

2012-13



Annual Report



FOCUSED ON SMALL BUSINESSES

Vistaar Financial Services Private Limited.
No 80, M.C.S.H Layout, 5th-A Cross,
21st Main, IAS Officers Colony,
BTM 2nd Stage,
Bangalore – 560076

Corporate Information

Chairman

Mr. G S Sundararajan

Managing Director & Chief Executive Officer

Mr. Brahmanand Hegde

Founder Director & Chief Operating Officer

Mr. Ramakrishna Nishtala

Board Of Directors

Mr. Sandeep Farias
Mr. Ashit R Lilani
Mr. Badri Bahukutumbi Pillapakkam
Mr. Vishal Mehta

Management Team

Sudesh Chinchewadi
Head - Finance & Company Secretary
Sankar Sastri
Chief Risk Officer
Mahesh S G
Head - Business
Prasad G R
Head - Technology & Operations
Shivakumar S
Head - Human Resources
Dr. Ashok Nagpal
Head - Products & Marketing

Auditors

Walker, Chandio & Co
Independent Auditors

Prolead Financial Solutions Private Limited
Internal Auditors

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MESSAGE FROM CEO



Dear Shareholders,

Vistaar is a Sanskrit word which means 'Expansion', 'Growth', 'Evolution'. Vistaar Finance (which is the brand name of the company) was born out of the belief that it is possible to have a commercially viable enterprise which supports expanding economic opportunity through providing credit to micro-entrepreneurs who have no access to the formal financial system, for the growth of their businesses.

Micro, Small and Medium Enterprises (MSMEs) play a pivotal role in our country where MSMEs constitute nearly 94% of the number of industrial enterprises in the economy. The sector contributes 36% of the total value of exports of the country and employs over 80 million people. The correlation between our economy and the micro enterprises is direct. This would continue and grow even closer in the next few years. Given this impact of the micro enterprises on our economy, it is imperative that we support them by giving them required capital and bring them into the mainstream financial system.

Vistaar sensed this opportunity of serving the much underserved segment and in the past three years has established itself as the first specialized player offering a unique value proposition to the customers. Vistaar has consciously chosen to focus on rural India which has little or no access to formal credit and offer much needed credit in an affordable manner. Currently less than 5% of MSMEs have access to formal credit from banks/NBFCs.

Vistaar has made progress steadily as planned and has achieved break even in its third year of operation (2012-13). Vistaar also crossed the important milestone of Rs. 100 crores portfolio in this year, thus becoming a systemically important NBFC. Vistaar currently operates in 3 States with a network of 40 branches and expects to double the number of branches in the coming financial year 2013-14.

MESSAGE FROM CEO

Vistaar as a responsible lender has ensured that its lending makes a positive social impact on the customer and has an elaborate social performance management system in place. It also has a detailed credit literacy program to ensure that the customer understands the importance of financial discipline and follows the same.

Vistaar's employees have played a great role in building a strong organization. They follow the highest standards of ethics and always strive to deliver the best to our customers. Employees have been our greatest strength and valuable assets.

Vistaar has built greater capabilities on management, technology, operations and processes which will help to scale the business to greater heights in the coming years. Vistaar is aiming to more than double its portfolio in coming financial year.

I would like to thank all the stakeholders, partners and employees who have supported Vistaar in its nascent stage and helped Vistaar to grow to this stage in a short span of time.



Brahmanand Hegde
Managing Director & Chief Executive Officer
June 5, 2013

MESSAGE FROM COO



Dear Shareholders,

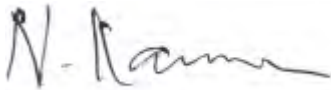
Vistaar's growth in the financial year 2012-13 is a matter of great satisfaction to all its stakeholders. Our focus has been to build a strong and sustainable organization which is anchored on sound systems and processes, which enjoys good credibility in the financial markets. Some of these aspects are highlighted below:

- a) Vistaar has successfully raised over Rs. 40 crores of equity capital in the year, bringing on board two highly credible investors M/s Lok Capital and Omidyar Network. This successful equity raise, which is our third in three years is testimony to the sound business model and execution that the Company has achieved.
- b) In a difficult debt market, without the priority sector lending tag, Vistaar has raised about Rs. 87 crores of funds including a securitisation deal of Rs. 25 crores during the year. These funds have been raised from diverse sources including banks and NBFCs. We have also received expression of interest from Foreign Institutional Lenders, for lending to Vistaar through the NCD route.
- c) Our Unique Credit Methodology which helps us to assess our customers' creditworthiness, in the absence of traditional income documents, has been further honed in the year. This cash flow based method sets us apart from the more traditional lenders. The good portfolio quality we have been able to maintain is an endorsement of the success of this approach.
- d) Right from the inception, all our lending and collection has been through a technology platform, completely avoiding manual methods. Our Accounts are also integrated with the same platform. We have continuously been upgrading our technology platform in line with our growing needs.

MESSAGE FROM COO

- e) We are following an adjacent expansion approach in our growth, so that the nuances of operation in each state are well understood before we scale up. In the coming year, we propose to deepen our penetration in the current states and open a cluster of branches in a new State. With this, our portfolio will also be well diversified across states without excessive dependence on any one state.
- f) Vistaar has built a strong management team since inception which is capable of scaling up the company in next 3-4 years. Each member of the management team brings with him strong functional expertise of his respective area. With strong management and well laid processes in place, we are poised to grow on a sustained basis in future.

I would like to take this opportunity to thank all the stakeholders, partners and employees who have supported us and I look forward to a continuation of our journey towards building a sound financial services company focused on the rural and semi-urban markets, in the MSME segment.



Ramakrishna Nishtala
Founder Director & Chief Operating Officer
June 5, 2013

COMPANY INFORMATION

THE HISTORIC MILESTONES IN VISTAAR'S JOURNEY



COMPANY INFORMATION

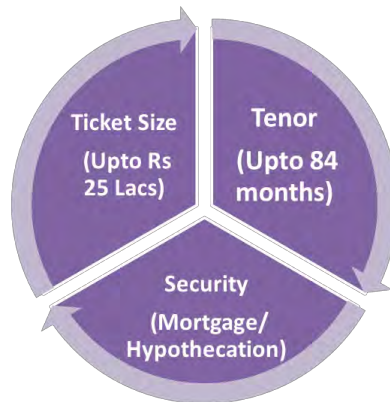
GEOGRAPHICAL REACH

Vistaar aids in providing financial support to MSME customers located in rural and semi urban areas. The Company has a diversified geographical presence across 3 states with branches in Karnataka (14), Tamil Nadu (22) and Maharashtra (4). Its diversified geographical presence has given an additional advantage of de-risking itself from local economic slowdowns and political uncertainties.

PRODUCTS AND SERVICES

Vistaar focuses on financing the small business segment which is largely untapped. The businesses such as various kinds of shops, small manufacturing units, services (hotel industry, lathe machines, garages, workshops etc.), power/auto loom, dairy, kirana, home based industries, etc. continue to be drivers of growth.

Vistaar focuses on this opportunity by providing customised products aligned to the needs of the small businesses on three key dimensions – loan size, repayment frequency and tenor.



Vistaar provides financial support through two products namely Small Business Mortgage Loan (SBML) and Small Business Hypothecation Loan (SBHL).

SBML: The purpose of this loan is to serve the small businesses, self-employed segment like traders (all kinds of shops), manufacturers (small manufacturing industries, mills etc.) & services (hotel industry, lathe machine, garages etc.) requiring larger amount for the betterment of their enterprise through capital expenditure and/or operational/working capital expenditure.

Loan amount: Rs. 0.6 lakhs to Rs. 25 Lakhs

Tenor: Upto 84 months

COMPANY INFORMATION

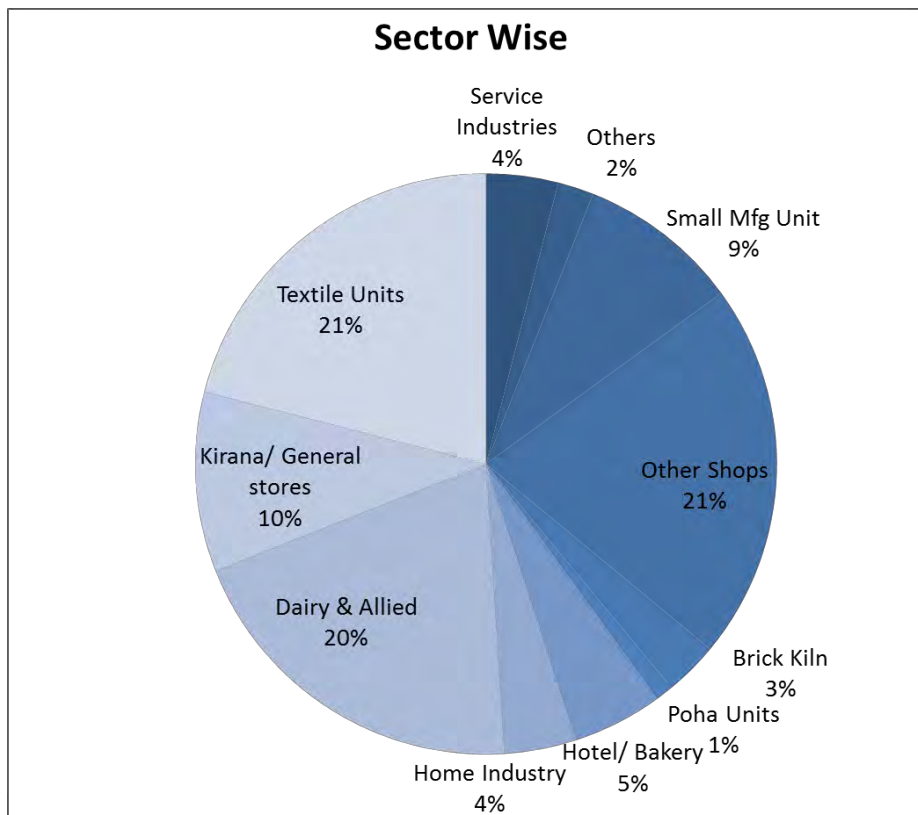
SBHL: This facility is offered to serve the requirements of the small business across all sectors of economy like, all kinds of shops (general, kirana,, hardware, utensil, cloth/readymade, shoe, pharmacy etc.), small enterprises based out of home/cottage (powerloom, autoloom, handloom, snacks making, pickle/papad/jelly making etc.), services (hotel/tea/bakery, welding, engineering works etc.) and non-farm enterprises (dairy, agri processing etc.).

