



## **EQUITAS MICRO FINANCE PRIVATE LIMITED**

**20<sup>th</sup> ANNUAL REPORT 2013 - 2014**

## CORPORATE INFORMATION

Board of Directors	Registered Office
<ol style="list-style-type: none"> <li>1. <b>Arun Ramanathan</b> Chairman</li> <li>2. <b>Arun Kumar Verma</b> Director</li> <li>3. <b>Chitra Chandramouliswaran</b> Director</li> <li>4. <b>Desikan R</b> Director</li> <li>5. <b>Nanda Y C</b> Director</li> <li>6. <b>Marco Boa</b> Nominee Director</li> <li>7. <b>Raman N</b> Nominee Director</li> <li>8. <b>Sampath P B</b> Director</li> <li>9. <b>Shankar V</b> Director</li> <li>10. <b>Srinivasan N</b> Director</li> <li>11. <b>Vasudevan P N</b> Managing Director</li> </ol>	<p>4th Floor, Temple Tower, 672, Anna Salai, Nandanam, Chennai - 600 035 Tel: +91 44 4299 5000 Fax: +91 44 4299 5050 Email: corporate@equitas.in Website: www.equitas.in</p>
	Statutory Auditors
	<p><b>Deloitte Haskins &amp; Sells</b> 8th Floor, ASV'N, Ramana Towers, 52, Venkatnarayana Road, T.Nagar, Chennai 600017 Tel: +91 44 6688 5000 Fax: +91 44 6688 5100</p>
	Internal Auditors
	<p><b>Kumbhat &amp; Co.,</b> No.144, N.S.C. Bose Road Chennai - 600 079. Tel: +91 44 25388720, 25382729</p>

<b>Bankers</b>	
Allahabad Bank	Standard Chartered Bank
Axis Bank Limited	State Bank of India
Bank of America	State Bank of Patiala
Canara Bank	State Bank of Mauritius Limited
Dena Bank	Syndicate Bank
Dhanlaxmi Bank Limited	The Federal Bank Limited
HDFC Bank Limited	The Hongkong and Shanghai Banking Corporation Limited
ICICI Bank Limited	The Ratnakar Bank Limited
IDBI Bank Limited	The South Indian Bank Limited
ING Vysya Bank Limited	<b>Non-Bank Term Lenders</b>
Indusind Bank Limited	MV Microfin Private Limited
Kotak Mahindra Bank Limited	Reliance Capital Ltd
Lakshmi Vilas Bank Limited	Small Industries Development Bank of India
Oriental Bank of Commerce	

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## DIRECTORS' REPORT

### TO THE MEMBERS

The Directors of your Company have pleasure in presenting the Annual Report together with the Audited Accounts of the Company for the period ended 31st March 2014 (FY 2013-14).

The financial statements (and documents required to be attached thereto), Auditor's Report and Directors' Report in respect of the financial year ended 31st March 2014 have been prepared in accordance with General Circular No.08/2014 dated 04th April 2014, Ministry of Corporate Affairs, Government of India.

#### 1. Overview

The Company is a wholly owned subsidiary of M/s. Equitas Holdings Private Limited (EHPL).

#### 2. Financial Results

(Rupees in Lakhs)

Particulars	For the Period ended 31st March 2014	For the Period ended 31st March 2013
Gross income	34,162.02	22,987.00
Less: Total Expenditure	25,562.65	18,920.26
Profit before taxation	8,599.37	4,066.74
Provision for taxation	2,944.54	1,315.55
Profit after taxation	5,654.83	2,751.19

#### 3. Dividend

The Directors do not recommend any dividend for the year.

#### 4. Operational highlights

The details of operations are given in the annexed Management Discussion and Analysis Report.

#### 5. Material changes after the Balance Sheet Date (31st March 2014)

There have been no material changes and commitments between the end of FY 2013-14 and the date of this report, affecting the financial position of the Company.

#### 6. RBI Guidelines

The Company has been classified by the RBI as a 'Non Banking Financial Company-Micro Finance Institution' (NBFC-MFI) with effect from 4th October 2013. Being a systemically important non-deposit taking NBFC, the Company has complied with all applicable regulations of the Reserve Bank of India. According to the Non-Banking Finance Companies RBI Directions, 1998, the Directors hereby report that the Company did not accept any public deposits during the year and did not have any public deposits outstanding at the end of the year.

**7. Capital Adequacy**

The capital adequacy ratio was 22.91% as on 31st March 2014. The Net Owned Funds (NOF) as on that date was Rs 278.13 Crores. The minimum capital adequacy requirement stipulated for the Company by RBI is 15%

**8. Corporate Governance Report**

Clause 49 of the standard listing agreement which includes the Corporate Governance Report does not apply to the Company. Notwithstanding this, a report on Corporate Governance is attached and forms part of the Directors' Report.

**9. Management Discussion and Analysis**

The Management Discussion and Analysis Report, highlighting the important aspects of the business is attached and forms part of this report.

**10. Directors**

10.1 MicroVentures, an investor in the Holding Company has appointed Mr Marco Boa as Investor Director in place of Mr Paolo Brichetti with effect from 13th November 2013.

10.2 Mr. N Srinivasan, Mr V Shankar and Mr R Desikan Directors, retire by rotation this year, and being eligible, offer themselves for re-appointment. The Directors recommend their re-appointment as Directors of the Company. Appropriate resolutions for their re-appointment are being placed for approval of the shareholders at the ensuing Annual General Meeting.

**11. Directors' Responsibility Statement**

The Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956 reporting the compliance with the Accounting Standards, is attached and forms part of the Directors' Report.

**12. Auditors**

M/s Deloitte Haskins & Sells, Chartered Accountants, Auditors of the Company retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them, stating that they satisfy the criteria provided in Section 141 of the Companies Act, 2013 and the appointment, if made, will be in accordance with the conditions prescribed under the Companies Act, 2013. The Directors recommend the re-appointment of M/s Deloitte Haskins & Sells, Chartered Accountants, as Auditors of the Company for the period from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting.

**13. Information as per Section 217(1) (E) of the Companies Act, 1956**

13.1 Since the Company does not own any manufacturing facility, the requirement of disclosure of particulars relating to conservation of energy and technology absorption in terms of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is not applicable.

13.2 During the year, the Company received a Grant of Rs.80,64,600/- from International Finance Corporation. Foreign currency expenditure of Rs 44,44,163/- was incurred by the Company.

#### 14. Personnel

During the year, there were no employees who were in receipt of remuneration as per the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

#### 15. Corporate Social Responsibility

The Company has carried out CSR activities through a not-for-profit trust named Equitas Development Initiatives Trust (EDIT) established by the Holding Company, Equitas Holdings P Ltd. The following eminent personalities from a cross section of society serve as Trustees:

- Dr. C K Gariyali, IAS (Retd)
- Mr. S P Mathur IPS (Retd)
- Mr. M B Nirmal, Founder Exnora International
- Ms. T V Jayalakshmi, Educationist
- Mr. P N Vasudevan, MD Equitas Micro Finance Pvt Ltd

The Corporate Social Responsibility Committee reviews the social welfare activities of the Company.

15.1 A Report on CSR activities of the Company is attached and forms part of the Directors' Report. In recognition of the CSR activities of the Company, Equitas was invited to make a presentation at the International Microcredit Summit on October 9, 2013 at Manila, Philippines on the Health initiatives as a proven scalable model for integrating health with MFI. Equitas received encomiums for its "conscious focus on reaching out to persons with disability".

#### Acknowledgement

The Directors gratefully acknowledge the continued support and co-operation received from the Holding Company i.e., Equitas Holdings Private Limited, Chennai. The Directors thank the Financial Institutions and Banks associated with the Company for their support. The Company's employees are instrumental to the Company scaling new heights, year after year. Their commitment and contribution are acknowledged with gratitude.

**For and on behalf of the Board of Directors**

Chennai  
8th May, 2014

**P N Vasudevan**  
Managing Director

**Arun Ramanathan**  
Chairman



## ANNEXURE TO THE DIRECTORS' REPORT

### DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief, and according to the information and explanations obtained by them, the Directors confirm the following in terms of Section 217(2AA) of the Companies Act, 1956:

- that in preparation of the Financial Statements for the Financial Year ended 31st March 2014 the Generally Accepted Accounting Principles (GAAP) of India and applicable Accounting Standards issued by Institute of Chartered Accountants of India have been followed;
- appropriate Accounting Policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit or loss of the Company for that period;
- that proper and sufficient care for the maintenance of adequate Accounting Records in accordance with the provisions of the Companies Act, 1956 have been taken for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Annual Accounts have been prepared on a going concern basis for the Financial Year ended 31st March 2014.

**For and on behalf of the Board of Directors**

Chennai  
8th May, 2014

**P N Vasudevan**  
Managing Director

**Arun Ramanathan**  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

Equitas Micro Finance Private Limited (EMFPL) is a wholly owned subsidiary of Equitas Micro Finance Private Limited. During the year the EMFPL was reclassified as a NBFC-MFI-SI from its earlier classification as Loan Company by RBI.

### 2. Business environment:

- 2.1 After the major crisis the microfinance industry faced during FY 2011 due to the Andhra Pradesh (AP) Ordinance, the industry outside AP started recovering during FY 2013. During the year under review, the industry performed well which is reflected in the credit rating upgrades of many large MFIs.
- 2.2 The RBI regulations and the MFI industry self-regulation have significantly de-risked this sector. The credit bureau initiative supported by the industry association has enabled the industry to conform to the RBI's direction that there shall not be more than two MFI loans to a single borrower. This has helped significantly in addressing the concern of over lending to the same customer creating stress at the client level and a bubble at the sector level. While multiple lending from MFIs is avoided by this measure, this does not avoid debts being incurred from other sources by the borrower. If RBI mandates that all loans by different institutions should be captured by credit bureaus, customer interests will be better served.
- 2.3 During the year the RBI announced the reduction in the interest margin of large MFIs from 12% to 10% which will be effective from April 1, 2014. This will require MFIs to improve their efficiencies to stay profitable. EMFPL is taking all necessary efficiency and productivity related steps to ensure compliance with the reduced margin cap.
- 2.4 The new priority sector lending guidelines to banks recognize the role played by MFIs in reaching out to the un-banked segments of the society by extending priority sector classification to banks' lending to MFIs.
- 2.5 The above developments have also paved the way for increased flow of bank credit to the sector. The MFI bill which is awaiting Parliamentary approval when enacted would further strengthen the regulatory framework of the sector.

### 3. EMFPL's Operations

- 3.1 With the significant improvement in the overall environment, EMFPL started growing its loan portfolio and added 41 branches in States outside Tamilnadu.
- 3.2 EMFPL disbursed Rs.1505 crore during the year resulting in the assets under management (AUM) going up from Rs.1135 crore as on March 31, 2013 to Rs. 1502 crore as on March 31, 2014.
- 3.3 EMFPL identified and launched a number of initiatives to improve staff and branch productivity through a business process review. These initiatives would help to optimize the cost of operations.

### 4. Financial Results

Since the Company had built up infrastructure to handle high volume operations, growth during the year resulted in better utilization of staff and other resources leading to lower operating costs

and improved profitability. The Company posted a net profit after tax of Rs. 56.55 crore for the year ending 31st March 2014 compared to Rs 27.51 crore for the previous year. The company kept the interest below the cap stipulated by RBI and the margin was also well within the limits of RBI.

#### **5. Social Welfare Initiatives**

Equitas has continued to demonstrate its commitment to its wide range of social welfare initiatives. Its medical camps and skill-development training has covered nearly 23.59 Lakh members cumulatively. Under the aegis of Equitas Development Initiatives Trust, 6 tuition centres and 5 schools for the members of the Company are being operated. The school in Karur is being constructed and will start its first academic session in the year 2014-15.

During the year the Company has rolled out a number of educational initiatives such as talent examinations and drawing / painting competitions and 1097 students benefited. A report on the CSR activities of the Company during the Financial Year 2013-14 is presented separately.

#### **6. Capital Adequacy**

As at the end of year, the Capital to Risk Adjusted Assets (CRAR) was at a healthy 22.91% against the regulatory requirement of 15%. The Capital Adequacy Ratio considers both on book and off-book exposures as per the new regulatory requirements.

#### **7. Resources and Treasury**

7.1 EMFPL's credit ratings were upgraded during the year. Microfinance grading from CRISIL was upgraded to mFR1 from mFR2 by CRISIL. CRISIL also upgraded the long term rating to 'BBB+' from BBB and assigned short term rating of A2+.

7.2 The funding for the business is from an optimal mix of equity and debt. EMFPL continues to follow the policy of diversification of funding sources. The Company has existing relationships with about 29 lenders across banks, financial institutions, NBFCs and overseas FII investors, who have sanctioned limits of Rs. 698 crore during the year, and out of which Rs.653 crore has been availed as on 31st March 2014. It includes Rs. 50 crore of NCDs issued during the year. Rs. 45 crore of sanctioned loans were yet to be drawn down.

As per the Company's Securitization and Assignment Policy, off-book assets are capped at 35% of the total assets. The Company raised around Rs. 311 crore through securitization transactions with various banks.

#### **8. Support Process and Information Technology**

EMFPL operates on a centralised transaction processing model supported by the Temenos core banking system. During the year the focus on technology continued with further enhancement in automation of transactions at branch level to further improve efficiency and control. The various process improvements have enabled EMFPL to establish and maintain an efficient business model. EMFPL expects this to play a crucial role in the prevailing scenario where the microfinance companies have to maintain tight control over costs to stay profitable.

## 9. Human Resources

The Company has provided a wide range of benefits to its employees including health insurance for all employees and their parents and dependents. In recognition of its employee-friendly HR practices, the Company was ranked among the top 50 Great Places to Work in India by The Great Place to Work Institute India Inc. and 4th in the financial services industry in the Year 2013. The number of employees as at the end of the year was 3074.

## 10. Risk Management

- 10.1 The Company has a Board approved Risk Management Policy and the Board periodically reviews the risks faced by the Company and the practices followed to manage them.
- 10.2 Regulatory uncertainty has been a dominant risk faced by EMFPL as well as the microfinance sector. This risk has reduced during the last two years following the RBI's regulations for NBFC-MFIs. The Company hopes that the lapsed Microfinance Bill will be enacted and provide a stable regulatory environment covering also non-NBFC-MFIs under regulatory supervision.
- 10.3 As a NBFC, the Company is exposed to credit, liquidity, interest rate and operating risks. The Company has invested in people, processes, governance and technology to effectively mitigate these risks.

## 11. Credit Risk

EMFPL considers all other borrowings of clients, need for funds for productive purposes and repayment capability before extending loan which is further reinforced through group guarantees. In addition, with the full rollout of the credit bureau initiative, over-borrowing has been effectively curtailed. Towards this purpose, EMFPL has been an active participant at industry level initiatives, as part of MFIN (Micro Finance Institutions Network). EMFPL has also adopted an MFIN Code of Conduct promoting responsible lending by MFIs. The Company also follows a conservative provisioning policy which is more stringent than RBI norms applicable to MFIs.

## 12. Operational Risk

- 12.1 Risk due to inadequate or failed internal processes, people or systems could cause loss to EMFPL. Micro finance, given its small ticket size is transaction-intensive. These transactions are handled by large number of employees spread over 323 branches in 109 districts in 6 states and 1 union territory. Further both disbursement and collections from members are done by way of cash, increasing the operational risk. Under the circumstances it becomes critical to have sound risk management practices.
- 12.2 The EMFPL has put in multi-layered checks and controls over key client interface processes. The Company also constantly upgrades its control processes based on analysis of failed processes, well reflected in almost negligible instances of breach of control. The control parameters of the Company are generally held as benchmarks in the MFI sector globally. During the year EMFPL commenced disbursements by electronic funds transfer as an option to customers by encouraging customers to open bank accounts.

12.3 The EMFPL has also identified a few critical processes and has put in a rigorous FMEA (Failure Mode Effect Analysis) process to ring fence potential process failures and limit damages. In order to improve the resilience of the Company's operational framework, a basic disaster recovery plan in place. This is monitored on a continuous basis by the Audit and Risk Management Committee. Further surprise stress tests are conducted to assess readiness of the Company to handle crisis.

