



ANNUAL  
REPORT 2013/14

# CREATING OPPORTUNITIES

Fusion Microfinance Private Limited

## FORWARD-LOOKING STATEMENT

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of these results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

## DOCUMENT MILESTONES

02	Corporate identity	16	Competitive advantage
04	Financial performance	18	The microfinance sector
06	Creating opportunities	20	Boad Member
14	Management's statement	21	Statutory Section

IN INDIA 93% OF ALL WORKERS ARE SELF EMPLOYED. WOMEN CONSTITUTE MORE THAN HALF OF THIS WORKFORCE AND MORE THAN 96% OF WOMEN WORKERS ARE SELF EMPLOYED.

A LARGE NUMBER OF THESE INDIVIDUALS POSSESS THE DRIVE TO EARN A LIVING COUPLED WITH THE INSIGHT THAT COULD MAKE THIS POSSIBLE.

WHAT THEY LACK IS ACCESS TO PRECIOUS CAPITAL TO GET THEM INTO A TRADE OR BUSINESS.

THESE FACTS MAKE IT IMPERATIVE TO FINANCIALLY EMPOWER WOMEN SO AS TO ENABLE THEM TO MAKE MEANINGFUL CONTRIBUTIONS TOWARDS THE DEVELOPMENT OF THE ECONOMY.

AT FUSION MICROFINANCE PRIVATE LIMITED, WE IDENTIFY THE MOST PROMISING CASES AND PROVIDE THEM WITH ALL-IMPORTANT SEED AND GROWTH CAPITAL.

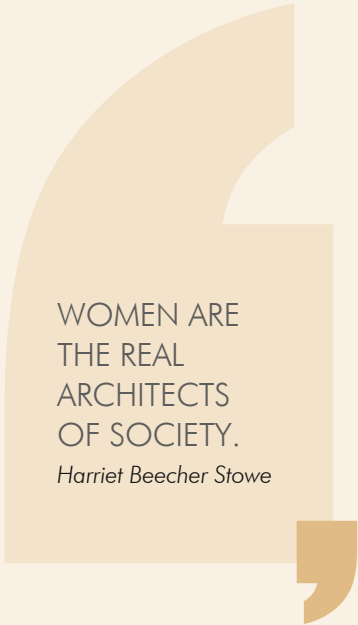
IN DOING SO, WE CREATE GROWTH OPPORTUNITIES FOR INDIVIDUALS, FAMILIES, COMMUNITIES AND THE COUNTRY.

FUSION MICROFINANCE PRIVATE LIMITED.

...ONE OF THE FASTEST GROWING MFI  
(IN THE CATEGORY OF ₹1 BN - ₹5 BN)

...POSSESS MFI2 GRADING FROM CARE  
RATING (APRIL 2014).





WOMEN ARE  
THE REAL  
ARCHITECTS  
OF SOCIETY.  
*Harriet Beecher Stowe*

## Business

Fusion Microfinance Private Limited finances the growing needs of Indian women entrepreneurs in Northern and Central India with the objective of facilitating their financial empowerment leading to enhanced social respect.

## Presence

Fusion Microfinance Private Limited is headquartered in New Delhi and enjoys a growing presence in Uttar Pradesh, Madhya Pradesh, Uttarakhand and Delhi.

18.87%

Promoters' holding  
(March 31, 2014)

137.79

Outstanding loan portfolio  
(₹ crore) (March 31, 2014)

341

Team size  
(March 31, 2014)

42

Branches  
(March 31, 2014)

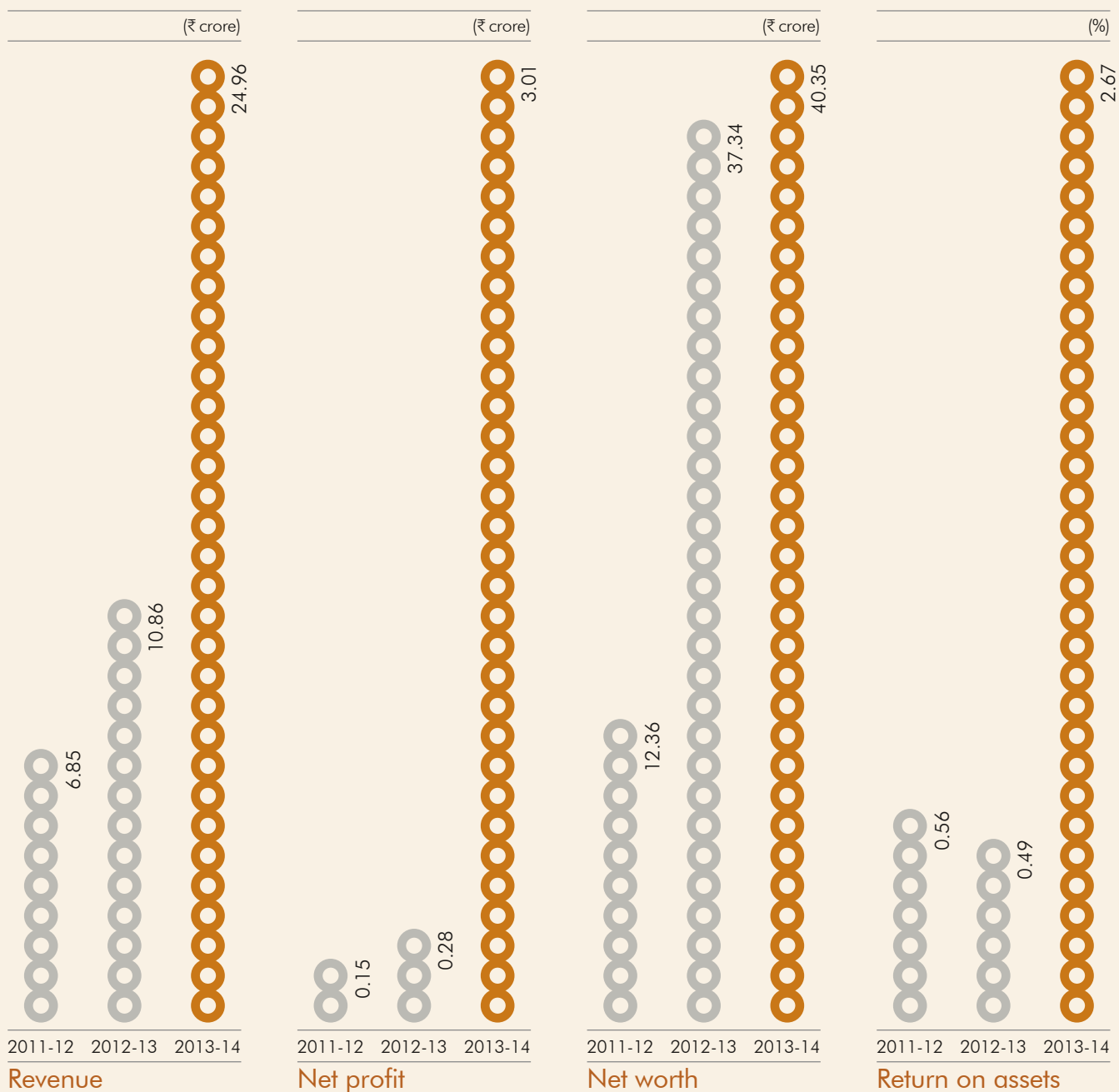
24.96

Revenue (₹ crore)  
(March 31, 2014)

3.01

Profit for the year (₹ crore)  
(March 31, 2014)

ENABLING THE CAUSE OF FINANCIAL  
INCLUSION IS GOOD FOR THE SOCIETY,  
THE COUNTRY AND FOR COMPANIES  
PROVIDING THE FINANCE.



# FUSION REPORTED A REMARKABLE YEAR IN 2013-14.

## Financial numbers

Revenue from operations grew by

# 129.94%

- from ₹10.86 crore in 2012-13  
to ₹24.96 crore in 2013-14

Profits for the year grew over

# 10x

- from ₹0.28 crore in 2012-13  
to ₹3.01 crore in 2013-14

Operational cost ratio declined

# 47 bps

- from 10.69% in 2012-13 to  
10.22% in 2013-14 owing to  
high focus on cost rationalisation.

## Business growth

Number of branches

increased from 21 as on  
March 31, 2013 to

# 42

as on March 31, 2014

Field force strength

increased from 89 as on  
March 31, 2013 to

# 203

as on March 31, 2014

Active borrowers

increased from 66,806 as on  
March 31, 2013 to

# 127,581

as on March 31, 2014

Quantum of disbursed funds

increased from ₹62.55 crore  
in 2012-13 to

# ₹167.51

crore in 2013-14

Assets under management

increased from ₹56.76 crore  
as on March 31, 2013 to

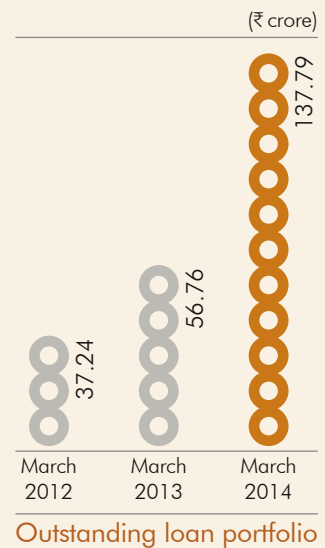
# ₹137.79

crore as on March 31, 2014





# > SURVIVING TO THRIVING



IF YOU WANT  
SOMETHING SAID,  
ASK A MAN; IF YOU  
WANT SOMETHING  
DONE, ASK A  
WOMAN.

*Margaret Thatcher*

At Fusion, our purpose is to create opportunities in a manner that our borrowers enjoy a superior 'return on life'.

This is what we have to report for our intent and implementation.

- We identified key microfinance needs in rural and semi-urban locations across Northern and Central India
- We funded women at the bottom of the social pyramid who were keen on entering new ventures or already managing existing businesses

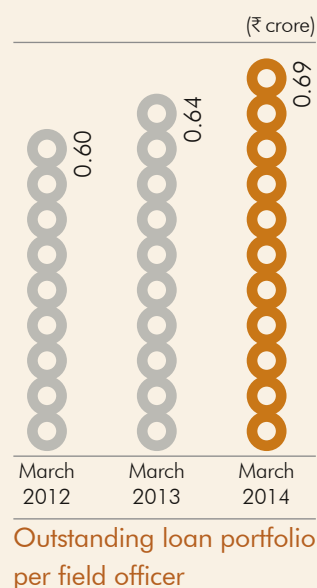
- We educated customers so that they could manage their cash flows more efficiently thereby expanding opportunities and spreading smiles

Since inception in 2010, we have touched the lives of more than 288,139 women, helping them emerge from the peripheries of the society to the centre of attention.

The result is that Fusion has acquired a position of respect in India's microfinance industry.



# > EARNING AND LEARNING



THE FASTEST WAY TO CHANGE SOCIETY IS TO MOBILISE THE WOMEN OF THE WORLD.

Charles Malik

At Fusion, we believe that the building block of our growth is the learning opportunity that we provide, empowering fledgling homemakers to go out and make a name for themselves.

Over the years, we made relevant investments that have helped us fortify their knowledge base.

- We strengthened our training calendar; we provided 10 man days per person of training across our organisation in the area of soft skills and business processes in the last 24 months.
- We provided an opportunity for our members to work on cutting-edge IT systems and applications by investing in end-to-end IT platforms that

strengthened data mining and enhanced efficiency.

- We benchmarked our team with a best-in-class risk management framework that was created in consultation with the International Finance Corporation (IFC).
- We helped transform select middle and senior managerial personnel into entrepreneurs by providing them with the opportunity to invest in our Company.

Through these initiatives, Fusion evolved into an earning and learning destination, which helped moderate operating costs from 18% of revenues in 2011-12 to 10.3% in 2013-14 on the one hand and facilitated a corresponding improvement in ROE from 1.25% to 7.75% on the other.





# > ASPIRING AND INSPIRING

## 34.5

Capital infusion (₹ crore)  
in Fusion between 2010  
and 2013

THERE IS A  
GROWING  
STRENGTH IN  
WOMEN BUT IT'S  
IN THE FOREHEAD,  
NOT THE FOREARM.

*Beverly Sills*

At Fusion, our goal is to instil a sense of trust that makes it possible to create diverse opportunities for our stakeholders.

As a means to this aforementioned, the Company has embarked on a number of initiatives.

- Enlisted KPMG, one of the top four global auditing firms, to audit our financial statements.
- Strengthened our five-member Board of Directors with a balance of shareholders and broader stakeholder interests; our

Board comprises one Independent Director and two Nominee Directors.