Loan Amount: Rs. 0.3 lakhs to Rs. 0.90 lakhs

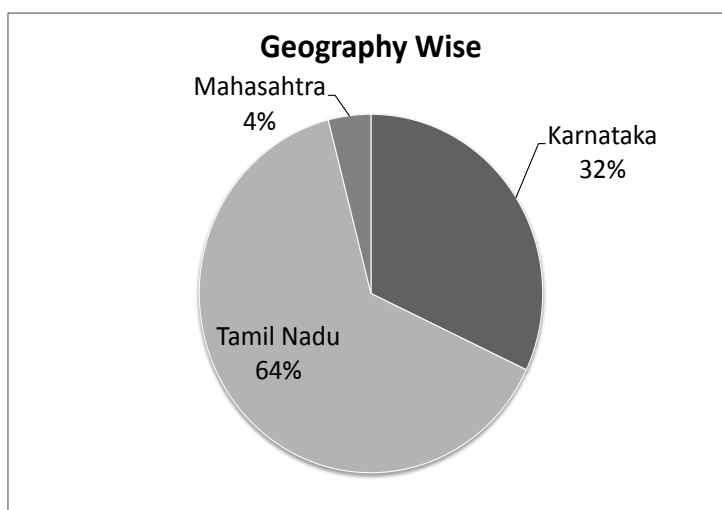
Tenor: Upto 30 months

PORTFOLIO

Portfolio is well diversified across sectors and geography in line with Vistaar's long term policy of derisking from sectorial and geographical risks.



COMPANY INFORMATION



DESCRIPTION	SBHL	SBML
Average Ticket Size (Rs. in Lakhs)	0.41	2.98
Average Tenure (in months)	24	47

VISTAAR'S STRENGTHS AND CAPABILITIES

Information Technology

Technology is the backbone of our Operations. The principles based on which we have designed our technology architecture are:

- Systems driven processes eliminating need for manual entries.
- Online activity so that all information is available in real time.
- Use of a Core banking application to enable seamless branch and head office interface, through a common platform.
- Robust architecture which should be fully functional even under difficult conditions in rural areas.

Credit Performance

Vistaar focuses on checking each customer's credit record with the credit bureaus prior to disbursal. This helps to establish the credit worthiness of the customer and also helps us to verify their level of indebtedness.

Each customer is appraised separately for his/her ability to repay and willingness to repay following our Unique Credit Methodology, which also emphasizes on the right end use of the loan granted.

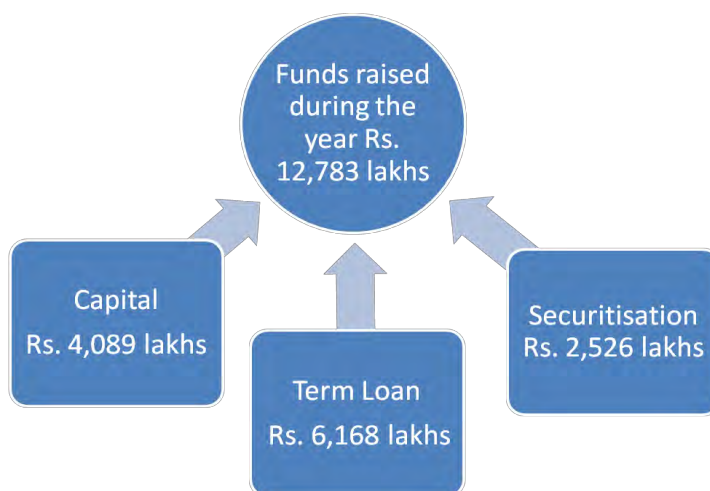
COMPANY INFORMATION

Fund Management

A strong capital base, very good asset quality and experienced management enables Vistaar to raise equity and debt capital to support its growth plans. Vistaar is able to fund the growth of its operations and loan portfolio through raise of equity, loans raised from international and domestic lenders and the securitization of loan portfolio.

Vistaar has diversified lenders among private sector domestic banks and non banking financial institutions.

ICRA has assigned BB+ rating to the Rs. 165 crore bank facilities of Vistaar. ICRA has opined on the outlook on the long term rating to be stable.



LENDERS TO VISTAAR

Bankers

- Development Credit Bank
- Ratnakar Bank
- Dhanlaxmi Bank

Non Banking Financial Institutions

- Ananya Finance for Inclusive Growth Private Limited
- MAS Financial Services Limited
- Reliance Capital Limited
- Mahindra & Mahindra Financial Services Limited
- IFMR Capital Finance Private Limited
- Micro Venture Microfin Private Limited
- Oiko Credit (Manaveeya Development & Finance Private Limited)

COMPANY INFORMATION

LONG-TERM FINANCIAL SUCCESS BY PROVIDING LONG-TERM SOCIAL VALUE

Vistaar provides MSME customers with access to finance, which creates social impact. Vistaar has been able to bring sizable MSME customers to the mainstream of formal financial system.

Financial Access to the Underserved

Introducing Business Owners To Formal Lending		
Category	2012-2013	Percentage of all customers
Smaller loans (\leq Rs. 3 lakhs)	7,524	71%
Larger loans ($>$ Rs. 3 Lakhs \leq Rs. 25 lakhs)	528	71%
Catering to Those of the Weaker Sections of Society (OBC,ST,SC)	7,892	79%

Community Development

In the Line of Duty (YTD)	
Total Disbursements	Businesses supported
Rs. 10,682 lakhs	10,026

Creating Satisfied Customer

MicroSave conducted an independent customer satisfaction survey of our customers and the highlights are given below. The survey showed that overall Vistaar's customers are highly satisfied with the Company.



* As per survey conducted by Microsave

COMPANY INFORMATION



*As per survey conducted by Microsave

Our Happy Customer

Purusothaman– Thiruvaiyaru (T.N.)



I, my father & my brother are into Kirana cum general store business for the last 20 years. We have 2 shops & cater to the entire village & thus have good opportunity to expand our business & fulfil all other requirements of our customers. I have done MBA & was still not able to get required amount of loan at good rates from other lenders. Vistaar not only gave me the required amount of Rs. 5.5 lakhs but also gave it quickly with very simplified process. The rates are also better than other lenders I have approached. We would have lost the opportunity of buying a good godown if the loan from Vistaar had not come to so quickly, quantities at good rates & store it in our godown.

Staff Satisfaction

Vistaar provides excellent professional working environment to its employees. Many measures are taken for the safety and welfare of employees. As per Microsave Survey, 92% of the employees rate their overall satisfaction levels of working with Vistaar to be high.

MANAGEMENT TEAM

SUDESH CHINCHEWADI
HEAD –FINANCE
&COMPANY SECRETARY



He has over 17 years of experience in handling the finance functions in industry. He worked with various multi-national companies heading the Finance, Accounts and Legal functions. His last assignment was with Wienerberger, an Austrian MNC, where he worked for 4 years as General Manager finance and Company Secretary

He is a Chartered Accountant from The Institute of Chartered Accountants of India and Company Secretary from The Institute of Company Secretaries of India.

SANKAR SASTRI
CHIEF RISK OFFICER



He has over 13 years of experience in Rural Marketing, Banking and Microfinance. His last assignment was with Fullerton India as Asst. Vice President (Risk) for Microfinance business.

He holds a Bachelor's degree in Horticulture from Tamil Nadu Agricultural University, Coimbatore and Post Graduate Diploma in Management from Xavier Institute of Management, Bhubaneswar.

MAHESH S G
HEAD - BUSINESS



He has over 17 years of experience in the Banking and Financial Services industry. He has held various positions in Strategic Planning, Sales & Marketing, Business, Key Accounts Management & Team management etc. in reputed organisations like HDB Financial Services Ltd., DCB Ltd., Fullerton India Credit Co Ltd., Citicorp Finance (I) Ltd. and Sundaram Finance Ltd. for Retail Asset Products like Mortgages, MSME Loans and Personal Loans.

He is a graduate in Economics from St. Joseph's College Bangalore University.

MANAGEMENT TEAM

PRASAD G R
HEAD- TECHNOLOGY &
OPERATIONS



He has 12 years of experience in handling Operations in Banking and Financial Services. In his last assignment he worked as Assistant Vice President at Fullerton India managing Central Operations for the Mass Market business.

He has a degree in arts and a Post-Graduate Diploma in Business Management from Loyola Institute of Business Administration, Chennai.

SHIVAKUMAR S
HEAD- HUMAN RESOURCES



He has over 12 years of experience in developing a HR strategy and operations. He has had long stints in Infosys and OnMobile. He was last associated with Sasken Network Engineering Ltd based in Bangalore.

He has an MBA in Human Resources from University of Mumbai.

DR. ASHOK NAGPAL
HEAD- PRODUCTS &
MARKETING



He has over 7 years of experience in Veterinary Life Sciences, Livelihood Services/New Initiatives in Rural Finance and Risk Management in Financial Services.

He is a Veterinarian with Post-Graduate Diploma in Agri-Business Management from IIM- Ahmedabad.

CORPORATE GOVERNANCE REPORT

COMPANY PHILOSOPHY

Vistaar products, processes and people focus on enhancing the economic output of our customers' enterprises. Vistaar maintains transparency by providing all the required information to customers, employees and other stakeholders and strictly follows ethical norms in its interactions with customers, colleagues and associates.

