



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

22nd

ANNUAL REPORT

2016-2017

REGISTERED & CORPORATE OFFICE

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

Tel: 044 – 2371 8588, 044 – 4291 0100

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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-600 083,
Phone:044-04890848,

OFFICES

Registered & Corporate

'The Galaxy' No.30, 48th Street,
9th Avenue, Ashok Nagar,
Chennai- 600 083,
Tamilnadu, India.

Regional

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

FUNDERS

SI.No	BANKS	SI.No	NBFCs/ FINANCIAL INSTITUTIONS
A	TERM LOANS		
1	Andhra Bank	1	Capital First Limited
2	Bank of India	2	Hero FinCorp Limited
3	Bank of Maharashtra	3	Hinduja Leyland Finance Limited
4	Bharatiya Mahila Bank (State Bank of India)	4	IFMR Capital Finance Private Limited
5	Canara Bank	5	Maanaveeya Development & Finance Pvt. Ltd
6	DCB Bank Ltd	6	Muthoot Capital Services Ltd
7	Dhanlaxmi Bank Ltd	7	Nabkisan Finance Limited
8	Karnataka Bank Ltd	8	Reliance Capital Ltd
9	Kotak Mahindra Bank Ltd	9	SIDBI
10	RBL Bank Ltd	10	Religare Finvest Limited
11	State Bank of India		
12	State Bank of Patiala (State Bank of India)		
13	The Catholic Syrian Bank Ltd		
14	The Lakshmi Vilas Bank Ltd		
15	The South Indian Bank Ltd		
16	Union Bank of India		
17	Vijaya Bank		
B	NON CONVERTIBLE DEBENTURES		
1	IFMR FImpact Long Term Multi Asset Class Fund		
2	Hinduja Leyland Finance Limited		
3	Mahindra & Mahindra Financial Services Limited		

BOARD COMMITTEES

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

NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of S.M.I.L.E. MICROFINANCE LIMITED will be held on Wednesday, the 20th September, 2017, at 11:00 a.m. at Hotel Gokulam Park - Gayathri Hall - 4th Floor, No. 67, 1st Avenue, Ashok Nagar, Chennai -600083 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Financial Statement of the Company as at March 31, 2017 together with the Reports of the Directors and Auditors thereon;
2. To appoint a Director in place of Mr. Aleem Remtula (holding DIN 02872107), who retires by rotation and being eligible, offers himself for reappointment.
3. **To appoint Statutory Auditor**

“RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and The Companies (Audit and Auditors) Rules, 2014, (the Rules), (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), M/s Deloitte Haskins & Sells LLP, Chartered Accountants (Firm registration number: 117366W/W-100018), who have confirmed their eligibility to be appointed as Auditors, in terms of provisions of Section 141 of the Act, and Rule 4 of the Rules, be and are hereby appointed as Statutory Auditors of the Company for a term of 5 years commencing from the conclusion of this Annual General Meeting until the conclusion of the 27th Annual General Meeting of the Company on such remuneration as may be agreed upon by the Board of Directors or the Committee and the Auditors, in addition to tax and re-imbursment of out of pocket expenses incurred by them in connection with the audit of Accounts of the Company.

SPECIAL BUSINESS

4. To consider and, if thought fit, pass with or without modification(s), the following Resolution as an **ORDINARY RESOLUTION:**

“RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to appoint external Auditors, from time to time, to carry out the audits in respect of the Company’s accounts at its Branches, in consultation with the Company’s Statutory Auditors, on such terms and conditions and on such remuneration as may be fixed by the Board.”

5. To consider, and if thought fit, to pass with or without modification the following resolution as **ORDINARY RESOLUTION.**

Revision in the remuneration of Mrs. Indrani Bhagwan Singh (DIN: 02973901), Chairman and Managing Director of the Company.

“RESOLVED THAT pursuant to the provisions of Section 197 read with Part I and Section I of Part II of Schedule V and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification or re-enactment thereof), applicable clauses of the Articles of Association of the Company and recommendation of the Nomination and Remuneration Committee, approval of the Company be and is hereby accorded for revision in the remuneration of Mrs. Indrani Bhagwan Singh [DIN: 02973901], Chairman and Managing Director of the Company, on the terms and conditions including remuneration as mentioned below for the FY 2017-18 w.e.f. 1st April 2017 and exgratia amount if any paid by the Company for the FY 2017-18.:

Description	Amount in (Rs.) Per month w.e.f. April 01, 2017
Basic Pay	1,46,570.00
House Rent Allowance	73,285.00
Conveyance Allowance	1,600.00
Medical Allowance	1,250.00
Special Allowance	70,035.00
Educational Allowance	400.00
Total salary per month	2,93,140.00

6. To consider, and if thought fit, to pass with or without modification the following resolution as **ORDINARY RESOLUTION.**

“**RESOLVED THAT** pursuant to provisions of Section 196, 197, 203 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification or re-enactment thereof) read with Schedule V thereof, the recommendations of Nomination & Remuneration Committee and the Board of Directors, the consent of Members of the Company be and is hereby accorded to the re-appointment of Mrs. Indrani Bhagwan Singh (DIN 02973901) as a Managing Director of the Company for the period of one year with effect from 27th August, 2017 on the terms and conditions as set out below:

TERMS AND CONDITIONS OF APPOINTMENT:

- (a) Term period of One year from 27th August 2017.
- (b) Compensation - She will be paid a compensation of 2.93 lakh per month (50% basic pay/50% allowances including housing, conveyance, medical etc) and TDS to be deducted from salary.
- (c) Leave/Holiday- She is eligible for leave / holiday as per company policy.
- (d) Office Vehicle- She can use company-owned vehicle with driver.
- (e) Termination - Termination of contract can be done by giving one month notice to either party in writing at any time during the tenure of the appointment.

“**RESOLVED FURTHER THAT** for the purpose of giving effect to the aforesaid resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard.”

- By order of the Board –
For S.M.I.L.E. MICROFINANCE LIMITED
Sd/-
INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

Place: Chennai

Date: 08th June, 2017

NOTES:

1. Pursuant to Section 102 of the Companies Act, 2013, the Explanatory Statement setting out material facts, related particulars and reasons for the proposed Special Business are appended herein.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the company. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the company. Member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder. Proxies in order to be effective must be deposited at the registered office of the company, duly completed and signed not less than 48 (forty eight) hours before the annual general meeting. Proxies submitted on behalf of the Companies, Societies etc., must be supported by an appropriate resolution/authority, as applicable.
3. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company has also extended e-voting facility as an alternate for its Members to enable them to cast their votes electronically on the proposed resolution in this notice. The e-voting shall be open from 09th September, 2017 9:00 a.m. IST to 12th September, 2017 till 5:00 p.m. IST. The Members will not be able to cast their vote electronically beyond the date and time mentioned above and the e-voting system shall be disabled for voting thereafter.
4. Necessary arrangements have been made by the Company with CDSL to facilitate e-voting.

INSTRUCTIONS FOR E-VOTING ARE AS UNDER:

- (i) Open your web browser during the voting period and log on to the e-voting website www.evotingindia.com.
- (ii) Now click on "Shareholders" to cast your votes
- (iii) Now, select the Electronic Voting Sequence Number – "EVSN" along with "S.M.I.L.E MICROFINANCE LIMITED" from the dropdown menu and click on "SUBMIT"
- (iv) Now, fill up the following details in the appropriate boxes:
- (v) For Members holding shares in Physical Form:- Folio Number registered with the Company is your user id.
- (vi) Details with respect to EVSN, User ID, Password, PAN (dummy PAN generated by CDSL) is provided in the Proxy / Attendance form annexed to this notice.
- (vii) After entering these details appropriately, click on "SUBMIT" tab.
- (viii) Members holding shares in Physical form will then reach directly to the voting screen.
- (ix) You can also update your mobile number and e-mail ID in the user profile details of the folio which may be used for sending communication(s) regarding CDSL e-voting system in future. The same may be used in case the Member forgets the password and the same needs to be reset.
- (x) For Members holding shares in physical form, the password and default number can be used only for e-voting on the resolutions contained in this Notice.
- (xi) On the voting page, you will see Resolution Description and against the same the option 'YES/NO' for voting. Enter the number of shares (which represents number of votes) under YES/NO or alternatively you may partially enter any number in YES and partially in NO, but the total number in YES and NO taken together should not exceed your total shareholding.
- (xii) Click on the Resolution File Link if you wish to view the entire Notice.
- (xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiv) Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
- (xv) The e-voting period commences on 09thSeptember 2017 9:00 a.m. IST to 12th September 2017 till 5:00 p.m. IST In case you have any queries or issues regarding e-voting, please contact helpdesk.evoting@cdslindia.com
- (xvi) The Company has appointed Mr. M. Thangavelu of M/s. Velmurugan & Co, Practicing Chartered Accountant as the Scrutinizer for conducting the e-voting process in fair and transparent manner. His email id is thangavelu46@gmail.com.
- (xvii) A copy of this notice has been placed on the website of the Company and the website of CDSL.



EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

SPECIAL BUSINESS

Item No. 4

This is an enabling resolution to appoint External Auditors to conduct Audit of our Company's accounts at its Branches, in consultation with Statutory Auditors of the Company for the Financial Year 2017-18.

The Board recommends passing of this Resolution.

None of the Directors are concerned or interested in the proposed Resolution.

Item No. 5

The Board of Directors at their meeting held on 08th June, 2017 revised the remuneration of Mrs. Indrani Bhagwan Singh, Chairman and Managing to Rs. 2.93 per month an increase of 10% from the current salary for the FY 2017-18 with effect from 1st April 2017 on the basis of recommendation of Nomination & Remuneration Committee.

The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under Section 197 and all other applicable provisions, if any, of the Act read with Schedule V to the Act, as amended and as in force from time to time.

No Director, Key Managerial Personnel, or their relatives, except Mrs. Indrani Bhagwan Singh, to whom the resolution relates, is interested or concerned in the resolution.

The Board recommends the passing of the resolution as set out under Item No. 5 as an ordinary resolution.

Item No. 6

The Board of Directors at their meeting held on 08th June, 2017 re-appointed Mrs. Indrani Bhagwan Singh (DIN 02973901) as Managing Director of the Company with effect from 27th August, 2017 for a period of one year on the basis of recommendation of Nomination & Remuneration Committee and subject to approval of the shareholders.

TERMS AND CONDITIONS OF APPOINTMENT:

- (a) Term period of One year from 27th August 2017.
- (b) Compensation - She will be paid a compensation of 2.93 lakh per month (50% basic pay/50% allowances including housing, conveyance, medical etc) and TDS to be deducted from salary.
- (c) Leave/Holiday- She is eligible for leave / holiday as per company policy.
- (d) Office Vehicle- She can use company-owned vehicle with driver.
- (e) Termination - Termination of contract can be done by giving one month notice to either party in writing at any time during the tenure of the appointment.

No Director, Key Managerial Personnel, or their relatives, except Mrs. Indrani Bhagwan Singh, to whom the resolution relates, is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item No. 6 for the approval of the members.

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

INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

Place: Chennai
Date: 08th June, 2017

DIRECTORS' REPORT

Your Directors are pleased to present the twenty second 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 2017.

FINANCIAL SUMMARY

(Rs. in Lakh)

Particulars	2016-17	2015-16
Interest Income	6770.46	3540.81
Other Income	360.29	225.30
Total Income	7130.76	3766.11
Less		
Expenses	5723.05	3364.42
Profit before Tax	1407.71	401.68
Less		
Provisions for:		
Income Tax	577.13	138.02
Fringe Benefit Tax	-	-
Deferred Tax	-3.63	-3.83
Profit after Tax	834.21	267.49
Add:		
Balance b/f from previous years	23329.16	2188.21
Amount available for Appropriation	3163.38	2455.71
Appropriations:		
Statutory Reserve	166.84	53.50
Dividend & Distribution Tax	-	73.04
Balance carried to Balance Sheet	2996.53	2329.16
Equity Share Capital	1733.96	1733.96
Reserves	7504.17	6669.96
CRAR (Capital to Risk-weighted Asset Ratio)	26.54%	56.01%

OPERATIONAL REVIEW:

During the year, your company earned a GROSS INCOME of Rs. 71.31 Cr (Previous Year Rs. 37.66 Cr) and PROFIT BEFORE TAX (PBT) of Rs. 14.08 Cr (Previous Year Rs. 4.02 Cr), with expenditures of Rs. 57.23 Cr (Previous Year Rs. 33.64 Cr). The Company earned a PROFIT AFTER TAX (PAT) of Rs.8.34 Cr (Previous year Rs. 2.67 Cr). The amount transferred to Statutory Reserve is Rs. 1.66 Cr (Previous year Rs. 0.53 Cr).

In FY 2016-17, your Company has crossed many new milestones in its history. Your Company made the highest loan disbursement Rs.564.09 Crore; had the highest AUM (Asset under Management) Rs.346.17 Crore as at the end of March 2017; and earned the highest PAT (Profit after Tax) Rs.8.34 Crore. Though in some of the States in India, the portfolio quality of MFIs took a hit post demonetization, the portfolio quality of your Company continued to be excellent with negligible NPA level of 0.02%. This won the appreciation for your Company from many external agencies. The impressive all-round performance has enabled your Company to get an upgrade in the MFI Grading from "M3+" to "M2" in March 2017.

TRANSFER TO RESERVES

The Company transferred Rs.1.67 Cr to Statutory Reserves. Transfer of 20% of the Profit after Tax to the statutory reserves in accordance with the provisions of section 45 – IC Reserve Bank of India Act, 1934.

CREDIT RATING

ICRA has assigned BBB- rating to SMILE in August 2016 for its Long Term Bank Facilities of Rs. 250 crore. ICRA has assigned the MFI grade of M2.

CAPITAL ADEQUACY

The Capital Adequacy Ratio of the company was 27.54% as of March 31, 2017 as against the minimum capital adequacy requirements of 15% intimated by RBI.

**LOAN OBTAINED AND DISBURSED**

During the Year under review, the Company obtained funds amounting to Rs. 192.00 Cr through Term Loan; Rs. 5.00 Cr through Cash Credit; Rs.80.00 Cr through NCD and Rs. 119.94 Cr through Securitisation and the Company disbursed 3.06 lakh loans (previous year 1.68 lakh loans) amounting to Rs. 564.07Cr (previous year Rs. 292.83 Cr). Average loan size increased to Rs. 22,372 from Rs. 17,435 in the previous year.

ASSETS UNDER MANAGEMENT (AUM)

The total Loan Assets under management of the Company increased to Rs. 346.19 Cr (Previous year Rs. 170.18 Cr), an increase of Rs.176.01 Cr (103.43%);

Current Year: Loan Assets under management Rs. 346.19 Cr (On Book Portfolio Rs. 307.81 Cr + Managed Portfolio Rs. 38.38 Crore).

Previous Year: Loan Assets under management Rs. 170.18 Cr (On Book Portfolio Rs. 138.12 Cr + Managed Portfolio Rs. 32.06 Cr).

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

Due to effective field operations and adherence to group lending (JLG) practices of the Company, the PAR and arrears after write-off remained at low levels at year- end with PAR at Rs 57.79 Lakh representing 0.17% of the portfolio. PAR >30 days amounted to Rs.33.74 Lakh representing 0.10% of the Portfolio. The Company made a Loan Loss Provision of Rs. 307.81 Lakh and Standard Asset provision of Rs.76.94 Lakh.

Bad Debts written off during the year is Rs 6.34 Lakh (Previous year Rs 2.82 Lakh).

LOAN SERVICING

During the year, the Company serviced all its Loans promptly and made Principal repayments of Rs.125.94 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.113.62 Cr.

PRUDENTIAL NORMS AND GUIDELINES

The Company continues 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

According to MFIN report, the microfinance industry ("MFI") had a total loan portfolio of Rs.1,06,916 Crore, as on March 31, 2017. NBFC-MFIs contributed 42% of the overall portfolio, while Banks (including BC Portfolio) had a 37% share.

NBFC – MFI INDUSTRY

NBFC-MFI industry saw a modest growth in FY17 after two years of robust growth. During FY17, the industry disbursed loans worth Rs.50,266 Crore, representing a 13% increase over the previous year. This resulted in a 25% growth in Gross Loan Portfolio ("GLP") to Rs.46,847 Crore. During the same period, the number of clients increased by 30% to 2.75 Crore, while the number of people employed by the industry grew by 49% to Rs. 86,440 and the number of branches rose by 31%.

The modest growth in this financial year was largely on account of Demonetization exercise announced by the Government in November 16. During the quarter ended 31st December 16, NBFC-MFI industry saw a 35% decline in disbursements and 2% decline in GLP, as compared to previous quarter. The situation somewhat improved in the last quarter contributing to overall growth in the financial year.

