 48th Street, 9th Avenue, Ashok Nagar, Chennai-600083
6.	Whether listed company	NO
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	-NA-

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Financial services – Lending	Section K – Group 649 – Other Financial Service activities, except insurance and pension funding activities	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and Address of the Company	CIN/GLN	Holding /Subsidiary/ Associate	% of Shares Held	Applicable Section
1	-NA-	-NA-	-NA-	-NA-	-NA-

IV. VI. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2014]				No. of Shares held at the end of the year[As on 31-March-2015]				Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	Nil	1380497	1380497	7.96%	Nil	3219997	3219997	18.57%	10.61%
Total shareholding of Promoter (A)	0	1380497	1380497	7.96%	0	3219997	3219997	18.57%	10.61%
B. Public Shareholding									

i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	Nil	4404503	4404503	25.40%	Nil	2565003	2565003	14.79%	(10.61)%
Overseas Corporate Bodies	Nil	11554639	11554639	66.64%	Nil	11554639	11554639	66.64%	Nil
Total Public Shareholding (B)	Nil	15959142	15959142	92.04%	Nil	14119642	14119642	81.43%	(10.61)%
C. Shares held by Custodian for GDRs & ADRs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A+B+C)	Nil	17339639	17339639	100.00%	Nil	17339639	17339639	100.00%	Nil

B) Shareholding of Promoter-

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	RAMESH.S	49998	0.29	Nil	49998	0.29	Nil	Nil
2	GURUSHANKAR.S	49999	0.29	Nil	2702499	15.59	Nil	15.30%
3	BUVANESWARI.N	110000	0.63	Nil	110000	0.63	Nil	Nil
4	DR.MRS.BRATHIBA	150000	0.87	Nil	150000	0.87	Nil	Nil
5	DR.N.SETHURAMAN & S.RAMESH	100000	0.58	Nil	100000	0.58	Nil	Nil
6	DR.N.SETHURAMAN	813000	4.69	Nil	0	0.00	Nil	(4.69)%
7	DR.N.SETHURAMAN & DR.S .PRATHIBHA	80000	0.46	Nil	80000	0.46	Nil	Nil
8	RAMESH.S & DR. SETHURAMAN. N	27500	0.16	Nil	27500	0.16	Nil	Nil
Total		1380497	7.96	Nil	3219997	18.57	Nil	Nil

C) Change in Promoters' Shareholding (please specify, if there is no change)

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year		
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company	
1	GURUSHANKAR.S					
	At the beginning of the year	49999	0.29%	49999	0.29%	
	Transfer of shares	24.05.2014	840000	4.85%	889999	5.14%
		16.06.2014	862000	4.97%	1751999	10.11%
		26.06.2014	813000	4.69%	2564999	14.80%
		26.06.2014	40000	0.23%	2604999	15.03%
		10.07.2014	87500	0.50%	2692499	15.53%
	31.07.2014	10000	0.06%	2702499	15.59%	
	At the end of the year			2702499	15.59%	

2	DR.N.SETHURAMAN				
	At the beginning of the year	813000	4.69%	813000	4.69%
	Sale of shares	26.06.2014	813000	(4.69)%	0
	At the end of the year			0	0.00%

**D) Shareholding Pattern of top ten Shareholders:
(Other than Directors, Promoters and Holders of GDRs and ADRs):**

SN	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	DWM Investments (Cyprus) Limited	11554639	66.64	11554639	66.64
2	SRINIVASAN.N	50000	0.29	50000	0.29
3	PANDURANGAN. K	47500	0.27	47500	0.27
4	ESAKKIMUTHU.S	20000	0.12	20000	0.12
5	PANNIR SELVAM.G	20000	0.12	20000	0.12
6	BACKIYATHAI.M	15000	0.09	15000	0.09
7	MAHESWARI.M	15000	0.09	15000	0.09
8	KOTHAI.S	10000	0.06	10000	0.06
9	DR.THIRUMALAI.P	10000	0.06	10000	0.06
10	MANOJ KUMAR.R	10000	0.06	10000	0.06

E) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the Year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil

V) IN DEBTEDNESS -Indebtedness of the Company including interest outstanding/accrued but not due for payment.

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	2,02,42,23,632		50,13,76,550	2,52,56,00,182
ii) Interest due but not paid	67,00,060			67,00,060
iii) Interest accrued but not due			3,44,85,398	3,44,85,398
Total (i+ii+iii)	2,03,09,23,692		53,58,61,948	2,56,67,85,640

Change in Indebtedness during the financial year				
* Addition	37,30,00,000		8,65,02,044	45,95,02,044
* Reduction	1,49,70,89,429		39,16,40,090	1,88,87,29,519
Net Change	(1,12,40,89,429)		(30,51,38,046)	(1,42,92,27,475)
Indebtedness at the end of the financial year				
i) Principal Amount	90,49,48,159		21,01,48,474	1,11,50,96,633
ii) Interest due but not paid	18,86,104		-	18,86,104
iii) Interest accrued but not due	-		2,05,75,428	2,05,75,428
Total (i+ii+iii)	90,68,34,263		23,07,23,902	1,13,75,58,165

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: (Rs. In Lakhs)

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount
		Mrs. Indrani Bhagwan Singh - Chairman & Managing Director	
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	28.20	28.20
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	Nil	Nil
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	Nil	Nil
2	Stock Option	Nil	Nil
3	Sweat Equity	Nil	Nil
4	Commission - as % of profit - others, specify...	Nil	Nil
5	Others, Sitting Fees paid	1.92	1.92
	Total (A)	30.12	30.12

