VISTAAR

# SPURRING GROWTH BY **FUELLING MSMEs.**

THE GROWTH ENGINE OF INDIAN ECONOMY

**Forward** Together

Annual Report FY 2016

# Contents



Bustling with life, and thriving on innovation, micro, small and medium business entrepreneurs in the heartlands of india are fuelled with ambition to take the economy to its rightful place on the global map. However with capital hard to come by, they are eagerly looking to partner with someone who understands their dreams, respects their entrepreneurial capabilities and will catapult them into the mainstream.

That partner is us.

**Vistaar is a catalyst – inclusive, insightful, pragmatic and enabling.**

# VISTAAR – THE STORY OF **INCLUSIVE GROWTH**

"THE JOURNEY OF A THOUSAND MILES BEGINS WITH A SINGLE STEP."
- Lao tzu

The origins of Vistaar could be traced to two entrepreneurs who wanted to create new economic opportunities in the Micro, Small and Medium Enterprises (MSME) sector. Though MSMEs play a key role in the overall economy – employs over 100 million people and contribute to over 45% of India's manufacturing output and 40% to the exports of the country – the formal financial system has never been able to meet the burgeoning demand of the MSME sector.

Vistaar started its journey in 2010 and has been growing phenomenally. From the first branch in 2010, Vistaar has grown to have a pan India presence with 198 branches spread across 12 states as of March 2016. But what truly makes the journey delightful is what the organisation's growth indicates. When Vistaar grows, there grows along individuals, communities and the whole nation.


## FY **2011**

- Founded in April 2010
- Capital raised: ₹15 Crore
- Started operations in Karnataka & Tamilnadu

## FY **2012**

- Capital raised: ₹10 Crore
- Launched specialised products
  - Small Business Mortgage Loans
  - Small Business Hypothecation Loans

## FY **2013**

- Capital raised: ₹40 Crore
- Branched out operations to Maharashtra
- August 2012 – Operating break even achieved
- Crossed ₹100 crore portfolio mark

## FY **2014**

- A two-fold increase in portfolio value to ₹243 crore
- Branched out operations to Gujarat
- Number of branches doubled to 81

## FY **2015**

- Capital raised: ₹160 Crore
- Branched out operations to Madhya Pradesh, Rajasthan & Chhattisgarh
- Debt raised: ₹308 Crore
- Portfolio increased to ₹516 Crore

## FY 2016

- Capital raised: ₹250 Crore
- Credit rating upgraded to [ICRA] A- from [ICRA]BBB+
- Branched out operations to five new states- Uttar Pradesh, Uttarakhand, Haryana, Odisha & Andhra Pradesh
- Launched two new products
  - Bill discounting
  - Equipment finance


# WHAT **REMAINS** TO BE **TAPPED**

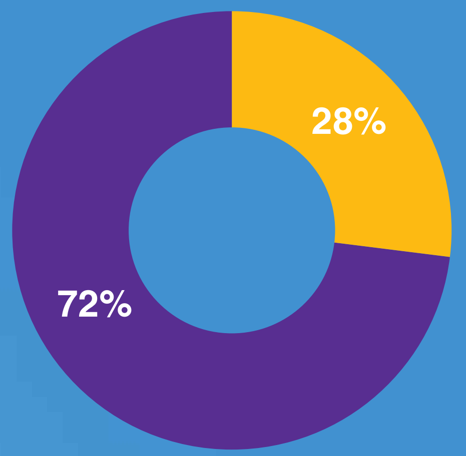
By all accounts, Vistaar's has been a successful journey. While the organisation derives its strength to propel forward from what it has accomplished, it prides in its ability to outperform itself.

What lies ahead of Vistaar is a world of opportunities that prompts it to grow and facilitates growth simultaneously. Today, the total unmet demand for credit from the MSME sector is over **₹2.9 trillion**. While the micro enterprises sector tops the chart with **77%** of the total demand, trailing behind are small enterprises sector with **17%** and medium enterprises sector with **6%.**

Vistaar is planning to make in-roads into this space. As an organisation that is fully committed to transform the lives of people from the marginalised sectors and bring them to the mainstream, Vistaar employs unique methods to achieve its target.

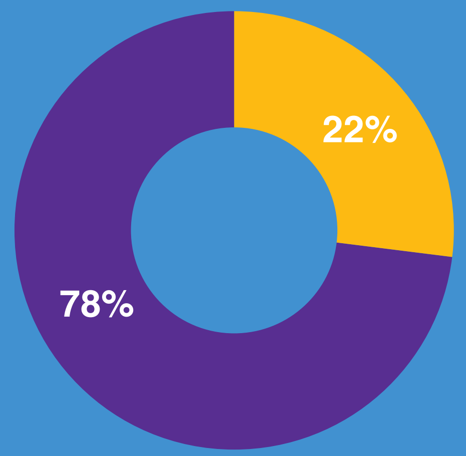
By 2018, Vistaar is planning to be a **₹2,500 crore** organisation. With its pool of talent in Business, Risk, Technology and Operations the company is confident of achieving the goal. The organisation has invested in these areas and is planning to up the number of Vistaarians to over **2,500** by then.

**Breakup of MSME sector (Number of Units)**



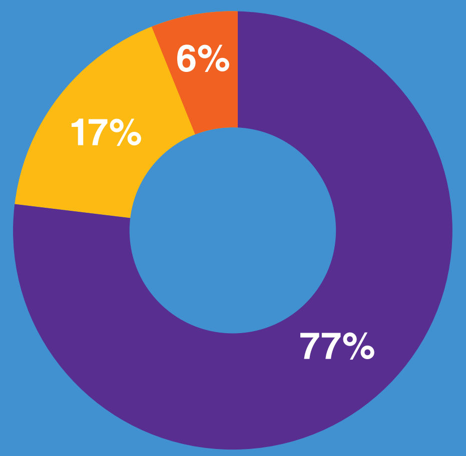

- Vistaar's target segment
- others

**Breakup of credit demand in MSME sector**




- Vistaar's target segment
- others

**Breakup of total unmet debt demand**




- Micro Enterprises
- Small Enterprises
- Medium Enterprises

# VARIED NEEDS, **DIVERSE SOLUTIONS**

Diversity – the aspect that makes India what it is. At Vistaar, our aim is to fulfil the diverse needs of MSMEs spread across the length and breadth of the nation. A diverse portfolio – that is what it takes to cater to the needs of entrepreneurs from an array of segments.


# OUR **PRODUCTS**

## Funds Based Products

### Small Business Hypothecation Loan (SBHL)

Loan amount:
**Up to ₹95,000**

Typical loan tenure:
**2-3 years**

Offered to shops (general, kirana, hardware, utensil, cloth/readymade, footwear, pharmacy), cottage industries (power loom, auto loom, handloom, snacks, pickle, papad, jelly making) services (hotel/tea shop/bakery, welding/engineering units) and non-farming enterprises (dairy, agricultural processing).

### Small Business Mortgage Loan (SBML)

Loan amount:
**₹100,000 to ₹2,500,000**

Typical loan tenure:
**10 years**

Offered to all types of shops, small manufacturing industries, mills, hotels, lathes and garages to meet both working capital and expansion needs.

### Bill Discounting

Loan amount:
**Up to ₹2,500,000**

Typical loan tenure:
**90 days**

Offered to tier-I and tier-II manufacturers located in small towns, semi urban/ industrial areas with an annual turnover of 1 crore or above who purchase raw materials from various aggregators.

### Equipment Finance

Loan amount:
**Up to ₹2,500,000**

Typical loan tenure:
**4 years**

Offered to micro and small businesses operating in the areas of engineering and wood works for purchasing of machinery to improve business.

## Other Products:

The Company administers group and master insurance policy products that are issued and underwritten by leading insurance companies for the benefit of our customers. The Company facilitates two insurance products viz.:

- **Loan Insurance Cover (credit shield):** The optimal loan cover insurance is optional and offered anlong with the loan products in order to reduce the risk of loss in the event of demise of the customer.
- **Additional Insurance Policy**: The Company also administers an optional general insurance policy issued and underwritten by a leading insurance Company.

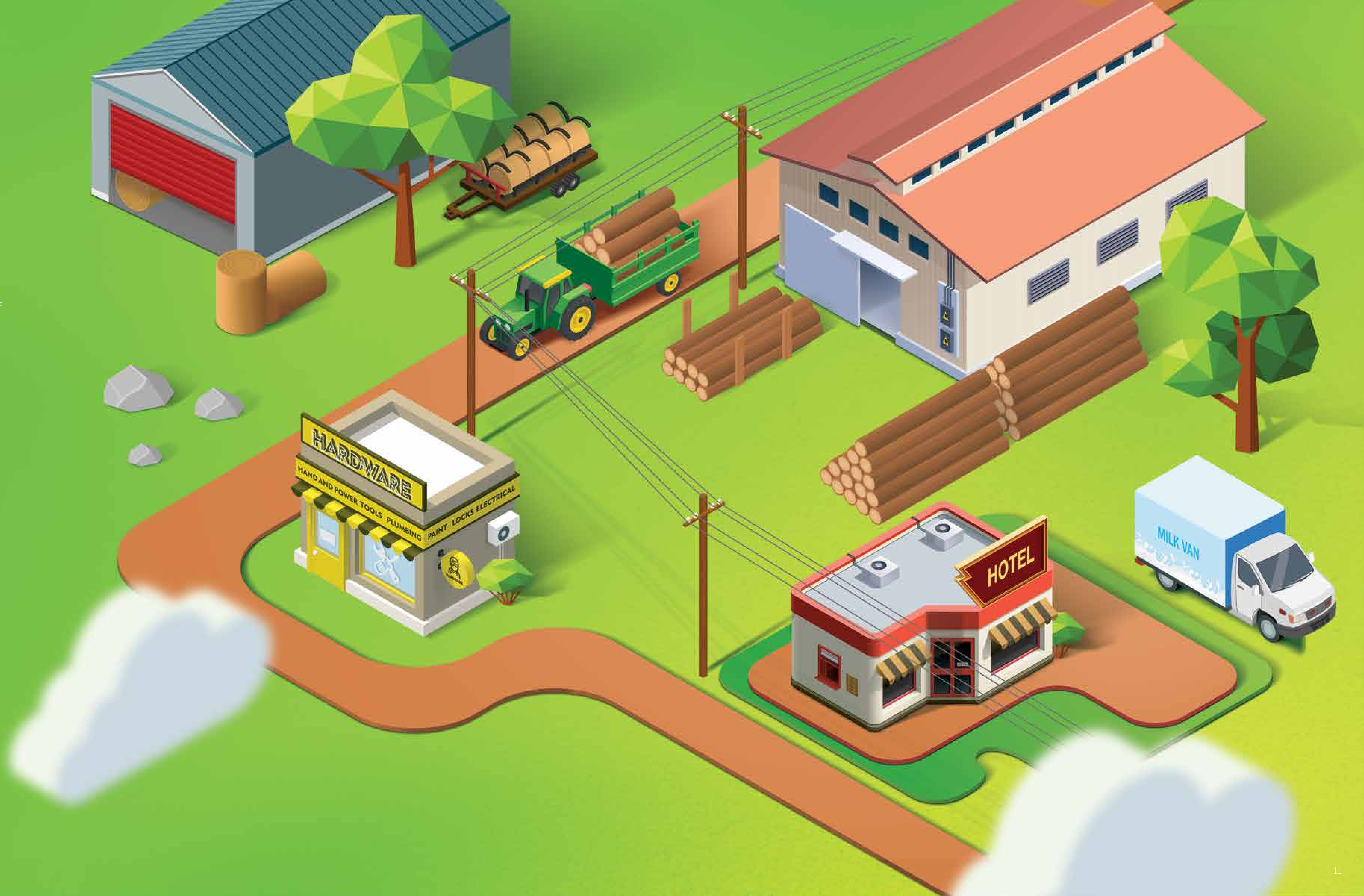
# SUCCESS IS THEIR MOTTO, **SUPPORT IS OUR PROMISE**

At Vistaar, we see ourselves as a catalyst. We salute the spirit of each micro, small and medium entrepreneurs who are raring to go. Eager, innovative and passionate, they are all set to script a success saga that will raise their business to the next level and contribute to the economy. We stand by them as a force that is inclusive, insightful, pragmatic and enabling. As a partner, we understand their dreams, respect their capabilities and are committed to usher them into the mainstream.