### 13. Market Risk

13.1 Liquidity Risk: Given the sensitive nature of the sector, the banks' funding is closely linked to the overall image of the sector as well as the regulatory environment. Any change in these factors could affect the overall liquidity position of the Company. Also, excess liquidity carried leads to negative carry on the surplus cash as the yield on short term investment is always lower than borrowing cost.

13.2 ALM Risk: The Company ensures matched funding without any adverse mis-match in structural liquidity. The interest rate sensitivity is higher due to mix of floating rate borrowings and fixed rate borrowings when compared to fixed rate for lending. The Company tries to use off-book transactions like securitization/bilateral assignments as a means of locking in interest rates.

13.3 Leverage: The Company adopts a conservative policy related to leveraging capital. Along these lines, the Company considers the entire managed assets (including securitization and bilateral assignment of portfolios) for maintaining sufficient capital adequacy. Further the Company follows a policy of limiting securitization and bilateral assignments to 35% of total managed assets.

### 14. Outlook and challenges:

On the growth-side, with underlying unslaked demand for microcredit, long-term prospects look good. However, the Company will have to manage geographic concentration risk and work towards limiting over-borrowing by its members. The Company is pleased to note that RBI is steering microfinance companies to focus on improving efficiencies for delivering returns by capping the margins. The Company, right from inception, had its own internal pricing policy which put a cap on lending rate which is very much in line with subsequent regulatory prescriptions. The Company has always focused on efficiency and productivity to generate sustainable returns to shareholders rather than charging higher rates from its borrowers. In view of this, the Company is confident that it would be able to generate sustainable returns to shareholders. With prudent regulation in place and with the co-operation of multiple stakeholders, the Company is optimistic about growth prospects in the long-term.

- **Cautionary Statement**

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectation may be 'forward looking' within the meaning of applicable laws and regulations. Actual results might differ materially from those expressed or implied.

**For and on behalf of the Board of Directors**

Chennai  
8th May, 2014

**P N Vasudevan**  
Managing Director

**Arun Ramanathan**  
Chairman

## REPORT ON CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE PHILOSOPHY

The Company's philosophy on Corporate Governance envisages adherence to the highest levels of transparency, accountability and fairness, in all areas of its operations and in all interactions with its stakeholders which are pre-requisites for attaining sustainable growth in this competitive corporate world. Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. The Company's Corporate Governance philosophy has been further strengthened by voluntarily adopting Corporate Governance Guidelines even though not statutorily required for an unlisted Company.

### CORPORATE GOVERNANCE RATINGS

Equitas Group has been recognized for its voluntary compliance with the highest levels of corporate governance. CRISIL has provided a Governance & Value Creation Rating of GVC-2 to Equitas Group with only 6 other corporates viz., Bharti Airtel Limited, HDFC Bank Limited, Housing Development Finance Corporation Limited, Infosys Limited, Mahindra & Mahindra Limited and Hero Motocorp Limited at a higher level in India. Equitas is the highest rated among the unlisted companies in India.

### CORPORATE GOVERNANCE GUIDELINES

To ensure the highest standards of ethical and responsible conduct of business, the Company has voluntarily adopted the following guidelines with effect from 24th July 2012 which will translate into a much higher level of stakeholders' confidence that is crucial for ensuring long-term sustainability and value generation by business.

- i) Formal appointment letter to be issued to Non-Executive and Independent Directors
- ii) Code of conduct for Directors and Senior Management
- iii) Certificate of independence to be provided by Independent Directors on an annual basis
- iv) Remuneration policy for members of the Board and Key Executives
- v) Demarcation of roles and responsibilities of Chairman and Managing Director
- vi) Knowledge Management process for Directors related to the Company's sphere of activities
- vii) Process for interaction of Independent Directors with Management
- viii) Whistle Blower Policy

These policies ensure that the Board will have the necessary authority and processes in place to review and evaluate our operations when required. Further, these policies allow the Board to make independent and objective decisions.

## BOARD COMPOSITION

Currently, the Board comprises of 11 Directors. The names and categories of Directors and the number of Directorships are given below:

Name	Nature of Directorship	Other Directorships (\$)
<b>NON-EXECUTIVE</b>		
Arun Ramanathan (Chairman)	Non-Executive	8
Arun Kumar Verma	Non-Executive	1
Chitra Chandramouliswaran	Non-Executive	-
Desikan R	Non-Executive	-
Nanda Y C	Non-Executive	5
Marco Boa	Investor Nominee	-
Raman N	SIDBI Nominee	2
Srinivasan N	Non-Executive	2
Sampath P B	Non-Executive	8
Shankar V	Non-Executive	11
<b>EXECUTIVE</b>		
Vasudevan P N (MD)	Founder	6

Excluding Alternate Directorships and Directorships of Foreign Companies, wherever applicable.

## CHANGES IN BOARD CONSTITUTION

During the year under review, MicroVentures, an investor in the holding company has appointed Mr Marco Boa as Investor Director in place of Mr Paolo Brichetti, with effect from 13th November 2013.

## BOARD MEETINGS & ATTENDANCE

During 2013-2014, Board Meetings were held on 3rd May 2013, 1st August 2013, 27th August 2013, 13th November 2013 and 6th February 2014. The gap between any two meetings has been less than four months.

Name	No. of meetings	
	Held	Attended
<b>NON-EXECUTIVE</b>		
Arun Ramanathan (Chairman)	5	5
Arun Kumar Verma	5	4
Chitra Chandramouliswaran	5	4
Desikan R	5	4
Nanda Y C	5	4
Paolo Brichetti*	3	2
Srinivasan N	5	3
Sampath P B	5	4
Shankar V	5	5

Name	No. of meetings	
	Held	Attended
Marco Boa	2	2
Raman N	5	4
<b>EXECUTIVE</b>		
Vasudevan P N (MD)	5	5

Mr Marco Boa was appointed as Investor Director in place of Mr Paolo Brichetti with effect from 13th November 2013.

#### **INFORMATION SUPPLIED TO THE BOARD**

In advance of each meeting, the Board is presented with relevant information on various matters related to the working of the Company, especially those that require deliberation at the highest level. Presentations are also made to the Board by different functional heads on important matters from time to time. Directors have separate and independent access to officers of the Company. In addition to items which are required to be placed before the Board for its noting and/or approval, information is provided on various significant items. In terms of quality and importance, the information supplied by management to the Board of the Company is far beyond that mandated by the statute.

#### **COMMITTEES OF THE BOARD**

The Company at present has five (5) Committees of Board viz., Audit & Risk Management Committee, Business Committee, Remuneration & Nomination Committee, Resourcing Committee and Corporate Social Responsibility Committee and the Asset & Liability Management Committee. The Board fixes the terms of reference of Committees and also delegate powers from time to time. The minutes of the meetings of the Committee are circulated to the members for information and confirmation.

#### **AUDIT & RISK MANAGEMENT COMMITTEE**

##### **Composition**

The Audit & Risk Management Committee is chaired by a Non-Executive Director. All the members are Non-Executive Directors.

1. Mr Sampath P B , Chairman
2. Mr Arun Kumar Verma
3. Ms Chitra Chandramouliswaran
4. Mr Nanda Y C
5. Mr Marco Boa
6. Mr Shankar V

##### **Meetings & Attendance**

The Committee held Meetings during the year on 3rd May 2013, 2nd July 2013, 1st August 2013, 13th November 2013 and 6th February 2014.



Name	No. of meetings	
	Held	Attended
P B Sampath, Chairman	5	4
Arun Kumar Verma	5	5
Ms Chitra Chandramouliswaran	5	4
Y C Nanda	5	5
Marco Boa*	1	1
Paolo Brichetti*	3	2
V Shankar	5	5

\* Mr Marco Boa was inducted in the Audit & Risk Management Committee in place of Mr Paolo Brichetti in the Board meeting held on 13th November 2013.

### Terms of Reference

The role of the Audit & Risk Management Committee, among others will include:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the audit fees for the same
3. Reviewing, with the management, the quarterly and annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with accounting and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report.
4. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
5. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
6. Discussion with internal auditors any significant findings and follow up there on.

7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
9. Laying down and review of procedures relating to risk assessment & risk minimization to ensure that executive management controls risk through means of a properly defined framework.
10. Credit and Portfolio Risk Management
11. Operational and Process Risk Management
12. Laying down guidelines on KYC norms
13. Review on quarterly basis the securitization /bilateral assignment transactions and investment activities of the Company.
14. Annual review of the Company's Policies framed pursuant to RBI Guidelines and suggest changes, if any required to the Board for adoption.

The Audit & Risk Management Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit & Risk Management Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses;

## **BUSINESS COMMITTEE**

### **Composition**

The Business Committee is chaired by a Non-Executive Director and majority of the members are Non-Executive Directors.

1. Mr Srinivasan N, Chairman
2. Mr Desikan R
3. Mr Nanda Y C
4. Mr Marco Boa
5. Mr Shankar V
6. Mr Vasudevan P N

### **Meetings & Attendance**

The Committee held Meetings during the year on 3rd May 2013, 1st August 2013, 13th November 2013 and 6th February 2014.

Name	No. of meetings	
	Held	Attended
Srinivasan N, Chairman	4	3
Desikan R	4	3
Nanda Y C	4	4
Marco Boa*	1	1
Paolo Brichetti*	2	2
Shankar V	4	4
Vasudevan P N	4	4

\* Mr Marco Boa was inducted in the Business Committee in place of Mr Paolo Brichetti in the Board | meeting held on 13th November 2013.

### Terms of Reference

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

1. Annual Business Plans
2. Revision in Annual Business Plans
3. New Business Initiatives proposed to be undertaken by the Company
4. Business strategy and product review from time to time

### REMUNERATION & NOMINATION COMMITTEE

#### Composition

The Remuneration & Nomination Committee is chaired by a Non-Executive Director and all the members are Non-Executive Directors.

1. Mr Nanda Y C, Chairman
2. Mr Arun Kumar Verma
3. Mr Marco Boa
4. Mr Sampath P B
5. Mr Srinivasan N

#### Meetings & Attendance

The Committee held Meetings during the year on 3rd May 2013, 13th November 2013 and 6th February 2014.

Name	No. of meetings	
	Held	Attended
Nanda Y C, Chairman	3	3
Arun Kumar Verma	3	3
Marco Boa*	1	1
Paolo Brichetti*	1	1
Sampath P B	3	2
Srinivasan N	3	2

\* Mr Marco Boa was inducted in the Remuneration & Nomination Committee in the Board meeting held on 13th November 2013.

#### Terms of reference

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for Directorships;
3. to assess the independence of Independent Non-Executive Directors;
4. to review the results of the Board performance evaluation process that relate to the composition of the Board;
5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive.
6. to recommend remuneration payable to Non-executive Directors of the Company from time to time.
7. Annual appraisal of the performance of the Managing Director and fixing his terms of remuneration.
8. Annual appraisal of the Senior Management team reporting to the Managing Director.

#### RESOURCING COMMITTEE

##### Composition

The Resourcing Committee is chaired by a Non-Executive Director and majority of the members are Non-Executive Directors.

1. Mr Shankar V, Chairman
2. Mr Desikan R
3. Mr Sampath P B
4. Mr Vasudevan P N

### Meetings & Attendance

The Committee held Meetings during the year on 5th August 2013, 20th August 2013, 27th September 2013, 29th October 2013, 18th December 2013, 24th December 2013, 7th February 2014 and 25th March 2014.

Name	No. of meetings	
	Held	Attended
Shankar V , Chairman	8	6
Desikan R	8	8
Sampath P B	8	8
Vasudevan PN	8	7

### Terms of reference

1. to approve borrowings from various persons including banks, institutions, holding / group companies, corporates, etc. on such terms and conditions as to repayment, interest rate or otherwise as it thinks fit.
2. to approve establishment of current and other accounts with various banks upon such terms and conditions as may be agreed upon with the said bank.
3. to approve changes in persons authorized to operate current and other accounts and their signing limits for operating such accounts.
4. to approve closure of current and other accounts of the Company established with various banks.

### CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

#### Composition

The Corporate Social Responsibility Committee of the Board is chaired by a Non-Executive Director and majority of the members are Non-Executive Directors

1. Mr Desikan R, Chairman
2. Mr Nanda Y C
3. Ms Chitra Chandramouliswaran

### Meetings & Attendance

The Committee held Meetings during the year on 3rd May 2013, 23rd September 2013, 13th November 2013 and 19th December 2013.

Name	No. of meetings	
	Held	Attended
Desikan R , Chairman	4	4
Mr Nanda Y C	4	4
Ms Chitra Chandramouliswaran*	3	3
Mr V Shankar*	3	1

\* Ms Chitra Chandramouliswaran was inducted in the CSR Committee in the Board meeting held on 3rd May 2013 and Mr V Shankar resigned as Member of the CSR Committee in the Board meeting held on 13th November 2013.

#### Terms of reference

1. Review the Mission of the Organisation from time to time and ensure it stays aligned to changing contexts of the Organisation.
2. Ensure alignment of the Business goals and objectives of the Company in line with the Mission of the Organisation.
3. Bring to bear specific focus on certain excluded segments of client community and set benchmarks for the same.
4. Review all the social activities of the Company and suggest to the Board of Trustees suitable measures for enhancing the efficacy of these activities.
5. Deploy such tools of measurement as may be relevant and available from time to time to study the impact of the Social Performance activities of the Company and benchmark the same with other MFIs in India and around the world.
6. Disseminate information related to the Social Performance of the Organisation in such manner as deemed appropriate.
7. Review the amount spent on social activities and advise the Board and the Trustees on its efficacies.

#### ASSET & LIABILITY MANAGEMENT COMMITTEE (ALCO)

##### Composition

In accordance with the guidelines issued by the RBI for systematically important NBFCs the Board has constituted the ALCO. The Committee currently consists of:

1. Mr Vasudevan P N, Managing Director–Chairman
2. Mr Bhaskar S, Group Chief Financial Officer
3. Mr Raghavan H K N, Chief Operating Officer
4. Mr Mahalingam H, Group Chief Technology Officer
5. Mr Sethupathy S, Head-Centralised Processing Centre
6. Mr Sridharan N, Group Head-Treasury & MIS

The Committee meets once in a month.

## Terms of Reference

The terms of reference of the Asset & Liability Management Committee include:

1. Liquidity Risk Management
2. Management of market (interest rate) risk
3. Funding and capital planning
4. Pricing, profit planning and growth projections
5. Forecasting and analyzing 'what if scenario' and preparation of contingency plans.
6. To approve and revise the actual interest rates to be charged from customers for different products from time to time applying the interest rate model and also in line with such regulations as may be in force from time to time.
7. Lay down policies on preserving documents as well as discarding old documents.
8. Review of operational risk.
9. Lay down KYC policy within the overall guidelines laid down by the Board as well as review the same from time to time and also monitor KYC training to staff.

The Committee reviews the asset liability management reports to be submitted periodically to RBI.

## REMUNERATION OF DIRECTORS

All Directors except the Managing Director are paid a sitting fee of Rs 10,000/- for attending every Meeting of the Board and Rs 5,000/- for every Meeting of the Committees thereof. No sitting fee is payable to Members of the Asset & Liability Management Committee.