B. Remuneration to other directors

SN.	Particulars of Remuneration	Name of Directors		Total Amount
		Mr. Murali Srinivas	Mr. Rajan Samuel	
1	Independent Directors			
	Fee for attending board & committee meetings	Rs. 3,15,000	Rs. 87500	Rs. 4,02,500
	Commission	Nil	Nil	Nil
	Others, please specify	Nil	Nil	Nil
	Total (1)	Rs. 3,15,000	Rs. 87500	Rs. 4,02,500
2	Other Non-Executive Directors			
	Fee for attending board committee meetings	Nil	Nil	Nil
	Commission	Nil	Nil	Nil
	Others, please specify	Nil	Nil	Nil
	Total (2)	Nil	Nil	Nil
	Total (B)=(1+2)	Nil	Nil	Nil
	Total Managerial Remuneration	Rs. 3,15,000	Rs. 87500	Rs. 4,02,500

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Rs. in lakhs

SN	Particulars of Remuneration	Key Managerial Personnel		Total
		Company Secretary	Chief Financial Officer	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	7.20	18.90	26.10
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	Nil	Nil	
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	Nil	Nil	
2	Stock Option	Nil	Nil	
3	Sweat Equity	Nil	Nil	
4	Commission	Nil	Nil	
	- as % of profit	Nil	Nil	
	others, specify...	Nil	Nil	
5	Others, please specify	Nil	Nil	
	Total	7.20	18.90	26.10

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

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 Current Board of Directors of the Company:

S.no	Name of the Directors	Designation
1	Mrs Indrani Bhagwan Singh	Chairman & Managing Director
2	Mr Bradley Swanson	Non- Executive & Nominee Director of DWM Investments (Cyprus) Limited
3	Mr Aleem Remtula	Non- Executive & Nominee Director of DWM Investments (Cyprus) Limited
4	Mr Murali Srinivas	Independent Director
5	Mr Rajan Samuel	Independent Director

During the Financial Year ended 31st March 2015, five (5) Board Meetings were conducted on the following dates viz., 28th June, 2014; 26th August, 2014; 26th September, 2014; 3rd December, 2014 and 12th March, 2015 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
		Board	Committee	Directorships
Mrs. Indrani Bhagwan Singh	Managing Director (w.e.f. 27/08/2014)	5	23	Nil
Mr. R. Raghavender Anand	Managing Director Resigned service (26/08/2014)	2	8	Nil
Mr. Bradly swanson	Non-Executive & Nominee of DWM Investments (Cyprus) Limited	5	11	Nil
Mr. Aleem Remtula	Non-Executive & Nominee of DWM Investments (Cyprus) Limited	5	17	1
Mr. Rajan Samuel	Independent	2	7	Nil
Mr. P. Murali Srinivas	Independent	5	21	2

COMMITTEES OF BOARD

The Board has currently Nine 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; Nomination Committee and Stakeholder Relationship 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 2014-15 viz., on 27th June, 2014; 25th September, 2014; 2nd December, 2014 and 11th March, 2015.

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 section 134 (5) of the Companies Act, 2013;
 - 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

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

The Committee met one (1) time during the Financial Year 2014-15 viz., on; 11th March, 2015.



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

Mrs. Indrani Bhagwan Singh, Chairman
Mr. J. Bradley Swanson, Nominee Director of DWM
Mr. Aleem Remtula, Nominee Director of DWM
Mr. Murali Srinivas, Independent Director

Meetings

The Committee met Six(6) times during the Financial Year 2014-15 viz., 15th October, 2014, 16th December, 2014; 30th January, 2015, 23rd March, 2015; 30th March, 2015; 31st March, 2015;

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

Mrs. Indrani Bhagwan Singh, Chairman
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 2014-15 viz., on 27th June, 2014; 25th .September, 2014; 2nd December, 2014 and 11th March, 2015.

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

Mrs. Indrani Bhagwan Singh, Chairman
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 four (4) times during the Financial Year 2014-15 viz., on 27th June, 2014; 25th September, 2014; 2nd December, 2014 and 11th March, 2015.

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

Mrs. Indrani Bhagwan Singh, Chairman
Mr. J. Bradley Swanson, Nominee Director of DWM
Mr. Aleem Remtula, Nominee Director of DWM

The Committee met five (5) times during the Financial Year 2014-15 viz., on 24th May, 2014; 16th June, 2014; 26th June, 2014; 10th July, 2014 and 31st July, 2014.

Share Allotment & Transfer Committee:

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 2014-15.

NOMINATION COMMITTEE

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

Composition

1. Mrs. Indrani Bhagwan 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 two (2) times during the Financial Year 2014-15 viz., on 27th June, 2014 and 11th March, 2015.

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 Section 135 of the Companies Act, 2013
The outline and composition of the Committee which are more particularly given in annual report on CSR activities
No meeting was held during the Financial Year 2014-15

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.