Due to the above demonetization move, portfolio at Risk figure (PAR 30days) for the NBFC-MFI industry increased to 14.15% as on March 31, 2017, from 0.40% as on March 31, 2016, while PAR figure (PAR 90 days) increased to 8.18% as on March 31, 2017 from 0.20% as on March 31, 2016. PAR figure (180 days) remained under 0.22% as on March 31, 2017.

The industry is now limping back to normalcy and is back on track with the growth trajectory.

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, 2017 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 /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 using 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 2016-17 there were no changes in composition of the Board.

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

DIRECTORS RETIRING BY ROTATION

To comply with the provisions of Section 152 of the Companies Act, 2013 ('CA 2013') Mr. Aleem Remtula, Director shall retire by rotation at the ensuing AGM and being eligible, offered for reappointment.

MEETINGS

During the year 15 Board 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
- (e) 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.

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.

EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS

There were no events occurred subsequent to the date of financial statements.

MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments affecting the financial position of the Company, which has occurred between the end of the financial year of the Company i.e. March 31, 2017 and the date of the Directors' Report.

RELATED PARTY TRANSACTIONS

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

DETAILS OF SUBSIDIARY, ASSOCIATE AND JOINT VENTURE OF THE COMPANY:

The Company doesn't have any subsidiary, associate and joint venture.

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

The existing Statutory Auditors, M/s Victoria Mathews & Santhakumar, Chartered Accountants, were appointed at the twenty first Annual General Meeting for a period of one year until the conclusion of the twenty second Annual General Meeting.

In view of the mandatory requirement for rotation of auditors upon completion of 10 years of association with a company, in terms of Section 139 of the CA 2013, M/s Victoria Mathews & Santhakumar, Chartered Accountants, will retire as the Company's Auditors at the conclusion of the twenty second Annual General Meeting. It is proposed to appoint M/s Deloitte Haskins & Sells LLP, Chartered Accountants (Firm registration number: 117366W/W-100018), as the new Statutory Auditors of the Company. M/s Deloitte Haskins & Sells LLP, Chartered Accountants are proposed to be appointed for a period of five continuous years i.e. from the conclusion of twenty second Annual General Meeting till the conclusion of twenty seventh Annual General Meeting of the Company.

M/s Deloitte Haskins & Sells LLP, Chartered Accountants have informed the Company that their appointment, if made, would be within the limits prescribed under Section 141 of the CA 2013 and have also confirmed that they have subjected themselves to the peer review process of the Institute of Chartered Accountants of India ('ICAI') and hold valid certificates issued by the Peer Review Board of the ICAI. M/s Deloitte Haskins & Sells LLP have also furnished a declaration in terms of Section 141 of the CA 2013 that they are eligible to be appointed as auditors and that they have not incurred any disqualification under the CA 2013.



The Board recommends appointment of M/s Deloitte Haskins & Sells LLP, Chartered Accountants as Statutory Auditors of the Company from the conclusion of twenty second Annual General Meeting up to the conclusion of twenty seventh Annual General Meeting of the Company, subject to ratification at every Annual General Meeting.

The Board of Directors places on record its appreciation for the services rendered by M/s Victoria Mathews & Santhakumar, Chartered Accountants as the Statutory Auditors of the Company.

Members' attention is drawn to a Resolution proposing the appointment of M/s Deloitte Haskins & Sells LLP, Chartered Accountants as the new Statutory Auditors of the Company which is included in the Notice convening the twenty second Annual General Meeting.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY OPERATIONS IN FUTURE

There are no significant material orders passed by the Regulators, Courts or Tribunals which would impact the going concern status of the Company and its future operations.

INTERNAL FINANCIAL CONTROLS

The Company has adequate internal controls and processes in place with respect to its operations, which provide reasonable assurance regarding the reliability of the preparation of financial statements and financial reporting as also functioning of other operations. These controls and processes are driven through various policies and procedures.

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.

INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

The Company has a policy against sexual harassment and a formal process for dealing with complaints of harassment or discrimination. The Company seeks to ensure that all such complaints are resolved within defined timelines. The Company has not received any complaints during the period under review.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 134 (3)(a) and Section 92 (3) of the CA 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as at March 31, 2017 in form MGT 9 has been annexed as Annexure - A to the Directors' Report.

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.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In compliance with Section 135 of the CA 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has established the Corporate Social Responsibility Committee (CSR Committee) 2014 and the composition and function thereof are mentioned in the Corporate Governance Report. The Board adopted the CSR Policy, formulated and recommended by the CSR Committee.

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. 	<p>4. Prescribed CSR Expenditure (2% of the amount as in above) allocated Rs. 8.42 lakh</p> <p>5. Details of CSR Spent during the financial year</p> <table border="1"> <thead> <tr> <th>Activity</th> <th>Amount Spent in Rs.</th> </tr> </thead> <tbody> <tr> <td>Natural Calamities (Flood, Fire, Eviction)</td> <td>12,415</td> </tr> <tr> <td>Vocational Guidance & Training Centre</td> <td>82,510</td> </tr> <tr> <td>Eye Camp</td> <td>39,019</td> </tr> </tbody> </table>	Activity	Amount Spent in Rs.	Natural Calamities (Flood, Fire, Eviction)	12,415	Vocational Guidance & Training Centre	82,510	Eye Camp	39,019
Activity	Amount Spent in Rs.								
Natural Calamities (Flood, Fire, Eviction)	12,415								
Vocational Guidance & Training Centre	82,510								
Eye Camp	39,019								



<ul style="list-style-type: none"> ✓ 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. 4.21 Crs</p>	<table border="1" style="width: 100%;"> <tr> <td>Awareness programs & Skill Development</td> <td style="text-align: right;">1,17,826</td> </tr> <tr> <td>Prize money for school toppers</td> <td style="text-align: right;">5,05,287</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">24,679</td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">7,81,736</td> </tr> </table> <p>a. Total amount to be spent for the financial year: Rs. 8.42 lakh</p> <p>b. Amount unspent, if any: 60,561/-</p>	Awareness programs & Skill Development	1,17,826	Prize money for school toppers	5,05,287	Others	24,679	TOTAL	7,81,736
Awareness programs & Skill Development	1,17,826								
Prize money for school toppers	5,05,287								
Others	24,679								
TOTAL	7,81,736								

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 * (in Rs.)
1	Natural Calamities (Flood, Fire, Eviction)	Eradicating Extreme hunger and Poverty Sanitation and health care	Tamilnadu, Chennai & Madurai	1,00,000	12,415	12,415	Direct
2	Vocational Guidance & Training Centre	Employment enhancing vocational skills	Tamilnadu, Chennai & Madurai	90,000	82,510	82,510	Direct
3	Eye Camp	Promoting health care including preventive health care	Tamilnadu, Chennai & Madurai	50,000	39,019	39,019	Agency
4	Awareness programs & Skill Development	Promoting gender equality and empowering women	Tamilnadu, Chennai & Madurai	1,10,000	1,17,826	1,17,826	Direct
5	Prize money for school toppers	Promoting education	Tamilnadu, Chennai & Madurai	4,90,506	5,05,287	5,05,287	Direct
6	Others	Various clauses under the schedule	Tamilnadu, Chennai & Madurai	-	24,679	24,679	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:

We budget for CSR initiatives provisionally at the beginning of the financial year, making sub-allocations under various categories, as per the guidance of the CSR committee and our board. Considering the last year natural disaster which happened in Tamilnadu, the company had allotted higher amount under the category-"Rehabilitation and natural calamities", but thankfully it was a normal year for the State, as the situation was devoid of any such instances. This has resulted in our company not being able to utilize the mandatory amount as specified under companies Act 2013. We plan to explore various new initiatives in the current financial year and will endeavour to spend on CSR activities in accordance with the prescribed limits.



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.