- Institutionalised a decision-ratifying process in which all strategic decisions were screened by the Risk Committee before being sanctioned by the Board
- Enriched our governance platform, ensuring multi-level checks coupled with surprise visits that ensured adherence with institutionalised systems and processes.

One of the visible manifestations of these initiatives was an improvement in our grading to MF12 in April 2014.

# CREATING OPPORTUNITIES. WIDENING SMILES.

## ANGOORI BAI, 45, Misrod village

(About 15 kilometres from  
Bhopal)

When Angoori Bai's husband walked out on her after ten years of marriage, he left her with an assurance to provide ₹10,000 a year and a three-room house.

Illiterate. Unequipped. Disempowered. Angoori Bai responded the only way she knew. She worked as a farmhand, housemaid and caretaker.

However, Angoori Bai's life transformed when Fusion entered her village Misrod in June 2010.

Angoori Bai had identified an opening

in marketing cosmetics and imitation jewellery. She approached Fusion for a loan of ₹10,000, purchased wares for ₹5,000, began to market home to home on Sundays and liquidated her stock in three months. Her surplus: ₹1,000.

Encouraged, she re-stocked and generated sales worth ₹25,000.

Angoori Bai is now a financially independent entrepreneur confident of a better future.

*Fusion helped create the opportunity.*

**"My success would not have been possible without Fusion and fellow group members"**

– Angoori Bai

## BIMLA YADAV, 45, Mohangiri Colony, Vidisha

Bimla Yadav, 45, lives in a one-room tenement in Mohangiri Colony in Vidisha with her husband and three children.

One 2010 morning, her husband announced that he would not be able to shoulder physical labour for long.

So Bimla Yadav sought an ₹10,000 loan from Fusion to purchase a push cart and equipment to commission a chaat stall.

By the second month, her stall was generating ₹300 in daily sales at a margin of 50%.

In 2011, Bimla sought another Fusion loan, renovated her cart, bought utensils and widened her menu. Daily sales now increased to ₹500 at prevailing margins.

The result is that Bimla now earns ₹9,000 a month and owns a bank account.

*Fusion helped create the opportunity.*

**"Fusion helped me at a time when I needed help the most"**

– Bimla Yadav

**YASMEEN, 45,  
Phase I, Metro Vihar,  
Holambi Kalan**

Yasmeen's husband stopped providing for the family following marriage.

Yasmin realised that she would soon starve. So she started what appeared to be a no-brainer: a grocery shop.

When the Delhi Government embarked on slum relocation in 2002, her family was compelled to leave for Holambi Kalan - without electricity, water or sanitation.

In 2005, Yasmeen began to explore an opening in making and marketing knick-knacks.

To realise this vision, she sought a ₹1,000 loan from Fusion, purchased material wholesale and made decorative items with it.

Her profit: ₹1,400.

Yasmeen has progressed considerably since. Thanks to successive loans of higher amounts from Fusion, her average monthly sales have increased to about ₹200,000 with a corresponding gross margin of 15 to 25%.

Over the last few years, she has had her children married, built a house and recruited 50 neighbourhood women to work with her.

*Fusion helped create the opportunity.*

**"Fusion has transformed the lives of many poor people like me"**

– Yasmeen

**DULARI, 38,  
Kalyanpur Village,  
Haridwar**

Dulari's husband Hridayram was a construction labourer who ran a tea shop in Kalyanpur, 5 kilometres from Roorkee.

In January 2010, Dulari approached Fusion for a ₹10,000 loan. The amount was used to buy a stove and other items.

The result was that the tea shop now began to serve French toast, pakodas and biscuits as well.

With increased sales came higher profits.

Encouraged, Dulari took a second loan, this time to enter a new business to buy tents and utensils to cater to the needs of the marriage season.

Dulari's family's income increased by 140% in just two years.

*Fusion helped create the opportunity.*

**"Thanks to Fusion, we have done well enough to buy assets like a TV, cupboard and cycle."**

– Dulari

10 minutes with the management team

# "FUSION IS SET TO CLIMB INTO A HIGHER ORBIT"



Devesh Sachdev, CEO



Ashish Tewari, COO

*Dear shareholders,*

WE ARE PLEASED TO REPORT THAT IN FISCAL 2013-14, FUSION BECAME LARGER AND INCREASINGLY PROFITABLE. WE WERE ABLE TO TOUCH 80,887 FAMILIES, A SUBSTANTIAL INCREASE OVER THE PREVIOUS YEAR. AND EVEN AS THE SECTOR BECAME INCREASINGLY COMPETITIVE, FUSION MICROFINANCE CONTINUED TO GROW ITS BUSINESS PROFITABLY: A SHARP INCREASE IN REVENUES WITH A CORRESPONDING GROWTH IN OUR PROFIT AFTER TAX.

## **Sky is the limit**

The ₹27,000-crore Indian microfinance sector is still in its nascence but is addressing a massive opportunity. Credible estimates suggest that there are over 134.7 million households in India with annual incomes less than ₹12,000. These households do not enjoy access to essential financial services (credit, insurance and savings facilities). Assuming an annual average loan size of ₹15,000 per household, the total micro-credit potential in India is estimated at above ₹202,050 crore, representing years of sustainable revenue growth even if we consider the addressable opportunity at a conservative 50%.



> ASSUMING AN ANNUAL AVERAGE LOAN SIZE OF ₹15,000 PER HOUSEHOLD, THE TOTAL MICRO-CREDIT POTENTIAL IN INDIA IS ESTIMATED AT ABOVE ₹202,050 CRORE, REPRESENTING YEARS OF SUSTAINABLE REVENUE GROWTH

The country's microfinance sector has rebounded from the crisis a few years ago when it faced extensive loan defaults, especially in Andhra Pradesh. Over the last few years, the RBI has drafted a roadmap for financial inclusion in a truer sense of the word. This departure from this retrospective position of financial inclusion would need to be bank-led. The result has been the announcement of sector-specific and customer-centric policies and guidelines, ensuring that the hitherto 'non-legal' microfinance business has turned a new leaf. Over time, the increasing regulation will filter non-serious players, widening the opportunity pie for the focused and organised.

The future looks bright with lot of opportunities emanating from the microfinance sector and the RBI coming up with draft guidelines for specialised banks and on-tap banking. The fact that the regulatory landscape has been stabilising is evident from Bandhan Microfinance getting an in-principle approval to function as a full-fledged scheduled bank.

### 2013-14 an inflection point

At Fusion, 2013-14 proved to be

a watershed year on the back of a strong business model, internationally-benchmarked risk management system, and technology investments to strengthen business systems and enhanced liquidity.

- Institutionalised a risk management framework in consultation with the IFC, insulating growth from external vagaries.
- Upgraded our IT system – from a SQL-based platform to web-based operations – so as to permit real time informational updation.
- Ensured seamless transfer of data without incurring any operational loss despite the fact that IT migration can be quite challenging.
- Added more banks to our fund providers' list and increased our borrowing limits with existing bankers. While this diversified our fund sourcing on the one hand (banks and NBFCs), it helped optimise borrowing costs on the other.

From an entrepreneurial standpoint, job creation is an important facet of our business. Consequently, our employee strength grew from 168 to 341. We introduced people-oriented HR policies that helped retain intellectual capital on

the one hand and draw fresh talent on the other.

Besides, the ₹25 crore capital infusion in February 2013, provided the Company with adequate room to leverage its Balance Sheet to grow the business from a modest debt-equity ratio to 2.33x as on March 31, 2014.

### The path ahead

Fusion reinforced business scalability through its globally-benchmarked risk management system. The Company intends to increase its branch network to 70 (March 2015) from 42 (March 31, 2014). We are working to moderate our turnaround time (receipt of loan application to funds disbursement) without compromising processes or asset quality.

### Outlook

It's on the back of a seamless strengthening of functions; Fusion is poised to move into a higher orbit, strengthening growth and profitability in a sustainable way across the future.

Regards,

The management team

## STRENGTHS AT FUSION

**Focus:** The Company provides underprivileged and unbanked women with viable prospects to transform their lives.

**Presence:** The Company has selected to grow in underpenetrated areas across the states of its presence.

**Transparency:** The Company's transparent pricing and well-articulated processes have strengthened brand recall.

**Dynamism:** The Company has adapted processes in line with the evolving business environment.

**Technology:** The Company has invested in robust IT and MIS systems, facilitating a continuous monitoring of clients, disbursements, cash management, field officers and operating expenses.

**Governance:** The Company has ensured regulatory compliances and governance commitment.

## FUSION'S IMPROVING FINANCIALS.

Business growth	86% Increase in active loan clients (3-year CAGR)	91% Revenue growth (3-year CAGR)
Profitability improvement	446% Increase in net profit margin (Between 2011-12 and 2013-14)	346% Growth in profit for the year (3-year CAGR)
Stronger financial statements	228% Increase in return on equity (Between 2011-12 and 2013-14)	40% Growth in shareholders' funds (3-year CAGR)

# WHY WE ARE IN BUSINESS

Women account for 48.5% of the population of India.

Only about a fourth of Indian women reach high school while more than half of the country's men make it to the same level.

India ranks 10th from the bottom among countries ranked according to their female labour force participation rate.

Men were paid 70% higher wages than women for ploughing at the end of 2004-05; the difference rose to 80.4% in end-March 2012 and 93.6% at the start of 2013-14.

Thirty three million agricultural workers, mostly women, quit the labour force between 2004-05 and 2011-12.

The withdrawal of rural women has pulled down India's average female labour force participation rates (LFPR) by nearly seven percentage points between 2004-05 and 2011-12 to 22%.

## > GLOBAL INEQUALITY

Women comprise 70% of the world's poorest people. The majority of women earn on average three-fourths of the pay men receive for doing the same work.

For every dollar a woman earns, she invests 80 cents into her family. Men, on the other hand, invest around 30 cents and are more likely to squander money on alcohol and other vices.

# THE MICROFINANCE SECTOR

## – REVIEW AND OPTIMISM

### Overview

In India, microfinance is defined as the loans up to ₹50,000 to unbanked customers.

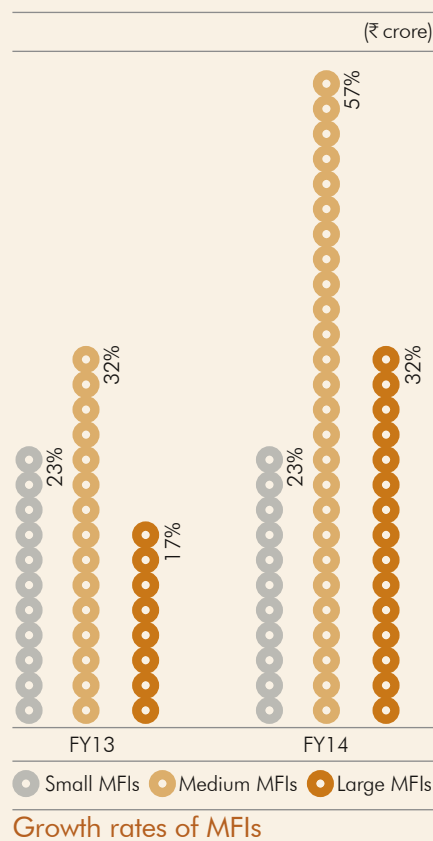
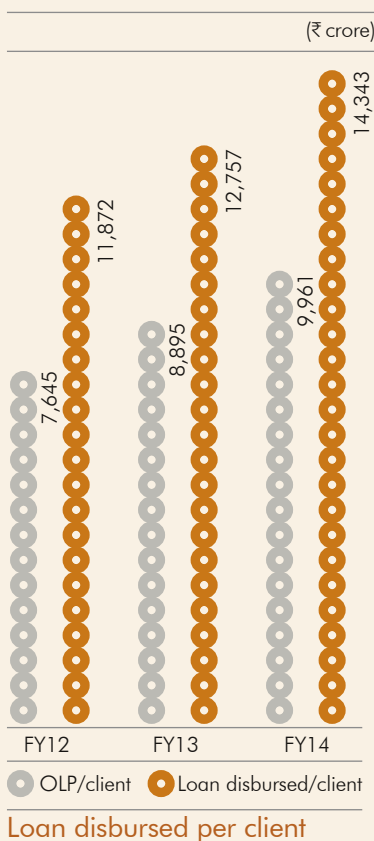
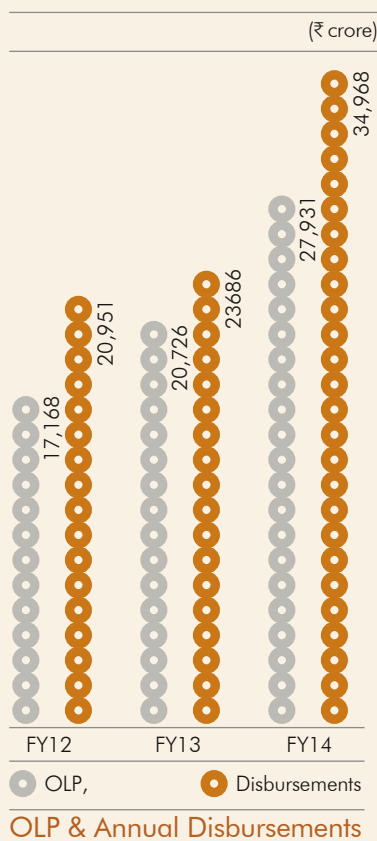
The country's microfinance sector is socially conscious, commercially viable and financially sustainable. Over the years, MFIs have developed a sustainable business model to circumvent challenges faced by the financial services sector in servicing low-income and unbanked customers, strengthening the country's efforts to guarantee financial inclusion.