Annual Report on Corporate Social Responsibility (CSR) Activities

<p>1. A brief outline of the company's CSR policy 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:</p> <ul style="list-style-type: none"> ✓ 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. <p>2. Composition Mrs. Indrani Bhagwan Singh, Chairman Mr. Rajan Samuel, Independent Director Mr. Murali Srinivas, Independent Director</p>	<p>3. Average net profit of the Company for the last 3 financial years Rs. 45.19 Crs</p> <p>4. Prescribed CSR Expenditure (2% of the amount as in above) Rs. 9.03 lakh</p> <p>5. Details of CSR Spent during the financial year</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Activity</th> <th style="text-align: right;">Amount Spent</th> </tr> </thead> <tbody> <tr> <td>Natural Calamities (Flood, Fire, Eviction)</td> <td style="text-align: right;">20436</td> </tr> <tr> <td>Vocational Guidance & Training Centre</td> <td style="text-align: right;">89702</td> </tr> <tr> <td>Eye Camp</td> <td style="text-align: right;">16599</td> </tr> <tr> <td>SMILE Educational Training Centre</td> <td style="text-align: right;">7500</td> </tr> <tr> <td>Prize money for school toppers</td> <td style="text-align: right;">873784</td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">1008021</td> </tr> </tbody> </table> <p>a. Total amount to be spent for the financial year: Rs. 9.03 lakh</p> <p>b. Amount unspent, if any: NIL</p>	Activity	Amount Spent	Natural Calamities (Flood, Fire, Eviction)	20436	Vocational Guidance & Training Centre	89702	Eye Camp	16599	SMILE Educational Training Centre	7500	Prize money for school toppers	873784	TOTAL	1008021
Activity	Amount Spent														
Natural Calamities (Flood, Fire, Eviction)	20436														
Vocational Guidance & Training Centre	89702														
Eye Camp	16599														
SMILE Educational Training Centre	7500														
Prize money for school toppers	873784														
TOTAL	1008021														
C. Manner in which the amount spent during the financial year is detailed below:															
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)								
S. No	CSR project or activity identified.	Sector in which the Project is covered	Projects or programs (1)Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise (in Rs.)	Amount spent on the projects or Programs Sub-heads: (1)Direct expenditure on projects or programs. (2) Overheads: (in Rs.)	Cumulative expenditure upto to the reporting period (in Rs.)	Amount spent: Direct or through implementing agency *								
1	Natural Calamities (Flood, Fire, Eviction)		Tamilnadu, Chennai & Madurai	20436	20436	20436	Direct								
2	Vocational Guidance & Training Centre	Skill Development	Tamilnadu, Chennai & Madurai	89702	89702	89702	Agency								
3	Eye Camp	Health Care	Tamilnadu, Chennai & Madurai	16599	16599	16599	Agency								
4	SMILE Educational Training Centre	Education	Tamilnadu, Chennai & Madurai	7500	7500	7500	Direct								
5	Prize money for school toppers	Education	Tamilnadu, Chennai & Madurai	873784	873784	873784	Direct								

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board's report:

The Company has spent the two per cent of the average net profit of the last three financial years.

7. A responsibility statement of the CSR committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company:

The CSR committee confirms that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and Policy of the company.

- By order of the Board
For S.M.I.L.E. MICROFINANCE LIMITED

Place: Chennai
Date: 17th June, 2015

Sd/-
INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

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 Bhagwan Singh	35000	157500	Nil
Mr. Rajan Samuel	17500	70000	Nil
Mr. P. Murali Srinivas	70000	345000	Nil

GENERAL BODY MEETINGS

During the financial year ended 31st March 2015, an Extra-ordinary General Meeting (EGM) and an Annual General Meeting were 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
24 th September, 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 2015

Category	# of Shares	Percentage
Promoter & Promoter Group	3219997	18.57%
Other Members	2562303	14.78%
Foreign Shareholding:		
DWM Investments (Cyprus) Limited	11554639	66.64%
Total	17339639	100.00%

Address for Correspondence

'The Galaxy' No.30, 48th Street,
9th Avenue, Ashok Nagar,
Chennai- 600083

- By order of the Board
For S.M.I.L.E. MICROFINANCE LIMITED
Sd/-

INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

CMD / CFO 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 2015 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/-

Indrani Bhagwan Singh
Chairman & Managing Director

Sd/-

V.T. Prabakaran
Chief Financial Officer

Place: Chennai

Date: 17th June, 2015

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, 2015, 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

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

3. AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements

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, 2015;
- 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, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143 (3) of the Act, we report that:
- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - e) on the basis of written representations received from the directors as on March 31, 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015, from being appointed as a director in terms of Section 164 (2) of the Act.
 - f) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements;
 - ii. The Company did not have any outstanding long-term contracts including derivative contracts as at March 31, 2015 for which there were any material foreseeable losses; and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For VICTORIA MATHEWS & SANTHAKUMAR
Chartered Accountants
FRN:05458S.

Sd/-
B.SANTHAKUMAR
Partner
Membership No: 027583/200
Place: Chennai
Date: 17.06.2015

Annexure referred to in paragraph 5(1) under the heading "Report on other legal and regulatory requirements" of our report of even date

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
2. a) The Company's business does not involve dealing in inventories, though the company has stock of stationary. Accordingly, the physical verification of inventory has been conducted at reasonable intervals by the management.
b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its businesses.
c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on such physical verification.
3. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a) and (b) of the Order are not applicable to the Company and hence not commented upon.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory



and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

5. The Company has not accepted any deposits from the public.
6. To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, 2013, for the products/services of the Company.
7. (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
(c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder.
8. 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.
9. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
10. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
11. Based on the information and explanation given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilization have been gainfully invested in liquid assets payable on demand.
12. We have been informed that during the year there were instances of misappropriation of cash by the employees of the Company aggregating Rs.2,51,820. As informed those employees involved, have resigned after settling the amount of Rs. 1,35,214, resulting in a balance of Rs. 1,16,606. We have been further informed that necessary action has been taken for the recovery.