BOARD/ COMMITTEES

Board/Committee Meetings	No. of Meetings held during 2012-13
Board Meetings	11
Borrowing Committee	14
Audit Committee	4
Compensation Committee	5

Name	Nature of Directorship	Attendance			
		Board	Borrowing	Audit	Compensation
G S Sundararajan	Chairman & Non Executive Director	5 / 11	NA	4 / 4	5 / 5
Brahmanand Hegde	Managing Director & CEO	11 / 11	14 / 14	NA	NA
Ramakrishna Nishtala	Founder Director & COO	11 / 11	14 / 14	NA	NA
Sandeep Farias	Nominee Director	10 / 11	13 / 14	NA	4 / 5
Ashit R Lilani	Nominee Director	7 / 11	NA	4 / 4	5 / 5
Badri Bahukutumbi Pillapakkam*	Nominee Director	4 / 4	NA	NA	NA
Vishal Mehta**	Nominee Director	3 / 3	NA	NA	NA
Sunil Varma***	Independent Director	0 / 8	NA	0 / 2	NA

*Badri Bahukutumbi Pillapakkam appointed with effect from 26 July 2012

**Vishal Mehta appointed with effect from 1 August 2012

*** Sunil Varma resigned with effect from 27 August 2012

CORPORATE GOVERNANCE REPORT

Borrowing Committee

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

- Brahmanand Hegde
- Ramakrishna Nishtala
- Sandeep Farias

Terms of reference

- Review and recommend funding strategy for the company.
- Decide on taking loans from any of the financial institution, banks etc for the purpose of business of the Company.
- Decide on securitisation of portfolio or bilateral arrangement or portfolio assignments or buyout deals or sale of portfolio with any of the financial institution, banks etc for the purpose of business of the Company.
- Decide on giving corporate guarantee for taking loans.
- Grant necessary authority to employees to execute the transaction on behalf of the company.

Risk Committee

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

- G S Sundararajan
- Sandeep Farias
- Badri Bahukutumbi Pillapakkam

Terms of reference

- Review and recommend changes in risk and audit policies of the company from time to time.
- Update the board and the management on likely risks in the business and changing market forces likely to impact the company and the business.

Audit Committee

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

- G S Sundararajan
- Ashit R Lilani
- Badri Bahukutumbi Pillapakkam

Terms of reference

- Review and recommend changes in audit policies of the company from time to time.
- Review work of external auditors and recommend appointment of auditors to the board.
- Review internal audit reports and take appropriate actions on key audit findings.
- Review and comment on internal comments, accounting policies and weakness in processes.

CORPORATE GOVERNANCE REPORT

- Review the financial statement and report to the board on key observations and findings.
- Review company's regulatory compliance w.r.t. ROC , RBI and any other regulatory bodies and take suitable steps to ensure 100% compliance w.r.t. all statutory compliances of the company.

Compensation Committee

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

- G S Sundararajan
- Ashit R Lilani
- Vishal Mehta

Terms of reference

- Review the compensation of the CEO and COO (Executive Directors) of the Company and make recommendations to the Board.
- Review the compensation of the Executive Committee and recommend guidelines to the Board, for changes in the compensation.
- Conduct periodic benchmarking studies of the Company's compensation vis a vis other companies in the sector and recommend appropriate changes in compensation to the Board.
- Design the ESOP scheme of the company including all key decisions relating to structure, vesting, valuation etc. and recommend grant of ESOPs to various eligible employees.
- Oversee the administration of the ESOP scheme based on the Board's approval.
- Make recommendations to the Board on the compensation for the non-Executive Directors.

DIRECTORS' REPORT

To Dear Shareholders,

Your Directors have pleasure in presenting the Audited Accounts of the Company for the year ended 31st March, 2013. The year gone by has been very fruitful for the Company. In the last one year, the company has established itself as a specialist MSME lender.

We are happy to inform you that the company has achieved break even (profit of Rs. 21.7 Lakhs) and crossed Rs 100 Crores Asset Under Management (AUM) becoming a Systematically Important NBFC.

Based on the evolving situation and market opportunity in the MSME segment, Vistaar is focusing fully on this segment, thus differentiating itself very strongly from the other players. Vistaar is uniquely placed to serve the needs of the Micro enterprise customers as our competencies match the requirements of serving this customer segment well. Our experience of doing cash flow based assessment and taking informed credit calls as a part of our operating model, stands us in good stead.

The strength of the Company in terms of products, processes, technological capability, and strong management team is being recognized by various stake holders. This has resulted in a very good response from International financial institutions and domestic lenders and investors helping Vistaar to raise required funds for the business on competitive terms.

BUSINESS DEVELOPMENTS

Your Company has now a total of 40 branches as on 31st March 2013 spread across the states of Tamil Nadu, Maharashtra and Karnataka. 19 branches were opened during the year.

During the year, the Company also received and availed term loan sanction of Rs. 6,168 lakhs from banks and Non Banking Financial Institutions (NBFC).

During the year, the Company also securitised its customer portfolio aggregating to Rs. 2,526 lakhs to banks/ NBFCs.

DIRECTORS' REPORT

OPERATIONAL OVERVIEW

Your Company has posted its maiden profit of Rs. 21.71 lakhs with AUM of Rs. 11,208.82 lakhs. The portfolio quality continues to be very good with near zero write off.

DESCRIPTION	31 March 2013	31 March 2012
No. of Active Customers	14,141	12,589
No. of states	3	2
No. of Branches	40	21
Asset Under management (AUM) (Rs. in Lakhs)	11,208.82	3,558.38
Total Disbursements (Rs. in Lakhs)	10,682.01	4,128.69
Profit/(Loss) Before Taxes (Rs. in Lakhs)	21.71	(272.48)
PAR 30+ (in %)	0.69	0.04
Gross NPA (in%)	0.39	0.02
Write off (in %)	0.02	0.08

FINANCIAL RESULT

Particulars	31 March 2013	31 March 2012
	Amount (in Rs.)	Amount(in Rs.)
Total Revenue	216,254,705	68,193,005
Total Expenditure	214,083,622	95,441,331
Profit/ (Loss) before depreciation and other provisions	12,506,223	(18,860,069)
Depreciation	6,892,801	4,100,385
Provision and write offs	3,442,339	4,287,872
Profit/ (Loss) before tax	2,171,083	(27,248,326)

Your Company has been constantly focused on improving its revenue and maintaining a sustainable growth. As on 31st March, 2013, the total revenue was Rs. 2,163 lakhs as against Rs. 682 lakhs in the previous year registering a growth of 217%. The net profits of your Company stood at Rs. 21.71 lakhs as compared to loss of Rs.272.5 lakhs in the previous year reporting.

SHARE CAPITAL

During the year under review, the Company has increased its authorised share capital from Rs. 21 crores to Rs. 35.25 crores.

DIRECTORS' REPORT

CAPITAL INFUSION

During the year under review, the Company has raised capital of Rs. 85 lakhs from domestic investors and Rs. 40 crores from private equity investors.

RBI GUIDELINES

Your Company, being a systemically important non-deposit taking NBFC has complied with all applicable regulations of the Reserve Bank of India. As per 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.

CAPITAL ADEQUACY

The Capital adequacy ratio of the Company is healthy at 51% as of 31st March 2013 as against the minimum capital adequacy requirement of 15% by RBI.

CREDIT RATING

ICRA has assigned the BB+ rating to the Rs. 165 crore bank facilities of Vistaar. ICRA has opined on the outlook on the long term rating to be stable.

Company also obtained credit rating for its two securitization transactions done during the year.

DIVIDEND

With a view of funding the growth plan of your company, the Board does not recommend payment of dividend for the reporting period 31st March 2013.

DEPOSITS

During the year under review, your Company has not accepted any deposit from anyone within the meaning of Sec.58A of the Companies Act, 1956 and Companies Acceptance of Deposit Rules, 1975.

CORPORATE GOVERNANCE REPORT

A report on Corporate Governance Report is attached and forms part of the Directors' report. Clause 49 of the Standard Listing Agreement and the Corporate Governance Report under this clause is not applicable to the company.

DIRECTORS' REPORT

DIRECTORS

Mr. Badri Bahukutumbi Pillapakkam was appointed as Nominee Director of the Company with effect from 26th July 2012 and Mr. Vishal Mehta was appointed as Nominee Director of the Company with effect from 1st August 2012.

Mr. Sunil Varma has resigned from the directorship of the Company with effect from 27th August 2012.

The Board places on record its gratitude for the services rendered by Mr. Sunil Varma during their tenure as member of the Board.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that;

a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

b) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.

c) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d) They have prepared the annual accounts on a going concern basis.

AUDITORS

M/s Walker, Chandio & Co., auditors of the company will retire in the ensuing Annual General Meeting and are eligible for reappointment. Your Company has received confirmation that their appointment, if made, will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company being a Non-Banking Finance Company, is not engaged in manufacturing activity of any kind. The disclosure of information relating to conservation of energy and technology absorption are therefore not applicable to the company.

The foreign exchange outgo for the company during the year is Rs. 240,000.

DIRECTORS' REPORT

PERSONNEL

As to the information required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, during the year under review, there are no employees who were in receipt of remuneration of more than the limits set down u/s 217(2A) of the Companies Act, 1956.

ACKNOWLEDGEMENT

The Directors would like to place on record their gratitude for the valuable guidance and support received from the valued Customers, Bankers, Lenders, and Members. The Directors also place on record their appreciation of all the employees of the Company for their commitment, commendable efforts, team work and professionalism.