Vistaar's portfolio is well diversified across sectors and geographies and offers unique products in line with the company's long-term policy of de-risking, while meeting customer demands to a maximum.

## Segments we serve

- Small manufacturing unit
- Power /auto /handloom
- Home based enterprise
- Agriculture allied activities
- Kirana/general store
- Hotel & bakery
- Non-kirana retail store
- Others



# FULFILLING DEMANDS THE FOOLPROOF WAY

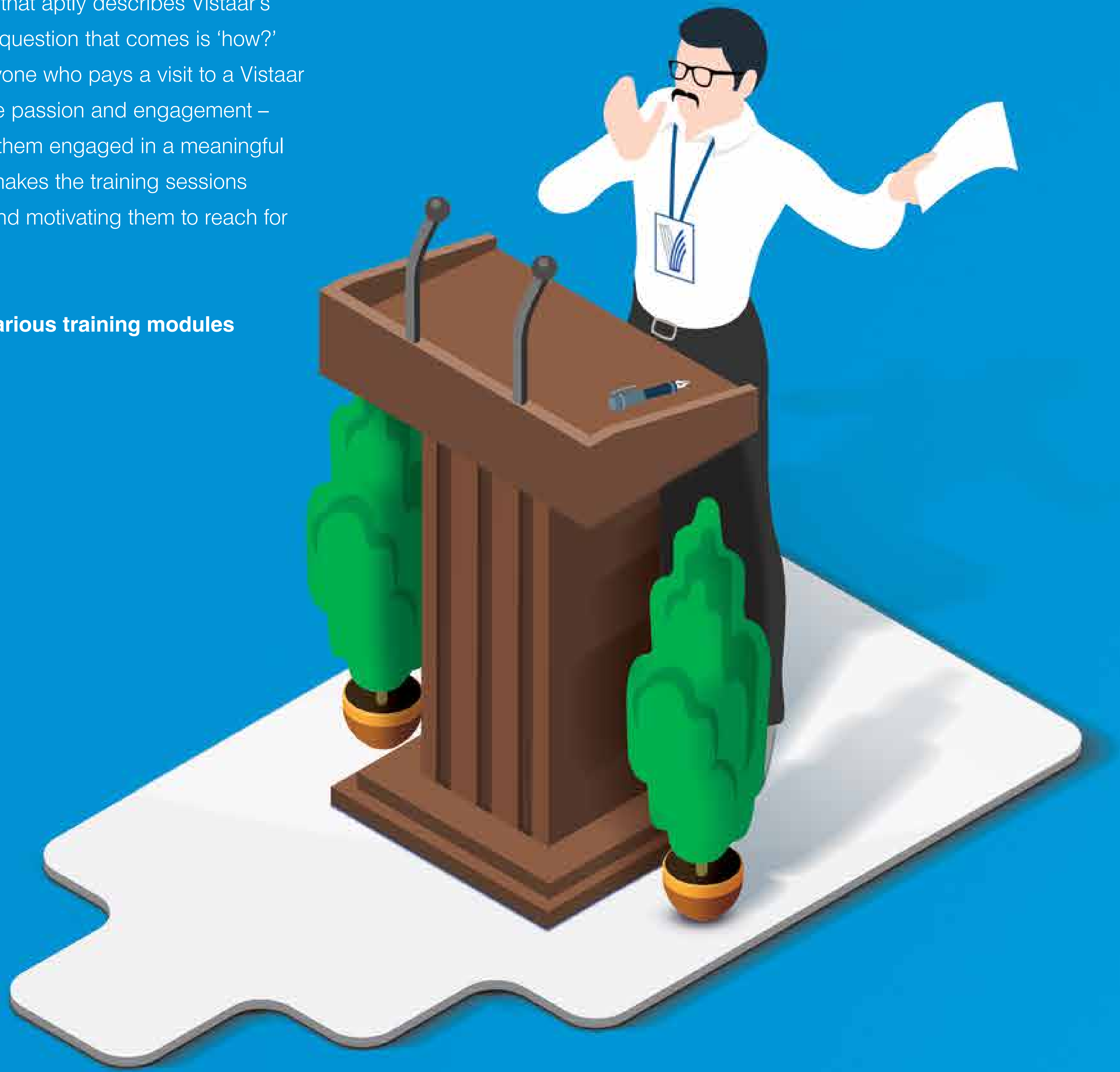
As an organisation that operates in a critical area as MSMEs, we have unique credit methodologies for different customer segments. We study our customers' enterprises in detail and assess peculiarities of the respective segment. Their income, ability, intention, business sustainability and credit behaviour are subjected to scrutiny through traditional and non-traditional methods. While the former includes income document checks and various kinds of credit bureau checks, the latter deals with non-traditional income documents and reference checks. The database of references is maintained segment-wise and updated regularly. The segments are continuously monitored and studied and the changes are incorporated in the credit assessment accordingly. The credit assessment gets additional strength from the collateral which is taken for moral suasion.

# PROVEN UNIQUE CREDIT METHODOLOGY

# KNOWLEDGE PARTNER
# - VISTAAR BANDHU

Very Significant – probably the words that aptly describes Vistaar's growth in just six years. Naturally, the question that comes is 'how?' The answer is readily available for anyone who pays a visit to a Vistaar office. The energy and excitement, the passion and engagement – yes, it's the employees. And keeping them engaged in a meaningful manner is Vistaar Bandhu. 'He' who makes the training sessions exciting and lively besides inspiring and motivating them to reach for the skies.

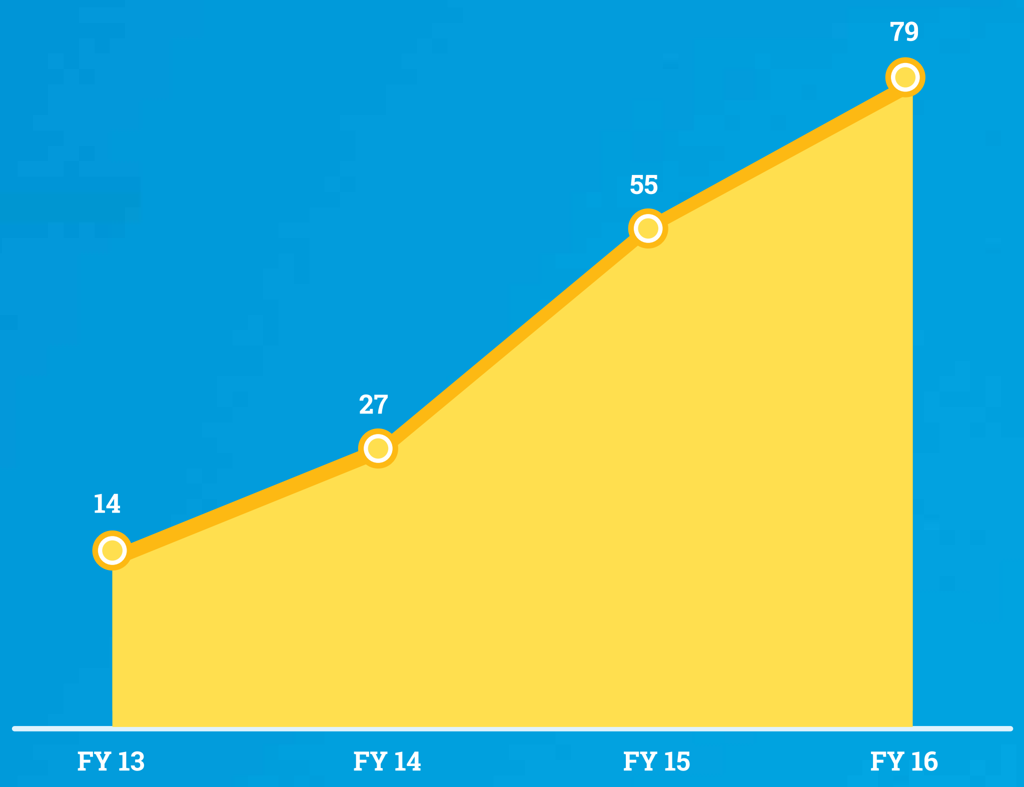
**"No. of employees trained under various training modules during FY16: ~1,060".**



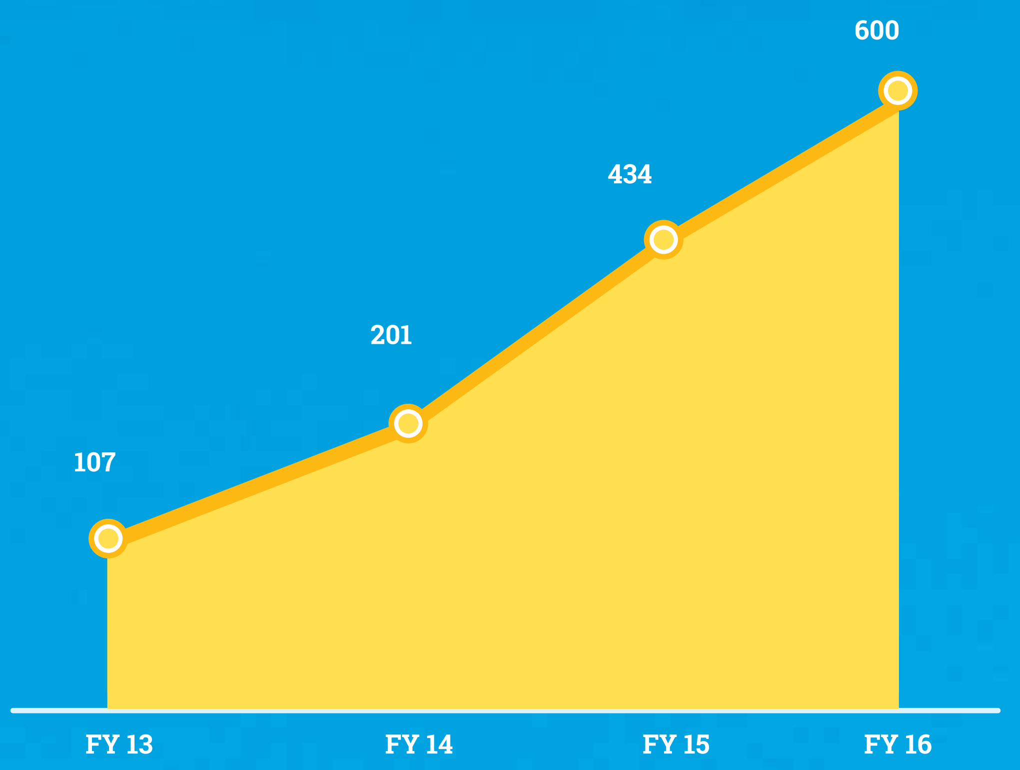
# IMPACTFUL
# INTERVENTION

Vistaar with its commitment to support MSMEs has created a remarkable impact on the socio-economic fronts of the nation. While the data below validates the impactful intervention, the case studies in the following pages would illustrate the lives of a cross section of entrepreneurs whose stories are as exceptional as they are inspirational.