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: 08th June, 2017 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: 08th June, 2017 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: 08th June, 2017



**FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN
As on financial year ended 31.03.2017**

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-2016]				No. of Shares held at the end of the year[As on 31-March-2017]				Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	Nil	3219997	3219997	18.57%	Nil	3219997	3219997	18.57%	Nil
Total shareholding of Promoter (A)	0	3219997	3219997	18.57%	0	3219997	3219997	18.57%	Nil
B. Public Shareholding									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	Nil	2565003	2565003	14.79%	Nil	2565003	2565003	14.79%	Nil
Overseas Corporate Bodies	Nil	11554639	11554639	66.64%	Nil	11554639	11554639	66.64%	Nil
Total Public Shareholding (B)	Nil	14119642	14119642	81.43%	Nil	14119642	14119642	81.43%	Nil
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	2702499	15.59	Nil	2702499	15.59	Nil	Nil
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 & DR.S .PRATHIBHA	80000	0.46	Nil	80000	0.46	Nil	Nil
7	RAMESH.S & DR. SETHURAMAN. N	27500	0.16	Nil	27500	0.16	Nil	Nil
Total		1380497	3219997	18.57	Nil	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
-No change in Promoters shareholding during the FY 2016-17					

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	143,23,89,203	-	-	143,23,89,203
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	34,74,340	-	-	34,74,340
Total (i+ii+iii)	143,58,63,543	-	-	143,58,63,543
Change in Indebtedness during the financial year				
* Addition	-	-	-	-
* Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year				
i) Principal Amount	293,86,50,087	-	-	293,86,50,087
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	50,38,004	-	-	50,38,004
Total (i+ii+iii)	294,36,88,091	-	-	294,36,88,091

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount in Rs.
1	Gross salary	Mrs. Indrani Bhagwan Singh (Chairman & Managing Director)	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		31,97,880
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		Nil
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		Nil
2	Stock Option		Nil
3	Sweat Equity		Nil
4	Commission - as % of profit - others, specify...		Nil
5	Others		2,66,490
	Total (A)		34,64,370
	Ceiling as per the Act		Rs. 41,71,088/-

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. 3,50,000	Rs. 2,62,500	Rs. 6,12,500
	Commission	Nil	Nil	Nil
	Others, please specify	Nil	Nil	Nil
	Total (1)	Rs. 3,50,000	Rs. 2,62,500	Rs. 6,12,500
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. 3,50,000	Rs. 2,62,500	Rs. 6,12,500
	Overall ceiling as per the Act (sitting fees not to exceed Rs. 1,00,000 per meeting)	The Company is paying only sitting fees to Non-Executive Independent Directors which is below the ceiling of Rs1,00,000/- per meeting as prescribed under the Companies Act, 2013		

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

Amount in Rs.

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	8,40,000	21,00,000	29,40,000
	(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 others, specify...	Nil	Nil	
5	Others, please specify	70,000	1,75,000	2,45,000
	Total	9,10,000	22,75,000	31,85,000

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There were no penalties, punishment or compounding of offences during the year ended March 31, 2017

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 2017, Fifteen (15) Board Meetings were conducted on the following dates viz., 08th June 2016, 6th July 2016, 23rd August 2016, 30th August 2016, 7th September 2016, 9th September 2016, 22nd September 2016, 11th October 2016, 14th October 2016, 14th November 2016, 19th December 2016, 25th January 2017, 27th February 2017, 07th March 2017, 15th March 2017 and not more than 120 days 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	Chairman & Managing Director	15	28	Nil
Mr. Bradly Swanson	Non-Executive & Nominee of DWM Investments (Cyprus) Limited	5	6	Nil
Mr. Aleem Remtula	Non-Executive & Nominee of DWM Investments (Cyprus) Limited	13	20	1
Mr. P. Murali Srinivas	Independent	14	29	1
Mr. Rajan Samuel	Independent	9	10	1

COMMITTEES OF BOARD

The Board has currently Eight Committees, namely, Asset Liability Management & Risk Management Committee (ALCO); Audit Committee; Borrowing & Investment Committee; Credit & Non-Performing Assets Review Committee; Nomination & Remuneration Committee; Share Allotment & Transfer Committee, Corporate Social Responsibility 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 three (3) times during the Financial Year 2016-17 viz., on 07th June 2016, 21st September 2016, and 25th January 2017

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;

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 Nineteen (17) times during the Financial Year 2016-17 viz., 26th April 2016, 17th May 2016, 2nd June 2016, 21st June 2016, 29th July 2016, 05th August 2016, 07th September 2016, 09th September 2016, 27th September 2016, 27th October 2016, 19th December 2016, 25th January 2017, 07th February 2017, 27th February 2017, 07th March 2017, 15th March 2017.

Terms of Reference

The role of Borrowing & Investment Committee is to approve borrowings from sources like Banks, Financial Institutions, Corporate 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 three (3) times during the Financial Year 2016-17 viz., on 07th June 2016, 21st September 2016, and 25th January 2017.

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 three (3) times during the Financial Year 2016-17 viz., on 07th June 2016, 21st September 2016, and 25th January 2017

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

There were no meetings held during the Financial Year 2016-17

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 or request during the Financial Year 2016-17.

NOMINATION & REMUNERATION COMMITTEE

Nomination & Remuneration Committee was constituted as per the Companies Act, 2013 and 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 one (1) time during the Financial Year 2016-17 viz., on 07th June 2016,

Terms of Reference

The terms of reference of the Nomination Committee includes:

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 analyse 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 and also to 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.

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

Composition

1. Mrs. Indrani Bhagwan Singh, Chairman
2. Mr. Rajan Samuel, Independent Director
3. Mr. Murali Srinivas, Independent Director

The Committee met three (3) times during the Financial Year 2016-17 viz., on 07th June 2016, 21st September 2016, and 25th January 2017

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.

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

Place: Chennai
Date: 08th June, 2017

Sd/-
INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR

GENERAL BODY MEETINGS

During the financial year ended 31st March 2017, an Extra-ordinary General Meeting (EGM) and an Annual General Meeting (AGM) were held as per details given below:

Date	Time	Venue
23 rd January, 2017	11:00 A.M.	Hotel Gokulam Park - Gayathri Hall - 4th Floor No. 67, 1st Avenue, Ashok Nagar, Chennai -600083
21 st September, 2016	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: 1stApril to 31stMarch: Shareholding pattern as on 31st March 2017

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

- By order of the Board

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

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 2017 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: 08th June, 2017

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

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, 2017, the Statement of Profit & Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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.

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. 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.

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, of the state of affairs of the Company as at March 31, 2017, its profit, and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1, 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 it appears from our examination of those books;



(c) The Balance Sheet , Statement of Profit & 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, 2017, and taken on record by the Board of Directors , none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 2 to this report;

(g) With respect to the other matters to be included in the Auditor 's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has no pending litigations impacting its financial position.

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There were no amounts, which were required to be transferred to the Investor Education and Protection Fund by the Company.

iv. The Company had provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the Company.

For VICTORIA MATHEWS & SANTHAKUMAR

Chartered Accountants (FRN: 05458S)

sd/-

B. Santhakumar

Partner

Membership Number: 027583/200

Chennai

June 8, 2017

**ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT
(Referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date)**

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

(i) (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 according to the information and explanation given to us, no material discrepancies were identified on such verification.

(c) According to the information and explanations given by the management, there are no immovable properties included in fixed assets of the Company and accordingly reporting requirement under clause 3 (i) (c) of the Order is not applicable to the Company.

(ii) (a) The Company's business does not involve dealing in inventories, even 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.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.

(v) The Company has not accepted any deposits from the public.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the products/ services of the Company.

(vii) According to the information and explanations given to us:

(a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.

(b) No undisputed amounts payable in respect of provident fund, employees' state insurance, income-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 are no dues outstanding of income-tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess on account of any dispute.

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to any financial institution, bank, debenture holders or government.

(ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer or further public offer, hence not commented upon.

Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.



(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no material fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of section 197, read with Schedule V to the Act.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable, and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully / partly convertible debentures during the year and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with them.

(xvi) According to the information and explanations given to us, we report that the Company has been registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

For **VICTORIA MATHEWS & SANTHAKUMAR**
Chartered Accountants (FRN: 05458S)

Sd/-
B. Santhakumar
Partner
Membership Number: 027583/200
Chennai
June 8, 2017

ANNEXURE 2 TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 2 (f) under the heading "Report on other legal and regulatory requirements" of our report of even date)

Re: Report on Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act to the Members of S.M.I.L.E. MICROFINANCE LIMITED

We have audited the internal financial controls over financial reporting of S.M.I.L.E MICROFINANCE LIMITED ("the Company") as of March 31, 2017 in conjunction with our audit of financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.



Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **VICTORIA MATHEWS & SANTHAKUMAR**

Chartered Accountants (FRN: 05458S)

Sd/-

B. Santhakumar

Partner

Membership Number: 027583/200

Chennai

June 8, 2017



BALANCE SHEET AS AT MARCH 31, 2017

Particulars	Notes	₹	
		31.03.2017	31.03.2016
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1	17,33,96,390	17,33,96,390
(b) Reserves and Surplus	2	75,04,17,445	66,69,95,685
(2) Non-Current Liabilities			
(a) Long-Term Borrowings	3	1,74,65,69,822	53,47,73,427
(d) Long- Term Provisions	4	34,92,900	8,91,695
(3) Current Liabilities			
(a) Short-Term Borrowings	5	4,80,61,228	45,00,00,000
(b) Other Current Liabilities	6	1,28,93,27,417	60,32,42,316
(c) Short-Term Provisions	7	5,80,90,837	1,51,78,051
Total Equity & Liabilities		4,06,93,56,039	2,44,44,77,564
II.ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	8	84,52,210	1,15,90,759
(b) Deferred tax assets (net)	9	22,76,680	19,13,050
(c) Long Term Loans & Advances	10	27,94,32,019	8,91,69,511
(d) Other Non-Current Assets	11	1,95,31,575	1,57,74,004
(2) Current Assets			
(a) Inventories	12	2,40,219	3,14,010
(b) Cash and Cash equivalents	13	92,24,03,525	1,00,84,02,019
(c) Short Term Loans & Advances	10	2,83,70,19,811	1,31,73,14,211
Total Assets		4,06,93,56,039	2,44,44,77,564
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

DIN: 02973901

Sd/-

P. MURALI SRINIVAS

DIRECTOR

DIN: 00554309

Sd/-

V.T.PRABAKARAN

CHIEF FINANCIAL OFFICER

PAN:AKOPP2826M

Sd/-

R. VENKATASUBRAMANIAN

COMPANY SECRETARY

PAN: AJGPV8188H

Place : Chennai

Dated : 08.06.2017

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017

S.No.	Particulars	Notes	₹	
			31.03.2017	31.03.2016
I	<u>Revenue:</u>			
i	Revenue from operations	14	67,70,46,826	35,40,81,393
ii	Other Income	15	3,60,29,924	2,25,30,104
	Total Revenue (i +ii)		71,30,76,750	37,66,11,497
II	<u>Expenses:</u>			
iii	Financial Costs	16	32,46,49,173	12,60,42,281
iv	Employee Benefit Expense	17	14,38,01,941	14,07,68,600
v	Other Administrative Expenses	18	7,54,40,857	6,40,91,744
vi	Depreciation and Amortization Expense	8	34,50,200	50,88,848
vii	Loan Loss Provision		1,71,96,414	4,51,411
viii	Contingent Provisions against Standard Assets		77,66,940	-
	Total Expenses (iii+iv+v+vi+vii+viii)		57,23,05,525	33,64,42,884
III	Profit before tax (I - II)		14,07,71,225	4,01,68,613
IV	<u>Tax expense:</u>			
	(1) Current tax		5,77,13,096	1,38,02,819
	(2) Deferred tax		(3,63,630)	(3,83,306)
V	Profit/(Loss) after tax for the year(III - IV)		8,34,21,759	2,67,49,100
VI	Earning per equity share of Rs.10/- each:			
	(1) Basic		4.81	1.54
	(2) Diluted		4.81	1.54
	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

DIN: 02973901

Sd/-

P. MURALI SRINIVAS

DIRECTOR

DIN: 00554309

Sd/-

V.T.PRABAKARAN

CHIEF FINANCIAL OFFICER

PAN:AKOPP2826M

Sd/-

R. VENKATASUBRAMANIAN

COMPANY SECRETARY

PAN: AJGPV8188H

Place : Chennai

Dated : 08.06.2017

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

Note 1: Share Capital

S. No.	Particulars	₹	
		31.03.2017	31.03.2016
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	31.03.2017		31.03.2016	
		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. S. Gurushankar	27,02,499	15.59%	27,02,499	15.59%

Note 2: Reserves & Surplus

S. No.	Particulars	₹	
		31.03.2017	31.03.2016
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	6,00,59,399 1,66,84,440	5,47,09,579 53,49,820
	Closing Balance	7,67,43,839	6,00,59,399
3	Surplus in the statement of Profit & Loss Balance brought forward from previous year Add: Profit for the year Less: Transfer to Statutory reserve Dividend & Distribution Tax	23,29,16,535 8,34,21,759 1,66,84,440 -	21,88,21,609 2,67,49,100 53,49,820 73,04,354
	Closing Balance	29,96,53,854	23,29,16,535
	Total (1+2+3)	75,04,17,445	66,69,95,685

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

Note 3: Term Borrowings

	₹		₹	
	Non-current portion		Current maturities	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
1	Term Loan			
	Secured by charge on present Micro Credit Loan Receivables:			
	- From Banks	56,22,29,704	34,81,13,643	51,94,97,662
	- From Bodies Corporates	39,03,23,863	7,49,24,220	33,68,95,132
	Secured by charge on future Micro Credit Loan Receivables:			
	- From Banks	18,86,17,791	3,63,50,000	11,13,82,207
	- From Bodies Corporate	-	7,29,09,763	-
	Secured by charge on Vehicles	12,31,764	24,75,801	12,44,036
2	Non-Convertible Debenture			
	A. SECURED			
	Secured by charge on present Micro Credit Loan Receivables:			
	- From Banks	-	-	-
	- From Bodies Corporate	2,91,66,700	-	5,00,00,000
	Secured by charge on future Micro Credit Loan Receivables:			
	- From Banks	-	-	-
	- From Bodies Corporate	17,50,00,000	-	12,50,00,000

3	B. UNSECURED - From Bodies Corporate Amount disclosed under the head "Other Current Liabilities"(refer Note 6)	40,00,00,000	-	-	-
	Total	1,74,65,69,822	53,47,73,427	-	(44,76,15,776)

Note 4: Long Term Provisions

		₹	₹
1	Contingent Provisions against Standard Assets	6,98,580	-
2	Loan Loss Provision	27,94,320	8,91,695
	Total	34,92,900	8,91,695

Note 5: Short Term Borrowings

	Non-current portion		Current maturities	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
1	Term Loan			
	Secured by charge on present Micro Credit Loan Receivables			
	-	-	-	30,00,00,000
	Secured by charge on future Micro Credit Loan Receivables			
	-	-	-	15,00,00,000
2	Cash Credit			
	Secured by charge on present Micro Credit Loan Receivables			
	-	-	4,80,61,228	-
	Total	-	4,80,61,228	45,00,00,000

DETAILS OF TERM BORROWINGS AS GIVEN IN NOTE 3 & 5:

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-5	62,50,000	-	62,50,000
Andhra Bank -TL-6	2,50,00,000	-	2,50,00,000
Andhra Bank -TL-7	10,00,00,000	5,00,00,000	5,00,00,000
Bank of India*	10,00,00,000	7,00,00,000	3,00,00,000
Bank of Maharashtra - TL 3	2,75,00,000	95,00,000	1,80,00,000
BharatiyaMahila Bank (State Bank of India)	3,63,50,000	1,81,50,000	1,82,00,000
Canara Bank - TL-4	15,00,00,000	9,54,48,000	5,45,52,000
DCB Bank - TL-10	2,49,99,998	-	2,49,99,998
Dhanlaxmi Bank Ltd*	5,00,00,000	3,12,50,000	1,87,50,000
Kotak Mahindra Bank Ltd*	10,00,00,000	5,00,00,000	5,00,00,000
RBL Bank Ltd*	10,00,00,000	7,14,28,571	2,85,71,429
State Bank of India	15,15,15,144	7,87,87,872	7,27,27,272
State Bank of Patiala (State Bank of India)	9,15,00,000	6,60,00,000	2,55,00,000
The Catholic Syrian Bank Ltd	4,99,99,998	3,73,67,791	1,26,32,207
The Karnataka Bank Ltd - TL-3	60,00,000	-	60,00,000
The Karnataka Bank Ltd - TL-4	4,16,66,668	2,50,00,004	1,66,66,664
The Lakshmi Vilas Bank Ltd	6,96,95,556	3,33,31,920	3,63,63,636
The South Indian Bank Ltd -TL-4	4,50,00,000	2,50,00,000	2,00,00,000
Union Bank Of India	3,12,50,000	62,50,004	2,49,99,996
Vijaya Bank-TL-3	2,50,00,000	-	2,50,00,000
Vijaya Bank-TL-4	10,00,00,000	5,00,00,000	5,00,00,000
Vijaya Bank-TL-5	5,00,00,000	3,33,33,333	1,66,66,667
Total	138,17,27,364	75,08,47,495	63,08,79,869
From Bodies Corporate			
Capital First Limited	20,00,00,000	16,00,00,000	4,00,00,000
Hero Fincorp Limited	3,95,74,763	2,20,05,792	1,75,68,971
IFMR Capital Finance Private Limited - TL-13	1,77,80,776	-	1,77,80,776
IFMR Capital Finance Private Limited - TL-14A	2,63,99,840	-	2,63,99,840

IFMR Capital Finance Private Limited - TL-14B	2,91,83,213	-	2,91,83,213
IFMR Capital Finance Private Limited - TL-15	8,90,27,250	4,10,13,233	4,80,14,017
Maanaveeya Development & Finance Private Ltd	8,00,00,000	4,00,00,000	4,00,00,000
Muthoot Capital Services Ltd	6,60,00,000	3,20,00,000	3,40,00,000
Nabkisan Finance Limited	4,16,56,506	2,49,89,838	1,66,66,668
Reliance Capital Ltd	98,16,647	-	98,16,647
ReligareFinvest Limited	2,77,80,000	1,11,15,000	1,66,65,000
SIDBI	10,00,00,000	5,92,00,000	4,08,00,000
Total	72,72,18,995	39,03,23,863	33,68,95,132
Grand Total	2,10,89,46,359	1,14,11,71,358	96,77,75,001

* Secured against the Bookdebts to be created out of their funds.