The country's microfinance sector has matured following the 2010 Andhra Pradesh crisis, one of the manifestations being a performance reporting discipline comprising coverage of performance within and outside Andhra Pradesh.

Case in point: India's microfinance institutions registered strong growth in the Outstanding Loan Portfolio (OLP) category. The OLP of the NBFC-MFIs increased at a CAGR of 26.76% from ₹17,383 crore in FY12 to ₹27,931 crore in FY14 following an increase in active borrowers from 2.27 crore to 2.8 crore.

The medium-sized institutions (with OLPs between ₹100 – ₹500 crore) reported the highest growth of 32% and 57% in FY 2013 and 2014 respectively.

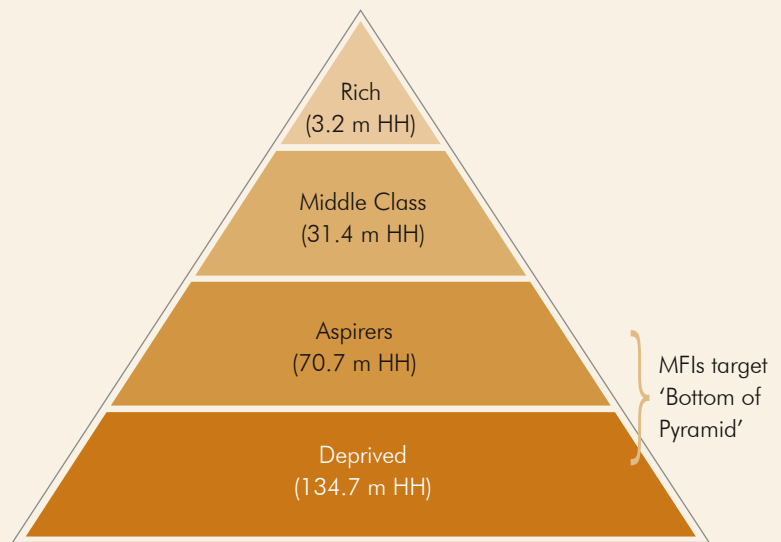
The outperformance of the MFI segment was catalysed by a significant increase in debt funding. The sector also attracted significant equity investments from private investors, reflecting a growing confidence in the sector's capability to fulfil the needs of its enormous target audience, who have otherwise remained unaddressed in the traditional scheme of things.



## Optimism

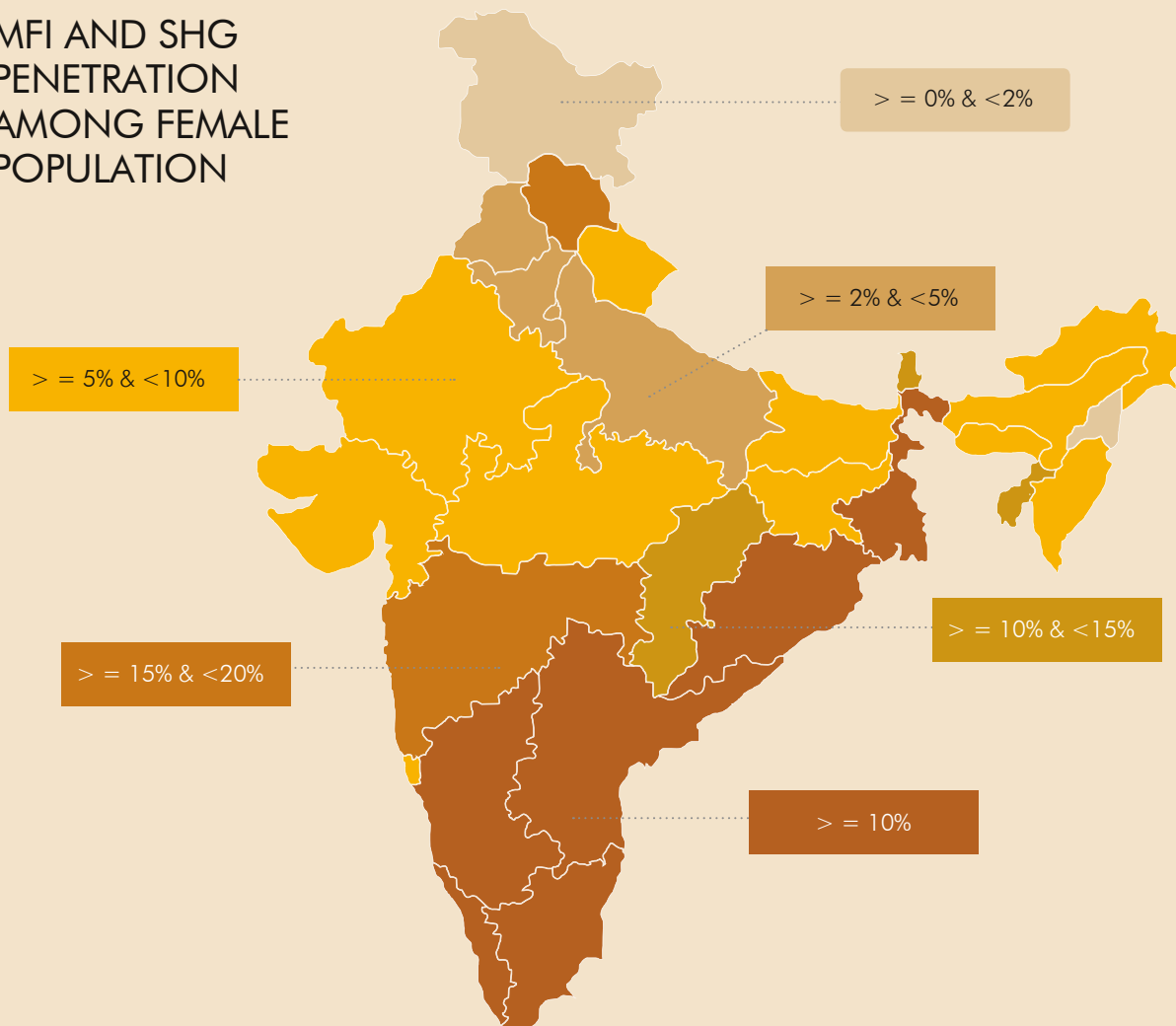
The primary target of MFIs comprise 134.7 million 'deprived' households with an annual household income of less than ₹112,000 but lacking access to essential financial services like credit, insurance and savings facilities. These households comprise 56.13% of the total households in India.

Based on average loan size of ₹15,000, the total micro-credit demand is estimated at between ₹202,050 crore and ₹673,500 crore (Source: *National Survey of Household Income & Expenditure (2011)*, NCAER-CMCR). Over the next five years, the potential market at a 50% penetration level and average loan size of ₹30,000 is estimated at ₹202,050 crore; ICRA's estimate is between ₹140,000 to ₹250,000 crore.



(Source: *National Survey of Household Income & Expenditure (2011)*, NCAER-CMCR)

## MFI AND SHG PENETRATION AMONG FEMALE POPULATION



# BOARD MEMBERS

## Mr. Devesh Sachdev

CEO & Director

An XLRI post graduate with 16 years of experience in the service industry, Devesh leads from the front. He started his career with Citigroup after which his entrepreneurial hunger forced him to join a mid-sized logistics company, BSA. When he left, BSA was operating from 26 cities, had more than

500 employees, 300 business associates and was handling around 4 million transactions in a month.

His expertise includes managing large teams cost-efficiently, managing relationships effectively and handling all operational aspects of a business.

## Mr. Ashish Tewari

COO & Director

An economics, law and management Graduate with over a decade of experience in financial services, Ashish has earlier worked with Development Credit Bank, GE and ICICI in various positions.

His expertise lies in the area of people management, recruitment, training, distribution and mapping productivity, spotting potential new business opportunities and chalking out business plans

## Mr. Aditya Bhandari

Nominee Director

Aditya joined the Board of Directors of Fusion Microfinance in May 2010. He holds Board-level positions in other leading MFIs in India. He has over eleven years of experience in investment management, investment banking and corporate finance. His professional repertoire includes working with Aavishkaar Venture Capital, Goldman Sachs and Standard Chartered Bank.

He holds an Associate degree from the Institute of Chartered Accountants of India and Bachelors in Commerce from the University of Madras. He has attended the executive program on private equity education organized by the Indian School of Business and a program on Strategic Leadership for Microfinance course to be held at Harvard Business School.

## Mr. Vishwanath Seshadri

Independent Director

A chartered accountant cost and works accountant and commerce graduate, he has over 25 years of work experience of working at ICICI Bank, GE Capital and a few other companies.

He was instrumental in setting up the retail risk management function within ICICI Bank during its foray into retail banking in 1998.

## Mr. Njord Andrewes

Nominee Director

Njord Andrewes is the Investment Director of the NMI Global Fund. Prior to joining NMI, Mr. Andrewes has worked as an equity research analyst at Lazard Capital Markets and Janney Montgomery Scott, LLC. He began his career at

Robertson Stephens in sales and trading. Mr. Andrewes is an MBA in finance from the Kelley School of Business, Indiana University, and a B.A. in economics from Hope College, Michigan.



## STATUTORY SECTION

Directors' Report .....	22
Corporate Governance .....	24
Financial Section .....	25

# DIRECTORS' REPORT

To  
The Members,  
Fusion Microfinance Private Limited

Your Directors have immense pleasure in presenting the Annual Report together with the Audited Accounts for the year ended March 31, 2014.

## Financial Results

(₹ in lacs)

Particulars	Financial Year ended March 31, 2014	Financial Year ended March 31, 2013
Total Income	2496.16	1085.58
Total Expenditure	2053.17	1059.22
Profit/(Loss) before Tax	442.98	26.35
Less: Current Tax	175.61	4.31
Add: Deferred Tax	33.49	5.59
Profit/(Loss) after Tax	300.86	27.64

## Performance

The total income of the Company for the year has increased by 129.94% in comparison to last financial year and the profit after Tax for the year has increased by 988.49% in comparison to last financial year.

## RBI Guidelines

The Company is registered with the Reserve Bank of India as a NBFC within the provisions of the NBFC (Reserve Bank of India) Directions, 1998. The Company continues to comply with all the requirements prescribed by the Reserve Bank of India as applicable to it.

## Dividend

No dividend has been declared in the current financial year.

## Fixed Deposits

Company has neither invited nor accepted any deposits from public within the meaning of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposit) Rules 1975 during the period under review.

## Internal Control System

Company is following an effective internal control system commensurate with its size and operations. In addition to this the work process is designed in such a way that process of internal check is ensured at all levels.

## Director's Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, your Directors



hereby confirmed that:

- (i) In the preparation of the annual accounts for the year ended March 31, 2014 the applicable accounting standards have been followed along with proper explanations relating to material departures, wherever applicable;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014, and of the loss of the Company for the year;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts on a 'going concern' basis.

### Auditors

M/s B.S.R & Associates LLP, Chartered Accountants, will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Members are requested to consider their re-appointment on remuneration to be decided by the Board.

B.S.R & Co. converted itself into a Limited Liability Partnership

(LLP) under the provisions of the Limited Liability Partnership Act, 2008 and is now known as M/s B.S.R & Associates LLP, Chartered Accountants and have confirmed their eligibility and willingness to accept the office of the Statutory Auditors, if re-appointed.

### Conservation of Energy, Technology Absorption and Foreign Exchanges and Outgo

Statement containing the necessary information as required under section 217 (1) (e) read with Companies (Disclosure of Particulars in the Report of Board of Director) Rules, 1988 is given as under:

#### A. Energy Conservation

The operations of the Company are not energy intensive. Further, every endeavor has been made to ensure the optimal use of energy, avoid wastage and conserve energy as far as possible.

#### B. Technology Absorption

No imported technology is involved in the operation of the company. Therefore there is no technology absorption.