**Number of Businesses Supported (in '000)**



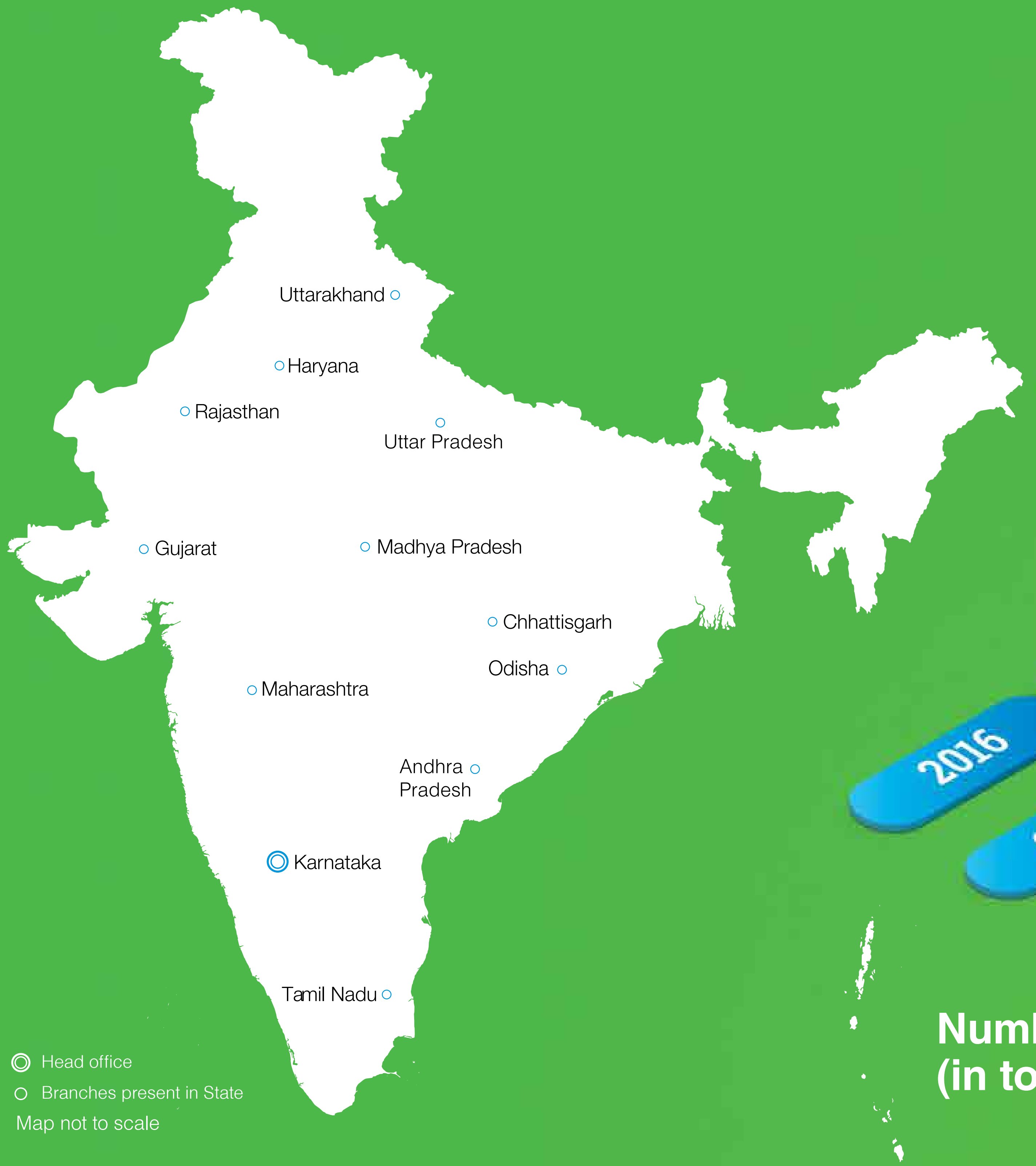

**Loan Amount Disbursed (₹in Crore)**

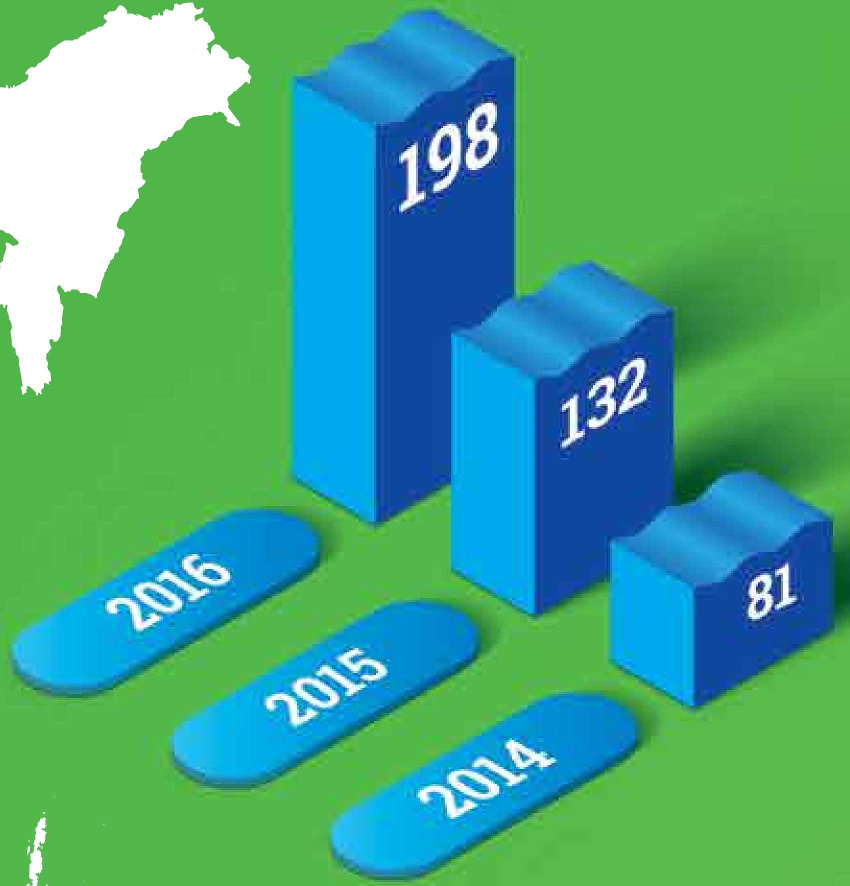



- As of March, 2016: 78% of Women entrepreneurs and 97% small businesses from rural & semi-urban areas
- Cumulative no. of small businesses supported ~1,25,000

# GROWING FROM **STRENGTH TO STRENGTH**

When it comes to describing stories of growth, numbers have a clear edge over words. As of March 2016, we have 198 branches spread across 12 states.




**Number of Branches (in total)**

## Number of Branches (State wise)

| | 2014-15 | 2015-16 |
|---|---|---|
| KARNATAKA | 29 | 35 |
| TAMIL NADU | 32 | 43 |
| MADHYA PRADESH | 11 | 28 |
| MAHARASTRA | 29 | 32 |
| RAJASTHAN | 07 | 15 |
| GUJARAT | 20 | 19 |
| CHHATTISGARH | 04 | 04 |
| UTTAR PRADESH | 00 | 06 |
| UTTARAKHAND | 00 | 04 |
| HARYANA | 00 | 01 |
| ODISHA | 00 | 05 |
| ANDHRA PRADESH | 00 | 06 |

# **DREAMS** REALISED

"I have always believed that if one has will to change one's destiny, he or she will find a way. My association with Vistaar strengthened that belief."

"I started my business in 2008. By the end of 2012, I had 4 Lakh Rupees in hand and this was when I wanted to realise my dream- to grow and improve the business. But the money I had was not enough to go about it. I heard about Vistaar around this time."

"In 2014 I managed to get a loan from Vistaar Finance to realise my dreams. I got 10 Lakh Rupees to make my purchase. Now in 2016 my business is flourishing and I have 20 Lakh Rupees in hand. If not from Vistaar, I would not have been able to make my business big.
I am grateful to Vistaar Finance. They are doing a great service by providing loans to thousands of entrepreneurs across the country. Thank you Vistaar, thank you for helping me realise my dreams."

**Customer Name :** Ankit Vyas
**Business :** Electronics
**Loan Amount :** ₹10 Lakh
**Location :** Indore

# DREAMS REALISED

"Running a business is difficult in these days of cutthroat competition. My business volume had remained stagnant for a long time. Initially I didn't know what to do. Then, after a while I realised that the only way to survive in a burgeoning market and to grow is to take the competition head on. Fortunately I got to know about Vistaar at the right time.

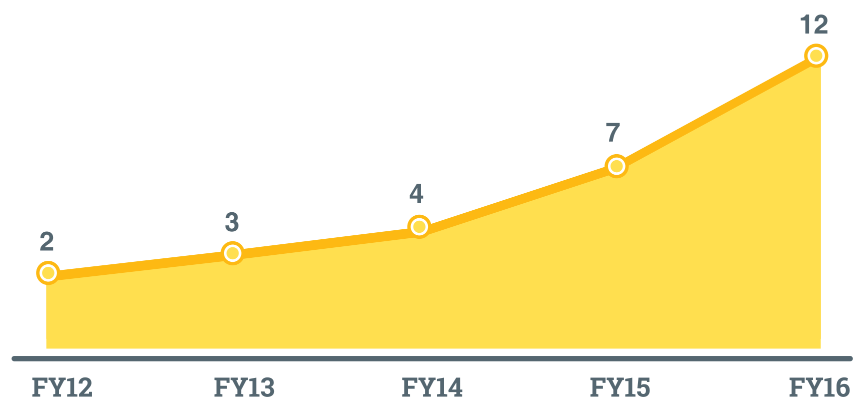
I took a loan of 1 Lakh Rupees from Vistaar Finance. Using this amount I started to stock new products for my shop and now I have more customers. (Yes, customers are happier when they find the aisles full). I am thankful to Vistaar for helping me grow my business the way I have always wanted it."