Particulars	₹	₹	₹
Vehicle Loan:	Total	Non-current portion	Current maturities
From Banks: Secured By hypothecation of Vehicles			
HDFC Bank Ltd	24,75,800	12,31,764	12,44,036
Total	24,75,800	12,31,764	12,44,036

Cash Credit:	Total	Non-current portion	Current maturities
From Banks:			
Secured by charge on present Micro Credit Loan Receivables			
State Bank of India	4,80,61,228	-	4,80,61,228
Total	4,80,61,228	-	4,80,61,228

Non-Convertible Debenture:	Total	Non-current portion	Current maturities
From Bodies Corporate			
Secured against the micro credit receivables:			
Hinduja Leyland Finance Limited	7,91,66,700	2,91,66,700	5,00,00,000
Hinduja Leyland Finance Limited*	15,00,00,000	10,00,00,000	5,00,00,000
Mahindra & Mahindra Financial Services Limited*	15,00,00,000	7,50,00,000	7,50,00,000
Total	37,91,66,700	20,41,66,700	17,50,00,000
Unsecured:			
IFMRImpact Long Term Multi Asset Class Fund	20,00,00,000	20,00,00,000	-
IFMRImpact Long Term Multi Asset Class Fund	20,00,00,000	20,00,00,000	-
Total	40,00,00,000	40,00,00,000	-
Grand Total	77,91,66,700	60,41,66,700	17,50,00,000

* Secured against the Book debts to be created out of their funds.

Note 6: Other Current Liabilities

S. No.	Particulars	₹	₹
		31.03.2017	31.03.2016
1	Current maturities of long term borrowings (refer note 3)	1,14,40,19,037	44,76,15,776
2	Interest Accrued but not due on Secured Loans	50,38,004	34,74,340
3	Portfolio collections in respect of Securitisation	10,59,73,146	10,15,22,240
4	Un-matured surplus on Securitisation	53,02,908	-
5	Statutory Liabilities*	44,21,291	33,23,923
6	Unclaimed Dividend	8,74,641	8,74,641
7	Sundry Creditors for Expenses	70,50,040	62,92,989
8	Others	1,66,48,350	4,01,38,407
	Total	1,28,93,27,417	60,32,42,316

* Paid in the succeeding year before the due date

Note 7: Short Term Provisions

1	Contingent Provisions against Standard Assets	70,68,360	-
2	Loan Loss Provision	2,82,77,539	1,29,83,750
3	Provision for Taxation	2,27,44,938	21,94,301
	Total	5,80,90,837	1,51,78,051

S.M.I.L.E. MICROFINANCE LIMITED
Notes Forming Integral Part of the Balance Sheet as at 31st March, 2017

Note 8: Fixed Asset
I. Tangible Assets

Particulars (A)	COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2016 (B)	Additions During the year (C)	Deduction during the year (D)	As at 31.03.2017 (E)=B+C-D	As at 01.04.2016 (F)	Additions During the year (G)	Deduction during the year (H)	As at 31.03.2017 (I)=F+G-H	As at 31.03.2017 (J)	As at 31.03.2016 (K)
Computers	1,39,60,806	3,50,900	-	1,43,11,706	1,32,05,380	1,23,122	-	1,33,28,502	9,83,204	7,55,426
Electricals & Installation	29,25,212	-	-	29,25,212	20,26,786	2,62,865	-	22,89,651	6,35,561	8,98,426
Furniture & Fittings	78,35,831	2,52,050	-	80,87,881	38,42,985	10,91,430	-	49,34,415	31,53,466	39,92,846
Office Equipments	24,40,061	16,500	-	24,56,561	20,31,048	2,03,270	-	22,34,318	2,22,243	4,09,013
Motor Vehicles:										
Car	90,36,838	-	14,06,812	76,30,026	52,90,094	10,92,914	11,24,310	52,58,698	23,71,328	37,46,744
Two Wheeler	2,41,436	-	36,801	2,04,635	79,656	36,270	11,504	1,04,422	1,00,213	1,61,780
Server & Networks	88,64,289	-	-	88,64,289	72,37,765	6,40,329	-	78,78,094	9,86,195	16,26,524
TOTAL	4,53,04,473	6,19,450	14,43,613	4,44,80,310	3,37,13,714	34,50,200	11,35,813	3,60,28,100	84,52,210	1,15,90,759

Note 9: Deferred Tax Assets

S.No	Particulars	₹	₹
		31.03.2017	31.03.2016
1	Impact of difference between tax depreciation & depreciation/amortisation charged for financial reporting	22,76,680	19,13,050
	Total	22,76,680	19,13,050

Note 10: Loans & Advances

		₹		₹	
		Long Term (Non-current)		Short Term (Current)	
		31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
1	Secured – Considered good: Loans against hypothecation of Two Wheelers to Staff	-	-	-	42,318
2	Unsecured - Considered good: Micro Credit Loans to Poor Women	27,94,32,019	8,91,69,511	2,79,63,73,918	1,29,03,04,295
	Interest Accrued on Micro Credit Loans	-	-	2,92,57,508	63,07,266
	Staff Loans	-	-	21,22,450	17,21,116
	Advance Recoverable in cash or in kind for value to be received	-	-	88,22,927	85,37,358
	Amount Receivable from Bajaj Allianz Life Insurance Company Ltd towards Death Claim & Insurance claims of Borrowers	-	-	3,00,000	3,00,000
3	Other Loans & Advances (Unsecured considered good): Income Tax and TDS (Previous Years)	-	-	1,43,008	1,01,01,858
	Total	27,94,32,019	8,91,69,511	2,83,70,19,811	1,31,73,14,211

Note 11: Other Non-current Assets

		₹	₹
		31.03.2017	31.03.2016
1	Unamortized Expenses	1,95,31,575	1,57,74,004
	Total	1,95,31,575	1,57,74,004

Note 12: Inventories

		₹	₹
		31.03.2017	31.03.2016
1	Stock of Stationery at cost	2,40,219	3,14,010
	Total	2,40,219	3,14,010

Note 13: Cash & Cash Equivalent

S.No.	Particulars	₹	₹
		31.03.2017	31.03.2016
1	Cash Balance Cash-in-Hand	11,62,744	12,75,379
2	Bank Balance in Current Accounts with Scheduled Banks	59,22,06,112	61,54,26,611
	in Fixed Deposits		
	(a) Earmarked for staff security deposit	28,53,850	27,97,500
	(b) Earmarked to Term Lenders towards Margin Money:		
	- upto 12 months of Maturity	14,32,84,664	25,17,50,114
	- More than 12 months Maturity	16,72,91,882	11,80,06,625
3	Interest Accrued on Fixed Deposits with banks	1,56,04,273	1,91,45,790
	Total	92,24,03,525	1,00,84,02,019

Note 14: Revenue from Operations

		₹	₹
		31.03.2017	31.03.2016
1	Interest on Loans	55,86,98,343	29,25,08,754
2	Profit on Securitisation of Micro Credit Loan Receivables	6,18,80,724	3,21,81,417
3	Processing Fee	5,64,06,600	2,92,83,200
4	Bad Debts Recovered	61,159	1,08,022
	Total	67,70,46,826	35,40,81,393

Note 15: Other Income		₹	₹
1	Interest on Fixed Deposits	2,57,97,955	2,08,19,902
2	Dividend earned on Liquid Fund Investments	58,95,440	2,52,731
3	Profit on Sale of Assets (net of loss)	-	20,072
4	Misc. Income	43,36,529	14,37,399
Total		3,60,29,924	2,25,30,104