The sitting fees paid to Directors along with their shareholdings in the Company are as under:

Name	Sitting fees (Rs)		No. of equity shares held on 31st March 2014
	Board	Committee	
Mr Arun Ramanathan	50,000	Nil	Nil
Mr Arun Kumar Verma	40,000	40,000	Nil
Ms Chitra Chandramouliswaran	40,000	35,000	Nil
Mr Desikan R	40,000	75,000	Nil
Mr Nanda Y C	40,000	80,000	Nil
Mr Paolo Bricchetti	20,000	25,000	Nil
Mr Marco Boa	20,000	15,000	
Mr Raman N	40,000	Nil	Nil
Mr Sampath P B	40,000	70,000	Nil
Mr Shankar V	50,000	80,000	Nil
Mr Srinivasan N	30,000	25,000	Nil
Mr Vasudevan P N	Nil	Nil	Nil

Following is the remuneration payable to the Non-Executive Directors for the Financial Year ended 31st March 2014:

Name	Remuneration (Amount in Rs.)
Mr Arun Ramanathan	1,000,000
Mr Arun Kumar Verma	500,000
Ms Chitra Chandramouliswaran	500,000
Mr Desikan R	500,000
Mr Nanda Y C	500,000
Mr Marco Boa / Mr Paolo Brichetti	500,000
Mr Raman N	500,000
Mr Sampath P B	750,000
Mr Shankar V	500,000
Mr Srinivasan N	500,000
<b>Total</b>	<b>5,750,000</b>

The remuneration paid to Mr P N Vasudevan, Managing Director during the Financial Year 1st April 2013 to 31st March 2014 is as follows:

Particulars	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
Salary	4,560,000	45,60,000
PF Employer contribution	230,400	2,30,400
Reimbursement of Medical Expenditure	40,316	26,319
Perquisite value for car	28,800	28,800
<b>Total</b>	<b>50,29,105</b>	<b>48,45,519</b>

Note: Payment for health insurance cover and gratuity are not considered since the same is paid collectively for all the employees as per Company policy. Perquisite value of shares of 24,401,800/-, perquisite value of car sold as per Company's Car Scheme of Rs 1,69,589/- and payment for term insurance of Rs 58,938/- (previous year Rs 58,938/-) are not included in the above.

#### GENERAL BODY MEETINGS

During the year ended 31st March 2014, one (1) Annual General Meeting and three (3) Extraordinary General Meeting were held as per details given below:

Date	Time	Venue
1st July 2013 (AGM)	11.30 A.M.	4th Floor, Temple Tower, 672, Anna Salai, Nandanam, Chennai 600035
26th September 2013 (EGM)	06.30 A.M.	4th Floor, Temple Tower, 672, Anna Salai, Nandanam, Chennai 600035



Date	Time	Venue
18th November 2013 (EGM)	10.00 A.M.	4th Floor, Temple Tower, 672, Anna Salai, Nandanam, Chennai 600035
18th December 2013 (EGM)	05.00 P.M.	4th Floor, Temple Tower, 672, Anna Salai, Nandanam, Chennai 600035

All the proposed Resolutions, including Special Resolutions, were passed by the shareholders as set out in their respective Notices.

#### **CODE OF CONDUCT**

The Company has laid down a code of conduct for the Directors and Senior Management of the Company. All Directors and Senior Management Personnel have affirmed compliance with the code for the Financial Year ended 31st March 2014.

#### **CEO/CFO CERTIFICATION**

CEO and CFO have given a certificate to the Board as per the format given in clause 49 of the listing agreement.

#### **FAIR PRACTICES CODE**

The Company has adopted the Fair Practices Code pursuant to the RBI guidelines issued in this regard, which is displayed on the Company's website.

#### **WHISTLE BLOWER POLICY**

The Company has adopted a Whistle Blower Policy pursuant to which employees and vendors of the Company can raise their concerns on unethical and improper practices or any other wrongful conduct in the Company or of its employees. Details of complaints received and the action taken are reviewed by the Audit & Risk Management Committee. None of the personnel has been denied access to the Audit & Risk Management Committee.

#### **TRAINING OF BOARD MEMBERS**

All new Non-Executive Directors inducted into the Board are given a day's orientation which includes half-a-day field visit. The Company also arranges inter-active sessions with the industry experts to enable the Directors to update themselves. During the year the following program was organized for the benefit of Directors.

- Session on "Governance & Sustained Value Creation" by Mr. S. Ramadorai, Vice Chairman, Tata Consultancy Services

#### **REGULAR UPDATES**

The Company sends a monthly newsletter to the Board Members and other stakeholders and keeps them updated on the happenings in the Company.

## DISCLOSURES

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

## GENERAL SHAREHOLDER INFORMATION

**Financial year:** April 1st to March 31st

### Shareholding pattern as on 31st March 2014

Category	# Shares	%
Equitas Holdings P Limited (Indian Holding Company)	198,749,999	100%
S Bhaskar (Nominee of Equitas Holdings P Limited)	1	-
<b>Total</b>	<b>198,750,000</b>	<b>100%</b>

### Address for Correspondence

### Company Secretary

Equitas Micro Finance Private Limited  
 4th Floor, Temple Tower,  
 672, Anna Salai, Nandanam  
 Chennai 600035  
 Tel : (044) 42995010  
 Fax: (044) 42995050

### For and on behalf of the Board of Directors

Chennai  
 8th May, 2014

**P N Vasudevan**  
 Managing Director

**Arun Ramanathan**  
 Chairman

## CEO / CFO Certificate

**The Board of Directors**

**Equitas Micro Finance Private Limited**

This is to certify that:

1. We have reviewed Financial Statements and the Cash Flow Statement for the Financial Year ended 31st March 2014 and that to the best of our knowledge and belief:
  - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent or illegal.
3. We accept responsibility for establishing and maintaining internal controls for Financial Reporting.

**Mr P N Vasudevan**  
**MD/CEO**

**Mr S Bhaskar**  
**CFO**

Chennai, 8th May 2014

## REPORT ON CSR ACTIVITIES OF THE COMPANY

The mission statement of Equitas is to improve quality of life by increasing total household asset value of those who are not effectively serviced by the formal financial sector by providing transparent and trustworthy access to financial and other relevant products and services by deploying cutting edge technology and forming partnerships and alliances.

In line with this mission statement, Equitas has developed a wide range of ecosystem initiatives towards improving the quality of life of its members. A snapshot of the Equitas Ecosystem is provided herewith and all such initiatives are run on not for profit basis:

### CSR- Health, Skill Development, Placement Services:

1. **Primary Health Care:** Our primary health care medical camps done free has benefited 7,17,704 members during the year and cumulatively reached 20,35,520 members so far which is a record in the MFI sector globally – delivery by CSR Division
2. **Secondary Health Care:** Our tie up with large number of hospitals helps our clients get treated for serious illness at a discount to normal cost, during the year the savings to 1,758 members was around Rs 1.72 crores – delivery by CSR Division
3. **Telemedicine:** Equitas strongly believes that Telemedicine has a future in the health sector, capable of taking quality health care facilities like diagnosis, treatment and prevention of diseases to underserved rural and urban slums in a cost effective model - A Pilot has been launched in partnership with Apollo Telemedicine centre in 3 centres at Chennai. 4,662 members were benefited during the year and cumulatively 11,469 members were benefitted from this facility- delivery by CSR Division
4. **Health helpline:** Members call this line for serious illness and the operator guides them to network hospitals – During the year 1,758 members were benefited and cumulatively 16,813 members were benefitted from this facility- delivery by CSR division
5. **Health Camps in Vehicle Finance Branches:** We conduct health camps in Transport Nagars to screen truck drivers & cleaners for general health, eye and also educate them on AID's awareness, during the year we were able to screen 7,344 persons and cumulatively 11,771 were the beneficiaries- delivery by CSR Division
6. **Livelihood support:** We have given skill development training (vocational training-Equitas Gyan kendra) to 48,584 members during the year and trained 3,23,759 members on a cumulative basis so far, which is also a global record – delivery by CSR Division
7. **Placement Services:** In another proactive step, Equitas conducts job fairs for members' unemployed children to enable employment opportunities and help them with job placements; through this initiative, Equitas was able to facilitate job placement for 7,695 unemployed youth during the year and for 17,440 on a cumulative basis - delivery by CSR Division

### CSR- Facilitate Long term Investment in Education :

1. **Schools:** We run five regular schools called Equitas Gurukul, 2,332 members children study in Trichy and Dindigul, Salem, Sivakasi & Coimbatore – run by Equitas Trust

### CSR-Beyond microfinance – Socially Disadvantaged Segment:

1. **Ultra Poor Programme:** (Equitas Birds Nest) We commenced a programme in 2010 for Rehabilitation of Pavement Dwellers in Chennai and identified 100 families in the first phase. We have moved 145

families into houses and hand held them for initial 6 months and they have now started paying rent on their own. Most families have attained self sustenance status through a host of interventions from Equitas. Many have received Voters ID for the first time in their lives, some have applied for ration cards – run by Equitas Trust

2. **Persons with Disability:** We have financially supported 1,531 physically challenged members during the year and on a cumulative basis facilitated 7,656 Persons with Disability (of whom 911 are blind) in setting up some livelihood activity so that they can stand on their own feet

#### Food Security- Demand Side Aggregation

**Retail:** We run a chain of stores (run by Equitas Dhanyakosha India – a Section 25 Company) where our clients can buy groceries. Benefit of aggregation is passed on to them. They also get a card from us with a limit loaded in it which acts just like a credit card. During the current year 1,03,089 members used the facility and obtained a savings of 6-10 % over MRP.

For and on behalf of the Board of Directors

Chennai  
8th May, 2014

**P N Vasudevan**  
Managing Director

**Arun Ramanathan**  
Chairman

#### SNAP SHOT OF THE PERFORMANCE DURING 2013-2014 AND CUMULATIVE

Nature of Activity	Q1	Q2	Q3	Q4	Total 2013-14	Cumulative
No. of eye-camp Participants (A)	57457	62936	69745	63460	253598	895075
No. of free spectacles	3309	2464	2049	1678	9500	58299
No. of free cataract operations	2384	331	680	214	3609	22502
Other Medical camps (B)	90771	114979	132231	126125	464106	1140445
Total (eye camps + Medical camps) (A)+(B)	148228	177915	201976	189585	717704	2035520
Participants in Skill Training Programs	6883	10768	16969	13964	48584	323759
Health Help Line	401	393	692	272	1758	16813
Members benefited at Centres Telemedicine	1206	1224	1026	1206	4662	11469
Placements for unemployed youth	1139	1005	2715	2836	7695	17440
No. of members benefited by Vehicle Finance Medical Camps	2417	2008	1068	1851	7344	11771

For and on behalf of the Board of Directors

Chennai  
8th May, 2014

**P N Vasudevan**  
Managing Director

**Arun Ramanathan**  
Chairman

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EQUITAS MICRO FINANCE PRIVATE LIMITED

### Report on the Financial Statements

1. We have audited the accompanying financial statements of EQUITAS 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 of the Company for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15 / 2013 dated 13 September 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls 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 the accounting policies used and the reasonableness of the accounting estimates made by the 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

5. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 of the Company for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

#### **Report on Other Legal and Regulatory Requirements**

- 6. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 7. As required under provisions of 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 purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, 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 notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs).
  - (e) On the basis of the written representations received from the directors as at 31 March 2014 taken on record by the Board of Directors, none of the directors is disqualified as at 31 March 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
Firm Registration No. 008072S

**B. Ramaratnam**  
Partner  
Membership No. 21209

CHENNAI, 8 May 2014

## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 6 of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/results during the year, clauses 4(ii), 4(viii), 4(xii), 4(xiii), 4(xiv) and 4(xx) of the Order are not applicable to the Company.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. Having regard to the size of the operations and nature of assets of the Company and on the basis of explanations received, in our opinion, the differences found on physical verification were not significant and were properly dealt with in the books of account.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) (A) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
  - a. The Company has granted loans (including Inter Corporate Deposits) aggregating Rs. 605,500,000 to three parties during the year. At the year-end, the outstanding balances of such loans granted aggregated Rs. 542,027,218 (three parties) (excluding interest accrued but not due) and the maximum amount involved during the year was Rs. 552,148,351 (three parties).
  - b. The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie not prejudicial to the interest of the Company.
  - c. The receipts of principal amounts and interest have been regular / as per stipulations.
  - d. There is no overdue amount in excess of Rs. 1 lakh remaining outstanding as at the year-end.
- (B) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the Register under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the rendering of services and during the course of our audit we have not observed any major weaknesses in such internal control system. The Company does not purchase inventory nor does it sell any goods in the ordinary course of its business.



- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- (a) The particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transactions (excluding loans reported in paragraph (iii) above) is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are, prima facie, reasonable having regard to the prevailing market prices at the relevant time.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities during the year.
  - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Cess and other material statutory dues in arrears as at 31 March 2014 for a period of more than six months from the date they became payable.
  - (c) There are no disputed matters relating to Income Tax, Wealth Tax and Service Tax at the year-end.
- (ix) The Company does not have accumulated losses at the end of the financial year and the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
- (xi) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not, prima facie, prejudicial to the interests of the Company.
- (xii) In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were obtained, other than temporary deployment pending application.

- (xiii) According to the information and explanations given to us, and on the basis of maturity profile of the assets and liabilities with a residual maturity of one year, as given in the Asset Liability Management in Note 40.3 of the Financial Statements, liabilities maturing in the next one year are not in excess of the assets of similar maturity.
- (xiv) During the year the Company has not made any preferential allotment of shares to the parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xv) According to the information and explanations given to us, during the period covered by our audit report, the Company has issued 500 Redeemable, non-convertible debentures of Rs. 1,000,000 each and the Company has created security in respect of the debentures issued.
- (xvi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year, though there have been a few cases amounting to Rs. 152,879 (Refer Note 42 of the Financial Statements) detected and appropriately dealt with by the Management.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
Firm Registration No. 008072S

**B. Ramaratnam**  
Partner  
Membership No. 21209

CHENNAI, 8 May 2014

**Equitas Micro Finance Private Limited**  
**Balance Sheet as at 31 March 2014**

Particulars	Note No	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>EQUITY AND LIABILITIES</b>			
Shareholders' Funds			
Share Capital	3	1,987,500,000	1,987,500,000
Reserves and Surplus	4	1,126,961,616	561,478,520
		<b>3,114,461,616</b>	<b>2,548,978,520</b>
<b>Non-Current Liabilities</b>			
Long Term Borrowings	5	5,058,482,823	6,271,414,726
Other Long Term Liabilities	6	67,981,601	44,449,683
Long Term Provisions	7	55,791,792	57,027,291
		<b>5,182,256,216</b>	<b>6,372,891,700</b>
<b>Current Liabilities</b>			
Short Term Borrowings	8	338,389,991	99,799,253
Current Maturities of Long Term Borrowings	9	7,778,333,747	4,212,159,574
Trade Payables	10	93,413,078	64,251,118
Other Current Liabilities	11	837,062,676	662,973,761
Short Term Provisions	12	202,515,665	147,385,398
		<b>9,249,715,157</b>	<b>5,186,569,104</b>
<b>TOTAL</b>		<b>17,546,432,989</b>	<b>14,108,439,324</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets			
- Tangible Assets	13.1	23,697,868	25,735,223
- Intangible Assets	13.2	2,135,624	6,174,387
		25,833,492	31,909,610
<b>Non-Current Investments</b>	14	2,000,000	36,012,093
Deferred Tax Assets	15	102,040,604	76,194,928
Long Term Receivables Under Financing Activities	16	3,738,491,961	2,638,698,579
Long Term Loans and Advances	17	128,049,992	195,623,699
Other Non-Current Assets	18	534,169,998	454,482,490
		<b>4,530,586,047</b>	<b>3,432,921,399</b>
<b>Current Assets</b>			
Current Investments	19	34,012,093	39,473,348
Short Term Receivables Under Financing Activities	20	8,118,162,120	6,004,571,508
Cash and Cash Equivalents	21	3,654,253,920	3,926,257,627
Short Term Loans and Advances	22	782,447,082	320,248,821
Other Current Assets	23	426,971,727	384,966,621
		<b>13,015,846,942</b>	<b>10,675,517,925</b>
<b>TOTAL</b>		<b>17,546,432,989</b>	<b>14,108,439,324</b>
See accompanying notes forming part of the Financial Statements			

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of the **Board of Directors**