**Customer Name :** Gulab Singh
**Business :** Kirana shop
**Loan Amount :** ₹1 Lakh
**Location :** Gujarat

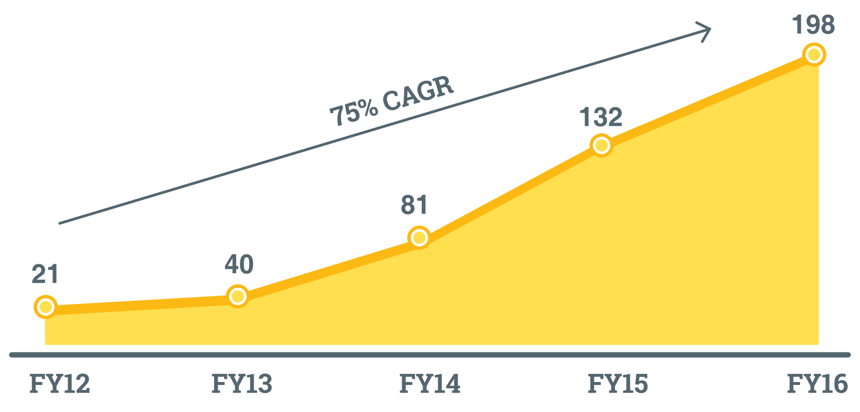
# OPERATIONAL **HIGHLIGHTS**

| Particulars | Unit | FY12 | FY13 | FY14 | FY15 | FY16 |
|---|---|---|---|---|---|---|
| States | No | 2 | 3 | 4 | 7 | 12 |
| Branches | No. | 21 | 40 | 81 | 132 | 198 |
| Active Borrowers | No. | 12,589 | 14,141 | 27,473 | 55,067 | 78,746 |
| Employees | No | 277 | 387 | 820 | 1,318 | 2,125 |
| Disbursements | ₹in Crore | 41 | 107 | 201 | 434 | 600 |
| Gross loan portfolio (GLP) | ₹in Crore | 36 | 111 | 243 | 515 | 844 |
| – Own portfolio | ₹in Crore | 29 | 92 | 231 | 456 | 822 |
| – Assigned/ managed portfolio | ₹in Crore | 7 | 19 | 12 | 59 | 22 |

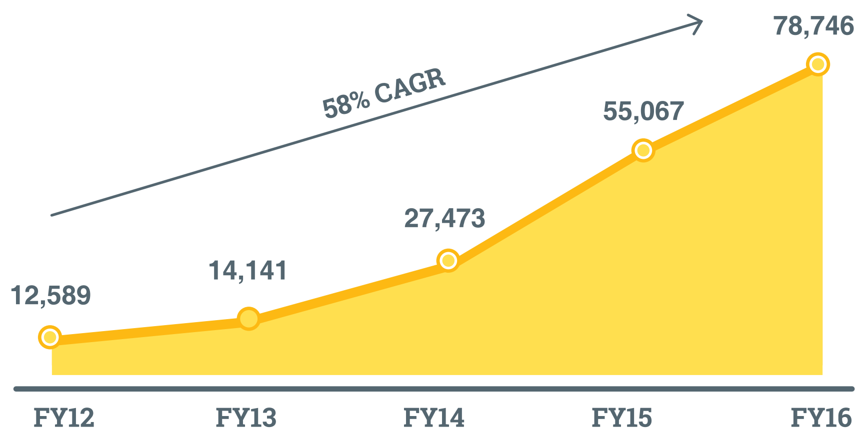
States



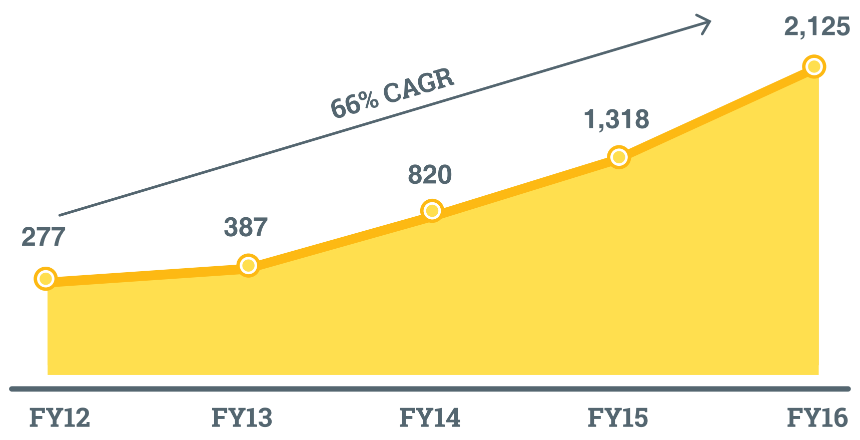

Branches



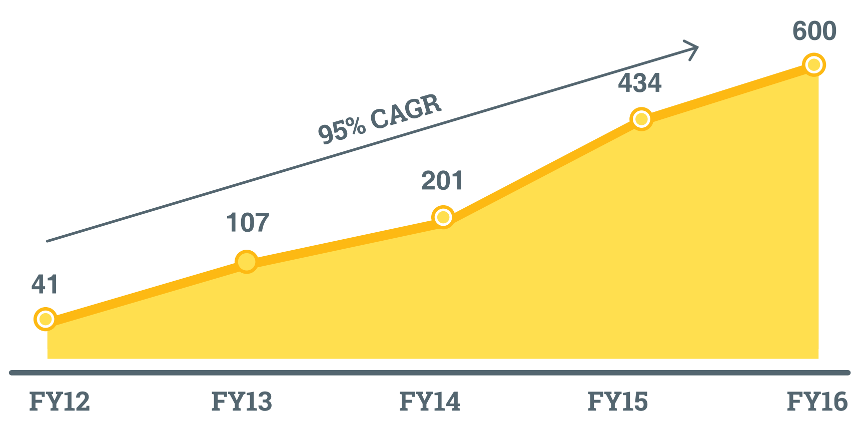

Active Borrowers



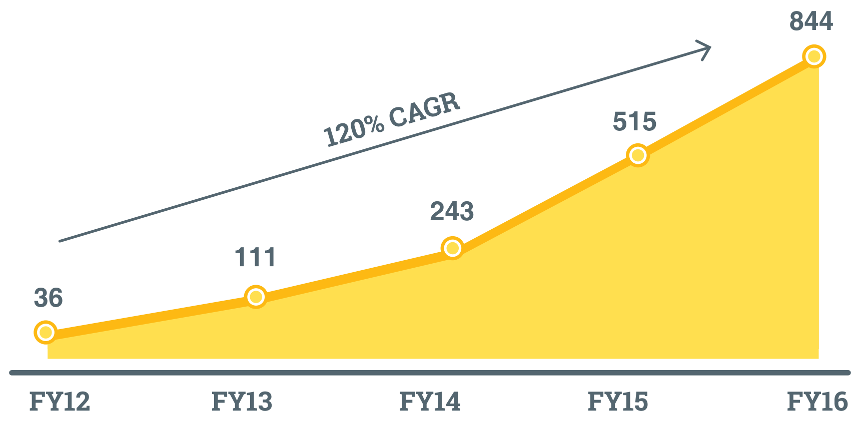

Employees




Disbursements ( ₹in Crores)




Portfolio Growth ( ₹in Crores)



# KEY FINANCIAL **NUMBERS & RATIOS**

## Key Financial Numbers:

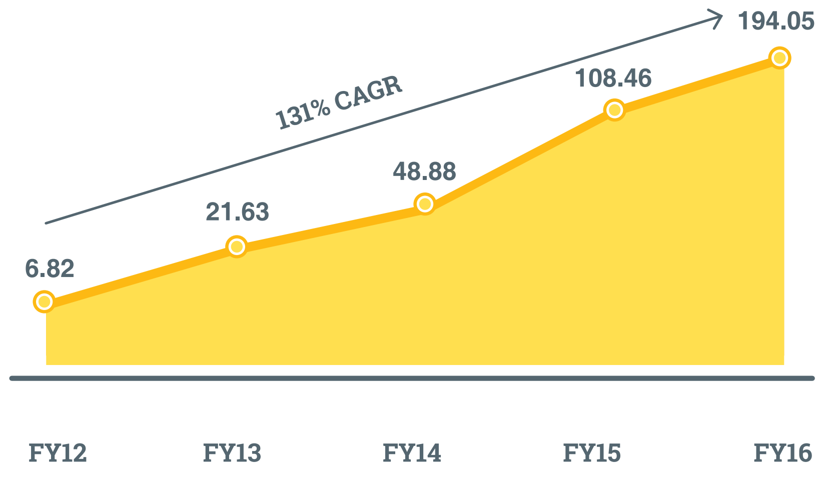
| Particulars | Unit | FY12 | FY13 | FY14 | FY15 | FY16 |
|---|---|---|---|---|---|---|
| Total revenue | ₹in Crore | 6.82 | 21.63 | 48.88 | 108.46 | 194.05 |
| Profit before tax | ₹in Crore | -2.72 | 0.22 | 1.56 | 15.07 | 38.83 |
| Profit after tax | ₹in Crore | -2.72 | 0.22 | 1.46 | 14.19 | 24.92 |
| Earnings per share (Basic) | Rs. | -3.70 | 0.29 | 1.92 | 18.68 | 32.43 |
| Earnings per share (Diluted) | Rs. | -3.70 | 0.08 | 0.50 | 3.00 | 4.04 |
| Networth | ₹in Crore | 17.54 | 58.41 | 59.02 | 230.89 | 508.51 |
| Total assets | ₹in Crore | 47.66 | 134.43 | 283.46 | 596.88 | 964.05 |
| Book value per share | RS. | 10.10 | 19.18 | 19.38 | 45.01 | 71.03 |