Note 16: Financial Cost

		₹	₹
1	Interest to - Banks	12,08,06,533	8,53,14,580
	- Bodies Corporate	11,72,93,165	1,87,62,585
	- Non Convertible Debentures	4,25,57,544	-
2	Documentation Charges	3,32,032	1,18,941
3	Bank Charges	6,48,506	5,18,942
4	Processing Fees - Banks	47,65,646	91,86,512
	- Bodies Corporate	3,29,95,747	1,21,40,721
	- Others	52,50,000	-
Total		32,46,49,173	12,60,42,281

Note 17: Employee Benefit Expense

		₹	₹
S.No.	Particulars	31.03.2017	31.03.2016
1	Salaries & Bonus	11,93,44,414	11,71,42,231
2	Staff Welfare Expenses	90,80,911	87,80,347
3	Contribution to terminal benefit fund with LIC of India	26,29,926	23,24,425
4	Contribution to PF and ESI	95,48,810	95,60,597
5	Directors' Remuneration	31,97,880	29,61,000
Total		14,38,01,941	14,07,68,600

Note 18: Other Administrative Expense

		₹	₹
1	Telephone Expenses	31,06,486	30,28,772
2	Travelling Expenses	1,26,83,976	1,15,23,455
3	Repairs & Maintenance (Building)	4,68,537	5,07,978
4	Repairs & Maintenance (Machinery)	66,39,663	66,00,543
5	Electricity Charges	21,61,904	24,15,339
6	CSR Activity Expenses	7,81,736	13,36,344
7	Customer Welfare Expenses	95,019	3,27,470
8	Bad Debts written off	6,36,369	2,82,093
9	General Expenses	34,12,120	16,53,929
10	Insurance Expenses	24,29,027	18,37,776
11	Membership fees	1,35,253	3,06,045
12	Postage & Telegram	1,72,655	8,81,032
13	Professional Charges	1,05,85,253	64,99,171
14	Vehicle Maintenance	16,17,049	13,98,650
15	Filing Fees	68,547	10,724
16	Directors' Sitting Fees	6,12,500	6,12,500
17	Security Charges	9,83,049	9,17,094
18	Stationery Expenses	32,97,318	23,16,875
19	Auditors' Remuneration		
	-Statutory Auditor	13,33,500	11,59,567
	-Branch Auditors	2,64,000	2,55,000
20	Rent	1,24,38,300	1,27,76,847
21	Rates & Taxes	52,88,119	34,37,153
22	Software Expenses	57,50,517	38,75,153
23	Meeting and Seminar Expenses	3,78,807	1,32,234
24	Loss on sale of assets	1,01,153	-
Total		7,54,40,857	6,40,91,744

19) 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. 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 realization 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. Cash and Cash equivalent for the purpose of cash flow statement comprises of cash in hand and Bank in current account, fixed deposit account and Interest receivable thereon.

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/ as per the contract entered in to, during the contract period.
- 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:** Depreciation of tangible fixed assets is provided on the written down value method using the rates arrived at based on the useful life of the assets prescribed under 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.

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 1st July, 2015.
4. The Company has made a provision on the entire outstanding loan portfolio @ 1% as per the Reserve Bank of India directions, applicable to Microfinance Institutions. Further, Company has also made a contingent provision on standard assets as applicable.

h) Gratuity:

The Company has covered its employees under group gratuity scheme of The 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.

20) Microcredit Loans & Staff Loans:

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

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

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

23) The entire operation of the company falls under one business segment only viz. Microfinance.

24) ASSET QUALITY:

	Non-Performing Assets (NPAs)	2016-17 ₹	2015-16 ₹
i	Net NPA to Advances (%)	NIL	NIL
ii	Movement of NPAs (Gross):		
	a) Opening Balance	5,70,595	5,92,069
	b) Additions during the year	8,40,926	14,15,638
	c) Reduction during the year	27,831	11,55,019
	d) Written-off during the year	6,36,369	2,82,093
	e) Closing Balance	7,47,321	5,70,595
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	1,38,75,445	1,34,24,034
	b) Provision made during the year	1,71,96,414	451,411
	c) Write-off/ Write back of excess provisions	-	-
	d) Closing balance	3,10,71,859	1,38,75,445
	Contingent Provision against Standard Assets	77,66,940	NA

25) Details of Financial Assets sold under Securitization System:

Under securitization of financial assets (Micro Finance Portfolio) arrangement between the Company and the Assignees, the Company acts as a collection agent for managing such Portfolio. The Company entered into a separate collection agency agreement in this respect. The Principal outstanding in respect of such loan contracts as on 31st March 2017 is Rs. 38,37,57,580/-.

a. IFMR CAPITAL MOSEC ENIGMA 2016

	PARTICULARS	2016-17	2015-16
I	No. of Accounts	24,416	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	28,29,95,000	NIL
III	Aggregate Consideration ₹	29,83,03,099	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	1,53,08,099	NIL

b. IFMR CAPITAL KIRA 2016

	PARTICULARS	2016-17	2015-16
I	No. of Accounts	9,883	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	14,90,21,486	NIL
III	Aggregate Consideration ₹	15,71,62,954	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	81,41,468	NIL

c. RYUKIFMR CAPITAL 2016

	PARTICULARS	2016-17	2015-16
I	No. of Accounts	26,172	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	35,09,72,539	NIL
III	Aggregate Consideration ₹	37,96,69,215	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	2,86,96,676	NIL

d. IFMR CAPITAL MOSEC LORENZO 2016

	PARTICULARS	2016-17	2015-16
I	No. of Accounts	12,644	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	13,31,33,400	NIL
III	Aggregate Consideration ₹	14,04,84,690	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	73,51,290	NIL

e. LINGARDIFMR CAPITAL 2017

	PARTICULARS	2016-17	2015-16
I	No. of Accounts	31,832	NIL
II	Aggregate value (net of Provisions) of accounts sold ₹	29,28,12,323	NIL
III	Aggregate Consideration ₹	31,72,78,185	NIL
IV	Additional consideration realized in respect of accounts transferred in earlier years	Nil	NIL
V	Aggregate gain/loss over net book value ₹	2,44,65,862	NIL

The Company maintains a Cash Collateral in respect of the above Securitization transactions and the balance as on 31st March 2017 is Rs.6,61,82,301/-

26)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.

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

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

28)Comparative Figures:

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

29)Related Party Transactions:-

Disclosures of transactions with the related parties are given below:

Key Management Personnel:

- Mrs. INDRANIBHAGWAN SINGH, Chairman & Managing Director
- Mr. V.T.PRABAKARAN, Chief Financial Officer
- Mr. R. VENKATASUBRAMANIAN, Company Secretary

Other Directors:

- Mr. MURALISRINIVAS, Independent Director
- Mr. RAJAN SAMUEL, Independent Director
- Mr. J. BRADLEY SWANSON, Director
- Mr. ALEEMREMTULA, Director

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

- i) **Associates/ Related entities with whom transactions have taken place: Nil**
- ii) **Remuneration to whole-time Directors:**

During the year ended March 31, 2017, the Company paid remuneration to the whole-time Director: –

Mrs. INDRANIBHAGWAN SINGH

	₹	₹
Nature	2016-17	2015-16
Salary	31,97,880	29,61,000
Ex-gratia & Incentive	2,66,490	2,46,750
Total	34,64,370	32,07,750

Directors' Sitting Fee Paid

	₹	₹
Name	2016-17	2015-16
Mr. MuraliSrinivas	3,50,000	3,85,000
Mr. Rajan Samuel	2,62,500	2,27,500
Total	6,12,500	6,12,500

Remuneration for Key Managerial Personnel

Name	₹		₹	
	2016-17		2015-16	
	Salary	Ex-gratia & Incentive	Salary	Ex-gratia & Incentive
Mr. V.T.Prabakaran	21,00,000	1,75,000	18,90,000	1,57,500
Mr. R. Venkatasubramanian	8,40,000	70,000	7,19,000	60,000
Total	29,40,000	2,45,000	26,09,000	2,17,500

30) Earnings per Share:

Particulars	2016-17	2015-16
Profit after tax (₹)	8,34,21,759	2,67,49,100
No. of Equity Shares of Rs.10 each as on 31 st March	1,73,39,639	1,73,39,639
Basic EPS (₹)	4.81	1.54

31) 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.22,76,680/- as at 31st March, 2017. (Previous year Deferred Tax Asset: Rs. 19,13,050/-).