**B. Ramaratnam**  
Partner  
Place : Chennai  
Date : 8 May 2014

**Arun Ramanathan**  
Chairman

**P N Vasudevan**  
Managing Director

**P B Sampath**  
Director

**S Bhaskar**  
Chief Financial Officer  
Place : Chennai  
Date : 8 May 2014

**Jayashree S Iyer**  
Company Secretary

**Equitas Micro Finance Private Limited**

**Statement of Profit and Loss for the Year Ended 31 March 2014**

Particulars	Note No	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
<b>REVENUE</b>			
Revenue from Operations	<b>24</b>	3,369,913,388	2,279,848,639
Other Income	<b>25</b>	46,288,891	18,851,491
		<b>3,416,202,279</b>	<b>2,298,700,130</b>
<b>EXPENSES</b>			
Employee Benefits Expense	<b>26</b>	633,552,685	533,419,132
Finance Costs	<b>27</b>	1,473,389,595	949,393,839
Provisions and Write Offs	<b>28</b>	55,109,383	59,926,996
Depreciation and Amortisation Expense	<b>13</b>	29,355,394	44,053,563
Other Expenses	<b>29</b>	364,857,802	305,232,974
		<b>2,556,264,859</b>	<b>1,892,026,504</b>
<b>Profit Before Tax</b>		<b>859,937,420</b>	<b>406,673,626</b>
<b>Tax Expense</b>			
Current Tax		320,300,000	145,600,200
<b>Deferred Tax</b>	<b>15</b>	(25,845,676)	(14,045,370)
<b>Net Tax Expense For The Year</b>		<b>294,454,324</b>	<b>131,554,830</b>
<b>Profit After Tax for the Year</b>		<b>565,483,096</b>	<b>275,118,796</b>
Earnings Per Equity Share of Rs. 10 each	<b>35</b>		
- Basic		2.85	1.52
- Diluted		2.85	1.52
See accompanying notes forming part of the Financial Statements			

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of the **Board of Directors**

**B. Ramaratnam**  
Partner  
Place : Chennai  
Date : 8 May 2014

**Arun Ramanathan**  
Chairman

**P N Vasudevan**  
Managing Director

**P B Sampath**  
Director

**S Bhaskar**  
Chief Financial Officer  
Place : Chennai  
Date : 8 May 2014

**Jayashree S Iyer**  
Company Secretary

**Equitas Micro Finance Private Limited**

**Cash Flow Statement for the Year Ended 31 March 2014**

Particulars	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
<b>A. Cash Flow from Operating Activities</b>		
Profit Before Tax	859,937,420	406,673,626
<i>Adjustments for:</i>		
Depreciation and Amortisation Expense	29,355,394	44,053,563
Contingent Provision for Standard Receivables under Financing Activities (Net)	40,057,821	44,349,713
Provision for Sub-standard and Doubtful Receivables under Financing Activities (Net)	7,505,045	3,098,076
Provision for Credit Enhancements on Assets De-Recognised (Net)	5,529,400	8,153,398
Loss Assets Written Off (Net)	2,017,117	4,325,809
Prompt Payment Rebate (Net)	88,624	10,342,607
Provision for Doubtful Loans / Insurance Claims	973,598	1,964,650
Finance Costs	1,473,389,595	949,393,839
Interest Income on Deposits with Banks / Others	(132,502,298)	(76,817,339)
Interest Income on Pass Through Certificates	(2,514,807)	(2,205,838)
Interest Income on Loans / Deposits to Related parties	(43,451,282)	(17,043,127)
Gain from Securitisation / Assignment of Receivables (Net)	(265,863,688)	(233,786,934)
Gain on Sale of Current Investments (Net)	(23,418,970)	(37,218,479)
<b>Operating Profit before Changes in Working Capital</b>	<b>1,951,102,969</b>	<b>1,105,283,564</b>
<i>Changes in Working Capital:</i>		
<i>Adjustments for (increase) / decrease in operating assets:</i>		
Long Term Receivables Under Financing Activities	(1,099,793,382)	(1,176,231,887)
Long Term Loans and Advances	75,702,686	14,672,412
Short Term Receivables Under Financing Activities	(2,115,607,729)	(2,376,750,288)
Short Term Loans and Advances	(462,198,261)	(71,505,398)
Other Current Assets	(33,731,742)	(58,636,243)
Bilateral Assignment and Securitisation of Assets (Net)	265,863,688	233,094,914
<i>Adjustments for increase / (decrease) in operating liabilities:</i>		
Other Long Term Liabilities	11,414,563	(5,885,489)
Long Term Provisions	(18,610,683)	6,525,328
Trade Payables	29,161,960	3,876,691
Other Current Liabilities	80,889,269	138,490,913
Short Term Provisions	19,324,561	(116,542,135)
<b>Cash Flow Used in Operations</b>	<b>(1,296,482,101)</b>	<b>(2,303,607,618)</b>
Interest Income on Deposits / Other loans	208,515,519	61,156,157
Gain on Sale of Current Investments (Net)	23,418,970	37,218,479
Finance Costs Paid	(1,428,819,598)	(892,681,998)
Direct Taxes Paid	(326,402,577)	(148,610,396)
<b>Net Cash Flow Used in Operations</b>	<b>(2,819,769,787)</b>	<b>(3,246,525,376)</b>

Particulars	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
<b>B. Cash Flow from Investing Activities</b>		
Capital Expenditure on fixed assets (including capital advances)	(26,572,014)	(14,931,745)
Proceeds from Sale of Fixed Assets	292,738	816,225
Bank Deposits (Net) (having original maturity of more than 3 months)	1,005,179,000	(1,199,576,697)
Investment in Pass Through Certificates (Net)	39,473,348	(73,485,441)
Purchase of Current Investments	(7,517,581,030)	(7,856,781,521)
Proceeds from Sale of Current Investments	7,517,581,030	7,856,781,521
<b>Net Cash Flow From / (Used in) Investing Activities</b>	<b>1,018,373,072</b>	<b>(1,287,177,658)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Issue of Share Capital	-	249,531,300
Long Term Borrowings Taken	8,127,968,567	7,985,763,761
Long Term Borrowings Repaid	(5,774,726,297)	(2,271,621,433)
Short Term Borrowings Taken / (Repaid) (Net)	238,590,738	(400,200,747)
<b>Net Cash Flow From Financing Activities</b>	<b>2,591,833,008</b>	<b>5,563,472,881</b>
<b>Net Increase in Cash and Cash Equivalents (A) + (B) + (C)</b>	<b>790,436,293</b>	<b>1,029,769,847</b>
Cash and Cash Equivalents at the Beginning of the Year	2,569,847,627	1,540,077,780
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>3,360,283,920</b>	<b>2,569,847,627</b>
<b>Note:</b>		
(i) The reconciliation to the Cash and Cash Equivalents as given in Note 21 is as follows:		
Cash and Cash Equivalents as per Note 21	3,654,253,920	3,926,257,627
Less: Deposits with Original Maturity over a period of 3 months	-	895,000,000
Less: Lien Marked Deposits	293,970,000	461,410,000
Cash and Cash Equivalents (as defined in AS 3 - Cash flow statements) as at the End of the Year	<b>3,360,283,920</b>	<b>2,569,847,627</b>
See accompanying notes forming part of the Financial Statements		

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of the **Board of Directors**

**B. Ramaratnam**  
Partner  
Place : Chennai  
Date : 8 May 2014

**Arun Ramanathan**  
Chairman

**P N Vasudevan**  
Managing Director

**P B Sampath**  
Director

**S Bhaskar**  
Chief Financial Officer  
Place : Chennai  
Date : 8 May 2014

**Jayashree S Iyer**  
Company Secretary

**Equitas Micro Finance Private Limited**  
**Notes forming part of the financial statements**  
**for the year ended 31 March 2014**

**1 CORPORATE INFORMATION**

Equitas Micro Finance Private Limited (EMFPL / the Company) (formerly known as Singhivi Investment & Finance Private Limited (SIFPL)) was incorporated on 7 July 1994. On 7 July 2011, the equity shares of SIFPL were acquired by Equitas Holdings Private Limited (EHPL), consequently the Company became a wholly owned subsidiary of EHPL from that date. Pursuant to the Scheme of Arrangement between EHPL and SIFPL, the assets and liabilities of the Micro Finance Undertaking of EHPL have been transferred to SIFPL during the year ended 31 March 2012 w.e.f 1 April 2011 (Appointed Date).

The name of the Company has been changed to Equitas Micro Finance Private Limited with effect from 14 February 2013.

The Company is a Non-Banking Finance Company - Micro Finance Institution (NBFC-MFI). The Company has received Certificate of Registration dated 12 February 2001 from Reserve Bank of India, revised on 6 March 2013 to effect the change of name, to carry on the business of Non Banking Financial Institution without accepting deposits. During the year ended 31 March 2014, the Company has obtained registration under the Non-Banking Financial Company - Micro Finance Institution (Reserve Bank) Directions, 2011 vide RBI letter dated 4 October 2013.

The Company is engaged in extending micro credit to economically active persons. The Company generally provides small value collateral free loans upto Rs. 20,000 for a tenor of one to two years with fortnightly / monthly repayment. The Company broadly follows the Grameen model with suitable adaptations using the Joint Liability Groups (JLG) framework, where each member of the group guarantees the loan repayment of the other members of the group. All transactions are conducted in the group meetings organised every fortnight / month near the habitats of the members.

The Company also provides individual loans to the existing borrowers ranging between Rs. 3,000 to Rs.20,000 as additional loans like gold loans, educational loans, kirana loans etc.

**2 SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of Accounting**

The Financial Statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 (the 1956, Act) (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 (the 2013, Act) in terms of General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act / 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the Financial Statements are consistent with those followed in the previous year.

The Company is a Non-Banking Finance Company - Micro Finance Institutions (NBFC-MFI). The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by the Reserve Bank of India for Non-Banking Finance Company - Micro Finance Institutions (NBFC-MFI) or more stringent norms as indicated in Note 2.19.

## **2.2 Use of Estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

## **2.3 Cash and Cash Equivalents (for purposes of Cash Flow Statement)**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

## **2.4 Cash Flow Statement**

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

## **2.5 Depreciation and Amortisation**

Depreciation has been provided on the straight-line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956 or the rates determined by the management as per the estimated useful life of the assets, whichever is higher. The useful life of the assets are as follows:

### *Tangible Assets:*

Computer Equipments - 3 Years

Furniture and Fixtures - 3 Years

Office Equipments - 3 Years

Vehicles - 4 Years

Leasehold Improvements are depreciated over the remaining primary lease period or 3 years whichever is lower.

Assets individually costing less than Rs. 5,000 each are fully depreciated in the year of capitalisation.

Intangible assets are amortised over their estimated useful life as follows:

Software - Lower of license period or 3 years.



The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

## 2.6 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- (a) Interest Income on Loans granted is recognised under the internal rate of return method. Income on Non-performing Assets is recognized only when realized and any interest accrued until the asset became a Non-performing Asset and remaining overdue is de-recognized by reversing the interest income.
- (b) Loan Processing Fee is recognized over the life of the loan on a straight line basis.
- (c) In accordance with the RBI Guidelines on Securitisation Transaction, gains arising from assignment/ securitisation are amortised over the life of the underlying portfolio loans. In case of any loss the same is recognised in the Statement of Profit and Loss immediately.
- (d) Interest Income on deposits / investments is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (e) Grants are recognised as income on fulfilment of the terms of the Grant Agreement.
- (f) Dividend income is accounted for when the right to receive it is established.
- (g) All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection.

## 2.7 Tangible Fixed Assets

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of a tangible asset comprises its purchase price net of any trade discounts and rebates, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities) and any directly attributable expenditure on making the asset ready for its intended use.

## 2.8 Intangible Assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities) and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred, unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

## 2.9 Foreign currency transactions and translations

### Initial recognition

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction.

### Measurement at the balance sheet date

Foreign currency monetary items of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

## 2.10 Investments

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

## 2.11 Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

### Defined contribution plan:

The Company's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made and when the services are rendered by the employees.

### Defined benefit plans:

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

### Short-term employee benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

**Long-term employee benefits:**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

**2.12 Borrowing Costs**

Borrowing costs include interest and ancillary costs that the Company incurs in connection with the borrowings. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss at the time of availment of the Loan.

**2.13 Segment reporting**

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

**2.14 Leases**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

**2.15 Earnings per Share**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

## 2.16 Taxes on Income

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

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

## 2.17 Impairment of Assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

## 2.18 Provisions and Contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes to the Financial Statements.

## 2.19 Classification and Provisions of Loan Portfolio

- (a) Loans are classified and provided for as per the Company's Policy and Management's estimates, subject to the minimum classification and provisioning norms as per the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011.

### Classification of Loans

Asset Classification	Period of Overdue
Standard Assets	Not Overdue or Overdue for less than 30 days
<b>Non Performing Assets (NPA)</b>	
Sub-Standard Assets	Overdue for 30 days and more but less than 90 days
Doubtful Assets	Overdue for 90 days and more
Loss Assets	Assets which are identified as loss asset by the Company or the internal auditor or the external auditor or by the Reserve Bank of India.

Overdue refers to interest and / or principal and / or installment remaining unpaid from the day it became receivable.

#### (b) Provisioning Norms for Loans - Followed by the Company

Asset Classification	Provisioning Percentage used by the Company
<b>Standard Assets</b>	1.25%
<b>Non Performing Assets (NPA)</b>	
<i>Sub-Standard Assets</i>	
Overdue for 30 days and more but less than 60 days	10%
Overdue for 60 days and more but less than 90 days	25%
<i>Doubtful Assets</i>	
Doubtful Assets – Overdue for 90 days and more but less than 120 days	50%
Doubtful Assets – Overdue for 120 days and more	100%
Loss Assets	100%

#### (c) Provisioning Norms for Loans - As Per RBI Guidelines [Non-Banking Financial Companies - Micro Finance Institutions (Reserve Bank) Directions, 2011]

The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of the following:

1% of the outstanding loan portfolio or

50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more.

#### (d) Under exceptional circumstances, Management may renegotiate loans by rescheduling repayment terms for customers who have defaulted in repayment but who appear willing and able to repay their loans under a longer term agreement. Rescheduled Standard Assets are classified / provided for as Sub-Standard Assets as per (b) above which classification / provisioning is retained for a period of 1 year of satisfactory performance. Rescheduled Non Performing Assets are not upgraded but are retained at the original classification / provisioning for a period of 1 year of satisfactory performance.

## 2.20 Provision for Credit Enhancements on Assets De-Recognised

Provision for Credit Enhancements on Assets De-Recognised is made based on Management estimates @ 1.25% of the outstanding amount of assets de-recognised from the books of the Company as at the balance sheet date.

## 2.21 Service tax input credit

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.

Particulars		As at 31 March 2014		As at 31 March 2013	
		No. of Shares	Rs.	No. of Shares	Rs.
<b>3</b>	<b>Share Capital</b>				
<b>(a)</b>	<b>Authorised</b>				
	Equity shares of Rs. 10 each	<b>220,000,000</b>	<b>2,200,000,000</b>	<b>210,000,000</b>	<b>2,100,000,000</b>
<b>(b)</b>	<b>Issued, Subscribed and Fully Paid-up</b>				
	Equity shares of Rs. 10 each	198,750,000	1,987,500,000	198,750,000	1,987,500,000
		<b>198,750,000</b>	<b>1,987,500,000</b>	<b>198,750,000</b>	<b>1,987,500,000</b>

## 3.1 Reconciliation of Shares Outstanding at the beginning and at the end of the Year

Particulars	As at 31 March 2014		31 March 2013	
	No. of Shares	Rs.	No. of Shares	Rs.
At the Beginning of the Year	198,750,000	1,987,500,000	180,266,200	1,802,662,000
Issued during the Year (Refer Note below)	-	-	18,483,800	184,838,000
<b>Outstanding at the End of the Year</b>	<b>198,750,000</b>	<b>1,987,500,000</b>	<b>198,750,000</b>	<b>1,987,500,000</b>

### Note:

On 18 March 2013, the Company allotted 18,483,800 Equity Shares of Rs. 10 each fully paid up at a premium of Rs. 3.5 per Share to Equitas Holdings Private Limited (Holding Company).

## 3.2 Details of Shares held by the Holding Company

Particulars	As at	As at
	31 March 2014	31 March 2013
	No. of Shares	No. of Shares
Equitas Holdings Private Limited, the Holding Company (including shares held by its nominee)	198,750,000	198,750,000

## 3.3 Details of Shareholders holding more than 5% Shares in the Company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of Shares	% Holding	No. of Shares	% Holding
<b>Equity Shares of Rs. 10 each</b> Equitas Holdings Private Limited (including shares held by its nominee)	98,750,000	100%	198,750,000	100%

### 3.4 Disclosure of Rights

The Company has only one class of equity shares having a par value of Rs. 10. Each holder is entitled to one vote per equity share. Dividends are paid in Indian Rupees. Dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders at the Annual General Meeting, except in the case of interim dividend.