## Key Financial Ratios:

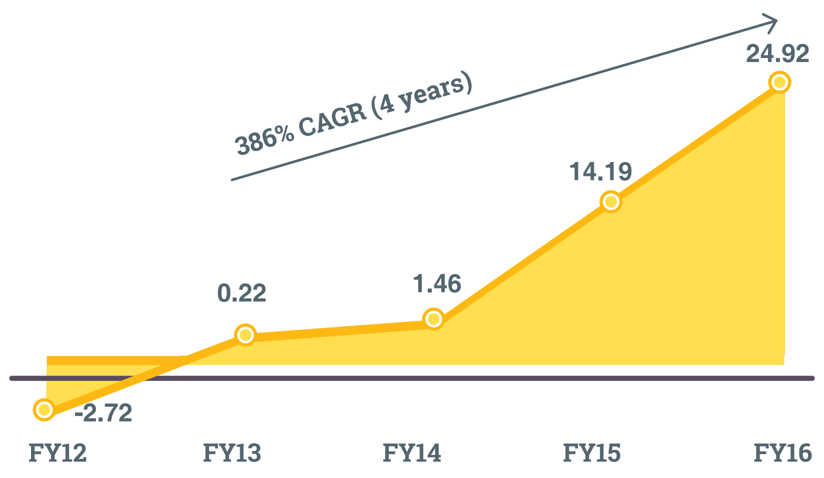
| Particulars | Unit | FY12 | FY13 | FY14 | FY15 | FY16 |
|---|---|---|---|---|---|---|
| Return on average gross loan portfolio* | % | -12.0 % | 0.3 % | 0.9 % | 4.0 % | 3.8 % |
| Return on average assets | % | -7.5 % | 0.2 % | 0.7 % | 3.2 % | 3.2 % |
| Return on average equity | % | -16.6 % | 0.6 % | 2.5 % | 9.8 % | 6.7 % |
| Cost to income ratio | % | 147.6 % | 96.3 % | 90.1 % | 76.3 % | 67.3 % |
| Capital adequacy ratio | % | 48.4 % | 51.0 % | 22.4 % | 44.9 % | 58.2 % |
| Debt : equity | No. of times | 1.43 | 1.14 | 3.58 | 1.41 | 0.79 |
| Gross non-performing assets# | % | 0.02% | 0.71% | 1.01% | 1.39% | 2.23% |

*includes assigned/securitised portfolio # excluding assigned/securitised portfolio

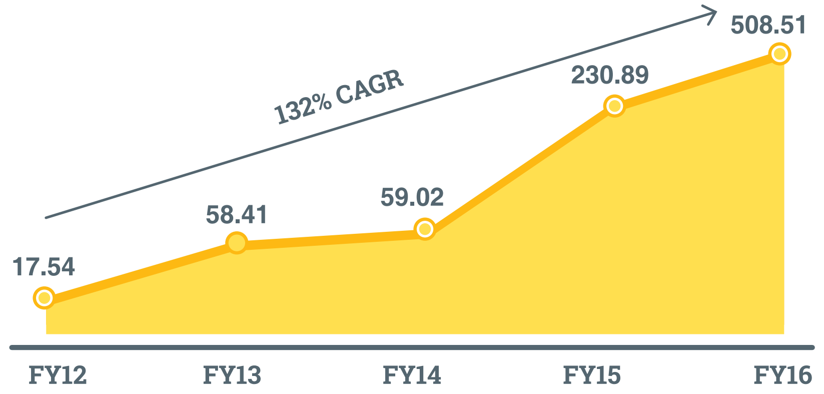
Total revenue ( ₹in Crores)



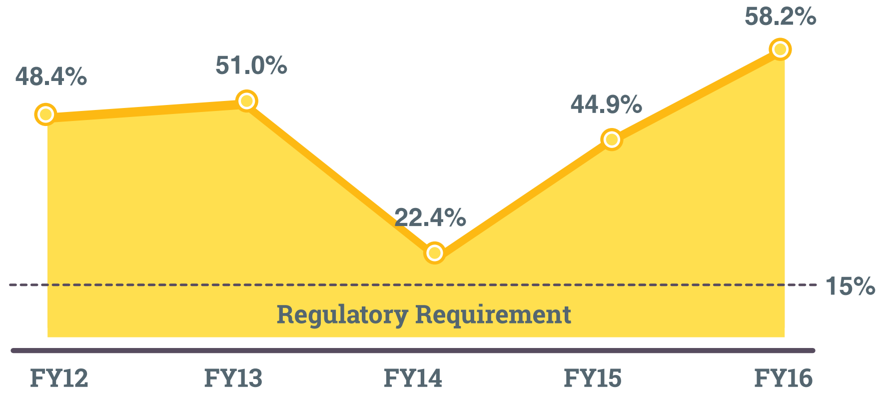

Profit after tax ( ₹in Crores)




Networth ( ₹in Crores)




Capital adequacy ratio (%)



# MESSAGE FROM THE **CEO**

Dear Shareholders,

The financial year 2016 has been a milestone year in the life of Vistaar. We have successfully completed six years of operations. And in all these years, **this unique business model of ours has enabled us to disburse more than 1,25,000 loans aggregating to ~₹1,400 crore** (on cumulative basis) which has helped to strengthen and grow the businesses of our customers. This reinforces our vision of being the preferred specialised financial services provider to the small business entrepreneurs who have always been neglected by the mainstream financial service providers.

Worldwide, Micro, Small and Medium Enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. In India too, the MSMEs play a pivotal role in the overall industrial economy of the country. The MSME sector, being one of the prominent sectors of the economy, contributes significantly to the country's industrial production, exports and employment. It also plays an important role in socio-economic development of the country by supporting enterprises in rural and backward areas with a lower capital base. The MSME sector's progress facilitates entrepreneurship development, which in turn assists in wealth creation and helps in achieving inclusive economic growth.

MSMEs are now exposed to greater opportunities than ever for expansion and diversification across the sectors. Indian market is growing rapidly and Indian entrepreneurs are making remarkable progress in various Industries like manufacturing, precision engineering design, food processing, textile & garments, retail, agriculture and service sector. Despite its contribution and significance in the Indian Economy, the MSME sector has been facing various hurdles since long. MSMEs face a number of problems viz., limited capital and knowledge, non-availability of suitable technology, identification of new markets, constraints on modernisation & expansions, non-availability of skilled labour at affordable cost, lack of adequate warehousing and absence of adequate and timely finance being some of the major challenges. In its Union Budget 2016, the Govt. made a few announcements to boost the sector such as increase in corpus of MUDRA Bank, increase in turnover limit under presumptive taxation scheme of the Income Tax act, establishment of an electronic platform to facilitate financing of trade receivables of MSMEs, etc. Govt. and the private sector are continuously working to empower the MSME sector to take it to its rightful place as the growth engine of the Indian economy.

The Company is gradually expanding its Branch outreach and in FY16 rolled out 68 new Branches of which 95% of them are located in rural and semi-urban areas and entered into five new States viz., Uttar Pradesh, Uttarakhand, Haryana, Odisha and Andhra Pradesh. Presence in new geographies and expanding portfolio into various sectors has been one of the important strategy in mitigating portfolio related risks.

Our asset quality continues to be good, thanks to the unique credit methodology which helps to assess customer's credibility in rightful manner. **The gross loan portfolio of the Company has grown by 63.8% from ₹515 crore in FY15 to ₹844 crore at the end of FY16.**

Keeping in mind customer needs, we have launched two new products namely-Bill Discounting and Equipment Finance. These products have enabled the Company to cover an entire spectrum of capital requirements of customers ranging from short and medium term to long-term horizon. During the year, **Vistaar has reduced its lending rate in the range of 1% to 3%** which was attributable to achieving of higher operational efficiency and lower cost of debt.

As a Company, we would like to THANK ALL our stakeholders including investors, lenders, employees and of course the customers without whom we would not have reached this milestone. We are committed to sustained growth as we move "Forward Together" alongside all our various stakeholders and also looking forward to better years ahead for Vistaar.

Thanking you.
**Brahmanand Hegde**
Managing Director, Co-founder & CEO

# MESSAGE FROM THE **COO**

Dear Shareholders,

The Indian economy is growing at the fastest pace among all other countries

despite weak global market conditions. And our country is also one of the largest economies in the world with attractive long-term growth prospects backed by very strong domestic consumption. Factors like discretionary consumption, public sector capex and foreign private investment flows are supporting the India growth story.

MSME sector in India continues to demonstrate remarkable resilience in the face of testing global and domestic economic circumstances. The sector has sustained an annual growth rate of over 10% for the past few years. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive economic shocks, even of the gravest nature. The significance of MSMEs is attributable to their caliber for employment generation, low capital and technology requirement, promotion of industrial development in rural areas, use of traditional or inherited skills, use of local resources, mobilization of resources and exportability of products. The Indian MSME sector provides maximum opportunities for both self-employment and wage-employment outside the agricultural sector and contributes in building an inclusive and sustainable society in innumerable ways through creation of non-farm livelihood at low cost, balanced regional development, gender and social balance, environmentally sustainable development, etc.

During the last financial year 2016, **Vistaar has successfully completed its Series-D round of equity capital raise of ₹250 crore** from its existing investors- WestBridge Capital, Elevar Equity and Omidyar Network. This has been supplemented by borrowings from various Banks and Financial Institutions to fund growth, taking the total number of lenders to 26 as at the end of the year. Recognising the Company's consistent performance over the past few years, substantial capital raise and strength of the Balance Sheet, **ICRA Limited has upgraded the long term credit rating to '[ICRA]A-' from '[ICRA]BBB+'** which reinforces the sustainability and scalability of the business model.

The Company has prioritised investments in people, capacity building, technology, digital branches/offices etc. during the year which will help in improving efficiency at every level including branches and central functions and also managing the operational risks better. The Company has also established policies and procedures pertaining to the Internal Financial Control (IFC) to ensure orderly and efficient conduct of business in order to minimise risk and in-line with the requirement to build scale. The year has also been rewarding for Vistaar in other ways.

The Company has won awards in different categories viz., 'Best Financial Reporting of the Year - Medium Business' for FY15 by CMO Asia CFO Excellence Awards, 'CEO with HR Orientation' award by Vijayavani Newspaper, and 'Most Influential CFOs of India' award by Chartered Institute of Management Accountants (CImA), London.

Vistaar has generated 2,100 plus direct employment opportunities in rural and semi-urban geographies and over 50,000 indirect employment through our credit support to over 1,25,000 small businesses and created an impact on the lives of over 0.5 million households. We at Vistaar, believe that by supporting and creating new economic opportunities for deserving small business women and men entrepreneurs, lives can be enriched and communities can be transformed.

Thanking you.
**Ramakrishna Nishtala**
Founder Director & COO

# BOARD OF **DIRECTORS**

## Abhiram Seth

Abhiram Seth is at present Managing Director of Aquagri since 2008. Aquagri is an enterprise focused on promoting Aqua Agriculture through self help groups, amongst the coastal communities.

Prior to this, Abhiram was the Executive Director – Exports and External Affairs for PepsiCo India.

Abhiram started his career with Hindustan Lever Limited in 1975. He has Chaired the Water Committee of FICCI and Food Regulatory Committee of CII and has also been the president of CIFTI. He is also actively associated in the Foreign Trade and Agriculture/Food Processing work of various apex bodies of Chambers of Commerce.

Abhiram graduated in Economics from Delhi University, and has done his Masters in Management Studies from Jamanalal Bajaj Institute, Bombay University with specialization in marketing.

## Radhika Haribhakti

Ms. Radhika Haribhakti has over 30 years of experience in Commercial and Investment Banking with Bank of America, JM Morgan Stanley and DSP Merrill Lynch. She has advised several large Corporates and led their IPOs, FPOs, GDR and ADR offerings. She currently heads RH Financial, a boutique Investment Banking Firm focused on M&A and Private Equity. She is also closely involved with issues of women empowerment, financial inclusion and CSR.

She serves on the Governing Council of Citigroup Micro Enterprise Award and Chairs the Board of Swadhaar Finaccess, which is engaged in providing financial education to economically disadvantaged women.