32) Impairment of Assets:

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

33) Contingent Liabilities and Contingent Assets:

Contingent Liabilities:

There exists a contingent liability in respect of MCOP case for Rs. 5 Lakh, as assessed by the Company.

34) Auditors' Remuneration:

Particulars	Year ended	
	March 31, 2017 ₹	March 31, 2016 ₹
Statutory Auditors	13,33,500	11,59,567
Branch Auditors	2,64,000	2,55,000
Total	15,97,500	14,14,567

35) 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 yearend is NIL

36) Expenditure in foreign currency:

There are no foreign currency transactions during the year (Previous year: NIL)

37) Information on instances of fraud:

Instances of fraud for the year ended March 31, 2017

Nature of fraud	No. of cases	Amount of fraud	Recovery
Cash misappropriation	7	28,953	13,421

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

38) Disclosure of Capital Adequacy, Pricing of Credit, Exposure to Real Estate Sector & Liquidity:

Though the Company is not Systemically Important, 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:

Particulars	(Rs. In Crore)	
	As at 31 March 2017	As at 31 March 2016
Tier I Capital	85.12	78.69
Tier II Capital	0.00	0.00
Total Capital	85.12	78.69
Total Risk Weighted Assets	309.11	140.49
Capital Ratios		
Tier I Capital as a Percentage of Total Risk Weighted Assets (%)	27.54	56.01
Tier II Capital as a Percentage of Total Risk Weighted Assets (%)	0.00	0.00
Total Capital (%)	27.54	56.01

Pricing of Credit:

The average interest paid on borrowings for the Company for financial year 2016-17 is 16.49% and the average interest charged by the Company on the loans granted to members is 23.74%, 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, 2017	For the year ended March 31, 2016
Average interest (a)	23.74%	22.81%
Average effective cost of borrowing (b)	16.49%	13.49%
Net interest margin (a-b)	7.26%	9.32%

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 2017 and 31st March 2016.

- 39) The details of Specified Bank Notes (SBN) held and transacted during the period 08/11/2016 to 30/12/2016 as provided in the Table below:-

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	19,36,000	1,62,895	20,98,895
(+) Withdrawal from Bank Accounts	-	4,80,000	4,80,000
(+) Receipts for Permitted Transactions	2,41,72,500	70,24,90,958	72,66,63,458
(+) Receipts for Non Permitted Transactions	-	29,12,19,576	29,12,19,576
(-) Paid for Non Permitted Transactions	-	-	-
(-) Deposited in Banks	2,61,08,500	40,63,96,268	43,25,04,768
Closing cash in hand as on 30.12.2016	-	55,18,009	55,18,009

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

- 40) The Company has no derivative transaction during the year nor in the previous years as well.

Asset Liability Management:

Maturity Pattern of Certain Items of Assets and Liabilities

(Rs in Crore)

	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	8.21	9.25	9.64	30.64	61.47	133.03	41.63	Nil
Assets								
Advances	30.52	35.65	33.37	84.37	95.94	27.94	NIL	NIL
Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

CASH FLOW STATEMENT	₹	
	31.03.2017	31.03.2016
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Taxes	14,07,71,225	4,01,68,613
Adjustment for Non- Cash Items		
Loan Loss Provision/ Provision for NPA& on Contingent Provision	2,49,63,354	4,51,411
Loss / (Profit) on Sale of Assets (Net)	1,01,153	(20,072)
Depreciation	34,50,200	50,88,848
Interest On Fixed Deposits	(2,57,97,955)	(2,08,19,902)
Dividend earned on Liquid Fund Investments	(58,95,440)	(2,52,731)
Operating Profit Before Changes in Working Capital	13,75,92,537	2,46,16,168
Adjustments for:		
(Increase)/ Decrease in Micro-credit Advances	(1,69,63,32,131)	(4,33,08,413)
(Increase)/ Decrease in Other Current Assets	(2,28,76,451)	(11,90,797)
(Increase)/ Decrease in Other Loans & Advances	93,14,265	73,77,594
(Increase)/ Decrease in Miscellaneous Assets	(37,57,571)	(94,58,852)
(Decrease)/Increase in Other Liabilities and Provisions	70,66,35,737	(1,24,63,430)
Net cash generated from operating activities Before Tax	(86,94,23,614)	(3,44,27,731)
Income Tax Paid	(5,77,13,096)	(1,38,02,819)
Net cash Generated / (used) from Operating Activities After Tax	(A) (92,71,36,710)	(4,82,30,550)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(6,19,450)	(30,76,460)
Sale of Fixed Assets	2,06,648	5,98,742
Interest On Fixed Deposits	2,57,97,955	2,08,19,902
Dividend earned on Liquid Fund Investments	58,95,440	2,52,731
Net Cash Generated from Investing Activities	(B) 3,12,80,593	1,85,94,914
CASH FLOW FROM FINANCING ACTIVITIES		
Net Increase in Loans Received	80,98,57,623	64,15,20,075
Dividend & distribution tax	-	(73,04,354)
Net Cash Generated from Financing Activities	(C) 80,98,57,623	63,42,15,721
Net Increase/(Decrease) in Cash and Cash equivalents during the year (A)+(B)+(C)	(8,59,98,494)	60,45,80,086
Cash and Cash Equivalents at the beginning of the year	1,00,84,02,019	40,38,21,933
Cash and Cash Equivalents at the end of the year	92,24,03,525	1,00,84,02,019

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

for and on behalf of the Board

Chartered Accountants (FRN: 05458S)

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

Sd/-
INDRANI BHAGWAN SINGH
CHAIRMAN & MANAGING DIRECTOR
DIN; 02973901

Sd/-
P. MURALI SRINIVAS
DIRECTOR
DIN: 00554309

Place : Chennai
Dated : 08.06.2017

Sd/-
V.T.PRABAKARAN
CHIEF FINANCIAL OFFICER
PAN: AKOPP2826M

Sd/-
R. VENKATASUBRAMANIAN
COMPANY SECRETARY
PAN: AJGPV8188H

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 31.03.2017.

Liabilities side :

(Rs. in lakh)

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	3,792	0
: Unsecured (other than falling within the meaning of public deposits*)	4,000	0
(b) Deferred Credits	0	0
(c) Term Loans	21,089	0
(d) Inter-Corporate loans and borrowing	0	0
(e) Commercial Paper	0	0
(f) Other Loans (specify nature)	505	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	0	0
(b) Unsecured	30,779	16
(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	0	30,779	30,779
TOTAL	0	30,779	30,779

(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	7
(ii) Net Non-Performing Assets	
(a) Related parties	0
(b) Other than related parties	0
(iii) Assets acquired in satisfaction of debt	0

NOTES:

- As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in Non-Banking Financial Company- Micro Finance Institutions (NBFC-MFIs) – Direction dated 1st July 2015.
- 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.



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

Registered Office: The Galaxy' No.30, 48th Street, 9th Avenue, Ashok Nagar, Chennai- 600083.
CIN: U67190TN1995PLC030604

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Annual General Meeting on Sep 20, 2017

Name of the member (s):
Registered address:
E-mail Id:
Folio No:

I/We, being the member holding shares of the above named company, hereby appoint

Table with 3 columns: Name, Address, E-mail Id, Signature for the member; or failing him; Name, Address, E-mail Id, Signature for the proxy.

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Extraordinary general meeting of the company, to be held on the 20th day of September 2017 at 11:00 a.m. at Hotel Gokulam Park - Gayathri Hall - 4th Floor No. 67, 1st Avenue, Ashok Nagar, Chennai - 600083 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No

- 1.
2.
3.
4.
5.
6.

Affix Rupee 1/- Revenue Stamp

Signed this day of 2017

Signature of the Shareholder:

Signature of the Proxy:

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.



S.M.I.L.E. MICROFINANCE LIMITED
Registered Office The Galaxy' No.30, 48th Street, 9th Avenue, Ashok Nagar, Chennai- 600083.

ATTENDANCE SLIP

Annual General Meeting on Sep 20, 2017

Registered Folio No.:

No. of Shares held:

Please (√) in the box - [] Member [] Proxy

I hereby record my presence at the Annual General Meeting of the Company to be held at Hotel Gokulam Park - Gayathri Hall- 4th Floor No. 67, 1st Avenue, Ashok Nagar, Chennai -600083 at 11.00 a.m. on Sep 20, 2017.

Full name of Member : Signature.....

Full name of Proxy : Signature.....

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Your entry to the Meeting will be regulated by this attendance slip.