Repayment of capital will be in proportion to the number of equity shares held.

### 3.5 Employee Stock Option

Under the Employee Stock Option Scheme (ESOS) - 2012 of the Holding Company, Equitas Holdings Private Limited, which has replaced the existing Employee Stock Option Scheme 2007, 2,497,056 options (As at 31 March 2013 - 3,139,307 options) of the Holding Company granted to some of the employees of the Company are outstanding as at 31 March 2014. As the administrator of the Employee Stock Option Scheme, the Holding Company has informed the Company that there are no costs to be transferred to the Company with respect to the options granted and outstanding as at 31 March 2014.

### 3.6 Issue of Shares without Payment being received in Cash

Pursuant to the Scheme of Arrangement (as consideration for the transfer of assets and liabilities of the Micro Finance Undertaking of EHPL), on 21 January 2012 the Company had allotted 150,000,000 fully paid up equity shares of Rs. 10 each without payment being received in cash to Equitas Holdings Private Limited (EHPL).

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>4 Reserves and Surplus</b>		
<b>4.1 Securities Premium Account</b>		
Opening Balance	64,693,300	-
Add: Premium on Shares issued during the Year	-	64,693,300
<b>Closing Balance</b>	<b>64,693,300</b>	<b>64,693,300</b>
<b>4.2 Statutory Reserve (Refer Note 47)</b>		
Opening Balance	91,660,000	36,560,000
Add: Amount Transferred during the Year from Surplus in the Statement of Profit and Loss	113,100,000	55,100,000
Closing Balance	<b>204,760,000</b>	<b>91,660,000</b>
<b>4.3 General Reserve</b>	39,185,942	39,185,942
<b>4.4 Surplus in the Statement of Profit and Loss</b>		
Opening Balance	365,939,278	145,920,482
Add: Profit After Tax for the Year	565,483,096	275,118,796
Less: Appropriations		
- Transfer to Statutory Reserve	113,100,000	55,100,000
<b>Net Surplus in the Statement of Profit and Loss</b>	<b>818,322,374</b>	<b>365,939,278</b>
	<b>1,126,961,616</b>	<b>561,478,520</b>

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>5 Long Term Borrowings</b>		
(a) Redeemable Non-Convertible Debentures - (Refer Note 5.1)		
Secured	480,000,000	740,000,000
Unsecured - Subordinated Debt	500,000,000	500,000,000
(b) Term Loans - Secured		
From Banks - (Refer Note 5.2)	3,912,739,383	4,485,913,972
From Other Parties - (Refer Note 5.3)	165,743,440	545,500,754
	<b>5,058,482,823</b>	<b>6,271,414,726</b>

### 5.1 Details of Debentures issued by the Company

#### (a) Repayment terms

Coupon Rate	Maturity Date	Debenture details		As at 31 March 2014	As at 31 March 2013	Options Available	Date of Redemption if Option is exercised
		Nos	Face value	Rs.	Rs.		
13.70%	25 September 2015	250	1,000,000	250,000,000	-	Not applicable	Not applicable
11.34%	10 January 2017	280	1,000,000	280,000,000	280,000,000	Put & Call	10 January 2015
13.40%	11 April 2019	230	1,000,000	230,000,000	460,000,000	Put & Call	11 April 2015 & 11 April 2017
13.40%	11 April 2019	230	1,000,000	230,000,000	-	Put & Call	11 April 2014 & 11 April 2016
14.04%	1 June 2019	500	1,000,000	500,000,000	500,000,000	Not applicable	Not applicable
<b>Total</b>				<b>1,490,000,000</b>	<b>1,240,000,000</b>		
Less: Current Maturities of Long Term Borrowings (Refer Note 9) Long term portion				510,000,000	-		
				<b>980,000,000</b>	<b>1,240,000,000</b>		

- (b) The Secured, Redeemable, Non-Convertible Debentures are secured by hypothecation of specified Receivables under Financing Activities.
- (c) The above Non-Convertible Debentures are listed on BSE Limited (Bombay Stock Exchange). Further, the Company has entered into an agreement with IDBI Trusteeship Services Limited to act as Debentures Trustees for the Debentures.
- (d) The Company has not defaulted in the repayment of dues to Debenture holders.



## 5.2 Details of Term Loans from Banks - Secured

- (a) The loans are secured by hypothecation of specified Receivables under Financing Activities and Lien on specified Fixed Deposits with Banks (Refer Note 18 & 21).
- (b) The Company has not defaulted in the repayment of dues to banks.
- (c) As per the terms of agreement entered into by the Company for some of the Borrowings, the Company should not declare / pay dividend to the Shareholders without the express consent from the Banks in case of overdue to the Banks in loan installments / interest payments.
- (d) The details of interest rate, tenor, repayment terms of the Term Loans from Banks are as follows:

S.No.	Tenor (in Months)	Interest Rate (%)	No. of Installments outstanding as on 31 March 2014	Loan Amount as at 31 March 2014 Rs.	Loan Amount as at 31 March 2013 Rs.
1	24	13.00%	-	-	71,428,575
2	24	13.50%	3	57,142,860	171,451,386
3	24	13.25%	4	150,000,000	300,000,000
4	24	11.75%	-	-	120,000,000
5	24	14.25%	4	62,500,000	187,500,000
6	24	14.25%	11	107,142,858	100,000,000
7	24	13.20%	-	-	85,685,142
8	24	13.10%	11	48,571,429	85,000,000
9	24	14.00%	8	124,999,981	78,260,860
10	24	14.00%	23	425,000,000	250,000,000
11	27	13.85%	11	135,416,674	250,000,000
12	27	13.85%	14	156,249,991	250,000,000
13	24	13.70%	11	317,489,203	250,000,000
14	24	14.00%	11	57,142,858	100,000,000
15	24	14.00%	11	342,857,142	300,000,000
16	24	14.00%	-	-	68,568,000
17	63	13.75%	19	158,729,661	253,968,246
18	60	13.25%	35	666,666,670	888,888,890
19	60	12.75%	41	388,889,383	500,000,000
20	60	13.00%	41	388,888,891	500,000,000
21	24	13.00%	3	250,000,001	500,000,000
22	24	13.25%	3	24,999,997	50,000,000
23	24	13.25%	2	140,474,641	428,459,774
24	36	14.00%	18	336,784,025	562,211,827
25	24	13.50%	4	142,900,000	125,000,000

S.No.	Tenor (in Months)	Interest Rate (%)	No. of Installments outstanding as on 31 March 2014	Loan Amount as at 31 March 2014 Rs.	Loan Amount as at 31 March 2013 Rs.
26	35	13.25%	8	62,522,688	156,306,765
27	24	13.00%	1	500,000,000	500,000,000
28	24	13.75%	12	228,571,429	400,000,000
29	24	13.50%	2	100,000,000	300,000,000
30	24	13.00%	-	-	57,142,000
31	24	13.25%	4	85,710,000	150,000,000
32	24	13.50%	8	468,750,000	-
33	24	13.25%	7	150,000,000	-
34	24	13.65%	20	581,250,000	-
35	27	13.65%	22	217,500,000	-
36	24	13.70%	23	300,000,000	-
37	24	14.00%	24	214,285,000	-
38	36	13.80%	6	200,000,000	-
39	24	12.70%	11	200,000,000	-
40	24	12.05%	20	250,000,000	-
41	24	13.00%	7	988,094,748	-
42	24	13.50%	22	500,000,000	-
43	24	13.50%	18	370,000,000	-
44	24	13.90%	6	337,500,000	-
45	24	13.65%	8	250,000,000	-
46	24	13.25%	7	200,000,000	-
	<b>Total</b>			<b>10,687,030,130</b>	<b>8,039,871,465</b>
	Less : Current Maturities of Long-Term Borrowings (Refer Note 9)			(6,774,290,747)	(3,553,957,493)
	Long Term Borrowings from Banks			<b>3,912,739,383</b>	<b>4,485,913,972</b>

**Notes:**

- (i) Interest rates are on floating / fixed rate basis and is payable on monthly basis. The interest rates disclosed above represents the rate of interest as at 31 March 2014. The repayment of principal portion is on monthly, quarterly and / or bullet basis.
- (ii) In addition to the hypothecation of specified Receivables under financing activities, the above Long Term loans from Banks amounting to Rs. 2,780,458,792 (Previous Year - Rs. 4,808,637,924) (including the Current Maturities of Long Term Borrowings) are guaranteed by Equitas Holdings Private Limited (Holding Company).
- (iii) In addition to the hypothecation of specified Receivables under financing activities, the other free assets of the Company have also been provided as collateral security.

### 5.3 Details of Term Loans from Other Parties - Secured

- (a) The loans are secured by hypothecation of specified Receivables under Financing Activities and Lien on specified Inter-Corporate Deposits (Refer Note 17 & 22).
- (b) The Company has not defaulted in the repayment of dues relating to Term Loans from other parties.
- (c) The details of interest rate, tenor, repayment terms of the Term Loans from other parties are as follows:

S.No.	Tenor (in Months)	Interest Rate (%)	No. of Installments outstanding as on 31 March 2014	Loan Amount as at 31 March 2014 Rs.	Loan Amount as at 31 March 2013 Rs.
1	36	13.50%	-	-	41,768,813
2	48	13.50%	-	-	19,200,000
3	48	12.00%	2	12,499,930	62,499,970
4	61	11.75%	17	297,798,400	496,330,800
5	20	15.00%	3	34,000,000	100,000,000
6	24	13.75%	11	185,714,400	125,000,000
7	24	14.60%	4	67,545,114	213,923,778
8	24	14.60%	8	62,228,596	144,979,474
				<b>659,786,440</b>	<b>1,203,702,835</b>
	Less : Current Maturities of Long-Term Borrowings (Refer Note 9)			(494,043,000)	(658,202,081)
	<b>Long Term Borrowings from Other Parties</b>			<b>165,743,440</b>	<b>545,500,754</b>

#### Notes:

- (i) Interest rates are on both fixed / floating rate basis and is payable on monthly basis. The interest rates disclosed above represents the rate of interest as at 31 March 2014. The repayment of principal portion is on monthly and quarterly basis.
- (ii) In addition to the hypothecation of specified Receivables under financing activities, the above Long Term loans from other parties amounting to Rs. 440,072,040 (Previous Year - Rs.978,702,835) (including the Current Maturities of Long Term Borrowings) are guaranteed by Equitas Holdings Private Limited (Holding Company).

Particulars		As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>6</b>	<b>Other Long Term Liabilities</b>		
	Unamortised Income		
	- Processing Fee	36,762,183	25,347,620
	- Interest Strip Retained on Securitisation of Receivables	31,219,418	19,102,063
		<b>67,981,601</b>	<b>44,449,683</b>

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>7 Long Term Provisions</b>		
<b>Provision - Employee Benefits</b>		
Provision for Gratuity	-	18,610,683
<b>Provision - Others</b>		
Contingent Provision for Standard Receivables under Financing Activities	46,726,475	32,979,310
Provision for Sub-standard and Doubtful Receivables under Financing Activities	118,904	142,714
Provision for Credit Enhancements on Assets De-Recognised	8,946,413	5,294,584
	<b>55,791,792</b>	<b>57,027,291</b>

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>8 Short Term Borrowings</b>		
Redeemable Non-Convertible Debentures (Secured) (Refer Note 8.1)	250,000,000	-
Cash Credit from Bank - Secured	88,389,991	99,799,253
	<b>338,389,991</b>	<b>99,799,253</b>

#### 8.1 Details of Debentures issued by the Company

- (a) 250 13.70% Secured, Redeemable, Transferable, Non-Convertible Debentures of Rs. 1,000,000 each through Private Placement for an aggregate amount of Rs. 250,000,000 are redeemable at par on 25 September 2014 and interest is payable on a half yearly basis.
- (b) The Secured, Redeemable, Non-Convertible Debentures are secured by hypothecation of specified Receivables under Financing Activities.
- (c) The above Non-Convertible Debentures are listed on BSE Limited (Bombay Stock Exchange). Further, the Company has entered into an agreement with IDBI Trusteeship Services Limited to act as Debentures Trustees for the Debentures.
- (d) The Company has not defaulted in the repayment of dues to Debenture holders.

#### 8.2 Details of Term Loans from Bank - Secured

- (a) The Loan is secured by hypothecation of specified Receivables under Financing Activities.
- (b) The Company has not defaulted in the repayment of dues to Bank.
- (c) The details of interest rate, tenor, repayment terms of the Short Term Borrowings are as follows:

S.No.	Tenor	Interest Rate	Repayment Terms	Loan Amount as at 31 March 2014 Rs	Loan Amount as at 31 March 2013 Rs
1	12 Months	13.95%	Repayable on demand	88,389,991	99,799,253
				<b>88,389,991</b>	<b>99,799,253</b>

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>9 Current Maturities of Long Term Borrowings</b>		
Redeemable Non-Convertible Debentures (Refer Note 5.1)	510,000,000	-
Term Loans - Secured		
From Banks - (Refer Note 5.2)	6,774,290,747	3,553,957,493
From Other Parties - (Refer Note 5.3)	494,043,000	658,202,081
	<b>7,778,333,747</b>	<b>4,212,159,574</b>

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>10 Trade Payables</b>		
Trade Payables - Other than Acceptances (Refer Note 36)	93,413,078	64,251,118
	<b>93,413,078</b>	<b>64,251,118</b>

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>11 Other Current Liabilities</b>		
Security Deposits Received	-	2,400,000
Gratuity (Net) (Refer Note 31.2)	181,423	-
Advances Instalments from Borrowers	1,775,643	867,305
Interest Accrued But Not Due on Borrowings	140,591,468	96,021,471
Unamortised Income		
- Processing Fee	100,602,728	77,897,656
- Interest Strip Retained on Assignment of Receivables	-	45,662,550
- Interest Strip Retained on Securitisation of Receivables	273,710,712	179,418,513
Statutory Remittances (PF, ESI, TDS etc.)	17,381,015	12,192,447
Amount Payable to Assignees for Assets De-recognised	-	115,091,967
Amount Payable to Special Purpose Vehicle for Assets De-recognised	302,819,687	133,421,852
	<b>837,062,676</b>	<b>662,973,761</b>

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>12 Short Term Provisions</b>		
Provision - Employee Benefits		
Provision for Compensated Absences	61,782,142	41,686,500
Provision for Gratuity (Refer Note 31.2)	-	682,457
Provision - Others (Refer Note 39)		
Contingent Provision for Standard Receivables under Financing Activities	101,335,582	75,024,926
Provision for Sub-standard and Doubtful Receivables under Financing Activities	8,677,127	1,148,272
Provision for Credit Enhancements on Assets De-Recognised	30,720,814	28,843,243
	<b>202,515,665</b>	<b>147,385,398</b>

### 13 Fixed Assets

in Rupees

Current year:

Particulars	Gross Block				Accumulated Depreciation and Amortisation				Net Block	
	Balance as at 1 April 2013 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31 March 2014 Rs.	Balance as at 1 April 2013 Rs.	For the year Rs.	Eliminated on Disposal of Assets Rs.	Balance as at 31 March 2014 Rs.	Balance as at 31 March 2014 Rs.	Balance as at 31 March 2013 Rs.
<b>13.1 Tangible Assets - Owned</b>										
Leasehold Improvements	22,990,470	1,723,190	-	24,713,660	20,755,518	1,941,809	-	22,697,327	2,016,333	2,234,952
Computer Equipment	91,855,354	8,798,577	373,251	100,280,680	74,836,980	13,484,700	327,204	87,994,476	12,286,204	17,018,374
Furniture and Fixtures	20,115,056	3,415,735	12,826	23,517,965	18,833,319	2,898,908	12,826	21,719,401	1,798,564	1,281,737
Office Equipment	15,190,639	3,350,973	561,686	17,979,926	11,201,985	3,404,640	555,166	14,051,459	3,928,467	3,988,654
Vehicles	2,672,802	3,712,268	442,599	5,942,471	1,461,296	1,015,303	202,428	2,274,171	3,668,300	1,211,506
<b>Sub-Total</b>	<b>152,824,321</b>	<b>21,000,743</b>	<b>1,390,362</b>	<b>172,434,702</b>	<b>127,089,098</b>	<b>22,745,360</b>	<b>1,097,624</b>	<b>148,736,834</b>	<b>23,697,868</b>	<b>25,735,223</b>
<b>Intangible Assets - Acquired</b>										
Computer Software	50,562,142	2,571,271	-	53,133,413	44,387,755	6,610,034	-	50,997,789	2,135,624	6,174,387
<b>Sub-Total</b>	<b>50,562,142</b>	<b>2,571,271</b>	<b>-</b>	<b>53,133,413</b>	<b>44,387,755</b>	<b>6,610,034</b>	<b>-</b>	<b>50,997,789</b>	<b>2,135,624</b>	<b>6,174,387</b>
<b>Grand Total</b>	<b>203,386,463</b>	<b>23,572,014</b>	<b>1,390,362</b>	<b>225,568,115</b>	<b>171,476,853</b>	<b>29,355,394</b>	<b>1,097,624</b>	<b>199,734,623</b>	<b>25,833,492</b>	<b>31,909,610</b>