She is the former Chair of Friends of Women's World Banking (FWWB) that has supported several start-ups grow into leading Micro Finance Institutions. At FWWB, she was instrumental in introducing the highest standards of governance in the sector.

She has also been a member of CII's National Committee on Women Empowerment and Bombay Chamber of Commerce's Task Force on 'Mumbai as Offshore Financial Centre'.

Ms. Haribhakti was named among the top 50 business women of India by Business Today.She holds an MBA from the Indian Institute of Management, Ahmedabad.

## James Abraham

James Abraham has over 25 years of experience as management leader in technology companies in Americas and South East Asia. He started his career with Bell Canada, developing advanced services and business models for emerging technologies (he helped develop and launch Canada's first Frame Relay service). He joined The Boston Consulting Group (BCG) in Toronto in 1994 and has worked in industries as diverse as paper, appliances, oil & gas, and automotive. In 1998, he moved to Mumbai and later Delhi to help lead the office during its early period. During this period, the BCG offices in India grew from 18 people to over 180 in 2009. For more than 10 years with BCG in India, he has been involved in infrastructure development projects in the transport and power sector and core manufacturing. He has worked on projects in roads, buildings, oil & gas, power, and manufacturing, on issues ranging from business planning, acquisitions, organisation, and financial structuring. In 2009, James was a Senior-Partner with BCG, when he left to start and head Sunborne Energy. Sunborne is working to make solar power no more expensive than conventional power, using Indian engineering and development skills. In 2014, he launched SolarArise, which focuses on financing and managing solar-power plants over their life-time. SolarArise aims to turn solar plants into low-risk, lucrative investment vehicles, and so attract the large capital flows necessary to grow the sector. James is a fellow of the Aspen Global Leadership Network, the India-Leadership-Initiative of the Ananta-Aspen Institute, and a moderator of Aspen's values-based leadership programs.

James earned a Bachelor of Science degree in electrical engineering from the University of Waterloo, an M.B.A. (Palmer Scholar) from Wharton, and an M.A. from Johns Hopkins University.

## Sandeep Farias

Sandeep Farias is a Founder and Managing Director of Elevar Equity (www.elevarequity.com), a thesis based investor focused on backing entrepreneurs who deliver essential services to disconnected communities underserved by global networks. He founded Elevar on the view that: "Lack of access to basic services for any individual is really an issue of discrimination and must be challenged. It is imperative that we leverage the power of markets to scale and provide access to life changing services to millions of individuals and communities." It is this idea that drives Sandeep to provide equity to entrepreneurs who challenge discrimination, help them prove their business model, establish the right governance, and raise additional capital to grow.

Previously, Sandeep founded the India operations of Unitus (a global microfinance accelerator) in 2004 and was Chief Innovation Officer of Unitus in 2007. He conceptualized Unitus' India strategy, built the India team and launched a number of strategic projects for the organization. Sandeep came to the impact space from Nishith Desai Associates (NDA), one of India's leading law firms where he founded the firm's development sector practice, incubated new practice areas and led its corporate law practice. He also established the firm's offices in Palo Alto, California and Bangalore, India.

Sandeep serves as a Director of Vistaar Finance, Aarusha Homes, Glocal Healthcare, Shubham Housing Finance and Madura Microfinance and has served as a Director of Ujjivan. Sandeep has an integrated Law & Arts Honors Degree from the National Law School of India University in Bangalore, India.

## Ash Lilani

Ash Lilani is Managing Partner and Co-Founder of Saama Capital. Lilani has been working with technology and venture capital globally for 25 years. He was an early pioneer of the Indian venture capital ecosystem and has been investing in India since 2003. At Saama Capital, he has led investments in companies such as Snapdeal, PayTM, LendingKart, Chaipoint, EazyDiner, Sula Wines, Veeba Foods, Genesis Colors, SKS MicroFinance, Prizm Payments, Applabs, Shaadi.com, Vistaar Finance, Shubham Housing, Modern Family Doctor, Games2 and Win and many others.

Prior to Saama, Lilani served as the President of India and China markets for Silicon Valley Bank (SVB), and he founded and headed SVB Global, setting the strategy and overseeing the development and operation of international subsidiaries in London, Tel Aviv, Bangalore, Mumbai, Beijing and Shanghai. Prior to taking on SVB's globalization efforts, Lilani served as Senior Vice President and Division Manager of SVB's largest market and was based in Silicon Valley, where he was responsible for commercial banking activity and leadership of the team closely working with leading venture capital and technology companies in the area. Ash continues to be an advisor to Silicon Valley Bank. He is also an independent board member of Innoven Capital, which is a Temasek backed company focused on venture debt in India. He also is an advisor and mentor to several entrepreneurs and young companies in Silicon Valley and India.

Foundation, a former Board member of the U.S.-India Business Council, a charter member of TiE, and was a founder of the U.S. India Venture Capital Association. Ash Lilani holds a Bachelor's degree in Finance and Accounting from Bangalore University and has a MBA degree from Philadelphia University.

## Sumir Chadha

Sumir Chadha, Co-founder and Managing Director, WestBridge Delaware Advisors LLC. He has over 15 years of investing experience in India spanning public companies, private equity and venture capital.

Sumir currently serves or has served on the board of many successful investments that he has been instrumental in making including Applabs, GlobalLogic, MarketRx, Pangea3, QuickHeal, Scioinspire, Shaadi, Star Health Insurance and SKS Microfinance.

Sumir is the co-founder of WestBridge Capital and Sequoia Capital India. Prior to that, Sumir was part of the Principal Investment Area at Goldman Sachs & Co, based in New York and Singapore, where he focused on venture capital investments in services and software companies in both the United States and India. He began his career as a management consultant at McKinsey & Co., based in New York and New Delhi.

Sumir served as the Chairman of the Indian Private Equity and Venture Capital Association (IVCA), for which he led the effort to re-write a constitution. Sumir also serves on the India Advisory Board of Harvard Business School, and on the Advisory Board of the Princeton Institute for International and Regional Studies.

Sumir has an MBA (with Distinction) from Harvard University and a BSE degree in Computer Science from Princeton University.

## Badri Pillapakkam

Badri Pillapakkam is the Director,Investment Partner at Omidyar Network India Advisors.

Badri sources and executes investments across the Access to Capital initiative for Omidyar Network India, with a particular focus on financial inclusion, property rights and consumer Internet and mobile organizations. His role builds on his extensive experience in the finance and investing fields.

Immediately before joining Omidyar Network, Badri served as the vice president of investments and fund operations at Xander Advisors, a private equity firm focusing on real estate investments in India. In this role, Badri identified, evaluated, and executed investments and acquisitions; he was also responsible for numerous fund operations, including legal and tax matters surrounding investment in India. Previously, Badri worked in the financial risk management division at Exl Service, a leading provider of business process outsourcing services. He began his career in the assurance and business advisory services division of PriceWaterhouse Coopers India, where he worked on statutory and tax audits, due diligence reviews, and feasibility studies for Indian and multinational companies.

Badri is an associate member of the Institute of

Chartered Accountants in India. He graduated with an MBA from the Indian School of Business, where he made the dean's list, and earned his Bachelor of Commerce from the University of Madras.

## Brahmanand Hegde

Brahmanand is the Managing Director & Chief Executive Officer at Vistaar Finance. He is one of the Promoters of Vistaar.

He was a Director – Microfinance in Fullerton India, as a core member of the team which conceptualized, developed and started the Microfinance Business from mid 2007.

Prior to that Brahmanand worked in ICICI Group between 1992 and 2007, in the Rural and Microbanking Group with a range of responsibilities covering Strategy to Execution. During this phase, he worked very closely with the microfinance sector, lending to over 80 MFIs in the country with an aggregate exposure of over Rs.3,000 Cr. In his initial years in ICICI he worked for Project Financing in the Agri Business Division, responsible for implementing a special project, namely Agriculture Commercialisation & Enterprise (ACE) programme for USAID.

Brahmanand is a Post-Graduate with M.Sc from University of Agricultural Sciences, Bangalore and qualified CAIIB from Indian Institute of Bankers, Mumbai.

## Ramakrishna Nishtala

Ramakrishna is the Founder Director & Chief Operating Officer at Vistaar Finance. He is one of the Promoters of Vistaar.

He headed the Microfinance Business of Fullerton India and was a core member of the team which conceptualized, developed and started the Microfinance Business from early 2008.

Prior to this he was responsible for coordinating the rollout of Fullerton India's 800-branch network encompassing technology, people and premises.

Prior to this Ramakrishna worked for over 20 years in the Eicher Group, in a variety of sectors including commercial vehicles, tractors and auto components in various functions ranging from Sales and Marketing, Strategic Planning and Implementation.

He was head of Corporate Strategy, and worked on re-structuring the Eicher Group's portfolio.

Ramakrishna is a Post-Graduate in Industrial Engineering from NITIE, Mumbai and completed his Graduation in Mechanical Engineering from Jawaharlal Nehru Technological University, Kakinada, Andhra Pradesh.

# MANAGEMENT TEAM

## Sudesh Chinchewadi

*Executive Vice President*
*Chief Financial Officer and Company Secretary*

Sudesh has more than 20 years of experience in handling the financial, accounting, taxation and compliance functions in various industries. He has worked with reputed MNCs like Coca Cola, Givaudan, Wienerberger prior to joining Vistaar. He is a Chartered Accountant from The Institute of Chartered Accountants of India and Company Secretary from The Institute of Company Secretaries of India.

## Jayaraman V

*Executive Vice President*
*Business Head*

Jayaraman worked with reputed banks and NBFCs like Standard Chartered Bank, Citigroup and Fullerton India and has handled large businesses/ geographies. His last stint was with Accenture in the Credit Service unit. He is a management graduate with a mechanical engineering background and comes with 22 years of experience in the sector.

## Sankar Sastri

*Executive Vice President*
*Chief Risk Officer*

Sastri has more than 16 years of experience in Rural Marketing, Agri-business, Banking and Microfinance. He has worked with Coromandel International Ltd, Axis Bank and Fullerton India. 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.

## TK Srinath

*Executive Vice President*
*Chief Human Resources Officer*

TK Srinath has about 26 years of experience across the Human Resources and Operation functions. His areas of expertise are Talent Management, Learning and Development, Organizational Capability Building and Change Management. Prior to joining Vistaar, Srinath was with the TVS group in Madurai, where he was the Group President – Human Resources. Prior to TVS, he was associated with Grundfos, a Danish Multinational, as Regional Director – Human Resources heading Human Resources for India, Middle East, Africa and South America based out of Chennai.