For and on behalf of the Board of Directors

Brahmanand Hegde
Managing Director

5th June 2013

Ramakrishna Nishtala
Director

5th June 2013

INDEPENDENT AUDITORS' REPORT

Walker, Chandniok & Co

"WINGS", First Floor
16/1, Cambridge Road
Ulsoor, Bengaluru 560008
India

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F +91 80 4126 1228
E BENGALURU@in.gt.com

Independent Auditors' Report

To the Members of Vistaar Financial Services Private Limited (formerly known as Vistaar Livelibood Financial Services Limited)

Report on the Financial Statements

1. We have audited the accompanying financial statements of Vistaar Financial Services Private Limited (formerly known as Vistaar Livelibood Financial Services Limited), ("the Company"), which comprises the Balance Sheet as at 31 March 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. 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 principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") and guidelines issued by the Reserve Bank of India as applicable to a Non-Banking Financial Company. 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 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 disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Chartered Accountants

Offices in Bengaluru, Chandigarh, Chennai, Gurgaon, Hyderabad, Mumbai, New Delhi and Pune

INDEPENDENT AUDITORS' REPORT

Walker, Chandio & Co

Independent Auditors' Report (Cont'd)

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
 - ii. in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by Section 227(3) of the Act, we report that:
 - i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. the financial statements dealt with by this report are in agreement with the books of account;
 - iv. in our opinion, the financial statements comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act; and
 - v. on the basis of written representations received from the directors, as on 31 March 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

Walker, Chandio & Co
For **Walker, Chandio & Co**
Chartered Accountants
Firm Registration No.: 001076N

Anupam
Per **Anupam Kumar**
Partner
Membership No.: 501531



Bengaluru
05 June 2013

Chartered Accountants

INDEPENDENT AUDITORS' REPORT

Walker, Chandio & Co

Annexure to the Independent Auditors' Report of even date to the members of Vistaar Financial Services Private Limited (formerly known as Vistaar Livelihood Financial Services Limited), on the financial statements for the year ended 31 March 2013.

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) The Company does not have any inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable.
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to (d) of the Order are not applicable.
- (c) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- (iv) Owing to the nature of its business, the Company does not maintain any physical inventories or sell any goods. Accordingly, clause 4(iv) of the Order with respect to purchase of inventories and sale of goods is not applicable. In our opinion, 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 sale of services. During the course of our audit, no major weakness has been noticed in the aforesaid internal control system in respect of these areas.
- (v) (a) The Company has not entered into contracts or arrangements referred to in section 301 of the Act. Accordingly, the provisions of clause 4(v) of the Order are not applicable.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, in respect of the services rendered by the Company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix)(a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.
- (b) There are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.

Chartered Accountants



INDEPENDENT AUDITORS' REPORT

Walker, Chandio & Co

Annexure to the Independent Auditors' Report of even date to the members of Vistaar Financial Services Private Limited (formerly known as Vistaar Livelihood Financial Services Limited), on the financial statements for the year ended 31 March 2013 (Cont'd)

- (x) In our opinion, the Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth. The Company has not incurred cash losses during the year. *In the immediately preceding financial year, the Company had incurred cash losses.*
- (xi) In our opinion, the Company has not defaulted in repayment of dues to a bank during the year. The Company did not have any outstanding to a financial institution and has not issued any debentures during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year, the Company has made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act. In our opinion, the price at which shares have been issued is not, *prima facie*, prejudicial to the interest of the Company.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

Walker, Chandio & Co
For Walker, Chandio & Co
Chartered Accountants
Firm Registration No. 001076N

Anupam
per Anupam Kumar
Partner
Membership No. 501531



Bengaluru
05 June 2013

Chartered Accountants

FINANCIAL STATEMENTS

Balance Sheet as at 31 March 2013

(All amounts in ₹ except otherwise stated)

	Notes	31 March 2013	31 March 2012
I. EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	290,048,410	173,633,330
Reserves and surplus	3	294,047,610	1,750,053
		<u>584,096,020</u>	<u>175,383,383</u>
Non-current liabilities			
Long-term borrowings	4	374,045,353	138,042,007
Deferred tax liabilities (net)	5	-	-
Other long-term liabilities	6	12,478,781	3,261,183
Long-term provisions	7	6,250,876	2,109,426
		<u>392,775,010</u>	<u>143,412,616</u>
Current liabilities			
Other current liabilities	6	362,509,806	156,323,202
Short-term provisions	7	4,924,405	4,187,514
		<u>367,434,211</u>	<u>160,510,716</u>
		<u>1,344,305,241</u>	<u>479,306,715</u>
II. ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	8,823,011	7,255,070
Intangible assets	9	1,148,997	1,366,278
Long-term loans and advances	10	632,639,623	178,660,784
Other non-current assets	11	186,270,144	48,535,680
		<u>828,881,775</u>	<u>235,817,812</u>
Current assets			
Current investments	12	-	10,072,786
Trade receivables	13	-	352,038
Cash and cash equivalents	14	182,666,362	90,120,864
Short-term loans and advances	10	306,883,833	135,648,296
Other current assets	11	25,873,271	7,294,919
		<u>515,423,466</u>	<u>243,488,903</u>
		<u>1,344,305,241</u>	<u>479,306,715</u>

Summary of significant accounting policies and other explanatory information. 1 - 36
 The notes referred to above form an integral part of the financial statements.
 This is the Balance Sheet referred to in our report of even date.

Walker, Chandiook & Co
 For Walker, Chandiook & Co
 Chartered Accountants

For and on behalf of the Board of Directors

Anupam
 per Anupam Kumar
 Partner

Bengaluru
 05 June 2013



Brahmanand Hegde
 Brahmanand Hegde
 Managing Director

Bengaluru
 05 June 2013

N. Hanumanth
 Ramakrishna Nishtala
 Director



Sudesh Chinchewadi
 Sudesh Chinchewadi
 Company Secretary

FINANCIAL STATEMENTS

Statement of Profit and Loss for the year ended 31 March 2013

(All amounts in ₹ except otherwise stated)

	Notes	31 March 2013	31 March 2012
Income			
Revenue from operations	15	194,780,394	59,046,029
Other income	16	21,474,311	9,146,976
Total revenue		216,254,705	68,193,005
Expenses			
Employee benefits expense	17	101,568,326	46,661,647
Finance costs	18	64,679,850	19,978,884
Depreciation and amortisation expense	19	6,892,801	4,100,385
Provision for non-performing assets		260,582	2,697,876
Provision for standard assets		3,181,757	1,589,996
Other expenses	20	37,500,306	20,412,543
Total expenses		214,083,622	95,441,331
Profit/(Loss) before tax		2,171,083	(27,248,326)
Tax expense		-	-
Profit/(Loss) for the year		2,171,083	(27,248,326)
Earnings per equity share (Nominal value of 10 per share)			
- Basic	21	0.29	(3.70)
- Diluted		0.08	(3.70)

Summary of significant accounting policies and other explanatory information. 1 - 36
 The notes referred to above form an integral part of the financial statements.
 This is the Statement of Profit and Loss referred to in our report of even date.

Walker Chandio & Co
 For Walker, Chandio & Co
 Chartered Accountants

For and on behalf of the Board of Directors

Anupam
 per Anupam Kumar
 Partner

Brahmanand Hegde
 Brahmanand Hegde
 Managing Director

N. Nishkala
 Ramakrishna Nishkala
 Director

Sudesh Chinchewadi
 Sudesh Chinchewadi
 Company Secretary

Bengaluru
 05 June 2013



Bengaluru
 05 June 2013



FINANCIAL STATEMENTS

Cash Flow Statement for the year ended 31 March 2013

(All amounts in ₹ unless otherwise stated)

	31 March 2013	31 March 2012
A. Cash flows from operating activities		
Profit/(Loss) before tax	2,171,083	(27,248,326)
Adjustments for:		
Depreciation and amortisation	6,892,801	4,100,385
Provision for non performing assets	260,582	2,697,876
Provision for standard assets	3,181,757	1,589,996
Provisions on securitised portfolios	371,722	-
Employee stock option plan expense	2,723,667	-
Profit on sale of investments	(12,058,121)	(699,132)
Loss on sale of assets	29,268	-
Operating profit/(loss) before working capital changes	3,572,759	(19,559,201)
Changes in working capital:		
Increase in loans and advances	(637,100,662)	(206,012,001)
Decrease in trade receivable	352,038	1,779,635
Increase in other assets	(81,559,000)	(8,516,222)
Increase in other liabilities and provisions	48,455,708	10,627,804
Cash used in operating activities	(666,279,157)	(221,679,985)
Income tax paid	-	-
Net cash used in operating activities	(666,279,157)	(221,679,985)
B. Cash flows from investing activities		
Purchase of fixed assets	(8,412,729)	(2,411,975)
Sale of fixed assets	140,000	-
Purchase of investments	(1,793,674,723)	(330,842,093)
Proceeds from sale of investments	1,815,805,630	344,444,025
Increase in fixed deposits	(74,753,816)	(27,346,773)
Net cash used in investing activities	(60,895,638)	(16,156,816)
C. Cash flows from financing activities		
Proceeds from issue of shares including securities premium, net	403,817,887	100,750,000
Proceeds from long-term borrowings	616,800,000	259,500,000
Repayment of long-term borrowings	(200,897,594)	(104,492,736)
Net cash provided by financing activities	819,720,293	255,757,264
Net increase in cash and cash equivalents during the year (A+B+C)	92,545,498	17,920,463
Cash and cash equivalents at the beginning of the year	90,120,864	72,200,401
Cash and cash equivalents at the end of the year	182,666,362	90,120,864

This is the Cash Flow Statement referred to in our report of even date.