For VICTORIA MATHEWS & SANTHAKUMAR
Chartered Accountants
FRN:05458S

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

Place: Chennai
Date: 17.06.2015

BALANCE SHEET AS AT MARCH 31, 2015

Particulars	Notes	31.03.2015	31.03.2014
		₹	₹
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	64,75,50,940	64,16,58,225
<u>(2) Non-Current Liabilities</u>			
(a) Long-Term Borrowings	3	25,10,61,229	56,74,47,444
<u>(3) Current Liabilities</u>			
(a) Short-Term Borrowings	4	9,21,92,122	-
(b) Other Current Liabilities	5	61,38,72,539	1,63,05,95,244
(c) Short-Term Provisions	6	1,74,51,542	2,43,80,805
Total Equity & Liabilities		1,79,55,24,762	3,03,74,78,108
II.ASSETS			
<u>(1) Non-Current Assets</u>			
(a) Fixed Assets			
(i) Tangible Assets	7	1,41,81,817	2,28,19,159
(b) Deferred tax assets (net)	8	15,29,743	71,041
(c) Long Term Loans & Advances	9	2,40,98,868	14,54,32,418
(d) Other Non-Current Assets	10	63,15,152	1,30,02,234
<u>(2) Current Assets</u>			
(a) Inventories	11	3,88,337	11,74,559
(b) Cash and cash equivalents	12	40,38,21,933	76,45,62,441
(c) Short Term Loans & Advances	9	1,34,51,88,912	2,09,04,16,256
Total Assets		1,79,55,24,762	3,03,74,78,108
Significant Accounting Policies	18		

Per our report of even date

for and on behalf of the Board

for VICTORIA MATHEWS & SANTHAKUMAR

Chartered Accountants

FRN: 05458S

Sd/-

B. SANTHAKUMAR

Partner

Membership No: 27583/200

Sd/-

INDRANI BHAGWAN SINGH

CHAIRMAN & MANAGING DIRECTOR

Sd/-

P. MURALI SRINIVAS

INDEPENDENT DIRECTOR

Sd/-

V.T PRABAKARAN

CHIEF FINANCIAL OFFICER

Sd/-

R. VENKATASUBRAMANIAN

COMPANY SECRETARY

Place : Chennai

Dated : 17.06.2015

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2015

S.No.	Particulars	Notes	₹	
			31.03.2015	31.03.2014
I	Revenue from operations	13	42,61,38,291	75,98,82,952
II	Other Income	14	3,84,63,861	4,74,06,885
III	Total Revenue (I +II)		46,46,02,152	80,72,89,837
IV	Expenses:			
	Financial Costs	15	19,48,49,834	37,85,50,107
	Employee Benefit Expenses	16	18,87,40,659	20,26,25,107
	Other Administrative Expenses	17	7,49,53,959	12,13,73,605
	Depreciation and Amortization Expenses	7	91,02,389	81,39,038
	Loan Loss Provision		(85,22,498)	1,59,03,751
	Total Expenses (IV)		45,91,24,343	72,65,91,608
V	Profit before tax (III - IV)		54,77,809	8,06,98,229
VI	Tax expense:			
	(1) Current tax		10,43,797	2,94,82,367
	(2) Deferred tax Provision		(14,58,703)	(5,60,699)
VII	Profit/(Loss) for the year		58,92,715	5,17,76,561
VIII	Earning per equity share of Rs.10/- each:			
	(1) Basic		0.34	2.99
	(2) Diluted		0.34	2.99
	Significant Accounting Policies	18		

Per our report of even date

for and on behalf of the Board

for VICTORIA MATHEWS & SANTHAKUMAR

Chartered Accountants

FRN: 05458S

Sd/-

B. SANTHAKUMAR

Partner

Membership No: 27583/200

Sd/-

INDRANI BHAGWAN SINGH

CHAIRMAN & MANAGING DIRECTOR

Sd/-

P. MURALI SRINIVAS

INDEPENDENT DIRECTOR

Sd/-

V.T PRABAKARAN

CHIEF FINANCIAL OFFICER

Sd/-

R. VENKATASUBRAMANIAN

COMPANY SECRETARY

Place : Chennai

Dated : 17.06.2015

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2015

Note 1: Share Capital

S. No.	Particulars	₹	
		31.03.2015	31.03.2014
1	AUTHORIZED CAPITAL 20,000,000 Equity Shares of Rs. 10/- each	20,00,00,000	20,00,00,000
		20,00,00,000	20,00,00,000
2	ISSUED, SUBSCRIBED & PAID UP CAPITAL 17,339,639 Equity Shares of Rs. 10/- each, Fully Paid up	17,33,96,390	17,33,96,390
	Total	17,33,96,390	17,33,96,390

There is no increase in the capital during the year.

Details of shareholding more than 5%:

S. No.	Name of the Shareholder	31.03.2015		31.03.2014	
		No.	% of holding	No.	% of holding
1	DWM Investments (Cyprus) Limited	1,15,54,639	66.64%	1,15,54,639	66.64%
2	Dr. N. Sethuraman	NIL	NIL%	9,93,000	5.73%
3	Dr. S. Gurushankar	27,02,499	15.59%	49,999	0.29%

Note 2: Reserves & Surplus

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	5,35,31,036 11,78,543 5,47,09,579	4,31,75,724 1,03,55,312 5,35,31,036
3	Surplus (Profit & Loss Account) Balance brought forward from previous year Add: Profit for the period Less: Transfer to Statutory reserve Closing Balance	21,41,07,437 58,92,715 11,78,543 21,88,21,609	17,26,86,188 5,17,76,561 1,03,55,312 21,41,07,437
	Total	64,75,50,940	64,16,58,225