Previous year:

Particulars	Gross Block				Accumulated Depreciation and Amortisation				Net Block	
	Balance as at 1 April 2012 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31 March 2013 Rs.	Balance as at 1 April 2012 Rs.	For the year Rs.	Eliminated on Disposal of Assets Rs.	Balance as at 31 March 2013 Rs.	Balance as at 31 March 2012 Rs.	Balance as at 31 March 2012 Rs.
<b>13.1 Tangible Assets - Owned</b>										
Leasehold Improvements	22,083,102	907,368	-	22,990,470	16,266,694	4,488,824	-	20,755,518	2,234,952	5,816,408
Computer Equipment	84,873,367	8,067,865	1,085,878	91,855,354	55,976,101	19,917,792	1,056,913	74,836,980	17,018,374	28,897,266
Furniture and Fixtures	18,273,695	2,188,176	346,815	20,115,056	15,875,016	3,305,118	346,815	18,833,319	1,281,737	2,398,679
Office Equipment	12,879,966	2,684,025	373,352	15,190,639	8,457,741	3,114,101	369,857	11,201,985	3,988,654	4,422,225
Vehicles	4,011,574	-	1,338,772	2,672,802	1,171,345	844,958	555,007	1,461,296	1,211,506	2,840,229
<b>Total</b>	<b>142,121,704</b>	<b>13,847,434</b>	<b>3,144,817</b>	<b>152,824,321</b>	<b>97,746,897</b>	<b>31,670,793</b>	<b>2,328,592</b>	<b>127,089,098</b>	<b>25,735,223</b>	<b>44,374,807</b>
<b>Intangible Assets - Acquired</b>										
Computer Software	52,558,387	1,084,311	3,080,556	50,562,142	35,085,541	12,382,770	3,080,556	44,387,755	6,174,387	17,472,846
<b>Sub-Total</b>	<b>52,558,387</b>	<b>1,084,311</b>	<b>3,080,556</b>	<b>50,562,142</b>	<b>35,085,541</b>	<b>12,382,770</b>	<b>3,080,556</b>	<b>44,387,755</b>	<b>6,174,387</b>	<b>17,472,846</b>
<b>Grand Total</b>	<b>194,680,091</b>	<b>14,931,745</b>	<b>6,225,373</b>	<b>203,386,463</b>	<b>132,832,438</b>	<b>44,053,563</b>	<b>5,409,148</b>	<b>171,476,853</b>	<b>31,909,610</b>	<b>61,847,653</b>

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>14 Non-Current Investments - Trade - Unquoted, at Cost</b>		
<b>Investment in Equity Shares</b>		
Alpha Micro Finance Consultants Private Limited 200,000 (As at 31 March 2013 - 200,000) Equity Shares of Rs. 10 each fully paid	2,000,000	2,000,000
<b>Investment Others</b>		
11% Pass Through Certificates of Series A2 Equitas Microloans Pool ABL - February 2013 - Nil (As at 31 March 2013 - 3,400) Units	-	34,012,093
	<b>2,000,000</b>	<b>36,012,093</b>
Aggregate amount of unquoted investments - Cost	<b>2,000,000</b>	<b>36,012,093</b>

#### 15 Deferred Tax Assets

The Deferred Tax Asset of Rs. 102,040,604 as at 31 March 2014 has arisen on account of the following:

Particulars	As at 1 April 2013 Rs.	Credit / (Charged) Rs.	As at 31 March 2014 Rs.
<b>Deferred Tax Assets</b>			
Difference between depreciation as per Books of Account and Income Tax Act, 1961	4,741,584	2,875,948	7,617,532
Contingent Provision for Standard Assets under Financing Activities	36,710,640	13,615,653	50,326,293
Provision for Sub-Standard and Doubtful Receivables under Financing Activities	438,806	2,550,965	2,989,771
Provision for Credit Enhancements on Assets De- Recognized	11,603,447	1,879,443	13,482,890
Employee Benefits	19,618,340	4,707,678	24,326,018
Others	3,082,111	215,989	3,298,100
<b>Deferred Tax Assets</b>	<b>76,194,928</b>	<b>25,845,676</b>	<b>102,040,604</b>



Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>16 Long Term Receivables Under Financing Activities</b> (Represents Installments Due after one year from the reporting date)		
Micro Finance Loans - Unsecured	3,688,769,085	2,637,734,069
Micro Finance Loans Subordinated as Credit Enhancements for Assets De-Recognised - Unsecured	49,722,876	-
Gold Loans - Secured	-	964,510
	<b>3,738,491,961</b>	<b>2,638,698,579</b>
<b>Note:</b> Of the above:		
Considered Good	3,738,117,974	2,638,344,799
Considered Doubtful (Sub-Standard and Doubtful Receivables under Financing Activities as per Company's Provisioning Norms) (Refer Note 7 for Provision for Sub-Standard and Doubtful Receivables under Financing Activities)	373,987	353,780

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>17 Long Term Loans and Advances</b>		
Capital advance - Unsecured, Considered Good	3,000,000	-
Security Deposits (Also Refer Note 37(a))		
- Unsecured, Considered Good	38,848,085	29,661,260
- Unsecured, Considered Doubtful	328,500	-
	<b>39,176,585</b>	<b>29,661,260</b>
Less : Provision for Doubtful Deposits	328,500	-
	<b>38,848,085</b>	<b>29,661,260</b>
Loans to Related Parties (Refer Note 33.2)	9,450,633	48,646,896
- Unsecured, Considered Good		
Loans to Employees		
- Secured, Considered Good	1,279,716	1,233,916
- Unsecured, Considered Good	1,143,586	1,421,399
	<b>2,423,302</b>	<b>2,655,315</b>
Inter Corporate Deposits Under Lien (Refer Note 17.1 below)	66,610,000	77,924,000
- Unsecured, Considered Good		
Receivables from Special Purpose Vehicle's for Assets De-recognised - Unsecured, Considered Good	-	35,120,833
Advance Income Tax [Net of Provision for Income Tax Rs. 584,600,200 (Previous Year Rs. 264,300,200)]	7,717,972	1,615,395
	<b>128,049,992</b>	<b>195,623,699</b>

**Note:**

17.1 Inter Corporate Deposits under lien are for the Term Loans obtained from Other parties.

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>18 Other Non-Current Assets</b>		
Interest Strip Retained on Securitisation of Receivables	31,219,418	19,102,063
Interest Accrued But Not Due		
- on Deposits with Banks / Others	33,829,220	23,520,066
- on Pass through Certificates	390,360	390,361
Bank Deposits under Lien having Maturity after 12 months	468,731,000	411,470,000
	<b>534,169,998</b>	<b>454,482,490</b>
<b>Note:</b>		
Bank Deposits under Lien		
- Cash Collateral for Assets De-recognised	368,731,000	236,470,000
- Cash Collateral for Term Loans obtained from Banks	100,000,000	175,000,000

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>19 Current Investments</b>		
Current portion of long-term investments (At cost):		
11% Pass Through Certificates of Series A2 Equitas Microloans Pool ABL - February 2013 - 3,400 (As at 31 March 2013 - Nil) Units	34,012,093	-
11.40% Pass Through Certificates of Series A2 ZEUS IFMR Capital 2012) - Nil (As at 31 March 2013 - 3,932) Units	-	39,473,348
	<b>34,012,093</b>	<b>39,473,348</b>

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>20 Short Term Receivables Under Financing Activities</b>		
Micro Finance Loans - Unsecured		
- Installments due within one year from the reporting date	8,092,158,739	6,000,410,642
Micro Finance Loans Subordinated as Credit Enhancements for Assets De-Recognised - Unsecured	18,133,492	-
Installments overdue on Micro Finance Loans - Unsecured		
- More than six months from the date they were due for payment	5,460,039	55,465
- Others	2,201,633	1,518,373

	Gold Loans - Secured - Installments due within one year from the reporting date	208,217	2,587,028
		<b>8,118,162,120</b>	<b>6,004,571,508</b>
	Note: Of the above: - Considered Good	8,106,846,581	6,002,597,715
	- Others (Sub-Standard and Doubtful Receivables under Financing Activities as per Company's Provisioning Norms (Refer Note 12 for Provision for Sub-Standard and Doubtful Receivables under Financing Activities))	11,315,539	1,973,793
	Percentage of Gold Loans to Total Assets (including Long Term Receivables Under Financing Activities)	0.0012%	0.0252%
20.1	Percentage of Gold Loans to Total Assets (including Long Term Receivables Under Financing Activities)	0.0012%	0.0252%

	Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>21</b>	<b>Cash and Cash Equivalents</b>		
	Cash on Hand	64,340	35,520
	Balances with Banks		
	- In Current Accounts	2,110,219,580	1,919,812,107
	- In Deposits Accounts - Free of Lien	1,250,000,000	1,545,000,000
	- In Deposits Accounts - Under Lien	293,970,000	461,410,000
	(Refer Note (b))		
	Total	<b>3,654,253,920</b>	<b>3,926,257,627</b>
	Notes:		
(a)	Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements is	3,360,283,920	2,569,847,627
(b)	Deposit Accounts under Lien:		
	- Cash Collateral for Assets De-recognised	236,470,000	461,410,000
	- Cash Collateral for Term Loans obtained from Banks	57,500,000	-
(c)	Deposits of Original Maturity of more than 3 Months	-	895,000,000

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>22 Short Term Loans and Advances</b>		
Loans to Related Parties (Refer Note 33.2) - Unsecured, Considered Good	7,349,411	18,916,927
Loans and Advances to Employees - Secured, Considered Good	2,718,152	2,938,592
- Unsecured, Considered Good	4,397,409	4,891,813
- Unsecured, Considered Doubtful	1,883,895	909,387
	8,999,456	8,739,792
Less : Provision for Doubtful Loans and advances to Employees	1,883,895	909,387
	7,115,561	7,830,405
Prepaid Expenses - Unsecured, Considered Good	24,507,296	19,263,567
Balances with Government Authorities -Service Tax Input Credit - Unsecured, Considered Good	3,221,547	2,217,499
Inter Corporate Deposits Under Lien (Refer Note 22.1 below) - Unsecured, Considered Good	17,924,000	4,000,000
Inter Corporate Deposits with related parties (Refer Note 33.2) - Unsecured, Considered Good	530,000,000	-
Travel and Other Advances - Unsecured, Considered Good	6,580,899	6,452,836
Receivables from Assignees for Assets De- recognised - Unsecured, Considered Good	-	234,957,677
Receivables from Special Purpose Vehicles for Assets De-recognised - Unsecured, Considered Good	185,748,368	26,609,910
	<b>782,447,082</b>	<b>320,248,821</b>
<b>Note:</b>		
22.1 Inter Corporate Deposits under lien are for the Term Loans obtained from Other parties.		

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>23 Other Current Assets</b>		
Gold Coins	7,212	14,425
Interest Accrued But Not Due - on Receivables under Financing Activities	128,182,227	92,284,279
- on Loans given to Related Parties	65,687	640,860
- on Deposits with Banks / Others	13,034,720	53,391,006
- on Pass through Certificates	390,360	1,815,477
Interest Strip Retained on Assignment of Receivables	-	45,662,550

Interest Strip Retained on Securitisation of Receivables	273,710,712	179,418,513
Insurance Claims Receivable		
- Considered Good	11,580,809	11,739,511
- Considered Doubtful	1,721,238	4,599,625
	13,302,047	16,339,136
Less : Provision for Doubtful Claims	1,721,238	4,599,625
	11,580,809	11,739,511
	<b>426,971,727</b>	<b>384,966,621</b>

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>24 Revenue from Operations</b>		
Interest Income from Loans	2,820,169,063	1,861,906,405
Processing and Other Fees	116,352,508	60,302,859
Interest spread on Securitisation / Assignment of Receivables	265,863,688	233,786,934
Other Operating Revenues		
- Interest Income on Fixed Deposits with Banks / Others	132,502,298	76,817,339
- Interest Income on Pass Through Certificates	2,514,807	2,205,838
- Loss Assets Recovered	1,027,454	15,185
- Gain on Sale of Current Investments in Mutual Funds	23,418,970	37,218,479
" - Grant from International Finance Corporation (Refer Note 24.1)"	8,064,600	7,595,600
	<b>3,369,913,388</b>	<b>2,279,848,639</b>

**Note:**

24.1 The Company has entered into a Grant Agreement dated 28 June 2012 with International Finance Corporation (IFC) to expand access to financial services among low income households in India for which, the Company is eligible to receive a revenue grant of USD 300,000 over a period of 3 years, subject to the Company meeting the 'Performance Indicators' set out in the agreement. During the year, on achievement of the 'Performance Indicators' the Company has received and accounted an amount of USD 140,000 (equivalent Rs. 8,064,600) previous year USD 140,000 (equivalent Rs. 7,595,600) as Grant for the year ended 31 March 2014.