Srinath is a Graduate in Mechanical Engineering from the RV College of Engineering Bangalore affiliated to the Bangalore University and also has a Masters in Personnel management from the University of Pune. He is a certified assessor in development centres and is also certified in Predictive Index (PI) and Thomas profiling instruments

## Mohan K Pattabhiraman

*Senior Vice President*
*Head of Internal Audit*

Mohan specializes in Internal Audit, Risk Assessment, Fraud Examination, Investigation and Corporate Governance. He has 23 years of experience predominantly as an Internal Audit specialist in the International Trade, Manufacturing, Logistics and Travel Management sectors. In the past, he worked in AFL Limited & DTDC Courier & Cargo Limited in India and for more than a decade in the PAN Africa region during his stint with Sumaria Group, Triton Group and Insignia Group. He is a trained, certified Business Excellence Assessor (EFQM Model) and is among the few certified trainers of The Institute of Internal Auditors (IIA), USA. Mohan has conducted many workshops both in India and abroad on his areas of specialization. Mohan has been recognized by the IIA Tanzania and the National Board of Accountants and Auditors, Tanzania as a valuable resource person of the Board and for his outstanding contribution in developing the capacity of the internal auditors and the profession in Tanzania.

## Nikhil Bandi

*Senior Vice President*
*Chief Information Officer*

Nikhil has over 17 years of experience in IT and has worked in India, US and Japan. He worked as Asst. VP and Head of IT applications for TATA AIA Life Insurance and managed more than 40 business applications across technologies. He holds a Bachelor's degree in engineering from Bhilai Institute Of Technology and Advanced Diploma in Business Administration from Welingkar Institute of Management Mumbai.

## Mahesh S G

*Senior Vice President*
*Rollout and PIP, Business - Northern States*

Mahesh has held various positions in Sales & Marketing, Team management, Channel Management, Distribution and expansion etc. He comes with 20+ years of cumulative work experience in organizations like HDB Financial Services, DCB Bank, Fullerton India, Citicorp Finance (I) Ltd., and Sundaram Finance. He is a graduate in Economics from St. Joseph's college, Bangalore.

## Dr. Ashok Nagpal

*Vice President*
*Strategic Initiatives & Head Operations*

Dr. Ashok has over 10 years experience in Veterinary Life Sciences, Livelihood Services, New Initiatives in Rural Finance, Risk Management, Business Planning, Product Development, Internal Audit, Marketing, Human resources and Stratergy in Financial Services. He is a Veterinarian with Post-Graduate Diploma in Agri-Business Management from IIM-Ahmedabad

# CORPORATE GOVERNANCE REPORT FOR FY 2015-16

## COMPANY PHILOSOPHY

The vision of the Company is to be a catalyst to the underserved so that they can achieve greater economic and social well-being. Our approach is to create a new eco system which addresses the customer needs and achieves business objectives at the same time.

## BOARD & COMMITTEE MEETINGS AND ATTENDANCE

The details of Board & Committee meetings and Directors' attendance during the financial year 2016 are as follows:

| Board/Committee Meetings | No. of Meetings held during FY 2015-16 |
|---|---|
| Board Meetings | 9 |
| Audit & Risk Committee | 5 |
| Asset Liability Management Committee | 2 |
| Borrowing & Resource Committee | 13 |
| Compensation Committee | 2 |
| Nomination Committee | 4 |
| Securities Transfer Committee* | 8 |

*Securities Transfer Committee has been formed with effect from 4th August, 2015

| Name | Nature of Directorship | Attendance | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Board | Nomination | Borrowing & Resource | Compensation | Audit & Risk | Asset Liability Management | Securities Transfer |
| G S Sundararajan* | Chairman & Independent Director | 1/1 | 1/1 | NA | NA | 1/1 | NA | NA |
| Brahmanand Hegde | Managing Director & CEO | 9/9 | 4/4 | 13/13 | NA | 2/2# | 2/2 | 8/8 |
| Ramakrishna Nishtala | Founder Director & COO | 9/9 | NA | 13/13 | NA | 5/5 | 2/2 | 8/8 |
| Sandeep Farias | Nominee Director | 7/9 | NA | 13/13 | 2/2 | NA | NA | 8/8 |
| Ashit R Lilani | Nominee Director | 5/9 | NA | NA | 2/2 | NA | NA | NA |
| Badri Pillapakkam | Nominee Director | 9/9 | NA | NA | NA | 5/5 | 1/2 | NA |
| Abhiram Seth | Independent Director | 7/9 | NA | NA | 2/2 | 5/5 | NA | NA |
| Sumir Chadha | Nominee Director | 6/9 | 4/4 | NA | 2/2 | NA | NA | NA |
| Radhika Haribhakti | Independent Director | 9/9 | 2/2# | NA | NA | NA | 2/2 | NA |
| James Abraham** | Independent Director | 4/6 | NA | NA | 1/1# | 2/2# | NA | NA |

* Mr. G S Sundararajan resigned from the Board with effect from 02nd May 2015

** Mr. James Abraham has been appointed as Independent Director with effect from 29th May 2015

# Mr. Brahmanand Hegde became a member of the Committee with effect from 04th August 2015

# Ms. Radhika Haribhakti became a member of the Committee with effect from 04th August 2015

# Mr. James Abraham became a member of the Committee with effect from 04th August 2015

## SHAREHOLDERS' MEETINGS

During the year ended 31st March 2016, following shareholders' meetings were held.

| Date | Time | Venue |
|---|---|---|
| 24th June 2015 (AGM) | 11:00 AM | No. 80, "Biligiri", IAS Colony, MCHS Layout, 21st Main, 5th A Cross, BTM Layout 2nd Stage, Bangalore- 560 076 |
| 28th May 2015 (EGM) | 11:00 AM | |
| 9th July 2015 (EGM) | 10:00 AM | |
| 18th August 2015 (EGM) | 10:30 AM | |
| 1st December 2015 (EGM) | 11:00 AM | |

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

## COMMITTEES AND THEIR SCOPE/TERMS OF REFERENCE

During the year under review, various Board Committees were reconstituted and detailed scopes of the Committees are given below.

## BORROWING AND RESOURCE COMMITTEE

### Members

**Mr. Brahmanand Hegde** – Executive Director

**Mr. Ramakrishna Nishtala** - Executive Director

**Mr. Sandeep Farias** – Nominee Director

### Terms of reference

- Review and recommend funding strategy of 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 institutions, banks etc. for the purpose of business of the Company
- Decide on giving corporate guarantee for taking loans
- Grant necessary authority to the employees to execute transactions on behalf of the Company
- Approve opening of current and other accounts with various banks upon such terms and conditions as may be agreed upon with the said bank
- Approve changes in persons authorized to operate current and other accounts and their signing limits for operating such accounts and also for mutual fund operations
- Approve closure of current and other accounts of the Company established with various banks

## AUDIT & RISK COMMITTEE

### Members

**Mr. Abhiram Seth** – Independent Director

**Mr. James Abraham** - Independent Director

**Mr. Badri Pillapakkam** – Nominee Director

**Mr. Brahmanand Hegde** – Executive Director

**Mr. Ramakrishna Nishtala** – Executive Director

### Terms of reference

- Recommend appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and internal auditors and remuneration and terms of appointment of auditors of the Company
- Review work of external auditors and Internal auditors
- Review and monitor the auditor's independence and performance, and effectiveness of audit process
- Review and recommend changes in audit policies of the Company from time to time
- Reviewing of internal audit reports and take appropriate actions on key audit findings
- Reviewing the adequacy of internal audit function, if any, including the structure of the Internal Audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- Review and comment on accounting policies and weakness in processes, financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible and report to the Board on key observations and findings
- Review Company's regulatory compliance with respect to ROC, RBI and other regulatory bodies and take suitable steps to ensure full compliance with all the relevant statutes and regulations
- Reviewing, with the management, financial statements and auditor's report before submission to the Board for approval, with particular reference to:
- Matters required to be included in the Director's Responsibility Statement to be included in the Board's report
- Significant adjustments made in the financial statements arising out of the audit findings
- Compliance with accounting and other legal requirements relating to financial statements
- Disclosure of any related party transactions
- Qualifications in the draft audit report
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems
- Scrutiny of inter-corporate loans and investments
- Valuation of undertakings or assets of the company, wherever it is necessary
- Monitoring the end use of funds raised through public offers and related matters
- Frame, review and recommend changes in risk policies of the Company from time to time
- Update the Board and the management on likely risks in the business and changing market forces which are likely to impact the Company and the business
- Credit and Portfolio Risk Management
- Operational and Process Risk Management including people risk
- Review of the Company's policies framed pursuant to RBI guidelines and suggest changes, if any, to the Board for adoption and ensure that all the activities are in compliance with the Prudential Regulations and also within the framework of the policies and controls established
- Laying down guidelines on KYC norms

## NOMINATION COMMITTEE

### Members

**Ms. Radhika Haribhakti** - Independent Director

**Mr. Sumir Chadha** – Nominee Director

**Mr. Brahmanand Hegde** – Executive Director

### Terms of reference

- Identify individuals suitably qualified to become Board members and recommend to Board for their appointment
- Assess independence of Independent Non-Executive Directors
- To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive
- To recommend remuneration payable to Non-executive Directors of the Company from time to time

## COMPENSATION COMMITTEE

### Members:

**Mr. Abhiram Seth** - Independent Director

**Mr. James Abraham** - Independent Director

**Mr. Sandeep Farias** - Nominee Director

**Mr. Sumir Chadha** - Nominee Director

**Mr. Ashit Lilani** – Nominee Director

### 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

## ASSET LIABILITY MANAGEMENT COMMITTEE

### Members

**Ms. Radhika Haribhakti** - Independent Director

**Mr. Badri Pillapakkam** – Nominee Director

**Mr. Brahmanand Hegde** – Executive Director

**Mr. Ramakrishna Nishtala** - Executive Director

### Terms of reference

- Liquidity Risk Management
- Management of market (interest rate) risk
- Funding and capital planning
- Approve and revise the actual interest rates to be charged from customers for different products from time to time applying the interest rate model and also in line with such regulations as may be in force from time to time
- Review the asset liability management reports submitted periodically to RBI
- Monitor and review the risk arising from movement in exchange rates or foreign currency risks
- Risk management of timely and diversified sources of funding

## SECURITIES TRANSFER COMMITTEE

### Members

**Mr. Brahmanand Hegde** - Executive Director

**Mr. Ramakrishna Nishtala** - Executive Director

**Mr. Sandeep Farias** – Nominee Director

### Terms of reference

- Approve transfer/transmission of Company's securities
- Issue of duplicate share / debenture certificates
- Split up / sub-division and consolidation of shares
- Issue of new certificates on re-materialization
- Sub-division and other related formalities

## CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

### Members

**Mr. Abhiram Seth** – Independent Director

**Mr. Sandeep Farias** – Nominee Director

**Mr. Brahmanand Hegde** – Executive Director

### Terms of reference

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013
- Recommend the amount of expenditure to be incurred on the activities referred to in Schedule VII of the Companies Act, 2013
- Establishing a guideline for compliance with the provisions of Regulations to dedicate a percentage of Company's profits for social projects
- Ensuring the implementation of CSR initiatives in letter and spirit through appropriate procedures and reporting
- Creating opportunities for employees to participate in socially responsible initiatives
- Monitor the Corporate Social Responsibility Policy of the Company from time to time

## CODE OF CONDUCT

The Company has put in place a Code of Conduct policy for its employees. Refresher training is conducted every month for all the branch employees to reinforce the importance of the Code of Conduct.