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

Note 3: Term Borrowings

	Non-current portion		Current maturities	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
1 Term Loan Secured by charge on Micro Credit Loan Receivables - From Banks - From Others: Bodies Corporates Secured by charge on Vehicles Amount disclosed under the head "other current liabilities" (refer Note 5)	21,88,31,878 2,94,67,020 27,62,331 -	49,16,64,020 7,50,00,000 7,83,424 -	51,52,82,233 4,55,32,980 8,79,596 (56,16,94,809)	1,08,06,50,265 37,24,83,997 36,41,927 (1,45,67,76,188)
Total	25,10,61,229	56,74,47,444	-	-

Note 4: Short Term Borrowings

	Non-current portion		Current maturities	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
1 Term Loan Secured by charge on Micro Credit Loan Receivables - From Bodies Corporates	-	-	9,21,92,122	-
Total	-	-	9,21,92,122	-

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

Term Loans:	Total	Non-current portion	Current maturities
From Banks			
Andhra Bank -TL-2	1,25,00,000	-	1,25,00,000
Andhra Bank -TL-3	2,50,00,000	-	2,50,00,000
Andhra Bank -TL-4	6,25,00,000	1,25,00,000	5,00,00,000
Andhra Bank -TL-5	5,00,00,000	3,12,50,000	1,87,50,000
Bank of Maharashtra - TL 1	1,69,94,728	-	1,69,94,728
Bank of Maharashtra - TL 2	4,96,25,873	1,60,25,873	3,36,00,000
Canara Bank	4,50,00,000	1,30,00,000	3,20,00,000
Corporation Bank - TL-4	1,51,15,123	-	1,51,15,123
DCB Bank	3,00,00,000	50,00,000	2,50,00,000
Dena Bank	59,42,652	-	59,42,652
IDBI Bank Ltd - TL-4	5,00,00,000	3,12,50,000	1,87,50,000
RBL Bank Ltd - TL-5	3,75,00,000	-	3,75,00,000
State Bank of Patiala - TL-2	7,25,17,442	-	7,25,17,442
The Karnataka Bank Ltd - TL-2	2,91,66,670	1,24,86,670	1,66,80,000
The Karnataka Bank Ltd - TL-3	2,00,00,000	1,40,00,000	60,00,000
The Lakshmi Vilas Bank TL 3 Tr#1	49,91,815	-	49,91,815
The Lakshmi Vilas Bank TL 3 Tr#2	72,69,805	-	72,69,805
The South Indian Bank Ltd.-TL-2	4,16,62,000	83,26,000	3,33,36,000
The South Indian Bank Ltd.-TL-3	3,33,28,000	1,66,60,000	1,66,68,000
Vijaya Bank-TL-2	3,33,33,336	-	3,33,33,336
Vijaya Bank-TL-3	9,16,66,667	5,83,33,335	3,33,33,332
Total	73,41,14,111	21,88,31,878	51,52,82,233
From Bodies Corporate			
Reliance Home Finance Ltd TL-1	4,21,92,122	-	4,21,92,122
Reliance Home Finance Ltd TL-2	5,00,00,000	44,67,020	4,55,32,980
Maanaveeya Development & Finance Private Ltd	7,50,00,000	2,50,00,000	5,00,00,000
Total	16,71,92,122	2,94,67,020	13,77,25,102
Vehicle Loans			
HDFC Bank	36,41,927	27,62,331	8,79,596
Grand Total	90,49,48,160	25,10,61,229	65,38,86,931

Note 5: Other Current Liabilities

S. No.	Particulars	31.03.2015	31.03.2014
1	Current maturities of long term borrowings (refer note 3)	56,16,94,809	1,45,67,76,188
2	Interest Accrued but not due on Secured Loans	18,86,104	1,55,38,797
3	Portfolio collections in respect of Securitisation	-	1,068,24,177
4	Un-matured surplus on Securitisation	-	1,64,88,501
5	Others	4,81,48,110	2,73,38,385
6	Sundry Creditors for Expenses	21,43,516	76,29,196
	Total	61,38,72,539	1,63,05,95,244

Note 6: Short Term Provisions

1	Provision For Employees' Benefit		
	Gratuity payable	40,27,508	-
2	Others		
	Loan Loss Provision	1,34,24,034	2,19,46,532
	Provision for Taxation	-	24,34,273
	Total	1,74,51,542	2,43,80,805

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

Notes Forming Integral Part of the Balance Sheet as at 31st March, 2015

Note 7: Fixed Asset

I. Tangible Assets

Particulars (A)	COST					DEPRECIATION						NET BLOCK	
	01.04.2014 (B)	Additions During the year (C)	Disposals during the year (D)	Adjustment as per schedule II (E)	31.03.2015 (F)	01.04.2014 (G)	Additions During the year (H)	Adjustment as per schedule II (I)	Net Additions for the year (J)= (H-I)	Disposals during the year (K)	31.03.2015 (L)=G+J-K	31.03.2015 (M)	31.03.2014 (N)
Computers	14,095,195	215,355	-	-	14,310,550	10,208,753	3,356,646	628,157	27,28,489	-	12,937,242	1,373,309	3,886,443
Electricals & Installation	3,224,008	20,605	-	-	3,244,613	1,320,382	583,128	-	5,83,128	-	1,903,510	1,341,102	1,545,938
Furniture & Fittings	6,950,275	7,477	-	-	6,957,752	2,354,287	1,259,164	11,686	12,47,478	-	3,601,765	3,355,987	4,547,105
Office Equipments	2,887,282	47,032	11,000	-	2,923,314	976,162	1,013,716	(144,714)	11,58,430	7,183	2,127,409	795,905	2,317,692
Motor Vehicles: Car	9,837,413	-	502,281	65,285	9,269,847	3,653,790	2,171,292	558,906	16,12,386	458,976	4,807,200	4,462,647	6,182,130
Two Wheeler	21,600	221,700	-	-	243,300	23,092	2,987	2,572	415	-	23,507	219,793	-
Server & Networks	8,826,789	-	-	-	8,826,789	4,486,938	1,706,777	-	17,06,777	-	6,193,715	2,633,074	4,339,851
TOTAL	45,842,562	512,169	513,281	65,285	45,776,165	23,023,403	10,093,711	1,056,608	90,37,104	466,159	31,594,348	14,181,817	22,819,159