### Acknowledgements

The Board wishes to place on record its sincere appreciation for the continued assistance, support and co-operation extended to the Company by the Customers, Banks, Financial Institutions, Investors, Government Authorities and Employees during the year under review and look forward to their continued support in the future.

By order of the Board of Directors  
For Fusion Microfinance Private Limited

Place: New Delhi  
Dated: June 24, 2014

Devesh Sachdev  
(Director & CEO)

Ashish Tewari  
(Director & COO)

# CORPORATE GOVERNANCE REPORT

To  
The Members,  
Fusion Microfinance Private Limited

## Board Strength & Representation

### Composition and Category

The current policy is to have an appropriate mix of executive and Non Executive directors to maintain independence of the Board.

The composition of Board of Directors is as under:

Name of the Director	Category
Devesh Sachdev	Director
Ashish Tewari	Director
Aditya Bhandari	Nominee Director
Vishwanath Seshadri	Independent Director
Njord Andrewes	Nominee Director

## Change in board

During the year there is no change in the Board.

## Conduct of Board Procedure

The day-to-day business is conducted by the executives and the business heads of the Company under the direction of the designated CEO and the supervision of the Board led by the Chairman. The Board holds a minimum of four meetings every year to review and discuss the performance of the Company, its future plans, strategies and other pertinent issues relating to the Company.

## Committees of the Board

### Audit Committee:

The Audit Committee consists of the following members of the Board:

Mr. Vishwanath Seshadri – Chairman  
Mr. Ankur Singhal – Member  
Mr. Aditya Bhandari – Member

The committee holds a meeting each quarter to review, the audited/un-audited Financial Statements, Oversight of the Company's Financial Reporting Process, Reviewing of Quarterly Financial Statements, Reviewing the adequacy of Internal Audit Function, Reviewing the performance of Statutory and Internal Auditors and adequacy of Internal Control Systems.

### ALM Committee:

The ALM Committee consists of the following members of the Board:

Mr. Devesh Sachdev – Chairman  
Mr. Ashish Tewari – Director  
Mr. Aditya Bhandari – Director

The committee holds a meeting each quarter to review the Asset-Liability management system and procedures.

### Compliance:

- To prepare a calendar detailing the list of compliance/covenants that need to be monitored, and the frequency of its reporting to the Board of the company as well as to regulatory agencies and other stakeholders.
- To review statement of significant related party transactions and examination of reasons for substantial defaults, if any, in payment to stakeholders.
- To review compliance with stipulated statutory and regulatory requirements particularly in relation to financial management and reporting.
- To review compliance of the various inspection and audit reports of internal and statutory auditors and commenting on the action taken report prepared by the management and ensuring submission to the Board of the company from time to time.
- To review the consolidated compliance report and the final accounting system for the financial year before it is submitted to the Board of the company for adoption.
- To internalise guidelines issued by the regulator specifically for the microfinance industry or any other such guidelines as may be relevant to the company and monitor adherence to the same.

## Management Discussion and Analysis

The Company is registered with the Reserve Bank of India as a NBFC within the provisions of the NBFC (Reserve Bank of India) Directions, 1998. The Company continues to comply with all the requirements prescribed by the Reserve Bank of India as applicable to it.

## Internal Control Systems and Their Adequacy

The Company has proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from misuse or disposition and that transaction are authorized, recorded and reported correctly.

The internal control is supplemented by an extensive program of internal audits, review by management and guidelines and procedures. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF FUSION MICRO FINANCE PRIVATE LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of Fusion Micro Finance Private Limited, ('the Company'), which comprise the Balance Sheet as at 31 March 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information ('collectively referred to as the 'financial statements').

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### 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:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
- ii. in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003, as amended ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(3) of the Act, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act; and
  - e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

for **B S R & Associates LLP**

*Chartered Accountants*

Firm Membership No: 116231W

**Sriram Mahalingam**

*Partner*

Place: Hyderabad

Date : 24 June 2014

Membership No: 049642

# ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

The Annexure referred to in our report of even date to the Members of Fusion Micro Finance Private Limited ('the Company') on the financial statements for the year ended 31 March 2014. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed any fixed assets during the year, and therefore, do not affect the going concern assumption.
- (ii) The Company is a Non-Banking Finance Company-Micro Finance Institution (NBFC-MFI), engaged in the business of providing micro credit. Accordingly it does not hold any physical inventories. Hence, paragraph 4(ii) of the Order is not applicable
- (iii) (a) The Company has granted unsecured loans to two Directors covered in the register maintained under Section 301 of the Companies Act, 1956 ('Act'). The maximum amount outstanding during the year was Rs. 971,088 and the year-end balance of such loans was Nil.
- (b) In our opinion, the rate of interest and other terms and conditions on which the above mentioned loans have been granted to the Directors listed in the register maintained under Section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.
- (c) In the case of above mentioned loans granted to the Directors listed in the register maintained under Section 301 of the Act, the borrowers have been regular in repaying the principal amounts as stipulated and in the payment of interest.
- (d) There is no overdue amount of more than Rupees one lakh in respect of loans granted to Directors listed in the register maintained under Section 301 of the Act.

- (e) The Company has taken loan from one Director covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was Rs. 3,400,000 and the year-end balance of such loan was Rs. Nil.
- (f) In our opinion, the rate of interest and other terms and conditions on which the above mentioned loan has been taken from Director listed in the register maintained under Section 301 of the Act is not, prima facie, prejudicial to the interest of the company.
- (g) In the case of loan taken from Director listed in the register maintained under Section 301 of the Act, the Company has been regular in repaying the principal amounts as stipulated and in the payment of interest.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of fixed assets are for the company's specialized requirement and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the services rendered by the Company. The activities of the Company do not involve purchase of inventory and sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts and arrangements referred to in (a) above and exceeding the value of Rs. 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.

- (vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Service tax, and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor education and protection fund, Wealth tax, Customs duty, Sales tax, Cess and Excise duty.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Service tax and other material statutory dues were in arrears as at 31 March 2014 for a period more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income tax, Service tax and Wealth tax which have not been deposited with appropriate authorities on account of any dispute. As explained to us, the provisions of Sales tax, Customs duty, Cess and Excise duty are not applicable.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers, financial institutions or any debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies, firms and parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has not created security or charge in respect of debentures outstanding during the year.
- (xx) The Company has not raised any money by way of public issues
- (xxi) According to the information and explanations given to us, we report that no material fraud on or by the Company has been noticed / reported during the year except instances of cash embezzlements by an employee of the Company aggregating an amount of Rs. 82,000. The services of the employee was terminated and the entire amount was recovered from the employee.

for **B S R & Associates LLP**

*Chartered Accountants*

Firm Membership No: 116231W

**Sriram Mahalingam**

*Partner*

Place: Hyderabad

Date : 24 June 2014

Membership No: 049642

# BALANCE SHEET as at 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

	Notes	As at 31 March 2014	As at 31 March 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share capital	2.1	10,70,29,900	10,70,29,900
Reserves and surplus	2.2	13,39,59,679	10,38,73,345
		24,09,89,579	21,09,03,245
<b>Non-Current Liabilities</b>			
Long-term borrowings	2.3	33,41,05,157	25,85,40,309
Long-term provisions	2.4	50,27,884	23,59,286
Other long term liabilities	2.5	92,73,064	9,80,004
		34,84,06,105	26,18,79,599
<b>Current Liabilities</b>			
Other current liabilities	2.6	85,05,19,543	32,64,87,573
Short-term provisions	2.7	83,59,508	45,92,243
		85,88,79,051	33,10,79,816
<b>Total</b>		<b>1,44,82,74,735</b>	<b>80,38,62,660</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
<b>Fixed Assets</b>			
(i) Tangible fixed assets	2.8	1,22,71,020	25,02,872
(ii) Intangible fixed assets		6,71,077	5,29,205
Deferred tax asset, net	2.33	45,03,576	11,53,928
Loan portfolio	2.9	24,87,20,909	7,19,61,295
Long-term loans and advances	2.10	16,09,653	27,95,689
Other non current assets	2.11	6,90,31,233	4,13,65,842
		33,68,07,469	12,03,08,831
<b>Current assets</b>			
Current investments	2.12	2,29,28,776	20,79,08,449
Cash and bank balance	2.13	25,33,60,857	8,84,17,151
Loan portfolio	2.9	77,88,42,073	34,23,92,856
Short-term loans and advances	2.14	1,11,48,165	58,33,564
Other current assets	2.15	4,51,87,395	3,90,01,809
		1,11,14,67,266	68,35,53,829
<b>Total</b>		<b>1,44,82,74,735</b>	<b>80,38,62,660</b>
<b>Significant accounting policies</b>	1		
<b>Notes to the financial statements</b>	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached  
For **B S R & Associates LLP**  
Chartered Accountants  
Firm Registration No.:116231W

for and on behalf of the Board of Directors of  
**Fusion Micro Finance Private Limited**

**Sriram Mahalingam**  
Partner  
Membership No.:049642

**Devesh Sachdev**  
Director & CEO

**Ashish Tewari**  
Director & COO

Place: Hyderabad  
Date: 24 June 2014

**Deepak Madaan**  
Company Secretary

# STATEMENT OF PROFIT AND LOSS for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

	Notes	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>INCOME</b>			
Revenue from operations	2.16	24,88,63,880	10,79,86,409
Other income	2.17	7,52,499	5,71,198
<b>Total revenue</b>		<b>24,96,16,379</b>	<b>10,85,57,607</b>
<b>EXPENSES</b>			
Operating expenses	2.18	1,18,40,057	30,26,781
Employee benefits	2.19	6,71,08,343	3,44,09,691
Finance costs	2.20	9,81,17,209	5,45,87,778
Depreciation and amortisation	2.8	37,96,938	20,58,216
Other expenses	2.21	2,44,55,437	1,18,39,793
<b>Total expenses</b>		<b>20,53,17,984</b>	<b>10,59,22,259</b>
Profit before tax		<b>4,42,98,395</b>	<b>26,35,348</b>
<b>Tax expenses:</b>			
- Current tax		1,75,61,709	4,31,200
- Deferred tax		(33,49,648)	(5,59,680)
Profit after tax		<b>3,00,86,334</b>	<b>27,63,828</b>
<b>Earning per equity share</b>	2.28		
[Nominal value per share Rs. 10 (previous year Rs. 10)]			
Basic		2.81	(0.04)
Diluted		1.97	(0.04)
Significant accounting policies	1		
Notes to the financial statements	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached  
For **B S R & Associates LLP**  
Chartered Accountants  
Firm Registration No.:116231W

for and on behalf of the Board of Directors of  
**Fusion Micro Finance Private Limited**

**Sriram Mahalingam**  
Partner  
Membership No.:049642

**Devesh Sachdev**  
Director & CEO

**Ashish Tewari**  
Director & COO

Place: Hyderabad  
Date: 24 June 2014

**Deepak Madaan**  
Company Secretary

# CASH FLOW STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	4,42,98,395	26,35,348
<b>Adjustments:</b>		
Depreciation and amortisation	37,96,938	20,58,216
Loan portfolio written off*	4,55,578	–
Provision on loan portfolio	73,09,643	11,02,241
- Mat credit Entitlement	–	–
Provision on gratuity	7,70,144	3,23,953
Provision on leave encashment	8,64,676	1,03,929
Interest income from deposits	–	–
<b>Operating profit before working capital changes</b>	<b>5,74,95,374</b>	<b>62,23,687</b>
Increase in loan portfolio	(61,36,64,409)	(19,64,44,337)
Increase in loans and advances	(51,94,236)	(34,58,834)
Increase in other assets	(1,62,12,790)	(1,12,05,280)
Increase in liabilities and provisions	5,58,05,003	2,59,40,384
<b>Cash used from operations</b>	<b>(52,17,71,058)</b>	<b>0 (17,89,44,380)</b>
Income taxes paid, net	(1,60,04,638)	(8,35,078)
<b>Net cash flow used by operating activities (A)</b>	<b>(53,77,75,696)</b>	<b>(17,97,79,458)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets		
Purchase of fixed assets	(1,37,06,958)	(15,42,242)
(Purchase)/ sale of investments, net	18,49,79,673	(18,33,06,441)
Investment in long term deposits with maturity of more than three months	(6,69,34,628)	(3,07,48,189)
Interest received	–	–
<b>Net cash provided/ (used) by investing activities (B)</b>	<b>10,43,38,087</b>	<b>(21,55,96,872)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	–	8,75,00,000
Proceeds from issuance of compulsorily convertible debentures	–	16,25,00,000
Payment of preference dividend	(25,81,256)	
Payment of tax on proposed preference dividend	(4,18,744)	
Proceeds from borrowings	55,20,84,874	19,52,32,332
<b>Net cash provided by financing activities (C)</b>	<b>54,90,84,874</b>	<b>44,52,32,332</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>11,56,47,265</b>	<b>4,98,56,002</b>
Cash and cash equivalents at the beginning of the year	7,22,50,411	2,23,94,409
<b>Cash and cash equivalents at the end of the year (refer note 2.13)</b>	<b>18,78,97,676</b>	<b>7,22,50,411</b>

As per our report of even date attached  
For **B S R & Associates LLP**  
Chartered Accountants  
Firm Registration No.:116231W

**Sriram Mahalingam**  
Partner  
Membership No.:049642

Place: Hyderabad  
Date: 24 June 2014

for and on behalf of the Board of Directors of  
**Fusion Micro Finance Private Limited**

**Devesh Sachdev**  
Director & CEO

**Deepak Madaan**  
Company Secretary

**Ashish Tewari**  
Director & COO



## COMPANY OVERVIEW

Fusion Micro Finance Private Limited ('the Company') was incorporated on 5 September 1994 under the Companies Act, 1956. The Company is registered effective 19 May 2010 as a Non Banking Financial (Non – Deposit Accepting or Holding) Company under section 45-IA of the Reserve Bank of India Act, 1934. The Company got converted to Non Banking Financial Company-Micro Finance Institution (NBFC-MFI) with effect from 28 January 2014.