Walker, Chandiook & Co
For Walker, Chandiook & Co
Chartered Accountants

Anupam
Dr. Anupam Kumar
Partner

Bengaluru
05 June 2013



For and on behalf of the Board of Directors

Brahmanand Hegde
Brahmanand Hegde
Managing Director

N. Ramakrishna
Ramakrishna Nishtala
Director

Sudesh Chinchewadi
Sudesh Chinchewadi
Company Secretary

Bengaluru
05 June 2013



NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ except otherwise stated)

Notes to the Financial Statements

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis except for interest on NPAs where interest is accrued on cash basis of accounting in accordance with the Generally Accepted Accounting Principles in India ('Indian GAAP') and comply with the mandatory Accounting Standards ('AS') prescribed by the Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956 ('the Act') and the provisions of the Reserve Bank of India ('RBI'), as applicable to a non-banking financial company.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Significant estimates used by the management in the preparation of these financial statements include estimates of the economic useful lives of fixed assets, provision for loan assets and accrual for employee benefits.

c) Revenue recognition

Revenue is recognised 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 on loans are charged and accounted on diminishing balance method. However, interest income on non-performing assets ('NPA') is recognised only when it is realised. On an advance account turning into NPA, interest already charged on accrual basis and not collected, is reversed.
- b. Loan processing fee and membership fee received upfront are considered to be accrued at the time of entering into a binding agreement upon its receipt and are recognised accordingly.
- c. Pre-closure charges are levied and accounted at the time of actual pre-closure.
- d. Management fee is considered to be accrued on collection from customers and recognised accordingly.
- e. Interest income on deposits with banks is recognised on an accrual basis taking into account the amount of outstanding deposit and the applicable interest rate.
- f. On sale of receivables under asset assignment/ securitisation arrangement, the profit arising on account of sale is recognised over the life of the receivables assigned/ securitised on an accrual basis and loss, if any, arising on account of sale is accounted immediately.
- g. Dividend income is recognised when the right to receive payment is established by the Balance Sheet date except for mutual funds which is recognised on a cash basis.
- h. All other income is recognised on an accrual basis.

d) Fixed assets

Fixed assets (tangible and intangible) are stated at historical cost less accumulated depreciation / amortisation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Capital expenditure incurred on rented properties is classified as leasehold improvements under fixed assets.

e) Depreciation and amortisation

Depreciation / amortisation is provided under the straight-line method based on the estimated useful life of the assets which is either less than or equal to the corresponding life in Schedule XIV of the Act. Assets individually costing less than 5,000 are fully depreciated in the year of purchase. Depreciation / amortisation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

Management's estimate of the useful lives for the various categories of fixed assets is as follows:

Asset Category	Estimated useful life (years)
Computers	3
Furniture and fixtures	4
Office equipment	4
Electrical equipment	3
Softwares	3



NOTES TO FINANCIAL STATEMENTS

1 Significant accounting policies (cont'd)

f) Borrowing costs

Borrowing costs that are attributable to the acquisition and/or construction of qualifying assets are capitalised as part of the cost of such assets, in accordance with Accounting Standard 16 – "Borrowing Costs". A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss as incurred.

The loan processing and other charges incurred at the time of origination of the loan are being amortised over the term of respective loans.

g) Investments

Long term investments are valued 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.

h) Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Lease rentals in respect of assets taken on 'operating lease' are charged to the Statement of Profit and Loss on a straight line basis over the lease term.

i) Employee benefits

i) Provident fund

The Company makes contributions under a defined contribution plan to statutory provident fund in accordance with the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. The contributions payable are recognised as an expense in the period in which services are rendered by the employees.

ii) Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognised in the Balance Sheet in respect of gratuity is the present value of the defined benefit/ obligation at the Balance Sheet date less the fair value of plan assets, together with adjustment for past services costs, if any. The defined benefit/obligation is calculated at the Balance Sheet date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the Statement of Profit and Loss in the year to which such gains or losses relate.

iii) Compensated absences

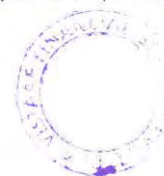
Liability in respect of leave encashment becoming due or expected to be availed within one year from the Balance Sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of earned leave becoming due or expected to be availed more than one year after the Balance Sheet date is estimated on the basis of actuarial valuation in a manner similar to gratuity liability.

iv) Stock options

Accounting value of stock options is determined on the basis of "intrinsic value" representing the excess of the fair market price of the share on the date of grant over the exercise price of the options granted under the Employees Stock Option Plan, and is being amortised as "Deferred employees compensation" on a straight-line basis over the vesting period in accordance with the Guidance Note (GN) 18 "Share Based Payments" issued by the Institute of Chartered Accountants of India (ICAI).

v) Other short term benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.



NOTES TO FINANCIAL STATEMENTS

1 Significant accounting policies (cont'd)

j) Tax expense

Tax expense comprises current tax and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. However, in case of unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

k) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all potential equity shares.

l) Provisions and contingent liabilities

The Company makes a provision when there is present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. The disclosure is made, for possible or present obligations that may, but probably will not, require outflow of resources or where a reliable estimate cannot be made, as contingent liability in the financial statements.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank and short-term investments with an original maturity of three months or less.

n) Classification of portfolio loans and provisioning

The small business and livelihood loans given to consumers are classified and provided based on Management's estimates which are more prudent than the classification and provision norms required as per the Non-Banking Financial (Non-Deposit Accepting and Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, including Notification No. DNBS (PD) CC No.279 / 03.02.001 / 2012-13, dated July 2, 2012, issued by RBI.

Small Business Hypothecation Loans

Period outstanding	Provision %
Not overdue or overdue for less than 61 days	-
Overdue for 61 days and more but less than 91 days (non-performing assets)	20%
Overdue for 91 days or more but less than 121 days (non-performing assets)	60%
Overdue for 121 days or more (non-performing assets)	100%

The management provides an additional 1% of own portfolio, towards provisioning for contingencies upto a maximum provision of 100%.

Small Business Mortgage Loans

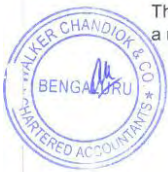
Period outstanding	Provision %
Not overdue or overdue for less than 181 days	-
Overdue for 181 days and more but less than 361 days (non-performing assets)	20%
Overdue for 361 days or more but less than 721 days (non-performing assets)	50%
Overdue for 721 days or more (non-performing assets)	100%

The management provides an additional 0.5% of own portfolio, towards provisioning for contingencies upto a maximum provision of 100%.

Loans under joint liability group scheme

Period outstanding	Provision %
Not overdue or overdue for less than 31 days	-
Overdue for 31 days and more but less than 61 days (non-performing assets)	10%
Overdue for 61 days and more but less than 91 days (non-performing assets)	25%
Overdue for 91 days or more but less than 121 days (non-performing assets)	50%
Overdue for 121 days or more (non-performing assets)	100%

The management provides an additional 1% of own portfolio, towards provisioning for contingencies upto a maximum provision of 100%.



NOTES TO FINANCIAL STATEMENTS

2 Share capital

	31 March 2013	31 March 2012
Authorised		
11,449,980 (31 March 2012: 9,999,980) Equity Shares of ₹ 10 each	114,499,800	99,999,800
70 (31 March 2012: 20) Class A Equity Shares of ₹ 10 each	700	200
23,800,000 (31 March 2012: 11,000,000) Compulsorily Convertible Preference Shares of ₹ 10 each	238,000,000	110,000,000
	352,500,500	210,000,000
Issued, subscribed and paid-up		
9,053,294 (31 March 2012: 7,363,333) Equity Shares of ₹ 10 each, fully paid-up	90,532,940	73,633,330
Less : Amount recoverable from the ESOP Trust (face value of 1,447,711 shares allotted to the ESOP Trust)	14,477,110	-
	76,055,830	73,633,330
60 (31 March 2012: 20) Class A Equity Shares of ₹ 10 each, fully paid-up	600	200
21,399,198 (31 March 2012: 9,999,980) Compulsorily Convertible Preference Shares of ₹ 10 each, fully paid-up	213,991,980	99,999,800
	290,048,410	173,633,330

a) Reconciliation of share capital (Equity)

	31 March 2013		31 March 2012	
	Number	Amounts	Number	Amounts
Balance at the beginning of the year	7,363,333	73,633,330	7,333,333	73,333,330
Add : Issued during the year	1,689,961	16,899,610	30,000	300,000
Less : Amount recoverable from the ESOP Trust (face value of 1,447,711 shares allotted to the ESOP Trust)	1,447,711	14,477,110	-	-
Balance at the end of the year	7,605,583	76,055,830	7,363,333	73,633,330

Reconciliation of share capital (Class A Equity)

	31 March 2013		31 March 2012	
	Number	Amounts	Number	Amounts
Balance at the beginning of the year	20	200	20	200
Add : Issued during the year	40	400	-	-
Balance at the end of the year	60	600	20	200

Reconciliation of share capital (Compulsorily Convertible Preference Shares)

	31 March 2013		31 March 2012	
	Number	Amounts	Number	Amounts
Balance at the beginning of the year	9,999,980	99,999,800	5,999,980	59,999,800
Add : Issued during the year	11,399,218	113,992,180	4,000,000	40,000,000
Balance at the end of the year	21,399,198	213,991,980	9,999,980	99,999,800

b) The Company has given interest and collateral free loan to an employee benefit trust to provide financial assistance for purchase of equity shares of the Company under Employee Stock Option Scheme. The Company has established an Employee Stock Option Plan Trust ('the ESOP Trust') to which the stock options issuable have been transferred (see note 2(f) below). The amount recoverable from the ESOP Trust has been reduced from share capital (to the extent of face value) and from securities premium account (to the extent of premium on shares).

c) Rights and preference of equity shareholders:

Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.



NOTES TO FINANCIAL STATEMENTS

2 Share capital (Cont'd)

Rights and preference of Class A equity share holders:

The Class A equity shares are issued to the holders of Compulsorily Convertible Preference Shares ('CCPS') and they carry differential voting rights, equivalent to the shareholding percentage of Class A equity shares and CCPS held by them in the Company at the relevant time on fully diluted basis. In the event of liquidation of the Company, the holders of Class A equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of Class A equity shares held by the shareholders.

Further, with the conversion of the CCPS, the Class A equity shares shall be converted to ordinary equity shares and the differential voting rights shall fall away.

Rights and preference of holders of Compulsorily Convertible Preference Shares ('CCPS') :

The holders of CCPS carry differential voting rights by virtue of holding Class A equity shares, equivalent to the shareholding percentage of Class A equity shares and CCPS held by them in the Company at the relevant time on fully diluted basis. In the event of liquidation of the Company, the holders of CCPS will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts but before distribution to equity shareholders and Class A equity shareholders. The distribution will be in proportion to the number of CCPS held by the shareholders.

The holder(s) of the CCPS may convert the CCPS only in whole into equity shares at any time of their choice prior to the "Compulsory Conversion Date" at the rate of 1 (one) fully paid up equity share per 1 (one) CCPS. "Compulsory Conversion Date" is the date of completion of 20 years from the date of issuance of the CCPS.