Note : Depreciation as per Column J : 9,037,104
 Add: Carrying cost adjusted wide column E : 65,285

 Depreciation carried to Statement of Profit & Loss : 9,102,389

Note 8: Deferred Tax Assets			
S.No	Particulars	31.03.2015	31.03.2014
1	Impact of difference between tax depreciation & depreciation/amortisation charged for the financial reporting	15,29,743	71,041
	Total	15,29,743	71,041

Note 9: Loans & Advances					
		Long Term (Non-current)		Short Term (Current)	
		31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
1	Secured – Considered good: Loans against hypothecation of Two Wheelers to Staff	67,268	2,21,364	3,10,655	3,61,972
2	Unsecured - Considered good: Micro Credit Loans to Poor Women	2,40,31,600	14,52,11,054	1,31,21,33,793	2,04,68,31,951
	Staff Loans	-	-	8,17,965	20,23,784
	Interest Accrued on Micro Credit Loans	-	-	50,42,142	1,03,40,946
	Advance Recoverable in cash or in kind for value to be received	-	-	1,16,36,773	1,54,64,392
	Amount Receivable from Bajaj Allianz Life Insurance Company Ltd towards Death Claim & Insurance claims of Borrowers	-	-	2,83,500	41,53,000
3	Other Loans & Advances (Unsecured considered good): Income Tax and TDS (Previous Years)	-	-	94,41,337	94,41,337
	Advance Income Tax and TDS (Current Year)	-	-	55,22,747	48,874
	Cash Collateral with a Body Corporate	-	-	-	17,50,000
	Total	2,40,98,868	14,54,32,418	1,34,51,88,912	2,09,04,16,256

Note 10: Other Non-current Assets				
1	Unamortized Expenses		63,15,152	1,30,02,234
	Total		63,15,152	1,30,02,234

Note 11: Inventories				
1	Stock of Stationery		3,88,337	11,74,559
	Total		3,88,337	11,74,559

Note 12: Cash & Cash Equivalent			
S.No.	Particulars	31.03.2015	31.03.2014
1	Cash Balance Cash-in-Hand	18,56,856	2,29,70,913
2	Bank Balance in Current Accounts in Fixed Deposits (a) Earmarked for staff security deposit	17,12,41,174	20,74,79,579
	(b) Earmarked to Term Lenders towards Margin Money: - upto 12 months of Maturity	35,17,963	96,30,795
	- More than 12 months Maturity	9,90,58,174	25,92,87,223
	(c) Fixed Deposit -Not covered by Term Loan or Securitisation	9,38,22,337	23,07,08,532
3	Interest Accrued on Deposits with banks	1,37,50,000	-
	Total	2,05,75,429	3,44,85,399
	Total	40,38,21,933	76,45,62,441

Note 13: Revenue from Operations			
1	Interest on Loans	38,74,59,983	65,20,89,716
2	Profit on Securitisation of Micro Credit Loan Receivables	1,64,88,501	5,82,95,466
3	Processing Fee Receipts	2,20,84,700	4,94,59,598
4	Bad Debts Recovered	1,05,107	38,172
	Total	42,61,38,291	75,98,82,952

Note 14: Other Income			
1	Interest on Fixed Deposits	3,36,65,442	3,96,86,706
2	Dividend earned on Liquid Fund Investments	26,95,866	73,48,667
3	Profit on Sale of Assets	1,43,878	20,253
4	Misc. Income	19,58,676	3,51,259
	Total	3,84,63,861	4,74,06,885

Note 15: Financial Cost

1	Interest to - Banks	14,89,16,318	29,88,04,240
	- Bodies Corporate	3,55,30,873	6,18,18,432
	- Statutory Bodies	-	14,60,282
2	Documentation Charges	64,196	54,055
3	Bank Charges	10,48,365	23,36,304
4	Processing Fees - Banks	92,90,082	1,15,61,020
	- Bodies Corporate	-	25,15,774
	Total	19,48,49,834	37,85,50,107

Note 16: Employee Benefit Expenses

S.No.	Particulars	31.03.2015	31.03.2014
1	Salaries & Bonus	15,45,91,844	17,35,65,027
2	Staff Welfare Expenses	1,44,82,217	1,23,35,963
3	Gratuity Expenses	44,69,808	16,26,016
4	PF and ESI Expenses	1,23,76,790	1,22,87,101
5	Directors' Remuneration	28,20,000	28,11,000
	Total	18,87,40,659	20,26,25,107