It is engaged in micro finance lending activities, providing financial services to poor women in India who are organized as Joint Liability Groups ('JLGs'). The Company provides small value collateral free loans up to Rs. 50,000. All financial transactions are conducted in the group meetings organized near the habitats of the borrowers. Further the company also provides small ticket vehicle loan size upto Rs. 600,000.

## 1. SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles (GAAP) in India and comply with the Accounting Standards ("AS") prescribed by the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, the relevant provisions of the Companies Act, 1956 ('the Act') and / or the Companies Act, 2013, as appropriate and the relevant guidelines of Reserve Bank of India ('RBI') to the extent applicable to a Non Banking Financial (Non – Deposit Accepting or Holding) Company / Non Banking Financial Company-Micro Finance Institution (NBFC-MFI). The financial statements are presented in Indian Rupees rounded off to the nearest rupee.

### b. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in current and future periods.

### c. Current – non-current classification

All assets and liabilities are classified into current and non-current.

#### Assets

An asset is classified as current when it satisfies any of the following criteria:

- i. it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;
- iii. it is expected to be realised within 12 months after the reporting date; or
- iv. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for atleast 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

#### Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- i. it is expected to be settled in the company's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;
- iii. it is due to be settled within 12 months after the reporting date; or
- iv. the company does not have an unconditional right to defer settlement of the liability for atleast 12 months after the reporting date.

Current liabilities include the current portion of non-current financial liabilities. All other liabilities are classified as non-current.

#### Operating cycle

Company has ascertained its operating cycle as 12 months that is the time between the acquisition of assets for processing and their realization in cash or cash equivalents.

# NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

## d. Revenue recognition

- Interest income on loan portfolio is recognised in the Statement of Profit and Loss on accrual basis using effective interest method except in the case of non-performing assets ("NPA's") where it is recognised, upon realisation, as per the prudential norms of Reserve Bank of India (RBI).
- Premium on securitisation of assets is the difference between the book value of the securitised assets and consideration received on the assets derecognised from books. Premium on securitisation is amortised over the life of the securitised loan portfolio and losses, if any, are recognised immediately in accordance with the guidelines laid down by RBI.
- Loan processing fee is accounted for upfront as and when it become due as per the terms of contract entered into with the customer.
- Interest on term deposits has been accrued on the time proportion basis, using the underlying interest rate.
- Dividend income is accounted when the right to receive the dividend is established.

## e. Classification of loan portfolio and provisioning policy

- During the year the Company revised its classification and provisioning norms for its loan portfolio to align it with the RBI norms for Non-Banking Financial Company – Micro Finance Institutions (NBFC-MFIs).

### Asset classification norms:

- Standard asset means the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business.
- Non-performing asset means an asset for which, interest/principal payment has remained overdue for a period of 90 days or more.

### Provisioning norms:

The aggregate loan provision shall not be less than the higher of:

- 1% of the outstanding loan portfolio, or
- 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.

During the year the Company discontinued provisioning on securitised portfolio.

- The provisioning and asset classification norms, which was followed upto the previous financial year are as given below:

All loan exposures were classified into standard and NPAs. NPAs were classified into sub standard, doubtful and loss assets in accordance with Non-Banking Financial (Non-Deposit Accepting and Holding) Companies prudential Norms (Reserve Bank) Direction, 2007.

- The Company maintains a general provision of 0.50% on outstanding loan balance of standard assets for both own and securitised loan portfolio.
- Provisioning norms for both own and securitised loan portfolio other than small ticket vehicle loan were as given below.

Asset classification	Overdue days	Provisioning %
Sub standard – I	1 – 30 days	1%
Sub standard – II	31 – 60 days	5%
Sub standard – III	61 – 90 days	15%
Sub standard – IV	91 – 180 days	30%
Sub standard – V	181 – 365 days	60%
Doubtful and loss	> 365 days	100%

- Provisioning norms for both own and securitised small ticket vehicle loan were as given below

Asset classification	Overdue days	Provisioning %
Sub standard – I	1 – 365 days	10%
Sub standard – II	365 – 540 days	20%
Sub standard – III	540 – 720 days	50%
Doubtful and loss	> 720 days	100%

## f. Fixed assets and depreciation

### *Tangible fixed asset*

Tangible fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of fixed assets comprises the purchase price, taxes, duties, freight (net of rebates and discounts) and any other directly attributable costs of bringing the assets to their working condition for their intended use.

Tangible fixed assets under construction and tangible fixed assets acquired but not ready for their intended use are disclosed as capital work-in-progress.

Depreciation on tangible fixed assets other than leasehold improvements is provided using the written down method as per the rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 as in the opinion of the management, these rates reflect the estimated useful life of these assets. Leasehold improvements are amortised on straight line method over the primary period of lease or the estimated useful life whichever is lower. Depreciation is calculated on a pro-rata basis from the day the assets are purchased / sold. Fixed assets individually costing less than Rs. 5,000 are depreciated fully in the year of purchase.

### *Intangible fixed asset*

Intangible fixed assets are carried at cost of acquisition less amortization. Intangible assets that are acquired by the Company are measured initially at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

- i. Technical know-how is amortized using the straight-line method over an estimated useful life of three years.
- ii. Software cost related to computers are capitalized and amortized using the written down value method at a rate of 40% per annum.

## g. Borrowing costs

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

## h. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that any assets forming part of its cash generating units may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the reassessed recoverable amount subject to a maximum of depreciated historical cost.

## i. Accounting for grants

Grants received in relation to purchase of fixed assets is shown as a deduction from the gross value of the asset concerned in arriving at its book value. Accordingly, the grant is recognised in the Statement of Profit and Loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

Grants received in relation to operating expenses are deducted in reporting the related expense in the Statement of Profit and Loss over the period over which it is incurred.

## j. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Long term investments are carried at cost less any other-than-temporary diminution in value. Current investments are valued at lower of cost and fair value determined on individual investment basis.

## k. Employee benefits

### *Defined contribution plans*

The Company makes specified monthly contribution towards employee provident fund to Government administered provident fund

## NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

scheme, which is a defined contribution scheme. The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

### **Defined benefit plan**

The Company provides for gratuity, a defined benefit plan covering eligible employees. Gratuity is accrued based on an actuarial valuation as at the balance sheet date, carried out by an independent actuary using the projected unit credit method. Actuarial gains and losses arising during the year are immediately recognised in the Statement of Profit and Loss in the year in which they arise.

### **Compensated absences**

Compensated absences, is a long-term employee benefit, and accrued based on an actuarial valuation done as per projected unit credit method as at the Balance Sheet date, carried out by an independent actuary.

Actuarial gains and losses arising during the year are immediately recognised in the Statement of Profit and Loss.

## **l. Income Tax**

Income tax expense comprises current tax and deferred tax.

### **Current tax**

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

### **Deferred tax**

Deferred tax charge or benefit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or benefit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/virtually certain to be realised.

## **m. Earnings per share ("EPS")**

Basic earnings per share is computed by dividing the net profit after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed to have been converted as of the beginning of the year, unless they have been issued at a later date.

## **n. Leases**

Lease payments for assets taken on operating lease are charged in the Statement of profit and loss on a straight-line basis over the lease term.

## **o. Cash flow statement**

Cash flows are reported using the indirect method, whereby net profit/ (loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, investing and financing activities of the Company are segregated.

## **p. Provisions and contingent liabilities**

The Company creates a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount for the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resource is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

# NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

	As at 31 March 2014	As at 31 March 2013
<b>2.1 SHARE CAPITAL</b>		
<b>Authorised:</b>		
<b>Equity shares</b>		
12,000,000 (previous year: 12,000,000) equity shares of Rs. 10 each	12,00,00,000	12,00,00,000
	<b>12,00,00,000</b>	<b>12,00,00,000</b>
<b>Issued, subscribed and paid-up:</b>		
<b>Equity shares</b>		
10,702,990 (previous year: 10,702,990) equity shares of Rs. 10 each fully paid up	10,70,29,900	10,70,29,900
	<b>10,70,29,900</b>	<b>10,70,29,900</b>

## The reconciliation of the number of equity shares outstanding at the beginning and the end of the reporting period

Particulars	As at 31 March 2014		As at 31 March 2013	
	Number of shares	Amount	Number of shares	Amount
<b>Equity shares</b>				
At the commencement of the year	1,07,02,990	10,70,29,900	56,76,814	5,67,68,140
Issued during the year	–	–	50,26,176	5,02,61,760
<b>At the end of the year</b>	<b>1,07,02,990</b>	<b>10,70,29,900</b>	<b>1,07,02,990</b>	<b>10,70,29,900</b>

## Shares reserved for Issue under Options

Company has reserved 288,253 (previous year : 288,253) equity shares at preferential price for Employee Stock Options (ESOP) and 303,425 (previous year : 303,425) equity shares for Milestone based Stock Options (MSOP) at nil price for Promoter Directors vide Share Subscription Agreement dated 24 May 2010.

Pursuant to the Shareholder's Agreement dated 22 February 2013, the Promoter Directors has right to subscribe upto 1,730,122 (previous year : 1,730,122) equity shares under the MSOP pool, for no consideration upon the conversion of Compulsorily Convertible Debentures and upon fulfillment of certain milestones as mentioned in the above said agreement over a period of 3 years commencing from 1 April 2013.

## The reconciliation of the number of 12% compulsorily convertible cumulative participating preference shares ('CCCPPS') outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	Number of shares	Amount	Number of shares	Amount
<b>Preference shares</b>				
At the commencement of the year	–	–	50,00,000	5,00,00,000
Conversion during the year	–	–	(50,00,000)	(5,00,00,000)
<b>At the end of the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The Company had issued 5,000,000 12% compulsory convertible cumulative participating preference shares of Rs. 10 each to RIF-North 2 during the year 2010-11. These shares are converted into equity shares in the financial year 2012-13 as per the terms and conditions of the agreement entered into with them.