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
<b>25 Other Income</b>		
Interest Income		
- on Loans / Deposits to Related Parties	43,451,282	17,043,127
- on Loans to Employees	1,484,336	1,480,569
Miscellaneous Income	1,353,273	327,795
<b>Total</b>	<b>46,288,891</b>	<b>18,851,491</b>

Particulars	For the Year Ended	For the Year Ended
	31 March 2014	31 March 2013
	Rs.	Rs.
<b>26 Employee Benefits Expense</b>		
Salaries	521,993,553	443,822,055
Contribution to Provident Fund	28,840,715	25,002,600
Gratuity Expenses	9,933,177	7,172,393
Staff Welfare Expenses	72,785,240	57,422,084
	<b>633,552,685</b>	<b>533,419,132</b>

Particulars	For the Year Ended	For the Year Ended
	31 March 2014	31 March 2013
	Rs.	Rs.
<b>27 Finance Costs</b>		
Interest on Loans	1,255,897,340	781,718,057
Interest on Debentures	202,495,755	140,377,828
Loan Processing Fees and Other Borrowing Costs	14,996,500	27,297,954
	<b>1,473,389,595</b>	<b>949,393,839</b>

Particulars	For the Year Ended	For the Year Ended
	31 March 2014	31 March 2013
	Rs.	Rs.
<b>28 Provisions &amp; Write offs</b>		
Contingent Provision for Standard Receivables Under Financing Activities (Net)	40,057,821	44,349,713
Provision for Sub-standard and Doubtful Receivables Under Financing Activities (Net)	7,505,045	3,098,076
Provision for Credit Enhancements on Assets De- Recognised (Net)	5,529,400	8,153,398
Loss Assets Written Off	2,017,117	70,614,909
Release from Provision for Sub-standard and Doubtful Receivables Under Financing Activities	-	(66,289,100)
	2,017,117	4,325,809
	<b>55,109,383</b>	<b>59,926,996</b>

Particulars	For the Year Ended	For the Year Ended
	31 March 2014	31 March 2013
	Rs.	Rs.
<b>29 Other Expenses</b>		
Rent (Refer Note 34)	34,285,364	29,668,231
Electricity Charges	6,028,421	5,763,737
Rates and Taxes	13,651,173	11,845,004
Insurance	795,102	1,392,523
Software & Other Maintenance Expenses	33,249,565	28,791,092
Repairs and Maintenance - Others	9,221,176	7,075,024
Cash Management Charges	39,655,905	28,556,488
Travelling and Conveyance	84,046,496	60,934,904
Communication Expenses	37,990,802	30,412,919
Printing and Stationery	32,489,150	25,996,601
Centre Leader Fees	50,849	15,551,345
Advertisement and Business Promotion	4,120,893	3,246,578

Legal and Professional Charges	21,904,503	17,925,796
Non Executive Directors Remuneration and Sitting Fees	6,605,000	4,867,300
Donations (Refer Note 46)	28,274,000	13,756,000
Auditors' Remuneration (Net of Service Tax)		
- Statutory Audit	1,525,000	1,300,000
- Limited Review	375,000	375,000
- Tax Audit	300,000	300,000
- Certification	185,000	415,000
- Reimbursement of Expenses	12,730	3,937
Employee Loans and Advances / Insurance Claims Written off	2,548,977	-
Less : Release from Provision for Doubtful Employee Loans and Advances / Insurance Claims	(2,548,977)	-
	-	-
Provision for Doubtful Employee Loans / Insurance Claims (Net)	973,598	1,964,650
Prompt Payment Rebate (Net)	88,624	10,342,607
Bank Charges	1,944,139	1,605,279
Miscellaneous Expenses	7,085,312	3,142,959
	<b>364,857,802</b>	<b>305,232,974</b>

### 30 Assignment / Securitisation

#### 30.1 Bilateral Assignment of Receivables:

The Company has entered into certain bilateral assignments with Banks / NBFCs and the transactions have been accounted for in accordance with the Accounting Policy of the Company (Refer Note 2.6 (c)). The details of these assignment transactions are given below:

Particulars	For the Year Ended	For the Year Ended
	31 March 2014	31 March 2013
	Rs.	Rs.
Interest spread Recognised in the Statement of Profit and Loss during the Year (including amortization of Unamortised Income)	32,826,465	187,800,560

Particulars	As at	As at
	31 March 2014	31 March 2013
	Rs.	Rs.
Total Outstanding amount of Assets De-recognised as at year end	-	736,924,339
Un-amortised Income as at year end	-	45,662,550
Cash Collaterals as at year end	-	386,480,000
Excess Interest Spread Receivable Subordinated as Credit Enhancements for Assets De-Recognised as at year end	-	280,620,227

### 30.2 Securitization of Assets:

As per the RBI Guidelines on Securitization on Standard Assets issued on 6 February 2006, the details of Assets De-recognised by way of securitisation is as under:

Particulars	For the Year Ended	For the Year Ended
	31 March 2014	31 March 2013
	Rs.	Rs.
Total Number of Loan Assets Securitized during the Year	366,250	239,349
Book Value of Loans Assets Securitized during the Year	3,109,699,730	2,294,313,920
Micro Finance Loans Subordinated as Credit Enhancements for Assets De-Recognised	67,856,368	-
Sale Consideration Received during the Year	3,109,699,730	2,294,313,920
Quantum of Credit Enhancement provided during the Year in the form of Deposits	368,731,000	311,400,000
Un-amortised Income as at year end	304,930,130	198,520,576
Interest spread Recognised in the Statement of Profit and Loss during the Year (including amortization of Unamortised Income)	233,037,223	45,986,374

### 30.3 Disclosures Pursuant to Reserve Bank of India Guidelines on Securitization Transactions RBI//2012-13/170 DNBS. PD. No. 301/3.10.01/2012-13 dated 21 August 2012

S. No.	Particulars	As at	As at
		31 March 2014	31 March 2013
		Number / Rs.	Number / Rs.
1	No of Special Purpose Vehicle's (SPV's) sponsored by the NBFC for securitisation transactions (Nos.)	7	3
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	3,173,399,672	1,966,412,927
3	Total amount of exposures retained by the NBFC to comply with Minimum Retention Ratio (MRR) as on the date of balance sheet		
	a) Off-balance sheet exposures		
	- First loss	-	-
	- Others	-	-
	b) On-balance sheet exposures		
	- First loss (Cash Colateral)	605,201,000	311,400,000
	- First loss (Micro Finance Loans)	67,856,368	-
	- Others (Investment in Pass through Certificates)	34,012,093	73,485,441
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitisations		
	- First loss	-	-
	- Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	- First loss	-	-
	- Others (Receivables from SPV's for Assets De-recognised)	152,628,821	61,730,743
	ii) Exposure to third party securitisations		
	- First loss	-	-
	- Others	-	-



**Note :**

The above disclosure is provided based on the certified statement provided by the Trustee of the SPV's who have purchased the Securitised Assets.

**31 Employee Benefits**

**31.1 Defined Contribution Plan**

The Company makes Provident Fund contributions to State administered fund for qualifying employees. The Company is required to contribute a specified percentage of the payroll costs to the Fund. The Company recognised Rs. 28,840,715 (Previous Year: Rs. 25,002,600) towards Provident Fund contributions in the Statement of Profit and Loss. The contributions payable to the fund by the Company is at rates specified in the rules of the scheme.

**31.2 Defined Benefit Plans**

During the year ended 31 March 2014, the Company has funded its gratuity scheme for its employees. Gratuity provision has been made based on the actuarial valuation done as at the year end. The details of actuarial valuation as provided by the Independent Actuary is as follows:

Particulars	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
<b>Change in defined benefit obligations during the Year</b>		
Present value of Defined Benefit Obligation at beginning of the Year	19,293,140	12,120,747
Current Service Cost	8,742,528	6,847,503
Interest cost	2,767,391	1,030,263
Benefits Paid	(1,258,044)	-
Actuarial (Gains)	(1,576,742)	(705,373)
<b>Present value of Defined Benefit Obligation at End of the Year</b>	<b>27,968,273</b>	<b>19,293,140</b>
<b>Change in Fair Value of Assets during the Year</b>		
Plan Assets at Beginning of the Year	-	-
Expected Return on Plan Assets	1,180,941	-
Actual Company Contributions	27,786,850	-
Actuarial loss	(1,180,941)	-
<b>Plan Assets at End of the Year</b>	<b>27,786,850</b>	<b>-</b>
<b>Liability Recognised in the Balance Sheet</b>		
Present Value of Defined Benefit Obligation	27,968,273	19,293,140
Fair Value of Plan Assets	27,786,850	-
<b>Net Liability Recognised in the Balance Sheet</b>	<b>181,423</b>	<b>19,293,140</b>
<b>Cost of Defined Benefit Plan for the Year</b>		
Current Service Cost	8,742,528	6,847,503
Interest Cost	2,767,391	1,030,263
Expected Return on Plan Assets	(1,180,941)	-
Net Actuarial Gains	(395,801)	(705,373)
<b>Net Cost Recognized in the Statement of Profit and Loss</b>	<b>9,933,177</b>	<b>7,172,393</b>
<b>Return on Plan Assets</b>	<b>1,180,941</b>	<b>-</b>

Particulars	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
<b>Assumptions</b>		
Discount Rate (Refer Note (b))	8.50%	8.50%
Interest Rate (Rate of Return on Assets)	8.50%	NA
Future Salary Increase (Refer Note (a))	10.00%	10.00%
Mortality Table	Indian Assured Lives (2006 -08)	Indian Assured Lives (2006 -08)
Attrition rate (Refer Note (a))	20.00%	20.00%

**Notes:**

- The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors. Further, the Management revisits the assumptions such as attrition rate, salary escalation etc., taking into account, the business conditions, various external/internal factors affecting the Company.
- Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.
- Experience Adjustments:

Particulars	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.	For the Year Ended 31 March 2012 Rs.
Projected Benefit Obligation	27,968,273	19,293,140	12,120,747
Fair Value of Plan Assets	27,786,850	-	-
Surplus/(Deficit)	(181,423)	(19,293,140)	(12,120,747)
Experience Adjustments on Plan Liabilities - Gains	1,576,742	(705,373)	(1,948,638)
Experience Adjustments on Plan Assets - Loss	(1,180,941)	-	-

The Company had only one employee upto the year ended 31 March 2011 and accordingly the provisions of Payment of Gratuity Act, 1972 were not applicable to the Company. Hence, the details of the experience adjustments prior to year ended 31 March 2012 is not applicable.

- The entire plan assets are managed by LIC. The data on plan assets has not been furnished by LIC and hence there are no disclosures in this regard.
- Estimated amount of contribution to the funds during the year ended 31 March, 2015 as estimated by the management is Rs. 10,000,000.

### 31.3 Compensated Absences

The key assumptions used in the computation of provision for long term compensated absences as per the Actuarial Valuation done by an Independent Actuary are as given below:

Particulars	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
<b>Assumptions</b>		
Discount Rate	8.50%	8.50%
Future Salary Increase	10.00%	10.00%
Mortality Rate	Indian Assured Lives (2006 -08)	Indian Assured Lives (2006 -08)
Attrition rate	20.00%	20.00%

### 32 Segment Reporting

The Company is primarily engaged in the business of Micro Finance in India. All the activities of the Company revolve around the main business. As such there are no separate business and geographic reportable segments as per AS-17 "Segment Reporting".

### 33 Related Party Transactions

#### 33.1 Names of Related Parties and Nature of Relationship

Description of Relationship	As at 31 March 2014	As at 31 March 2013
Holding Company	Equitas Holdings Private Limited	Equitas Holdings Private Limited
Fellow Subsidiaries	Equitas Finance Private Limited Equitas Housing Finance Private Limited Equitas B2B Trading Private Limited	Equitas Finance Private Limited Equitas Housing Finance Private Limited Equitas B2B Trading Private Limited
Entities where the Holding Company has Control	Equitas Dhanyakosha India Equitas Development Initiatives Trust	Equitas Dhanyakosha India Equitas Development Initiatives Trust
Key Management Personnel	Mr. P.N.Vasudevan, Managing Director	Mr. P.N.Vasudevan, Managing Director

**Note:**

Related party relationships are as identified by the Management.

#### 33.2 Transactions with the Related Parties

Transaction	Related Party	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
<b>Income</b>			
Interest on Loans / Deposit to Related Party	Equitas Finance Private Limited	17,853,150	9,485,479
	Equitas Housing Finance Private Limited	18,555,342	-
	Equitas Development Initiatives Trust	2,128,749	2,318,604
	Equitas Dhanyakosha India	4,914,041	5,239,044
Guarantee Commission	Equitas Dhanyakosha India	18,491	44,630

Transaction	Related Party	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
Recovery of Expenses	Equitas Holdings Private Limited	2,282,241	844,057
	Equitas Finance Private Limited	46,194,004	36,471,910
	Equitas Housing Finance Private Limited	5,027,455	6,734,296
	Equitas B2B Trading Private Limited	1,022	-
	Equitas Dhanyakosha India	746,908	6,056,277
	Equitas Development Initiatives Trust	116,345	278,244
<b>Expenses</b>			
Staff Welfare Expenses	Equitas Dhanyakosha India	117,461	59,292
Reimbursement of Expenses	Equitas Housing Finance Private Limited	223,549	188,461
	Equitas Holdings Private Limited	362,512	81,982
	Equitas Finance Private Limited	2,261,970	972,035
Remuneration to Key Managerial Personnel	Mr. P.N.Vasudevan	4,859,516	4,815,000
Donation	Equitas Development Initiatives Trust	28,274,000	13,756,000
<b>Other Transactions</b>			
Issue of Equity Shares (including Securities Premium)	Equitas Holdings Private Limited	-	249,531,300
Loans Given	Equitas Dhanyakosha India	11,000,000	22,000,000
	Equitas Development Initiatives Trust	5,500,000	11,700,000
Loans Recovered	Equitas Dhanyakosha India	57,730,255	10,035,141
	Equitas Development Initiatives Trust	14,314,158	3,054,286
Inter Corporate Deposit Given	Equitas Finance Private Limited	280,000,000	790,000,000
	Equitas Housing Finance Private Limited	320,000,000	-
Inter Corporate Deposit received back	Equitas Holdings Private Limited	-	790,000,000
	Equitas Housing Finance Private Limited	70,000,000	-
Sale of Fixed Assets	Equitas Housing Finance Private Limited	-	107,227
	Equitas Dhanyakosha India	-	3,494
	Equitas Finance Private Limited	12,006	705,503
Purchase of Fixed Assets	Equitas Finance Private Limited	7,695	-

Transaction	Related Party	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
Transfer of Staff loans to Related parties on account of employee transfer	Equitas Housing Finance Private Limited	-	50,752
	Equitas Development Initiatives Trust	-	15,560
	Equitas Finance Private Limited	4,142	546
Transfer of Staff loans from related parties on account of employee transfers	Equitas Housing Finance Private Limited	14,485	-
Recovered and paid on behalf of Customers	Equitas Development Initiatives Trust	4,858,400	903,660
Recovered and paid on behalf of the Company	Equitas Holdings Private Limited	-	6,479,970
<b>Balance as at Year End</b>			
Payable	Equitas Development Initiatives Trust	7,974,000	5,156,000
	Equitas Finance Private Limited	139,459	-
	Equitas Housing Finance Private Limited	17,206	-
Receivable	Equitas Holdings Private Limited	67,762	-
	Equitas Dhanyakosha India	-	47,297,620
	Equitas Development Initiatives Trust	12,092,905	20,907,063
	Equitas Housing Finance Private Limited	250,448,047	-
	Equitas Finance Private Limited	284,257,017	-
Corporate Guarantee Given	Equitas Dhanyakosha India	-	15,000,000
Corporate Guarantee issued by the holding company	Equitas Holdings Private Limited	7,170,000,000	8,000,000,000

**Note:**

- (a) The Company accounts for costs incurred by / on behalf of the Related Parties based on the actual invoices / debit notes raised and accruals as confirmed by such related parties. The Related Parties have confirmed to the Management that as at 31 March 2014, there are no further amounts payable to / receivable from them, other than as disclosed above.

### 34 Operating Leases

The Company has operating lease agreements primarily for office space, the lease terms of which are for a period of 3 years. For the year ended 31 March 2014, an amount of Rs. 34,285,364 (Previous Year Rs. 29,668,231) was paid towards lease rentals and other charges for the office space. The future minimum lease payments under operating leases are as follows:

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
Less than One Year	29,341,189	14,964,683
One Year to Five Years	21,616,824	21,815,248
Later than Five Years	-	-

### 35 Earning per share

Particulars	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
<b>Basic and Diluted</b>		
Profit after Tax - in Rs.	565,483,096	275,118,796
Weighted Average Number of Equity Shares (Nos.)	198,750,000	180,975,168
Earnings Per Share (Basic) - in Rs.		
- Basic - in Rs.	2.85	1.52
- Diluted - in Rs.	2.85	1.52
Face Value Per Share - in Rs.	10	10

### 36 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

Based on and to the extent of information received by the Company from the suppliers during the year regarding their status under the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), the relevant particulars for the years ended 31 March 2014 and 31 March 2013 are furnished below:

Particulars	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
Principal amount remaining unpaid to any supplier as at the end of the accounting year.	28,706	9,013
Interest due thereon remaining unpaid to any supplier as at the end of the accounting year.	-	-
The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
The amount of interest due and payable for the year.	-	-
The amount of interest accrued and remaining unpaid at the end of the accounting year.	-	-
The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid.	-	-

**Note:**

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

### 37 Commitments and Contingencies

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
Contingent Liabilities:		
Provident Fund demand under appeal (Refer Note (a) & (c) below)	18,753,700	18,753,700
Service Tax Input Credit (Refer Note (b) & (c) below)	27,734,761	27,734,761
Corporate Guarantee to related party (Refer Note (d) below)	-	15,000,000

#### (a) Provident Fund Demand

An Order dated 22 October 2010 has been received from the Regional Provident Fund Commissioner demanding an amount of Rs. 18,753,700 towards provident fund payment on the incentives / allowances paid to the employees for the period February 2009 to September 2010. The Company believes that the claim is untenable and, hence, has preferred an appeal with the Employees' Provident Fund Appellate Tribunal and has obtained a stay against the said Order. As per the stay order received from the Employees' Provident Fund Appellate Tribunal, an amount of Rs. 5,626,110 has been deposited with the Employees' Provident Fund Organisation and included as part of Security Deposits in Note 17 - Long Term Loans and Advances. As at 31 March 2014, the appeal is pending.