Note 17: Other Administrative Expenses

1	Telephone Expenses	39,39,572	47,92,066
2	Travelling Expenses	1,65,81,165	2,24,16,856
3	Repairs & Maintenance (Building)	2,94,175	5,62,577
4	Repairs & Maintenance (Machinery)	33,84,919	39,72,975
5	Electricity Charges	32,49,064	37,96,000
6	CSR Activity Expenses	10,08,021	9,76,098
7	Customer Welfare Expenses	30,94,348	87,55,150
8	Bad Debts written off	9,32,084	10,08,426
9	General Expenses	9,23,399	8,89,632
10	Insurance Expenses	16,84,855	29,28,618
11	Membership fees	-	11,70,806
12	Postage & Telegram	6,17,481	3,00,870
13	Professional Charges	41,99,036	2,45,55,752
14	Vehicle Maintenance	19,88,103	32,51,842
15	Filing Fees	62,170	36,756
16	Directors' Sitting Fees	5,95,000	4,37,500
17	Security Expenses	11,65,679	12,72,500
18	Stationery Expenses	30,65,962	63,36,309
19	Auditors' Remuneration		
	Statutory Audit:	9,00,000	10,59,143
	Branch Auditors	-	2,28,000
20	Rents, Rates & Taxes	2,23,02,416	2,36,05,437
21	Software Expenses	47,26,830	81,18,476
22	Meeting and Seminar Expenses	2,39,680	6,54,304
23	Loss on Sale of Asset	-	2,47,512
	Total	7,49,53,959	12,13,73,605

18) SIGNIFICANT ACCOUNTING POLICIES:

a) Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014 and the provisions of the RBI as applicable to a NBFC-MFI and NBFC-ND-SI. The financial statements have been prepared on an accrual basis and under the historical cost convention except interest on loans which have been classified as non-performing assets and are accounted for on realisation basis.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

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 II to the Companies Act, 2013.
- 3) In respect of additions and sale of fixed assets, the depreciation is provided on proportionate basis from the date when the asset is put into use and till the date of sale respectively.
- 4) **Depreciation:** In accordance with the requirements of Schedule II to the Companies Act, 2013, the Company has re-assessed the useful lives and residual values of its fixed assets and an amount of Rs.9,91,323 has been adjusted to the depreciation in the statement of profit and loss for the year ended March 31, 2015 representing the excess depreciation on the carrying value of the assets as at April 1, 2014 due to change in useful life of asset.

f) Inventories:

Inventories comprise of 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 applicable to NBFC-MFIs in terms of RBI circular dated 2nd July, 2012.
4. The Company has made a provision on the entire outstanding loan portfolio @ 1% 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 payable/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.

19) Microcredit Loans & Staff Loans:

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

20) Confirmation of balances is yet to be received from a few parties.

21) Estimated amount of Contracts remaining to be executed on capital account and not provided for is Rs.NIL (Previous Year – Rs. NIL).

22) ASSET QUALITY:

	Non-Performing Assets (NPAs)	2014-15 ₹	2013-14 ₹
i	Net NPA to Advances (%)	NIL	NIL
ii	Movement of NPAs (Gross):		
	a) Opening Balance	5,01,276	2,40,317
	b) Additions during the year	10,75,565	5,58,994
	c) Reduction during the year	52,688	16,489
	d) Written-off during the year	9,32,084*	2,81,546*
	e) Closing Balance	5,92,069	5,01,276
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	2,19,46,532	60,42,781**
	b) Provision made during the year	-	1,59,03,751
	c) Write-off/ Write back of excess provisions	85,22,498	-
	d) Closing balance	1,34,24,034	2,19,46,532
	Contingent Provision against Standard Assets	NA	NA

*Bad Debts written off during the year 2014-15 Rs. 9,32,084/- (Previous Year Rs 10,08,426/- includes Loans Rs.2,81,546/- and other Receivables Rs. 7,26,880/-).

**Includes Contingent Provision

23) Details of Financial Assets sold under Securitization System:

During the year the Company has not sold loans through securitization. Previous years' contracts were closed during the year.

24) Details of financial assets sold to securitisation / reconstruction company for asset reconstruction:

The Company has not sold financial assets to Securitisation/Reconstruction companies for asset reconstruction in the current and previous year.

25) Details of non-performing financial assets purchased/sold:

The Company has not purchased/sold non-performing financial assets in the current and previous year.

26) Comparative Figures:

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

27) Related Party Transactions:-

Disclosures of transactions with the related parties are given below:

Key Management Personnel:

- Mrs. INDRANI BHAGWAN SINGH , Chairman & Managing Director (Chairman & Managing Director w.e.f. 26-Aug-2014)
- Mr. R. RAGHAVENDER ANAND, Managing Director (till 25-Aug-2014)

Other Directors:

- Mr. MURALI SRINIVAS, Independent Director
- Mr. RAJAN SAMUEL, Independent Director
- Mr. J. BRADLEY SWANSON, Director
- Mr. ALEEM REMTULA, Director

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

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

Remuneration to whole-time Directors:

During the year ended March 31, 2015, the Company paid remuneration to the whole-time Directors: –

Mrs. INDRANI BHAGWAN SINGH

	₹	₹
Nature	2014-15	2013-14
Salary	16,45,000	-
Ex-gratia & Incentive	-	-
Total	16,45,000	-

Mr. R. RAGHAVENDER ANAND (till 25-Aug-2014)

Nature	2014-15	2013-14
Salary	11,75,000	7,05,000
Ex-gratia & Incentive	-	-
Total	11,75,000	7,05,000

Directors' Sitting Fee Paid

Name	2014-15	2013-14
Mrs. Indrani Bhagwan Singh	1,92,500	1,05,000
Mr. Murali Srinivas	3,15,000	2,27,500
Mr. Rajan Samuel	87,500	1,05,000
Total	5,95,000	4,37,500

20) Earnings per Share:

Particulars	2014-15	2013-14
Profit after tax (₹)	58,92,715	5,17,76,561
No. of Equity Shares of Rs.10 each as on 31 st March	1,73,39,639	1,73,39,639
Basic EPS (₹)	0.34	2.99

21) 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 the 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. 15,29,744/- as at 31st March, 2015. (Previous year Deferred Tax Asset: Rs. 71,041/-).