## The rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital:

The Company has single class equity shares having a par value of Rs. 10 per equity share. Accordingly, all equity shares rank equally with regard to dividends and share in the company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

# NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

## 2.1 SHARE CAPITAL (continued)

Particulars of equity shareholder holding more than 5% equity shares is set below:

Name of the shareholder	As at 31 March 2014		As at 31 March 2013	
	Number of shares	% of Holding	Number of shares	% of Holding
RIF-NORTH 2 - Mauritius	52,37,174	48.93	52,37,174	48.93
NMI FRONTIER FUND, LLP - Norway	20,26,316	18.93	20,26,316	18.93
Devesh Sachdev - Director & CEO	8,42,500	7.87	8,30,000	7.75
	81,05,990	75.73	80,93,490	75.61

	As at 31 March 2014	As at 31 March 2013
<b>2.2 RESERVES AND SURPLUS</b>		
<b>Securities premium account</b>		
At the commencement of the year	10,83,79,795	2,11,41,555
Add: Received during the year	–	8,72,38,240
Closing balance (A)	10,83,79,795	10,83,79,795
<b>Statutory reserve (created under Section 45-1C of RBI Act, 1934)</b>		
At the commencement of the year	8,55,388	3,02,622
Add: Amount transferred	60,17,267	5,52,766
Less: Amount utilised	–	–
Closing balance (B)	68,72,655	8,55,388
<b>Surplus (Profit and Loss)</b>		
At the commencement of the year	(53,61,838)	(45,72,900)
Add: Profit for the year	3,00,86,334	27,63,828
Less : Amount transferred to statutory reserve	(60,17,267)	(5,52,766)
Less : Proposed dividend on 12% compulsorily convertible cumulative participating preference shares	–	(25,81,256)
Less: Tax on proposed dividend	–	(4,18,744)
Closing balance (C)	1,87,07,229	(53,61,838)
<b>Total reserves and surplus (A+B+C)</b>	<b>13,39,59,679</b>	<b>10,38,73,345</b>

## NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

	As at 31 March 2014	As at 31 March 2013
<b>2.3 LONG-TERM BORROWINGS</b>		
<b>Term loans*</b>		
Secured		
from banks	17,55,95,065	4,82,59,606
from others	14,49,15,800	4,73,69,409
Unsecured		
from financial institution	1,00,00,000	
<b>Vehicle loan*</b>		
Secured		
from banks	33,68,728	–
from others	2,25,564	4,11,294
	<b>33,41,05,157</b>	<b>9,60,40,309</b>
<b>Debentures</b>		
Unsecured		
(previous year: 6,500,000) Compulsorily convertible debentures of Rs. 25 each fully paid**	–	16,25,00,000
	<b>33,41,05,157</b>	<b>25,85,40,309</b>

\* refer note 2.31 & 2.32

\*\* These debentures shall be converted into fully paid up equity shares by 30 September 2014 at a conversion price ranging from a minimum of Rs. 28.50 per equity share or such higher value of equity share taking into consideration the audited profit after tax for the year ended 31 March 2014. However, as per the terms of the agreement the conversion price shall not be more than Rs. 38 per equity share.

	As at 31 March 2014	As at 31 March 2013
<b>2.4 LONG TERM PROVISIONS</b>		
Contingent provisions against standard own loan portfolio (refer note 2.23)	24,87,209	17,09,425
<b>Provision for employee benefits</b>		
- Gratuity (refer note 2.26)	14,18,299	6,49,861
- Compensated absences	11,22,376	–
	<b>50,27,884</b>	<b>23,59,286</b>

	As at 31 March 2014	As at 31 March 2013
<b>2.5 OTHER LONG TERM LIABILITIES</b>		
Unamortised income on securitisation	92,73,064	9,80,004
	<b>92,73,064</b>	<b>9,80,004</b>

## NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

	As at 31 March 2014	As at 31 March 2013
<b>2.6 OTHER CURRENT LIABILITIES</b>		
Current maturities of long term debt:		
- Banks and others*	60,60,66,355	29,20,46,328
- Compulsorily convertible debentures **	16,25,00,000	–
6,500,000 Compulsorily convertible debentures of Rs. 25 each fully paid		
Payable towards securitised portfolio	3,84,91,021	1,77,55,910
Unutilised grant	–	3,97,135
Interest accrued but not due on borrowings	12,96,980	14,32,106
Interest accrued and due on borrowings	4,384	11,99,814
Statutory liabilities	24,62,265	12,86,098
Salaries and bonus payable	63,66,258	24,39,447
Expenses payable	73,39,567	9,21,305
Unamortised income on securitisation	2,19,24,460	80,83,639
Other payable	40,68,253	9,25,791
	<b>85,05,19,543</b>	<b>32,64,87,573</b>

\* refer note 2.31 & 2.32

\*\* These debentures shall be converted into fully paid up equity shares by 30 September 2014 at a conversion price ranging from a minimum of Rs. 28.50 per equity share or such higher value of equity share taking into consideration the audited profit after tax for the year ended 31 March 2014. However, as per the terms of the agreement the conversion price shall not be more than Rs. 38 per equity share.

	As at 31 March 2014	As at 31 March 2013
<b>2.7 SHORT TERM PROVISIONS</b>		
Contingent provisions against standard own loan portfolio (refer note 2.23)	77,68,371	3,59,273
Contingent provisions against standard securitised loan portfolio*	–	7,66,036
Provision on non performing loan portfolio (refer note 2.23)	20,050	1,31,253
Proposed preference dividend	–	25,81,256
Provision for tax on proposed preference dividend	–	4,18,744
Provision for tax [Net of advance tax : Rs. 17,766,509 (Previous year : Rs. Nil)]	4,91,400	–
Provision for Employee benefits		
- Gratuity (refer note 2.26)	3,673	1,967
- Compensated absences	76,014	3,33,714
	<b>83,59,508</b>	<b>45,92,243</b>

\* During the year the company has discontinued provisioning on true sale - securitised portfolio



# NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

## 2.8 FIXED ASSETS

Description	Gross block				Depreciation and amortisation				Net block	
	As at 1 April 2013	Additions	Disposals	As at 31 Mar 2014	As at 1 April 2013	For the year	On Disposals	As at 31 Mar 2014	As at 31 Mar 2014	As at 31 Mar 2013
<b>Tangible fixed assets</b>										
Owned										
Furniture and fixtures	1,137,910	367,230	–	1,505,140	603,336	451,587	–	1,054,923	450,217	534,574
Electrical fittings	539,316	684,932	–	1,224,248	198,323	219,396	–	417,628	806,620	341,084
Office equipment	218,068	590,316	–	808,384	154,713	155,454	–	310,167	498,217	63,355
Vehicles	1,043,888	5,743,289	–	6,787,177	470,555	763,580	–	1,234,135	5,553,042	573,333
Computers	2,327,031	1,503,963	–	3,830,994	1,336,505	807,769	–	2,144,274	1,686,720	990,526
Leasehold improvements	–	4,395,958	–	4,395,958	–	1,119,754	–	1,119,754	3,276,204	–
<b>Total</b>	<b>5,266,213</b>	<b>13,285,688</b>	<b>–</b>	<b>18,551,901</b>	<b>2,763,341</b>	<b>3,517,540</b>	<b>–</b>	<b>6,280,881</b>	<b>12,271,020</b>	<b>2,502,872</b>
Previous year	4,111,874	1,154,339		5,266,213	1,871,840	891,501		2,763,341	2,502,872	
<b>Intangible fixed assets</b>										
Owned										
Computer software	1,119,806	421,270	–	1,541,076	590,601	279,398	–	869,999	671,077	529,205
Technical knowhow	2,900,000	–	–	2,900,000	2,900,000	–	–	2,900,000	–	–
<b>Total</b>	<b>4,019,806</b>	<b>421,270</b>	<b>–</b>	<b>4,441,076</b>	<b>3,490,601</b>	<b>279,398</b>	<b>–</b>	<b>3,769,999</b>	<b>671,077</b>	<b>529,205</b>
Previous year	3,631,903	387,903		4,019,806	2,323,886	1,166,715		3,490,601	529,205	

	As at 31 March 2014	As at 31 March 2013
<b>2.9 LOAN PORTFOLIO</b>		
<b>Unsecured</b>		
Microfinance loan portfolio (net of true sale-securitised loan portfolio Rs. 347,523,242 (previous year Rs. 141,954,500))	1,00,56,88,453	37,85,72,882
<b>Secured</b>		
Vehicle loans (net of securitised loan portfolio Rs. 2,773,420 (previous year Rs. 11,252,649))	2,18,74,529	3,57,81,269
	<b>1,02,75,62,982</b>	<b>41,43,54,151</b>
Non current portion of loan portfolio	24,87,20,909	7,19,61,295
Current portion of loan portfolio	77,88,42,073	34,23,92,856
	<b>1,02,75,62,982</b>	<b>41,43,54,151</b>
<b>Out of the above</b>		
Loan portfolio (considered good)	1,02,55,57,944	41,37,39,547
Loan portfolio (considered doubtful)	20,05,038	6,14,604
	<b>1,02,75,62,982</b>	<b>41,43,54,151</b>

	As at 31 March 2014	As at 31 March 2013
<b>2.10 LONG-TERM LOANS AND ADVANCES</b>		
Unsecured, considered good		
Advances tax recoverable [Net of provision for tax Rs. Nil (Previous year : Rs. 696,200)]	–	10,65,671
Unamortised processing fees	16,09,653	2,30,018
Capital advances	–	15,00,000
	<b>16,09,653</b>	<b>27,95,689</b>

# NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

	As at 31 March 2014	As at 31 March 2013
<b>2.11 OTHER NON CURRENT ASSETS</b>		
(unsecured, considered good)		
Long term deposits with maturity of more than 12 months		
- with banks*	3,82,19,636	2,05,81,449
- with financial institution as security deposit towards borrowings**	2,94,74,817	1,66,75,034
- with financial institution as security deposit towards securitised portfolio**	–	29,87,375
Interest accrued but not due		
- fixed deposit with banks	9,92,829	4,72,580
- security deposits	3,43,951	6,49,404
	<b>6,90,31,233</b>	<b>4,13,65,842</b>

\*Includes deposits of Rs. 31,387,144 (previous year : Rs. 9,000,000) maintained as cash collateral against term loans availed and Rs. 6,832,492 (previous year : Rs. 11,581,449) maintained as cash collateral against managed portfolio.

\*\*Represents deposits maintained as cash collateral against term loan availed and towards securitised portfolio.

	As at 31 March 2014	As at 31 March 2013
<b>2.12 CURRENT INVESTMENTS</b>		
Investments in mutual funds - Quoted (valued at lower of cost and fair value)		
Nil units (previous year: 182,730 units) of Axis Treasury Advantage Fund	–	20,79,08,449
7,225 units (previous year: Nil) of Reliance Liquid Fund	2,25,98,488	–
225 units (previous year: Nil units) of Baroda Pioneer Liquid Fund	3,30,288	
	<b>2,29,28,776</b>	<b>20,79,08,449</b>
Market value of quoted investments	2,29,28,776	20,79,08,449
Aggregate amount of quoted investments	2,29,28,776	20,79,08,449

	As at 31 March 2014	As at 31 March 2013
<b>2.13 CASH AND BANK BALANCES</b>		
<b>Cash and cash equivalents</b>		
Cash in hand	11,07,194	5,61,984
Cheques in hand	4,42,000	–
<b>(A)</b>	<b>15,49,194</b>	<b>5,61,984</b>
<b>Balances with banks</b>		
- in current accounts	16,51,23,482	1,71,38,427
- in deposit accounts (with less than 3 months maturity)*	–	–
- in deposit accounts with less than 3 months maturity	2,12,25,000	5,45,50,000
<b>(B)</b>	<b>18,63,48,482</b>	<b>7,16,88,427</b>
<b>Other bank balances</b>		
- Bank deposits with maturity more than 3 months but less than 12 months*	–	–
- Deposits with banks with maturity more than 3 months but less than 12 months*	6,54,63,181	1,61,66,740
<b>(C)</b>	<b>6,54,63,181</b>	<b>1,61,66,740</b>
<b>(A)+(B)+(C)</b>	<b>25,33,60,857</b>	<b>8,84,17,151</b>

\*Includes deposits of Rs. 1,090,732 (previous year : Rs. 1,000,000) maintained as cash collateral against term loans availed and Rs. 53,820,323 (previous year : Rs. 15,166,740) maintained as cash collateral against managed portfolio.

## NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

	As at 31 March 2014	As at 31 March 2013
<b>2.14 SHORT TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances given to related parties (refer note 2.31)	–	9,71,088
Advances recoverable in cash or kind or for value to be received	38,48,524	15,38,158
Rent deposits	8,75,250	9,65,750
Tax deducted at source	–	–
Unamortised processing fees	40,36,206	14,76,960
Prepaid expenses	9,96,130	7,89,252
Service tax receivable	4,68,338	92,356
Grant receivable	9,23,717	–
	<b>1,11,48,165</b>	<b>58,33,564</b>

	As at 31 March 2014	As at 31 March 2013
<b>2.15 OTHER CURRENT ASSETS</b>		
(Unsecured, considered good)		
Security deposits towards borrowings*	2,89,20,945	2,13,64,965
Security deposits towards securitised portfolio*	10,66,040	1,11,83,523
Interest accrued but not due		
- on loan portfolio	1,00,88,147	26,52,857
- on fixed deposits with banks	31,72,574	6,13,011
- on security deposits	19,39,689	31,87,453
	<b>4,51,87,395</b>	<b>3,90,01,809</b>

\*Represents deposits maintained as cash collateral against term loans availed and towards securitised portfolio.