#### (b) Service Tax

The Company has received three show cause notices from the Service Tax authorities disallowing the service tax input credit claimed by the Company during the period 2008-2011 attributable to input services used for providing exempt services to the extent of Rs. 27,734,761. Based on professional advice, the Company replied to the above show cause notice contesting the claim of the Service Tax authorities. There has been no further progress in this matter.

(c) The contingent liabilities stated in note (a) and (b) above are based on demands raised on Equitas Holdings Private Limited (EHPL) who is contesting the same with the concerned authorities. These have been assumed by the Company pursuant to Scheme of Demerger during the year ended 31 March 2012. The proceedings of these disputes are being undertaken by the Company in the name of the EHPL. However, the Company have agreed to compensate EHPL for any losses arising on account of the above contingencies.

Further, outflows, if any, arising out of these claims would depend on the outcome of the decision of the appellate authorities and the Company's rights for future appeals. No reimbursements are expected.

#### (d) Corporate Guarantee

The Company has issued a Corporate Guarantee on behalf of Equitas Dhanyakosha India, to Reliance Capital Limited for an amount of Rs. Nil (As at 31 March 2013 – Rs. 15,000,000).

### 38 Loan Portfolio and Provision for Standard and Non Performing Assets

#### (a) Current Year

Amount in Rs.

Asset Classification	Loan Outstanding as at 31 March 2014 (Gross)	Provision as at 31 March 2014	Loan Outstanding as at 31 March 2014 (Net)
<b>Receivables under Financing Activities</b>			
Standard Assets	11,844,964,555	148,062,057	11,696,902,498
Sub-Standard Assets	2,893,126	441,844	2,451,282
Doubtful Assets	8,796,400	8,354,187	442,213
<b>Total</b>	<b>11,856,654,081</b>	<b>156,858,088</b>	<b>11,699,795,993</b>

#### (b) Previous Year

Amount in Rs.

Asset Classification	Loan Outstanding as at 31 March 2014(Gross)	Provision as at 31 March 2013	Loan Outstanding as at 31 March 2013 (Net)
<b>Receivables under Financing Activities</b>			
Standard Assets	8,640,942,514	108,004,236	8,532,938,278
Sub-Standard Assets	1,079,827	175,247	904,580
Doubtful Assets	1,247,746	1,115,739	132,007
<b>Total</b>	<b>8,643,270,087</b>	<b>109,295,222</b>	<b>8,533,974,865</b>

### 39 Changes in Provisions

#### (a) Current Year

Amount in Rs.

Particulars	As at 1 April 2013	Provision for the Year	Utilization/ Reversal	As at 31 March 2014
Contingent Provision for Standard Assets under Financing Activities	108,004,236	115,331,189	(75,273,368)	148,062,057
Provision for Sub-Standard and Doubtful Receivables under Financing Activities	1,290,986	7,639,860	(134,815)	8,796,031
Provision for Credit Enhancements on Assets De-Recognised	34,137,827	34,895,730	(29,366,330)	39,667,227
<b>Total</b>	<b>143,433,049</b>	<b>157,866,779</b>	<b>(104,774,513)</b>	<b>196,525,315</b>



(b) Previous Year

Amount in Rs.

Particulars	As at 1 April 2012	Provision for the Year	Utilization/ Reversal	As at 31 March 2013
Contingent Provision for Standard Assets under Financing Activities	63,654,523	92,895,458	(48,545,745)	108,004,236
Provision for Sub-Standard and Doubtful Receivables under Financing Activities	64,482,010	3,357,846	(66,548,870)	1,290,986
Provision for Credit Enhancements on Assets De-Recognised	25,984,429	24,926,273	(16,772,875)	34,137,827
Provision for Prompt Payment Rebate	121,417,082	10,342,607	131,759,689	-
<b>Total</b>	<b>275,538,044</b>	<b>131,522,184</b>	<b>(263,627,179)</b>	<b>143,433,049</b>

40 Disclosure Pursuant to Reserve Bank of India Notification DNBS.200/CGM (PK) – 2008 dated 1 August 2008

40.1 Capital Adequacy Ratio

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
Tier I Capital	2,548,028,233	2,329,607,211
Tier II Capital	429,127,785	492,801,417
<b>Total Capital</b>	<b>2,977,156,018</b>	2,822,408,628
<b>Total Risk Assets</b>	<b>12,993,078,351</b>	10,384,272,874
Capital Ratios		
Tier I Capital as a percentage of Total Risk Assets (%)	19.61%	22.43%
Tier II Capital as a percentage of Total Risk Assets (%)	3.30%	4.75%
<b>Total Capital (%)</b>	<b>22.91%</b>	27.18%

40.2 Exposure to Real Estate Sector

The Company does not have any direct or indirect exposure to the real estate sector as at 31 March 2014 and as at 31 March 2013.

### 40.3 Asset Liability Management

(a) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2014:

Amount in Rs.

Particulars	1 day to 30 - 31 days (One Month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Total
<b>Liabilities</b>											
Borrowings from Banks	261,886,841	572,134,333	664,942,333	1,732,174,525	3,631,542,706	3,801,622,383	111,117,000	-	-	-	10,775,420,121
Borrowings from Other Parties	57,569,000	57,820,000	92,074,000	147,540,000	139,040,000	165,743,440	-	-	-	-	659,786,440
Market Borrowings	230,000,000	-	-	250,000,000	280,000,000	480,000,000	-	500,000,000	-	-	1,740,000,000
<b>Assets</b>											
Advances (Micro Finance Loans)	799,292,523	774,325,284	721,351,790	2,161,257,803	3,645,381,001	3,755,045,680	-	-	-	-	11,856,654,081
Investments	-	-	-	34,012,093	-	-	-	-	-	2,000,000	36,012,093

(b) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2013:

Amount in Rs.

Particulars	1 day to 30 - 31 days (One Month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Total
<b>Liabilities</b>											
Borrowings from Banks	98,195,861	397,865,619	194,037,271	1,010,882,274	1,952,775,721	3,930,358,414	555,555,558	-	-	-	8,139,670,718
Borrowings from Other Parties	58,843,880	40,378,054	40,597,869	193,311,000	325,072,000	545,500,032	-	-	-	-	1,203,702,835
Market Borrowings	-	-	-	-	-	-	280,000,000	960,000,000	-	-	1,240,000,000
<b>Assets</b>											
Advances (Micro Finance Loans)	532,645,178	551,927,390	487,641,209	1,595,457,195	2,836,900,536	2,638,698,579	-	-	-	-	8,643,270,087
Investments	-	-	-	-	39,473,348	34,012,093	-	-	-	2,000,000	75,485,441

**41 Disclosure Pursuant to paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007):**

	Particulars	As at 31 March 2014		As at 31 March 2013	
		Amount Outstanding in Rs.	Amount Overdue in Rs.	Amount Outstanding in Rs.	Amount Overdue in Rs.
<b>1</b>	<b><u>Liabilities:</u></b>				
	<b>Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:</b>				
(a)	Debentures (Refer Note Below)				
	- Secured	1,263,877,225	-	795,570,694	-
	- Unsecured	564,011,734	-	523,464,110	-
	(other than falling within the meaning of public deposits)	-	-	-	-
(b)	Deferred Credits	-	-	-	-
(c)	Term Loans (Refer Note Below)	11,399,519,079	-	9,260,560,967	-
(d)	Inter-Corporate Loans and Borrowings	-	-	-	-
(e)	Commercial Paper	-	-	-	-
(f)	Cash Credits	88,389,991	-	99,799,253	-

**Note:** Includes Interest Accrued but Not Due on Debentures amounting to Rs. 87,888,959 (Previous Year Rs. 79,034,804) and Term Loans amounting to Rs. 52,702,509 (Previous Year Rs. 16,986,667), totalling to Rs. 140,591,468 (Previous Year Rs. 96,021,471) as at 31 March 2014.

	Particulars	Amount Outstanding as at 31 March 2014 in Rs.	Amount Outstanding as at 31 March 2013 in Rs.
<b>2</b>	<b><u>Assets:</u></b>		
	<b>Break-up of Loans and Advances including Bills Receivables [other than those included in (3) below] :</b>		
(a)	Secured	208,217	3,551,538
(b)	Unsecured (Refer Note (i) Below)	11,984,628,091	8,732,002,828
<b>3</b>	<b>Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities</b>		
(i)	Lease Assets including Lease Rentals Accrued and Due:		
	(a) Financial Lease	-	-
	(b) Operating Lease	-	-
(ii)	Stock on Hire including Hire Charges under Sundry Debtors:		
	(a) Assets on Hire	-	-
	(b) Repossessed Assets	-	-
(iii)	Other Loans counting towards AFC Activities		
	(a) Loans where Assets have been Repossessed	-	-
	(b) Loans other than (a) above	-	-

**Note:** The above includes interest Accrued but Not Due amounting to Rs.128,182,227 (Previous Year: Rs. 92,284,279) on Loans to Borrowers and excludes Other Loans and Advances which are not in the nature of Lending.

	Particulars	Amount Outstanding as at 31 March 2014 in Rs.	Amount Outstanding as at 31 March 2013 in Rs.
<b>4</b>	<b>Break-up of Investments</b>		
	<b>Current Investments</b>		
	<b>I Quoted:</b>		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Others (please specify)	-	-
	<b>II Unquoted:</b>		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Others (please specify)	-	-
	<b>Long Term Investments</b>		
	<b>I Quoted:</b>		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Others (please specify)	-	-
	<b>II Unquoted:</b>		
(i)	Shares: (a) Equity	2,000,000	2,000,000
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Investment in Pass Through Certificates	34,012,093	73,485,441

5	<b>Borrower Group-wise Classification of Assets Financed as in (2) and (3) above</b>				
	Category	As at 31 March 2014 Amount in Rs. (Net of Provisions) (Refer Note below)		As at 31 March 2013 Amount in Rs. (Net of Provisions) (Refer Note below)	
		Secured	Unsecured	Secured	Unsecured
1	Related Parties				
	(a) Subsidiaries	-	-	-	-
	(b) Companies in the same Group	-	-	-	-
	(c) Other Related Parties	-	-	-	-
2	Other than Related Parties	208,217	11,975,832,060	3,551,538	8,730,711,842
	<b>Total</b>				

**Note:** Provisions include Provision for Sub-Standard and Doubtful Receivables from Financing Activities amounting to Rs. 8,796,031 (Previous Year: Rs. 1,290,986 and excludes Provision for Standard Receivables from Financing Activities amounting to Rs. 148,062,057 (Previous Year: Rs. 108,004,236).

6	<b>Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted) :</b>				
	Category	Market Value / Break up Value or Fair Value or Net Asset Value (Company's Share) as on 31 March 2014	Book Value as on 31 March 2014	Market Value / Break up Value or Fair Value or Net Asset Value (Company's Share) as on 31 March 2013	Book Value as on 31 March 2013
1	<b>Related Parties</b>	-	-	-	-
	(a) Subsidiaries	-	-	-	-
	(b) Companies in the Same Group	-	-	-	-
	(c) Other Related Parties	-	-	-	-
2	"Other than Related Parties (Refer Note Below)"	36,084,807	36,012,093	75,512,665	75,485,441
	<b>Total</b>	<b>36,084,807</b>	<b>36,012,093</b>	<b>75,512,665</b>	<b>75,485,441</b>

**Note:** The Company's Share of Net Asset Value of Alpha Micro Finance Consultants Private Limited was calculated based on the unaudited financial statements as at 31 March 2014 and audited financial statements as at 31 March 2013.

7	<b>Other Information</b>				
	Category	As at 31 March 2014		As at 31 March 2013	
		Related Parties	Other than Related Parties	Related Parties	Other than Related Parties
(i)	Gross Non-Performing Assets	-	11,689,526	-	2,327,573
(ii)	Net Non-Performing Assets	-	2,893,495	-	1,036,587
(iii)	Assets Acquired in Satisfaction of Debt	-	-	-	-

**42 Disclosures of Fraud Pursuant to Reserve Bank of India Notification DNBS.PD.CC. No. 256/03.10.042 / 2011-12 dated 2 March 2012:**

**(a) Current Year**

Category	More than Rs. 1 lakh		Less than Rs. 1 lakh	
	Number of Instances	Amount in Rs.	Number of Instances	Amount in Rs.
Embezzlement of cash by Employees	-	-	19	152,879
	-	-	<b>19</b>	<b>152,879</b>

**Note:** Out of the above, an amount of Rs. 143,379 has been recovered by the Company.

**(b) Previous Year**

Category	More than Rs. 1 lakh		Less than Rs. 1 lakh	
	Number of Instances	Amount in Rs.	Number of Instances	Amount in Rs.
Embezzlement of cash by Employees	2	426,000	10	62,184
	<b>2</b>	<b>426,000</b>	<b>10</b>	<b>62,184</b>

**Note:** Out of the above, an amount of Rs. 195,704 has been recovered by the Company.

**43 Disclosures of Transactions Pursuant to clause 28 of the Debt Listing Agreement with BSE Limited**

	Loans and Advances in the nature of Loans	As at 31 March 2014		As at 31 March 2013	
		Amount Outstanding	Maximum Amount Outstanding during the year	Amount Outstanding	Maximum Amount Outstanding during the year
(a)	From Holding Company:				
	- Equitas Holdings Private Limited	-	-	-	-
(b)	To Fellow Subsidiaries				
	- Equitas Finance Private Limited	280,000,000	280,000,000	-	290,000,000
	- Equitas Housing Finance Private Limited	250,000,000	250,000,000		
(c)	To Associates				
	- No Associate during the Current Year	-	-	-	-
(d)	Where there is				
	- No Repayment Schedule	-	-	-	-
	- Repayment Schedule beyond seven years	-	-	-	-
	- No Interest	-	-	-	-
	- Interest below the rate as specified in section 372A of the Companies Act	-	-	-	-

	Loans and Advances in the nature of Loans	As at 31 March 2014		As at 31 March 2013	
		Amount Outstanding	Maximum Amount Outstanding during the year	Amount Outstanding	Maximum Amount Outstanding during the year
(e)	To Firms / Companies in which directors are interested (Other the (a) and (b) above) - Equitas Development Initiative Trust (excluding Interest Accrued but Not Due)	12,092,905	22,148,351	20,833,568	22,135,245
(f)	Investments by the Loanee in the Shares of Parent Company and Subsidiary Company	-	-	-	-

#### 44 Earnings in Foreign Exchange

Particulars	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
Grant from International Finance Corporation	8,064,600	7,595,600

#### 45 Expenditure incurred in Foreign Currency (On Accrual Basis)

Particulars	For the Year Ended 31 March 2014 Rs.	For the Year Ended 31 March 2013 Rs.
Membership Fees	-	7,842
Software Charges	3,864,163	3,261,966
Directors Remuneration	580,000	457,381

#### 46 Donations

The Board of Directors have approved a donation of Rs. 28,274,000 (Previous Year Rs. 13,756,000) to Equitas Development Initiatives Trust for the year ended 31 March 2014.

#### 47 Statutory Reserve

As per Section 45-IC of the Reserve Bank of India Act, 1934, the Company is required to create a reserve fund at the rate of 20% of the net profit after tax of the Company every year. Accordingly, the Company has transferred an amount of Rs. 113,100,000 (Previous Year – Rs. 55,100,000), out of the net profit after tax for the year ended 31 March 2014 to Statutory Reserve.

48 The Board of Directors have reviewed the realisable value of all the assets of the Company (other than Fixed Assets and Non-Current Investment) and has confirmed that the value of such assets in the ordinary course of business will not be less than the value at which these are recognised in the financial statements.

#### 49 Previous Year Figures

Previous year's figures have been regrouped / reclassified, wherever necessary, to correspond with the current year's classification / disclosure.

For and on behalf of the **Board of Directors**

**Arun Ramanathan**  
Chairman

**P N Vasudevan**  
Managing Director

**P B Sampath**  
Director

**S Bhaskar**  
Chief Financial Officer  
Place : Chennai  
Date : 8 May 2014

**Jayashree S Iyer**  
Company Secretary