22) Impairment of Assets:

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

23) Contingent Liabilities and Contingent Assets:

Contingent Liabilities:

There exists a contingent liability in respect of one MCOP case for a minimum of Rs. 5.00 Lacks.

24) Auditors' Remuneration:

Particulars	Year ended	
	March 31, 2015	March 31, 2014
As Auditor		
For Statutory Audit	9,00,000	9,58,320
For Branch Audit	-	76,000
For Taxation Matters	-	-
For Reimbursement of Expenses	-	24,823
Total	9,00,000	10,59,143

28) 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

29) Expenditure in foreign currency:

Foreign Travel - Rs.NIL (Previous Year: Rs. 1,33,124)

30) Information on instances of fraud:

Instances of fraud for the year ended March 31, 2015

Nature of fraud	No. of cases	Amount of fraud	Recovery
Cash misappropriation	3	2,51,820	1,35,214

The management is taking necessary action for recovery of the balance amount.

31) 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 Crores)

Particulars	As at 31 March 2015	As at 31 March 2014
Tier I Capital	81.31	80.12
Tier II Capital	0.00	0.00
Total Capital	81.31	80.12
Total Risk Weighted Assets	135.43	261.29
Capital Ratios		
Tier I Capital as a Percentage of Total Risk Weighted Assets (%)	60.04	30.69
Tier II Capital as a Percentage of Total Risk Weighted Assets (%)	0.00	0.00
Total Capital (%)	60.04	30.69

Pricing of Credit:

The average interest paid on borrowings for the Company for financial year 2014-15 is 14.87% and the average interest charged by the Company on the loans granted to members is 24.75%, calculated as per the RBI guidelines.

On micro-credit, the Company was charging interest not exceeding 26% on diminishing balance method, which is in compliance with the pricing guidelines.

Information on Net Interest Margin:

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Average interest (a)	24.34%	24.68%
Average effective cost of borrowing (b)	14.61%	14.17%
Net interest margin (a-b)	9.73%	10.51%

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 2015 and 31st March 2014.

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	2.80	1.56	13.40	18.38	29.26	25.10	Nil	Nil
Assets								
Advances	20.42	17.67	17.03	38.36	37.85	2.41	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/-

B. SANTHAKUMAR

Partner

Membership No: 27583/200

Sd/-

INDRANI BHAGWAN SINGH

CHAIRMAN & MANAGING DIRECTOR

Sd/-

P. MURALI SRINIVAS

INDEPENDENT
DIRECTOR

Sd/-

V.T PRABAKARAN

CHIEF FINANCIAL OFFICER

Sd/-

R. VENKATASUBRAMANIAN

COMPANY SECRETARY

Place : Chennai

Dated : 17.06.2015

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2015

CASH FLOW STATEMENT		31.03.2015	31.03.2014
		₹	₹
CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit Before Taxes		54,77,809	8,06,98,229
Adjustment for Non- Cash Items			
Loan Loss Provision/ Provision for NPA & on Contingent Provision		(85,22,498)	159,03,751
Loss / (Profit) on Sale of Assets (Net)		(1,43,878)	2,27,259
Depreciation		91,02,389	81,39,038
Operating Profit Before Changes in Working Capital		59,13,822	10,49,68,277
Adjustments for:			
(Increase)/ Decrease in Micro-credit Advances		85,58,77,612	1263,92,897
(Increase)/ Decrease in Other Current Assets		60,85,026	(1,83,550)
(Increase)/ Decrease in Other Loans & Advances		53,84,479	1,64,22,264
(Increase)/ Decrease in Miscellaneous Assets		66,87,082	43,90,064
(Decrease)/Increase in Other Liabilities and Provisions		(1,01,51,29,470)	37,62,382
Net cash generated from operating activities Before Tax		(13,51,81,448)	25,57,52,334
Income Tax Paid		(10,43,797)	(294,82,367)
Net cash Generated / (used) from Operating Activities After Tax	(A)	13,62,25,246	22,62,69,967
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(5,12,169)	(91,91,703)
Sale of Fixed Assets		1,91,000	16,22,723
Net Cash Generated from Investing Activities	(B)	(3,21,169)	(75,68,980)
CASH FLOW FROM FINANCING ACTIVITIES			
Net Increase in Loans Received		(22,41,94,093)	(66,88,16,482)
Net Cash Generated from Financing Activities	(C)	(22,41,94,093)	(66,88,16,482)
Net Increase/(Decrease) in Cash and Cash equivalents during the year (A)+(B)+(C)		(36,07,40,508)	(45,01,15,495)
Cash and Cash Equivalents at the beginning of the year		76,45,62,441	1,21,46,77,936
Cash and Cash Equivalents at the end of the year		40,38,21,933	76,45,62,441

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/-
INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

Sd/-
P. MURALI SRINIVAS
INDEPENDENT DIRECTOR

Place : Chennai
Dated : 17.06.2015

Sd/-
V.T PRABAKARAN
CHIEF FINANCIAL OFFICER

Sd/-
R. VENKATASUBRAMANIAN
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 31.03.2015.

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	9049	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	4	0
(b) Unsecured	13370	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	4	13370	13374
TOTAL	4	13370	13374

(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	6
(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 behaviour & also ensure timely grievance redressal.

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