The CCPS shall carry a pre-determined cumulative dividend rate which shall aggregate to 1 per annum for all CCPS issued. In addition, the CCPS shall be entitled to dividend on as if converted basis. In addition, if the holders of equity shares are paid dividend in excess of dividend rate as computed above, the holders of the CCPS shall be entitled to dividend at such higher rate.

d) The details of shareholder holding more than 5% shares is set out below;

Equity shares

	31 March 2013		31 March 2012	
	% of shareholding	No. of shares	% of shareholding	No. of shares
Mr. Brahmanand Hegde	33%	2,997,433	40%	2,953,333
Mr. Ramakrishna Nishtala	33%	2,997,433	40%	2,953,333
Mr. G S Sundararajan	10%	910,267	12%	910,267

Class A Equity shares

	31 March 2013		31 March 2012	
	% of shareholding	No. of shares	% of shareholding	No. of shares
Elevar Equity Mauritius	27%	16	80%	16
ICP Holdings I	7%	4	20%	4
Lok Capital LLC	33%	20	0%	-
ON Mauritius	33%	20	0%	-

Compulsorily Convertible Preference Shares

	31 March 2013		31 March 2012	
	% of shareholding	No. of shares	% of shareholding	No. of shares
Elevar Equity Mauritius	30%	6,424,891	50%	4,999,984
ICP Holdings I	30%	6,424,903	50%	4,999,996
Lok Capital LLC	20%	4,274,702	0%	-
ON Mauritius	20%	4,274,702	0%	-

- e) The Company has not allotted any bonus shares in the five years immediately preceding 31 March 2013 or 31 March 2012, except for 7,021,118 fully paid equity shares allotted in fiscal 2010-11, by utilising securities premium account. The Company has not bought back equity shares or allotted shares without receiving payments in cash during five years immediately preceding 31 March 2013.



NOTES TO FINANCIAL STATEMENTS

2 Share capital (Cont'd)

f) Shares reserved for issue under options

An 'Employee Stock Option Plan 2010' (the 'Plan') was approved in the Extraordinary General Meeting of the members held on 2 July 2010. The Plan provides for the issuance of stock options to eligible employees with the total options issuable under the Plan not to exceed 1,927,711 options. Under the Plan, these options vest over a period of four years after one year from the date of grant and can be exercised within a period of three year from the date of vesting. The vesting schedule shall be as specified in the Individual Grant Notices issued to the employees. During the year 88,200 (31 March 2012: 480,000) stock options were cancelled. Consequently, the total stock options issuable under the Plan stand at 1,447,711, which has been transferred to the ESOP Trust in the current year.

Further, during the year one of the shareholder has transferred 586,400 shares which has been allotted to certain employees identified by the board of directors. The above shares will be vested over a period of four years with Nil exercise price. The above allotted shares are in the nature of restricted stock units and the cost for the same has been recognised on a straight line basis over the vesting period of four years.

Information on the option activity during the year is given below:

	No. of options 31 March 2013	Weighted average exercise price	No. of options 31 March 2012	Weighted average exercise price
Options outstanding at the beginning	55,000	25.00	495,000	25
Granted during the year	175,594	35.09	256,000	25
Forfeited during the year	12,500	25.00	216,000	25
Lapsed during the year	-	-	-	-
Cancelled during the year	88,200	35.09	480,000	25
Exercised during the year	-	-	-	-
Options outstanding at the end	129,894	31.79	55,000	25
Options exercisable at year end	11,750	25.00	4,500	25

Information on Restricted Stock Units during the year is given below:

	31 March 2013		31 March 2012	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at the beginning	-	-	-	-
Granted during the year	662,720	-	-	-
Forfeited during the year	148,000	-	-	-
Lapsed during the year	-	-	-	-
Cancelled during the year	-	-	-	-
Exercised during the year	36,672	-	-	-
Outstanding at the end	478,048	-	-	-
Exercisable at year end	-	-	-	-

The impact on the net results and earnings/(loss) per share, had the fair value method (prescribed by GN 18 issued by ICAI) been followed, is as follows:

	Year ended 31 March 2013	Year ended 31 March 2012
Net profit / (loss), as reported	2,171,083	(27,248,326)
Less: Stock-based employee compensation expense included in the Statement of Profit and Loss	-	-
Add/(Less): Stock-based employee compensation expense determined under the fair value method	(195,830)	(356,198)
Pro-forma net profit / (loss)	1,975,253	(27,604,524)
Loss per share – Basic		
As reported	0.29	(3.70)
Pro forma	0.27	(3.75)

The fair value of the options granted is determined on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Dividend yield %	Nil	Nil
Expected life	1 to 7 years	1 to 4 years
Risk free interest rate	6.5% - 8%	6.5%-8%
Volatility	Nil	Nil



NOTES TO FINANCIAL STATEMENTS

3 Reserves and surplus

	31 March 2013	31 March 2012
Statutory reserve		
Opening balance	344,785	344,785
Add: Transferred from the Statement of Profit and Loss	434,217	-
Balance at the end of the year	<u>779,002</u>	<u>344,785</u>
Securities premium account		
Opening balance	80,238,820	19,788,820
Add: Premium received on securities issued	328,413,418	60,450,000
Less: Amount recoverable from the ESOP Trust [see note 2(b)]	(36,332,890)	-
Less: Security issuance cost	(4,677,721)	-
Balance at the end of the year	<u>367,641,627</u>	<u>80,238,820</u>
Share options outstanding account		
Opening balance	-	-
Additions during the year	2,723,667	-
Balance at the end of the year	<u>2,723,667</u>	<u>-</u>
Deficit in the Statement of Profit and Loss		
Opening balance	(78,833,552)	(51,585,226)
Add: Profit/ (Loss) for the year	2,171,083	(27,248,326)
Less: Transfer to statutory reserve	(434,217)	-
Balance at the end of the year	<u>(77,096,686)</u>	<u>(78,833,552)</u>
Balance at the end of the year	<u>294,047,610</u>	<u>1,750,053</u>

4 Long-term borrowings

	31 March 2013		31 March 2012	
	Non - current	Current	Non - current	Current
Secured				
Term loans				
- from banks	30,915,300	56,981,801	28,613,514	28,549,803
- from others	343,130,053	236,139,323	109,428,493	84,672,261
	<u>374,045,353</u>	<u>293,121,124</u>	<u>138,042,007</u>	<u>113,222,064</u>
Less: Current maturities disclosed under "Other liabilities", note 6	-	(293,121,124)	-	(113,222,064)
	<u>374,045,353</u>	<u>-</u>	<u>138,042,007</u>	<u>-</u>

Term loans from banks (Secured)

Sl.No	Facility of	Nature of security	Repayment	31 March 2013	31 March 2012
1	1.45 crores from Dhanlakshmi Bank Limited	Lien on small business loan assets to the extent of 110% of loan amount and cash collateral	Repayable in 48 monthly instalments	9,968,500	13,593,700
2	2 crores from Development Credit Bank Limited	Lien on small business loan assets to the extent of 105% of loan amount and cash collateral	Repayable in 24 equal monthly instalments	15,830,000	-
3	10 crores from Ratnakar Bank Limited	Lien on small business loan assets to the extent of 105% of loan amount and cash collateral	Repayable in 24 months on monthly and quarterly instalments	62,098,601	43,569,617
				<u>87,897,101</u>	<u>57,163,317</u>

As at Balance Sheet date, interest rates per annum range between

13.75% to 14% 14% to 14.25%



NOTES TO FINANCIAL STATEMENTS

4 Long-term borrowings (Cont'd)

Term loan from others (Secured)

Sl.No	Facility of	Nature of security	Repayment details	31 March 2013	31 March 2012
1	3 crores from Ananya Finance for Inclusive Growth Private Limited	Lien on small business loan assets to the extent of 100% of loan amount	Repayable in 36 monthly instalments	13,052,967	27,775,182
2	6 crores from Mahindra and Mahindra Financial Services Limited	Lien on small business loan assets to the extent of 125% of loan amount and cash collateral	Repayable in 18 monthly instalments	14,494,647	34,852,806
3	4 crores from MV Microfin Private Limited	Lien on small business loan assets to the extent of 100% of loan amount and cash collateral	Repayment of 50 lakhs and 1 crore before January 2015	35,000,000	-
4	5 crores from Manaveeya Development and Finance Private Limited	Lien on small business loan assets to the extent of 105% of loan amount	Repayable in 12 quarterly instalments	45,833,334	-
5	7.5 crores from IFMR Capital Finance Private Limited	Lien on small business loan assets ranges between 105% to 115% of loan amount and cash collateral	Repayable in 36 monthly instalments	65,782,997	31,155,813
6	17 crores from Reliance Capital Limited	Lien on small business loan assets ranges between 110% to 120% of loan amount and cash collateral	Repayable in 36 monthly instalments	153,716,530	18,650,285
7	31.5 crores from MAS Financial Services Private Limited	Lien on small business loan assets to the extent of 100% of loan amount and cash collateral	Repayable in 24 to 36 monthly instalments	251,388,901	81,666,668
				579,269,376	194,100,754

As at Balance Sheet date, interest rates per annum range between

15% to 16.50% 13.5% to 16.25%

5 Deferred tax liabilities (net)

Deferred tax liability on depreciation / amortisation
Deferred tax asset on carried forward business losses

	31 March 2013	31 March 2012
Deferred tax liability on depreciation / amortisation	-	(380,301)
Deferred tax asset on carried forward business losses	-	380,301
	-	-



NOTES TO FINANCIAL STATEMENTS

6 Other liabilities

	31 March 2013		31 March 2012	
	Non - current	Current	Non - current	Current
Current maturities on long-term borrowings	-	293,121,124	-	113,222,064
Payable against assigned loans	-	16,168,024	-	4,963,680
Continuing involvement in assigned portfolio	-	9,769,453	2,347,433	19,308,306
Interest accrued but not due on borrowings	-	4,336,077	-	784,914
Advance income on assigned loans	12,478,781	24,486,905	913,750	3,262,710
Advance interest received from small business loans	-	523,161	-	-
Statutory liabilities	-	2,904,129	-	1,261,572
Employee dues	-	6,472,705	-	3,540,830
Book overdraft	-	-	-	7,284,775
Other payables*	-	4,728,228	-	2,694,351
	12,478,781	362,509,806	3,261,183	156,323,202

*Based on information available with the Company, there are no suppliers who are registered as micro and small enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" as at the year end.