	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>2.16 REVENUE FROM OPERATIONS</b>		
Interest income on loan portfolio	19,35,67,622	8,66,75,171
Income from asset securitisation	2,08,49,000	35,36,973
Processing fee on loan portfolio	1,68,72,072	1,00,78,982
	<b>23,12,88,694</b>	<b>10,02,91,126</b>
<b>Other operating income</b>		
Interest on term deposits with banks	97,23,626	56,57,041
Profit on sale of mutual funds	75,43,223	4,53,963
Dividend income on mutual funds	3,08,337	15,84,279
	<b>1,75,75,186</b>	<b>76,95,283</b>
	<b>24,88,63,880</b>	<b>10,79,86,409</b>

	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>2.17 OTHER INCOME</b>		
Interest income on loan portfolio	7,52,499	5,71,198
	<b>7,52,499</b>	<b>5,71,198</b>

## NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>2.18 OPERATING EXPENSES</b>		
Postage and communication	19,39,995	11,43,061
Provisions on loan portfolio*	73,09,643	11,02,241
Loan portfolio written off*	4,55,578	–
Printing and stationery	21,34,841	7,81,479
	<b>1,18,40,057</b>	<b>30,26,781</b>

\* refer note 2.23

	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>2.19 EMPLOYEE BENEFIT</b>		
Salaries, wages and bonus	6,46,90,070	3,30,28,819
Contribution to provident fund and other fund	16,76,117	11,76,869
Staff welfare expenses	7,42,156	2,04,003
	<b>6,71,08,343</b>	<b>3,44,09,691</b>

	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>2.20 FINANCE COSTS</b>		
Interest on borrowings	8,11,30,158	4,78,16,925
Processing fees and other bank charges	1,69,87,051	67,70,853
	<b>9,81,17,209</b>	<b>5,45,87,778</b>

	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>2.21 OTHER EXPENSES</b>		
Rent (refer note 2.29)	65,56,981	30,44,680
Travelling and conveyance	39,90,874	21,01,599
Legal and professional fees (refer note 2.34)	59,51,988	25,38,656
Rates and taxes	8,30,236	4,86,822
Miscellaneous expenses	13,79,813	9,83,623
Office maintenance	23,27,741	10,47,231
Water and electricity	7,98,834	3,91,198
Staff recruitment and training	68,046	1,080
Insurance	12,95,959	5,90,313
Business promotion	12,37,870	3,64,636
Advances written off	17,095	2,89,955
	<b>2,44,55,437</b>	<b>1,18,39,793</b>

## NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

### 2.22 Securitisation of loan portfolio

During the year, the Company has securitised loan portfolio having book value of Rs. 483,123,842 (Previous year: Rs. 168,250,742) to financial institutions. The Company received total consideration of Rs. 526,106,723 (Previous year: Rs. 180,851,358) arising out of such sale of loan portfolio.

Premium amounting to Rs. 42,982,881 (Previous year: Rs. 10,197,161) is amortised (from 21 August 2012) over the life of the securitised loan portfolio in accordance with the guidelines laid down by RBI on securitization.

### 2.23 Provision for outstanding loan portfolio

#### a) Provision for outstanding (own) loan portfolio

The provision for outstanding loan portfolio as at 31 March 2014 has been calculated @ 1% on the total loan portfolio outstanding as at the balance sheet date. The 50% aggregate loan installments which are over due for more than 90 days but less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more are less than the 1% provision of total outstanding loan portfolio.

Asset classification	As at 31 March 2014		As at 31 March 2013	
	Loan portfolio (own)	Provision	Loan portfolio (own)	Provision
Standard portfolio	1,025,557,944	10,255,580	413,739,547	2,068,698
Non performing portfolio	2,005,038	20,050	614,604	131,253
<b>Total</b>	<b>1,027,562,982</b>	<b>10,275,630</b>	<b>414,354,151</b>	<b>2,199,951</b>

#### b) As at 31 March 2014, provision towards true sale-securitised loan portfolio is Rs. Nil (Previous year: Rs. 766,036)

#### c) Loan portfolio amounting to Rs. 455,578 (previous year: Rs. Nil) has been written off.

#### d) The movement in provision during the year is as given below

Particulars	For the year ended 31 March 2014			For the year ended 31 March 2013		
	Standard portfolio	Non performing portfolio	Total	Standard portfolio	Non performing portfolio	Total
Opening	2,834,734	131,253	2,965,987	1,861,907	1,839	1,863,746
Additions / (write back) , net	7,420,846	(111,203)	7,309,643	972,827	129,414	1,102,241
Closing	10,255,580	20,050	10,275,630	2,834,734	131,253	2,965,987

### 2.24 Change in the accounting policy on classification and provisioning of loan portfolio

Company revised its loan loss provisioning norms during the year to align it with the RBI norms for Non-Banking Financial Company – Micro Finance Institutions (NBFC-MFIs). Had the Company followed the accounting policy as per the previous financial year, provision for outstanding loan portfolio would have been Rs. 7,350,411 as at 31 March 2014 as against Rs. 10,275,630 resulting in increase of the profit for the year by Rs. 2,925,219.

Revision in the loan loss provisioning norms for the year has resulted in increase in standard assets provision by Rs. 3,387,168 and decrease in provision on Non Performing assets by Rs. 461,949.

# NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

## 2.25 Contingent Liability

1. Guarantees given on securitised portfolio fully secured by security deposits given as collateral:

S. No	Bank/Financial Institution	31 March 2014			31 March 2013		
		Purchase Consideration	Guarantee	FLDG %	Purchase Consideration	Guarantee	FLDG %
1	IFMR Capital Finance Private Limited – II	–	–	–	25,534,130	3,422,000*	14.25
2	IFMR Capital Finance Private Limited – III	–	–	–	48,639,679	6,126,451*	13.75
3	MAS Financial Services Limited – I	–	–	–	39,347,007	5,576,675#	12.50
4	MAS Financial Services Limited – II	–	–	–	22,312,434	3,124,204#	12.50
5	MAS Financial Services Limited – III	–	–	–	17,411,138	2,482,644#	12.50
6	MAS Financial Services Limited – IV	5,180,902	178,716#	15.00	5,180,902	547,080#	15.00
7	MAS Financial Services Limited – VI	5,539,578	254,178#	15.00	5,539,578	759,677#	15.00
8	MAS Financial Services Limited – VII	10,747,587	633,146#	15.00	10,747,587	1,680,618#	15.00
9	IFMR Capital Finance Private Limited – IV	–	–	–	20,286,607	2,200,000#	10.00
10	IFMR Capital Finance Private Limited – V	–	–	–	15,795,766	1,926,449*	13.25
11	IFMR Capital Finance Private Limited – VI	36,553,449	3,418,289#	8.70	36,553,449	3,418,289#	8.70
12	IFMR Capital Finance Private Limited – VII	39,425,113	4,159,448*	11.25	39,425,113	4,159,448*	11.25
14	IFMR Capital Finance Private Limited – IX	39,472,066	4,100,000#	9.60	39,472,066	4,100,000#	9.60
15	IFMR Capital Finance Private Limited – X	67,070,714	6,851,952*	11.00	–	–	–
16	IFMR Capital Finance Private Limited – XI	88,994,077	8,600,000#	8.91	–	–	–
17	IFMR Capital Finance Private Limited – XII	36,184,718	3,500,000#	8.93	–	–	–
18	IFMR Capital Finance Private Limited – XIII	87,462,763	8,955,638*	11.25	–	–	–
19	IFMR Capital Finance Private Limited – XIV	50,185,610	5,299,986*	11.50	–	–	–
20	IFMR Capital Finance Private Limited – XV	29,457,894	3,070,239*	11.50	–	–	–
21	IFMR Capital Finance Private Limited – XVI	81,171,549	4,469,219*	6.00	–	–	–
22	IFMR Capital Finance Private Limited – XVII	35,595,121	2,542,666*	7.70	–	–	–
23	IFMR Capital Finance Private Limited – XVIII	49,984,277	4,289,826*	9.25	–	–	–
	<b>Total</b>	<b>676,056,610</b>	<b>61,718,855</b>		<b>339,276,648</b>	<b>40,919,087</b>	

# Guarantees given as a % total cash flow.

\* Guarantees given as a % assigned portfolio.

## 2.26 Employee Benefits

### a) Defined benefit plan – Gratuity (Unfunded)

The following tables set out the status of the gratuity plan as required under AS 15 (Revised)

#### Movement in present values of defined benefit obligations

Particulars	As at 31 March 2014	As at 31 March 2013
Present value of obligation as at the beginning of the year	6,51,828	327,875
Current service cost	7,06,169	289,963
Interest cost	58,664	26,975
Actuarial (gain)/loss recognized during the year	5,311	7,015
<b>Net (liability)</b>	<b>14,21,972</b>	<b>651,828</b>

#### Expense recognised in Statement of Profit and Loss

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Current service cost	7,06,169	289,963
Interest cost	58,664	26,975
Net actuarial (gain)/ loss recognized in the year	5,311	7,015
<b>Amount, included in employee benefit expenses</b>	<b>7,70,144</b>	<b>323,953</b>

# NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

## 2.26 Employee Benefits (continued)

### Amount recognised in the balance sheet

Particulars	As at 31 March 2014	As at 31 March 2013	As at 31 March 2012	As at 31 March 2011	As at 31 March 2010
Projected benefit obligation at the end of the year	14,21,972	651,828	327,875	129,940	22,102
Fair value of plan assets at end of the year	–	–	–	–	–
<b>Net liability/(asset)</b>	<b>14,21,972</b>	<b>651,828</b>	<b>327,875</b>	<b>129,940</b>	<b>22,102</b>

Principal actuarial assumptions	For the year ended 31 March 2014	For the year ended 31 March 2013
i) Discount rate (p.a)	9.00%	8.25%
ii) Salary escalation rate (p.a)	8.00%	6.00%

Discount rate: - The discount rate is based on the prevailing market yield of Indian Government securities as at the balance sheet date for the estimated term of obligations.

Salary escalation rate: - The estimate for the future salary increments considered taking into account the inflation, seniority, promotional and other relevant factors.

### b) Defined contribution plan

Amount recognised in Statement of Profit and Loss towards	For the year ended 31 March 2014	For the year ended 31 March 2013
i) Provident fund	873,243	782,811
ii) Employee state insurance	802,874	394,058
<b>Total</b>	<b>1,676,117</b>	<b>1,176,869</b>

## 2.27 Segment reporting

### a) Business segment

The company operates in a single reportable segment i.e. lending to member's of JLGs who have similar risks and returns. Accordingly, there is no reportable segment to be disclosed as required by Accounting Standard 17 'Segment Reporting'.

### b) Geographical segment

During the year, the Company has engaged in its business primarily within India. The conditions prevailing in India being uniform, no separate geographical disclosure is considered necessary.

## 2.28 Earnings Per Share (EPS)

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Net profit/ (loss) for the year	30,086,334	2,763,828
Less: Dividend payable on compulsorily convertible cumulative participating preference shares (including tax)	–	3,000,000
Net profit/ (loss) for the year after preference dividend	30,086,334	(236,172)
Number of shares at the beginning of the year	10,702,990	5,676,814
Add: weighted average number of equity shares issued during the year	–	344,259
Weighted average number of equity shares outstanding during the year	10,702,990	6,021,073
Add : Weighted number of shares (including potential equity shares) considered for calculation of diluted EPS	4,579,741	282,898
Weighted average number of equity shares on conversion of Compulsorily Convertible Debentures and Milestone based stock options #	15,282,731	6,313,971
Par value of each share	10	10
Basic earnings per share	2.81	(0.04)
Diluted earnings per share	1.97	(0.04)

#Diluted earnings per share was not completed as at 31 March 2013 as the same was anti dilutive.

# NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

## 2.29 Operating Leases

Lease payments made under cancellable operating lease amounting to Rs. 6,556,981 (previous year Rs. 3,044,680) disclosed as rent and the same have been recognized as an expense in the Statement of Profit and Loss.