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NOTES TO FINANCIAL STATEMENTS

7 Provisions

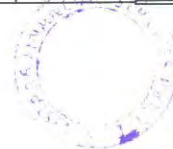
	31 March 2013		31 March 2012	
	Long-term	Short-term	Long-term	Short-term
Provision for employee benefits				
Gratuity	1,281,928	102,357	517,204	57,346
Compensated absences	461,536	33,211	223,602	16,600
Contingent provisions against standard assets	4,135,690	4,788,837	1,368,620	4,113,568
Provisions on securitised portfolios	371,722	-	-	-
	6,250,876	4,924,405	2,109,426	4,187,514

8 Tangible assets

	Computers	Furniture and fixtures	Office equipment	Electrical equipment	Total
Gross block					
As at 01 April 2011	3,589,361	2,972,439	2,038,447	2,327,480	10,927,727
Additions	1,454,195	348,995	608,785	-	2,411,975
Disposals	-	-	-	-	-
As at 31 March 2012	5,043,556	3,321,434	2,647,232	2,327,480	13,339,702
Additions	3,609,960	1,131,747	2,871,523	203,361	7,816,591
Disposals	-	-	344,825	-	344,825
As at 31 March 2013	8,653,516	4,453,181	5,173,930	2,530,841	20,811,468
Depreciation					
As at 01 April 2011	795,457	479,845	355,205	541,010	2,171,517
Charge for the year	1,851,089	741,959	549,894	770,173	3,913,115
Disposals	-	-	-	-	-
As at 31 March 2012	2,646,546	1,221,804	905,099	1,311,183	6,084,632
Charge for the year	2,451,117	1,627,969	1,216,914	783,382	6,079,382
Disposals	-	-	175,557	-	175,557
As at 31 March 2013	5,097,663	2,849,773	1,946,456	2,094,565	11,988,457
Net block					
As at 31 March 2012	2,397,010	2,099,630	1,742,133	1,016,297	7,255,070
As at 31 March 2013	3,555,853	1,603,408	3,227,474	436,276	8,823,011

9 Intangible assets

	Software	Total
Gross block		
As at 01 April 2011	2,130,113	2,130,113
Additions	-	-
Disposals	-	-
As at 31 March 2012	2,130,113	2,130,113
Additions	596,138	596,138
Disposals	-	-
As at 31 March 2013	2,726,251	2,726,251
Amortisation		
As at 01 April 2011	576,565	576,565
Charge for the year	187,270	187,270
Disposals	-	-
As at 31 March 2012	763,835	763,835
Charge for the year	813,419	813,419
Disposals	-	-
As at 31 March 2013	1,577,254	1,577,254
Net block		
As at 31 March 2012	1,366,278	1,366,278
As at 31 March 2013	1,148,997	1,148,997



NOTES TO FINANCIAL STATEMENTS

10 Loans and advances

	31 March 2013		31 March 2012	
	Long-term	Short-term	Long-term	Short-term
Loans to small businesses				
Secured, considered good	691,437,936	418,881,962	182,732,995	113,527,739
Unsecured, considered good	-	770,954	850,841	61,387,469
Unsecured, considered doubtful	85,665	2,872,793	-	-
	691,523,601	422,525,709	183,583,836	174,915,208
Less: Assigned portfolio	64,597,540	125,411,329	10,761,109	58,575,218
	626,926,061	297,114,380	172,822,727	116,339,990
Continuing involvement in assigned portfolio*	-	9,769,453	2,347,433	19,308,306
Security deposits	4,771,698	-	2,934,071	-
Tax deducted at source receivable	941,864	-	556,553	-
	632,639,623	306,883,833	178,660,784	135,648,296

* The Company has recorded continuing involvement to the extent of the amount guaranteed on the loan portfolio.

11 Other assets

	31 March 2013		31 March 2012	
	Non - current	Current	Non - current	Current
Unsecured, considered good				
Fixed deposits**	120,394,611	-	45,640,795	-
Prepaid expense	3,239,702	3,775,015	1,382,137	1,894,897
Interest accrued but not due on fixed deposits**	4,790,003	2,488,813	1,512,748	367,448
Interest accrued but not due on loans to small businesses	-	16,309,208	-	4,581,862
Interest due but not collected	-	201,832	-	-
Other advances	-	3,098,403	-	450,712
Receivables on assignment/securitisation	57,845,828	-	-	-
	186,270,144	25,873,271	48,535,680	7,294,919

**Pertains to fixed deposits created (including accrued interest there on) as margin money against the borrowings, management portfolio commitments and deposits maturing beyond 12 months as at the year end.

12 Current investments

In mutual funds (Quoted and non-trade, at cost)

	31 March 2013	31 March 2012
Union KBC Liquid Fund (10,071 units at face value of 1,000 per unit)	-	10,072,786
	-	10,072,786

The fair market value of the quoted investments in units of mutual funds as on 31 March 2013: NIL (31 March 2012: 10,072,786)

13 Trade receivables

(Unsecured, considered good)

	31 March 2013	31 March 2012
Outstanding for less than six months	-	352,038
	-	352,038

14 Cash and cash equivalents

	31 March 2013	31 March 2012
Balances with banks		
-in current accounts	80,472,316	4,528,838
-deposits with original maturity of less than three months	100,000,000	85,001,000
Cash on hand	2,194,046	591,026
	182,666,362	90,120,864



NOTES TO FINANCIAL STATEMENTS

15 Revenue from operations	31 March 2013	31 March 2012
Interest on loans to small businesses	148,941,765	48,744,664
Loan processing and service fee	24,496,107	6,774,954
Income from assignment/ securitisation	21,342,522	3,526,411
	194,780,394	59,046,029
16 Other income	31 March 2013	31 March 2012
Interest on fixed deposits	9,358,936	7,437,798
Dividend on investments in units of mutual funds	6,944	1,010,046
Profit on sale of investments in mutual funds	12,058,121	699,132
Others	50,310	-
	21,474,311	9,146,976
17 Employee benefits expense	31 March 2013	31 March 2012
Salaries and wages	90,981,172	43,003,912
Contributions to provident and other funds	4,656,292	2,202,541
Employee Stock Option Plan expense	2,723,667	-
Staff welfare expenses	2,397,461	1,221,069
Gratuity	809,734	234,125
	101,568,326	46,661,647
18 Finance costs	31 March 2013	31 March 2012
Interest expense on term loans	59,017,066	18,827,276
Other borrowing costs		
-loan processing fee on borrowings	4,245,572	911,211
-bank charges	1,417,212	240,397
	64,679,850	19,978,884
19 Depreciation and amortisation expense	31 March 2013	31 March 2012
Depreciation of tangible assets	6,079,382	3,913,115
Amortisation of intangible assets	813,419	187,270
	6,892,801	4,100,385
20 Other expenses	31 March 2013	31 March 2012
Rent	4,678,542	2,229,789
Electricity and water	1,761,720	804,948
Repairs and maintenance - others	2,683,246	1,183,740
Insurance	339,318	360,421
Rates and taxes	341,155	285,610
Travelling and conveyance	11,041,710	6,274,560
Printing and stationery	1,245,343	649,449
Postage and courier	597,133	276,799
Information technology costs	3,139,674	1,695,790
Legal and professional	5,646,611	3,434,902
Communication	1,762,360	1,399,093
Training and recruitment	2,929,090	1,035,583
Branding and marketing	542,793	260,486
Membership and subscription	44,944	112,478
Miscellaneous	746,667	408,895
	37,500,306	20,412,543



NOTES TO FINANCIAL STATEMENTS

	31 March 2013	31 March 2012
Payment to auditors (excluding service tax)		
- Audit fees	625,000	500,000
- Tax audit fees	75,000	50,000
- Out of pocket expenses	70,023	19,235
	770,023	569,235

21 Earnings per share (EPS)

	31 March 2013	31 March 2012
Net profit/(loss) attributable to equity shareholders	2,171,083	(27,248,326)
Weighted average number of shares outstanding during the year for computing basic EPS (nos)	7,395,940	7,360,156
Add: Effect of potential shares for conversion of CCPS (nos)	18,402,146	9,573,750
Weighted average number of shares used to compute diluted EPS (nos)	25,798,086	16,933,906
Profit/(loss) per share :		
Basic	0.29	(3.70)
Diluted*	0.08	(3.70)
Nominal value - per equity share	10	10

* Restricted to anti-dilutive amount, as applicable.