## 2.30

As required in terms of circular RBI//2012-13/170 DNBS. PD. No. 301/3.10.01/2012-13 dated 21 August 2012 for the securitisation transactions entered on or after 21 August 2012:

Particulars	31 March 2014	31 March 2013
1. Number of SPVs sponsored by the Company for securitisation / bilateral transactions	9	5
2. Total amount of securitised assets as per books of the SPVs/assignees sponsored by the Company	483,123,842	168,250,742
3. Total amount of exposures retained by the Company to comply with MRR as on the date of balance sheet	—	—
a) Off-balance sheet exposures		
* First loss	47,579,526	19,640,023
* Others	—	—
b) On-balance sheet exposures		
* First loss	—	—
* Others	—	—
4. Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securitizations		
* First loss	—	—
* loss	—	—
ii) Exposure to third party securitizations		
* First loss	—	—
* Others	—	—
b) On-balance sheet exposures		
i) Exposure to own securitizations		
* First loss	—	—
* Others	—	—
ii) Exposure to third party securitizations		
* First loss	—	—
* Others	—	—

## 2.31 Related Party Transactions

Relationship	Name of the party
Entities exercising significant influence over the Company	RIF-NORTH 2, Mauritius
	NMI FRONTIER FUND, LLP, Norway
Key Managerial Personnel (KMP)	Devesh Sachdev - Director and Chief Executive Officer
	Ashish Tewari - Director and Chief Operating Officer
Relatives of KMP	Aruna Tewari, Mother of KMP
Enterprises under the Control of KMP	Fusion Saksham Development Foundation – Trust
	Samarth Financial Consultancy Private Limited



# NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

## 2.31 Related Party Transactions (continued)

The following is a summary of related party transactions:

Name of the related party	Nature of transaction	For the year ended 31 March 2014	For the year ended 31 March 2013
Ms. Aruna Tewari	Unsecured loan repaid	–	1,100,000
Mr Devesh Sachdev	Loan given	–	400,000
	Loan repaid	181,727	–
	Interest earned	47,255	34,472
	Loan taken and repaid	3,300,000	–
	Interest paid	80,323	–
	Managerial remuneration	4,811,944	3,260,604
Mr. Ashish Tewari	Loan given	–	500,000
	Loan repaid	284,757	–
	Interest earned	48,141	36,616
	Managerial remuneration	4,811,944	3,260,604
RIF-NORTH 2 – Mauritius	Dividend proposed	–	3,000,000
	Issue of debentures	–	107,250,000
	Allotment of equity shares (includes share premium)	–	29,750,000
NMI FRONTIER FUND, LLP -Norway	Issue of debentures	–	55,250,000
	Allotment of equity shares (includes share premium)	–	57,750,000

The company has the following amounts receivable/(payable) from/(to) related parties:

Name of the related party	Nature of transaction	Receivable / (Payable) as at 31 March 2014	Receivable/ (Payable) as at 31 March 2013
Mr. Devesh Sachdev	Loan recoverable	–	434,471
	Bonus payable	(1,000,000)	(345,000)
Mr. Ashish Tewari	Loan recoverable	–	536,616
	Bonus payable	(1,000,000)	(345,000)
RIF-NORTH 2 – Mauritius	Dividend payable	–	(3,000,000)
	Debentures outstanding	(107,250,000)	(107,250,000)
NMI FRONTIER FUND, LLP -Norway	Debentures outstanding	(55,250,000)	(55,250,000)

## 2.32 Terms Of The Borrowings

Nature of Facility	Amount outstanding as at 31 March 2014		Amount outstanding as at 31 March 2013		Interest rate	First date of repayment	Terms of repayment
	Current	Non Current	Current	Non Current			
A. Secured term loan ('TL') from banks *							
TL 1	–	–	1,111,115	–	BR+4.25%	31-Jul-11	Monthly/27
TL 2	20,370,370	29,629,630	–	–	BR+ 2.40%	31-May-14	Monthly/30
TL 3	3,333,287	–	8,000,004	3,333,341	BR+ 4.00%	31-Jul-12	Monthly/30
TL 4	5,997,670	–	8,000,004	5,997,425	BR+ 4.00%	31-Jul-12	Monthly/30
TL 5	9,946,128	7,483,000	7,500,000	17,500,000	BR+ 3.00%	31-Jul-13	Monthly/30
TL 6	7,142,428	14,286,143	28,571,160	21,428,840	BR+ 3.00%	22-Jun-13	Quarterly/8
TL 7	28,571,428	8,928,572	–	–	BR+ 3.60%	31-Dec-13	Quarterly/8
TL 8	42,857,142	57,142,858	–	–	BR+ 2.45%	30-Sep-14	Quarterly/7
TL 9	37,500,000	28,125,000	–	–	12.25%	24-Jan-14	Quarterly/8
TL 10	28,571,568	14,285,576	–	–	BR+ 3.00%	27-Dec-13	Monthly/21
TL 11	14,285,714	15,714,286			BR+3.50%	30-Jun-14	Monthly/21
Total (A)	198,575,735	175,595,065	53,182,283	48,259,606			

# NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

## 2.32 Terms Of The Borrowings (continued)

Nature of Facility	Amount outstanding as at 31 March 2014		Amount outstanding as at 31 March 2013		Interest rate	First date of repayment	Terms of repayment
	Current	Non Current	Current	Non Current			
B. Secured term loan from others*							
TL 12	–	–	12,000,000	–	15.50%	12-Nov-11	Half yearly/5
TL 13	16,666,668	4,166,662	16,666,668	20,833,331	15.00%	10-Jun-12	Quarterly/12
TL 14	18,750,000	37,500,000	–	–	15.00%	13-Dec-13	Quarterly/12
TL 15	1,878,611	–	20,494,686	1,854,655	15.50%	1-Nov-12	Monthly/18
TL 16	26,442,218	3,131,019			15.50%	1-Aug-13	Monthly/18
TL 17	33,292,207	9,703,809			15.50%	1-Jan-14	Monthly/18
TL 18	–	–	2,288,884	–	15.50%	26-Jan-12	Monthly/18
TL 19	–	–	606,493	–	15.50%	21-Dec-11	Monthly/18
TL 20	–	–	8,333,329	–	16.00%	13-Feb-12	Monthly/18
TL 21	–	–	6,666,667	–	16.00%	19-Mar-12	Monthly/18
TL 22	–	–	3,333,333	–		29-Mar-12	Monthly/18
TL 23	1,333,329	–	2,000,000	1,333,314	BR+0.50%	30-May-12	Monthly/30
TL 24	–	–	15,000,000	–	BR+1.00%	27-Jun-12	Monthly/18
TL 25	–	–	15,277,778	–	BR+1.00%	25-Aug-12	Monthly/18
TL 26	1,833,329	–	2,000,000	1,833,333	BR+0.50%	25-Aug-12	Monthly/30
TL 27	–	–	10,000,000	–	BR+1.00%	21-Sep-12	Monthly/18
TL 28	2,000,000	–	2,000,000	2,000,000	BR+0.50%	21-Sep-12	Monthly/30
TL 29	1,388,887	–	16,666,667	1,388,889	BR+1.00%	25-Oct-12	Monthly/18
TL 30	2,777,776	–	16,666,667	2,777,778	BR+1.00%	26-Nov-12	Monthly/18
TL 31	2,500,000	–	10,000,000	2,500,000	BR+1.00%	15-Dec-12	Monthly/18
TL 32	2,811,745	–	6,666,667	2,777,778	BR+1.00%	31-Jan-13	Monthly/18
TL 33	2,777,772	–	6,666,667	2,777,778	BR+1.00%	20-Feb-13	Monthly/18
TL 34	30,555,554	–	–	–	BR+1.00%	26-Aug-13	Monthly/18
TL 35	33,333,332	–	–	–	BR+1.25%	17-Sep-13	Monthly/18
TL 36	20,000,335	3,332,996	–	–	BR+1.25%	29-Nov-13	Monthly/18
TL 37	13,332,999	3,333,668	–	–	BR+1.25%	26-Dec-13	Monthly/18
TL 38	30,555,558	19,444,442	–	–	BR+1.25%	22-Jan-14	Monthly/18
TL 39	16,666,670	13,333,330	–	–	BR+1.25%	19-Feb-14	Monthly/18
TL 40	9,999,999	10,000,000	–	–	BR+1.25%	26-Mar-14	Monthly/18
TL 41	–	–	3,056,935	–	16.00%	30-Sep-12	Monthly/18
TL 42	–	–	5,749,791	–	15.00%	30-Sep-12	Monthly/18
TL 43	–	–	7,172,491	–	15.32%	20-Apr-12	Monthly/18
TL 44	–	–	5,284,932	–	15.25%	2-Jul-12	Monthly/18
TL 45	–	–	10,568,751	–	15.25%	13-Jul-12	Monthly/18
TL 46	–	–	6,911,749	–	15.25%	25-Oct-12	Monthly/18
TL 47	1,225,445	–	6,739,337	1,225,445	15.25%	26-Dec-12	Monthly/18
TL 48	1,227,515	–	6,737,277	1,227,515	15.25%	31-Dec-12	Monthly/18
TL 49	4,839,593	–	13,141,828	4,839,593	15.25%	28-Feb-13	Monthly/18
TL 50	34,568,733	–	–	–	15.35%	21-Sep-13	Monthly/18
TL 51	20,471,276	1,867,064	–	–	15.35%	25-Nov-13	Monthly/18
TL 52	11,651,991	3,189,194	–	–	15.10%	31-Mar-14	Monthly/18
TL 53	64,086,384	35,913,616	–	–	15.00%	22-Apr-14	Monthly/18
Total (B)	406,967,926	144,915,800	238,697,597	47,369,409			

## NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

### 2.32 Terms Of The Borrowings (continued)

Nature of Facility	Amount outstanding as at 31 March 2014		Amount outstanding as at 31 March 2013		Interest rate	First date of repayment	Terms of repayment
	Current	Non Current	Current	Non Current			
C. Secured vehicle loan from bank#							
VL 2	336,964	3,368,728	–	–	10.25%	31-Oct-13	Monthly/60
Total (C)	336,964	3,368,728	–	–			
D. Secured vehicle loan from others#							
VL 1	185,730	225,564	166,448	411,294	11.00%	15-May-11	Monthly/60
Total (D)	185,730	225,564	166,448	411,294			
E. Unsecured term loan ('USL') from financial institutions							
USL 1		10,000,000	–	–	4.00%	10-Oct-15	Monthly/6
Total (E)		10,000,000	–	–			
Total (A+B+C+D+E)	606,066,355	334,105,157	292,046,328	96,040,309			

\*All term loans are secured against exclusive charge on the standard assets portfolio receivables pertaining to micro credit loans and cash collateral as per the respective agreements.

#Vehicle loan is secured by the vehicles owned by the Company.

### 2.33 Deferred Tax

Particulars	As at 31 March 2014	As at 31 March 2013
<b>Deferred tax asset</b>		
- Provisions on loan portfolio	3,333,928	962,314
- Provision for employee benefits	850,177	211,486
- Depreciation on fixed assets	319,471	
<b>Total (A)</b>	<b>4,503,576</b>	<b>1,173,800</b>
<b>Deferred tax liability</b>		
- Depreciation on fixed assets	–	19,872
<b>Total (B)</b>	<b>–</b>	<b>19,872</b>
<b>Deferred tax asset/(liability), net (A-B)</b>	<b>4,503,576</b>	<b>1,153,928</b>

### 2.34 Legal professional and consultancy charges in note 2.21 includes auditors remuneration as follows:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Audit fees	7,50,000	5,00,000
Certification fees	300,000	50,000
Out of pocket expenses	30,875	20,000
<b>Total</b>	<b>1,080,875</b>	<b>5,70,000</b>

### 2.35 Amounts payable to Micro, Small and Medium Enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2014 has been made in the financial statements based on information received and available with the Company. Further

# NOTES TO THE FINANCIAL STATEMENT for the year ended 31 March 2014

(All amounts in Indian rupees, except share data and where otherwise stated)

## 2.35 Amounts payable to Micro, Small and Medium Enterprises (continued)

in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

## 2.36 Amounts payable to Micro, Small and Medium Enterprises (continued)

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	Nil	Nil
The amount of interest paid by the company along with the amounts of the payment made to the supplier beyond the appointed day during the year.	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this act.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprise.	Nil	Nil

## 2.37 As required in terms of Paragraph 10 of Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

a) Capital to Risk Asset ratio (CRAR):

Particulars	2013-14
CRAR%	29.71
CRAR -Tier I Capital %	17.32
CRAR-Tier II Capital %	12.39

b) The Company does not have any direct or indirect exposure to real estate sector.

c) Maturity pattern of certain items of assets and liabilities:

(Figures in Rupees Lakhs)

Particulars	1 day to 30/ 31days 1 month	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years
Borrowings from banks	281.74	135.70	149.99	537.06	884.64	1,789.64	–	–
Market Borrowings	324.71	373.19	323.10	1,060.78	3,614.76	1,551.41	–	–
Advances	663.88	662.03	645.99	2,059.03	3,757.49	2,487.21	–	–
Investments	229.29	–	–	–	–	–	–	–

## 2.38 Previous year's figures have been regrouped / reclassified, where necessary, to conform to current year's classification.

As per our report of even date attached  
For **B S R & Associates LLP**  
Chartered Accountants  
Firm Registration No.:116231W

for and on behalf of the Board of Directors of  
**Fusion Micro Finance Private Limited**

**Sriram Mahalingam**  
Partner  
Membership No.:049642

**Devesh Sachdev**  
Director & CEO

**Ashish Tewari**  
Director & COO

Place: Hyderabad  
Date: 24 June 2014

**Deepak Madaan**  
Company Secretary