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NOTES TO FINANCIAL STATEMENTS

22 Employee benefits

A. Defined benefit plan

The Company offers gratuity and compensated absences as defined benefit plans for its employees. Disclosures as required by AS -15 are as under:

	31 March 2013		31 March 2012	
	Gratuity	Compensated absences	Gratuity	Compensated absences
1 The amounts recognised in the Balance Sheet are as follows:				
Present value of the obligation as at the end of the year	1,384,285	494,747	574,550	240,202
Fair value of plan assets as at the end of the year	-	-	-	-
Net liability recognised in the Balance Sheet	1,384,285	494,747	574,550	240,202
2 The amounts recognised in the Statement of Profit and Loss are as follows:				
Service cost	804,753	260,417	230,457	64,053
Interest cost	47,400	19,817	28,936	28,339
Expected return on plan assets	-	-	-	-
Past service cost	-	-	-	-
Net actuarial (gain)/loss recognised in the year	(42,418)	(25,689)	(25,268)	(185,598)
Expense recognised in the Statement of Profit and Loss of the year	809,735	254,545	234,125	(93,206)
3 Changes in the present value of defined benefit obligation				
Defined benefit obligation as at beginning of the year	574,550	240,202	340,425	333,408
Service cost	804,753	260,417	230,457	64,053
Interest cost	47,400	19,817	28,936	28,339
Actuarial losses/(gains)	(42,418)	(25,689)	(25,268)	(185,598)
Benefits paid	-	-	-	-
Defined benefit obligation as at the end of the year	1,384,285	494,747	574,550	240,202
Assumptions used in the above valuations are as under:				
Interest rate	8.25% p.a.	8.25% p.a.	8.5% p.a.	8.5% p.a.
Discount rate	8.25% p.a.	8.25% p.a.	8.5% p.a.	8.5% p.a.
Future salary increase	12% p.a.	12% p.a.	6% p.a.	6% p.a.
Attrition rate	10% p.a.	10% p.a.	5% p.a.	5% p.a.
Retirement age	58 years	58 years	58 years	58 years

B. Defined contribution plan

The Company makes contribution of statutory provident fund as per the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and Employees State Insurance Scheme as per the Employees' State Insurance Act, 1948. The contribution amounts have been disclosed under Note 17, Employee benefits expense.



NOTES TO FINANCIAL STATEMENTS

23 Related party disclosures

a) Names of related parties and nature of relationship

Names	Nature of relationship
Mr. Brahmanand Hegde	Key Management Personnel (KMP)
Mr. Ramakrishna Nishtala	Key Management Personnel (KMP)
Mrs. Sita Nishtala	Relative of KMP
Ms. Nandhini Hegde	Relative of KMP

b) Nature of transactions

	31 March 2013	31 March 2012
Transactions with key management personnel		
- <i>Managerial remuneration</i>		
Mr. Brahmanand Hegde	5,500,000	4,594,000
Mr. Ramakrishna Nishtala	5,500,000	4,595,265
Transactions with relatives of key management personnel		
- <i>Vehicle lease rentals</i>		
Mrs. Sita Nishtala	-	140,000
Ms. Nandhini Hegde	-	140,000

24 Classification and provisions for loan portfolio owned

	Asset classification			
	Standard assets		Non-performing assets	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Loan outstanding	921,150,383	286,614,730	2,890,058	2,547,987
Less: Provision	5,888,418	2,094,870	2,890,058	2,547,987
Loan outstanding (net)	915,261,965	284,519,860	-	-

25 Assignment/ securitisation of loans

During the year, the Company has assigned/ securitised loans to third parties. The information on assignment / securitisation activity of the Company, as an originator, is shown below:

	31 March 2013	31 March 2012
Assets de-recognised during the year	252,601,066	71,772,423
Total number of receivables	4,433	4,169
Book value of assets	252,601,066	71,772,423
Sale consideration	304,413,971	76,793,210
Gain on transaction (Refer note 1 (c) (f))	51,812,905	5,020,787
Bank deposits provided as cash collateral	32,655,016	11,714,000

26 Operating leases

The Company is a lessee under various operating leases for premises and vehicles taken on lease. These leasing arrangements, which are generally cancellable, ranges between 11 months to 36 months and are renewable on mutually agreeable terms. Lease expenses for the year amounted to 4,678,542 (31 March 2012: 2,229,789).

27 Segment information

The Company is engaged in lending to small businesses which is considered to be the only reportable business segment as per Accounting Standard 17 on Segment Reporting. The Company operates primarily in India and there is no other significant geographical segment.



NOTES TO FINANCIAL STATEMENTS

28 Non-Banking Financial Company (Non-deposit Accepting or Holding)

The Company is a Systemically Important Non-deposit taking Non-Banking Finance Company ('NBFC-ND-SI'). The Company has received Certificate of Registration dated February 18, 1998 from the Reserve Bank of India to carry on the business of Non-Banking Financial Institution without accepting deposits. The Company has also received fresh Certificate of Registration dated February 21, 2012 consequent to change of name with effect from February 13, 2012.

29 Additional disclosure pursuant to the RBI directions vide paragraph 13 of Non-Banking Financial (Non-deposit Accepting or Holding) Company Prudential Norms (Reserve Bank) Directions, 2007

Liabilities side :

a. Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:	Amount outstanding	Amount overdue
(a) Debentures		
Secured	-	-
Unsecured	-	-
(other than falling within the meaning of public deposits)		
(b) Deferred Credits	-	-
(c) Term Loans	671,502,554	-
(d) Inter-corporate loans and borrowing	-	-
(e) Commercial Paper	-	-
(f) Other Loans (specify nature)	-	-
	671,502,554	-

Assets side :

b. Break-up of loans and advances (standard assets):	Amount outstanding
(a) Secured	921,052,892
(b) Unsecured	97,491
	921,150,383

c. Break up of leased assets and stock on hire and other assets counting towards AFC activities

(i) Lease assets including lease rentals under sundry debtors :	
(a) Financial lease	-
(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	-

d. Break-up of investments :

Current investments

1. Quoted

(i) Shares :	
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others (please specify)	-

2. Unquoted

(i) Shares :	
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others (please specify)	-



NOTES TO FINANCIAL STATEMENTS

29 Additional disclosure pursuant to the RBI directions vide paragraph 13 of Non-Banking Financial (Non-deposit Accepting or Holding) Company Prudential Norms (Reserve Bank) Directions, 2007 (Cont'd)

Long term investments

1 Quoted

(i) Shares :	
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others (please specify)	-

2 Unquoted

(i) Shares :	
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others (please specify)	-

e. Borrower group-wise classification of assets financed as in (b) and (c)

Category	Amount (standard assets)		
	Secured	Unsecured	Total
1 Related Parties	-	-	-
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2 Other than related parties	921,052,892	97,491	921,150,383
	<u>921,052,892</u>	<u>97,491</u>	<u>921,150,383</u>

f. Investor group-wise classification of all investments (current and long-term) in shares and securities (both quoted and unquoted):

Category	Book Value (Net of Provisions)	Market Value / Break up or fair value or NAV
1 Related Parties		
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2 Other than related parties	-	-
	<u>-</u>	<u>-</u>

g. Other information

(i) Gross Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	2,890,058
(ii) Net Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	-
iii) Assets acquired in satisfaction of debt	-



NOTES TO FINANCIAL STATEMENTS

30 Additional disclosures pursuant to the RBI Master Circular-Miscellaneous Instructions to NBFC-ND-SI dated July 2, 2012

(i) Capital Risk Asset Ratio

Sl.No.	Items	31 March 2013	31 March 2012
(a)	Capital risk Asset Ratio (%)	51.00%	48.44%
(b)	Capital risk Asset Ratio (%) - Tier I Capital (%)	50.48%	47.68%
(c)	Capital risk Asset Ratio (%) - Tier II Capital (%)	0.52%	0.76%

(ii) The Company has no exposure to the real estate sector directly or indirectly in the current and previous years.

iii) Maturity pattern of certain items of assets and liabilities

	Assets		Liabilities	
	Advances	Investments	Borrowings from Banks	Market Borrowings
1 day to 30/31 days (one month)	21,788,532	100,000,000	3,080,120	13,976,696
Over one month to 2 months	22,577,888	-	9,646,021	16,872,904
Over 2 months upto 3 months	23,198,413	-	3,428,318	21,097,136
Over 3 months to 6 months	72,328,747	-	16,686,077	65,529,777
Over 6 months to 1 year	154,405,052	-	24,141,265	118,662,810
Over 1 year to 3 years	470,861,606	-	30,915,300	340,352,269
Over 3 years to 5 years	144,147,869	-	-	2,777,784
Over 5 years	14,732,034	-	-	-
Total	924,040,141	100,000,000	87,897,101	579,269,376

31 Disclosure pursuant to the RBI Circular-DNBS.PD.No.301/3.10.01/2012-13 dated August 21, 2012

Sl.No	Particulars	No./Amount
1	No. of SPVs sponsored by the NBFC for securitisation transactions	2
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	252,601,066
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of Balance Sheet	32,655,016
	a) Off-balance sheet exposures	-
	* First loss	-
	* Others	-
	b) On-balance sheet exposures	-
	* First loss	32,655,016
	* Others	-
4	Amount of exposures to securitisation transactions other than MRR	-
	a) Off-balance sheet exposures	-
	i) Exposure to own securitisations	-
	* First loss	-
	* Others	-
	ii) Exposure to third party securitisations	-
	* First loss	-
	* Others	-
	b) On-balance sheet exposures	-
	i) Exposure to own securitisations	-
	* First loss	-
	* Others	-
	ii) Exposure to third party securitisations	-
	* First loss	-
	* Others	-



NOTES TO FINANCIAL STATEMENTS

32 Disclosure of frauds as per circular no. DNBS.PD.CC. No.283 / 03.10.042 / 2012-13 dated July 2, 2012
During the year 2012-13, no frauds were reported to management.

33 Contingent liabilities

Credit enhancement provided by the Company towards assets assignment/securitisation transactions: 32,655,016 (31 March 2012: 9,769,453).

34 Additional information as required under paragraph 5 of the part II of the Schedule VI to the Act to the extent either "nil" or "not applicable" has not been furnished.

35 Expenditure in foreign currency

	31 March 2013	31 March 2012
Professional and consultation fees	240,000	-

36 Prior year comparatives

Previous year's amounts have been regrouped/ reclassified wherever necessary to conform to the current year's presentation.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

Walker, Chandio & Co
For Walker, Chandio & Co
Chartered Accountants

For and on behalf of the Board of Directors

Ahupam
Per Ahupam Kumar
Partner

Bengaluru
05 June 2013



Brahmanand Hegde

Brahmanand Hegde
Managing Director

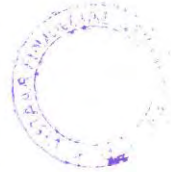
Bengaluru
05 June 2013

N. Ramakrishna

Ramakrishna Nishtala
Director

Sudesh Chinchewadi

Sudesh Chinchewadi
Company Secretary



CONTACT INFORMATION

Mr. Sudesh Chinchewadi
Head- Finance & Company Secretary

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