## CHIEF FINANCIAL OFFICER & COMPANY SECRETARY CERTIFICATION

Chief Financial Officer and Company Secretary has given annual compliance report to the Board setting out compliances under various statutes and regulations applicable to the Company.

## FAIR PRACTICES CODE

The Company has adopted the Fair Practices Code pursuant to the Reserve Bank of India guidelines issued in this regard.

## WHISTLE BLOWER POLICY

The Company has put in place a Whistle Blower Policy pursuant to which both the employees as well as customers of the Company can raise their concerns relating to unethical and improper practices or any other wrongful conduct in the Company or among its employees. Details of complaints received and the action taken are reviewed by the Management.

## REGULAR UPDATES

The Company sends regular updates and MIS to various stakeholders and keeps them updated on the important developments on regular basis.

## DISCLOSURE

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

For and on behalf of the Board of Directors of **Vistaar Financial Services Private Limited**

| | |
|---|---|
| **Brahmanand Hegde**<br>Managing Director | **Ramakrishna Nishtala**<br>Director |
| DIN: 02984527 | DIN: 02949469 |
| Date: 20th May 2016 | Date: 20th May 2016 |
| Place: Bengaluru | Place: Bengaluru |

# DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Audited Accounts of the Company for the year ended 31st March 2016.

We are happy to inform you that the Company has performed well with respect to business, profitability as well as portfolio. The Profit after tax (PAT) for FY16 was ₹24.65 crores. Assets Under Management (AUM) during the same period increased to ₹844 crores as against ₹515 Crores in FY15 with 43% growth in new customer outreach.

Your Company has a total of 198 branches as on 31st March 2016, spread across 12 States with presence in Tamil Nadu, Karnataka, Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, Chhattisgarh, Uttar Pradesh, Uttarakhand, Haryana, Odisha and Andhra Pradesh. During this period, the Company has disbursed ₹600 crores.

During the year under review, the Company has obtained registration from the Insurance Regulatory and Development Authority to act as a corporate agent (Composite) from 1st April 2016 to 31st March 2019 for procuring or soliciting insurance business for life, general and health insurers. This will help to offer various insurance products required by the customers at competitive rates.

## BUSINESS DEVELOPMENTS

The Company has expanded geographically adding 68 branches during the year and has entered five new States i.e. Uttar Pradesh, Uttarakhand, Haryana, Odisha and Andhra Pradesh. This provides opportunity to grow the business and serve the customers in newer geographies and this will also help the Company in mitigating its geographical concentration risk.

The funding for the business is from an optimum mix of equity and debt. The Company continues to follow the policy of diversification of funding sources. The Company has existing relationship with 26 lenders across Banks, Financial Institutions and Overseas Development Financial Institutions, including five new lenders added during the year.

## OPERATIONAL OVERVIEW

| DESCRIPTION | 31 March 2016 | 31 March 2015 |
|---|---|---|
| No. of Active Customers | 78,746 | 55,067 |
| No. of states | 12 | 7 |
| No. of Branches | 198 | 132 |
| Asset Under Management (AUM)* (₹crores) | 844 | 515 |
| Total Disbursements (₹crores) | 600 | 434 |
| Profit Before Taxes (₹crores) | 38.83 | 15.07 |
| Gross NPA on AUM (in %) | 2.36% | 1.37% |
| Write off (in %) | 0.05% | 0.02% |

* AUM includes both Own and Managed portfolios

| Particulars | 31 March 2016 (₹in crores) | 31 March 2015 (₹in crores) |
|---|---|---|
| Total Revenue | 194.05 | 108.46 |
| Total Expenditure | 143.64 | 88.65 |
| **Profit before depreciation and provisions & write off** | **50.41** | **19.81** |
| Depreciation | 2.97 | 1.78 |
| Provision & write off | 8.61 | 2.96 |
| **Profit before tax** | **38.83** | **15.07** |
| Provision for tax | 13.91 | 0.88 |
| **Profit after tax** | **24.92** | **14.19** |

Your Company has constantly focused on improving its revenue and maintaining a sustainable growth. As on 31st March, 2016, the total revenue registered a growth of 79% and the PAT grew by 76% over last year.

## SHARE CAPITAL

During the year under review, the authorized share capital of the Company has increased from ₹58 crores to ₹71.78 crores.

During the year under review, the Company has raised a capital of ₹250 Crores by allotting 1,70,68,342 Compulsorily Convertible Preference Shares of face value of ₹10 each to three of its existing Investors, which has helped to take the networth of the Company to ₹509 crores.

The Company has also allotted 32,32,958 Class A Compulsorily Convertible Preference Shares of the face value of Re. 1 each to Vistaar Employees Welfare Trust.

## HUMAN RESOURCE

Employees are the most precious asset of the Company. The Company offers its employees sustained opportunities to learn and develop their skills with the process of induction training, on the job training and refresher training. The total employee strength of the Company as on 31st March 2016 stood at 2,125 with net addition of 807 employees during the year.

## AMOUNT CARRIED TO THE STATUTORY RESERVES

Based on the financial results of the Company for the financial year 2015-16, the Board of Directors has transferred ₹4.98 crores to the statutory reserves as required by Section 45-IC of the RBI Act, 1934.

## MATERIAL CHANGES AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There have been no material changes and commitments during the FY 2015-16 and till the date of this report, affecting the financial position of the Company.



## CHANGE IN NATURE OF THE BUSINESS (IF ANY)

There is no change in the nature of business.

During the year under review, the Company has obtained fresh registration having license no. CA0146 from the Insurance Regulatory and Development Authority as per Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015 to act as a corporate agent (Composite) from 1st April 2016 to 31st March 2019 for procuring or soliciting insurance business for life, general and health insurers.

## DETAILS OF THE KEY MANAGERIAL PERSONNEL (KMP)

During the year under review, the following persons were the KMP of the Company.

| Name of the KMP | Designation |
|---|---|
| Mr. Brahmanand Hegde | Managing Director & CEO |
| Mr. Ramakrishna Nishtala | Founder Director & COO |
| Mr. Sudesh Chinchewadi | Chief Financial Officer & Company Secretary |

## SUBSIDIARY COMPANIES

The Company does not have any subsidiary companies.

## 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.

Your Company has adopted the policy of recognizing assets as Non-Performing Asset (NPA) on installment falling overdue for 90 days or more. The classification and provisioning based on Management's estimates is 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. DNBR (PD) CC No.024/ 03.10.001 / 2014-15, dated 27th March 2015, issued by the RBI.

The gross NPA as per the policy adopted by the Company as on 31st March 2016 stood at 2.23% on own assets. However, as per RBI specified norms, the gross NPA (150 days+ ) is at 1.83%.

## CAPITAL ADEQUACY

The Capital adequacy ratio of the Company is healthy at 58.2% as of 31st March 2016 (44.9% as of 31st March 2015) as against the minimum capital adequacy requirement of 15% as prescribed by RBI.

## CREDIT RATING

During the year ICRA Limited (ICRA) has upgraded the Company's long term bank loan rating to [ICRA] A- (stable) from [ICRA] BBB+ (stable). ICRA has opined on the outlook on the long term rating to be stable.

ICRA has also reaffirmed the short term rating of the Company as [ICRA] A2+.

The Company also obtained credit rating from ICRA for its NCD issuance done during the year. ICRA has assigned [ICRA] BBB+ rating to this NCD issuance. However in the month of November, ICRA has upgraded all the NCD rating to [ICRA] A- (stable) from [ICRA] BBB+ (stable). ICRA has opined on the outlook on the long term rating to be stable.

## CAPITAL EXPENDITURE

During the year under review, the Company has spent ₹8.3 crores on growth capex, which includes ₹4.3 crores on Information Technology and ₹4 crores on infrastructure of branches and offices. This will help the Company to increase its operational efficiency and thereby facilitating faster delivery of services to the customers.

## DIVIDEND

With a view to fund the growth plans of your Company, the Board did not recommend payment of dividend for the reporting period 31st March 2016.

## DEPOSITS

During the year under review, your Company has not accepted any deposit from anyone within the meaning of Section 73 of the Companies Act, 2013 and Companies (Acceptance of Deposit) Rules, 2014.

## RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

## EMPLOYEE STOCK OPTION PLANS

The stock option granted to eligible employees operate under the ESOP Plan 2010. The disclosure required under Companies Act, 2013 is given below:

**Information on the option activity during the year ended 31st March 2016**

| | No. of options | Weighted average exercise price (In ₹) |
|---|---|---|
| Options outstanding at the beginning | 1,078,644 | 60.49 |
| Options granted during the year | 350,000 | 90.00 |

| Information on the option activity during the year ended 31st March 2016 | | |
|---|---|---|
| | No. of options | Weighted average exercise price (In ₹) |
| Options forfeited during the year | 40,000 | 80.75 |
| Options lapsed during the year | - | - |
| Options cancelled during the year | - | - |
| Options exercised during the year | 219,300 | 51.29 |
| Options outstanding at year end | 1,169,344 | 68.22 |
| Options exercisable at year end | 191,841 | 49.02 |

| Information on Restricted Stock Units during the year ended 31st March 2016 | | |
|---|---|---|
| | No. of options | Weighted average exercise price (In ₹) |
| Options outstanding at the beginning | 227,428 | - |
| Options granted during the year | - | - |
| Options forfeited during the year | - | - |
| Options lapsed during the year | - | - |
| Options cancelled during the year | - | - |
| Options released from escrow during the year | 172,148 | - |
| Options outstanding at year end | 55,280 | - |
| Options exercisable at year end | - | - |

## CORPORATE GOVERNANCE REPORT

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

## DIRECTORS

During the period under review, following are the changes in Directors.

Mr. James Abraham was appointed as an Independent Director of the Company with effect from 29th May 2015.

Mr. G S Sundararajan resigned from the Board of the Company with effect from 2nd May 2015.

## COMPANY'S POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

In compliance with the RBI Regulations and other applicable laws, the Board has approved the Policy on 'Fit And Proper' Criteria for Directors to bring uniformity in the process of due diligence, while appointing directors during the financial year 2015-16. Also, the Company has a suitable policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

## DECLARATION GIVEN BY INDEPENDENT DIRECTOR

Mr. James Abraham, appointed as Independent Director, has given the necessary declaration under Section 149 of the Companies Act, 2013 and declaration on 'Fit And Proper' Criteria, as required by Circular No. RBI/2014-15/299-DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014. These declaration have been placed before the Board and duly taken on record.

## EXTRACTS OF THE ANNUAL RETURN (AS PER CLAUSE A OF SUB SECTION 3 OF SECTION 134)

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as Annexure1.

## DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Your Company has always believed in providing a safe and harassment free workplace for every individual working in Company's premises through various interventions and practices. The Company always endeavors to create and provide an environment that is free from discrimination and harassment including sexual harassment.

A policy on Prevention of Sexual Harassment at Workplace was released during the last financial year. The policy aims at prevention of harassment of employees and lays down the guidelines for identification, reporting and prevention of undesired behavior.

There were no cases reported during the year under review under the said policy.

## PERFORMANCE EVALUATION OF THE BOARD, COMMITTEES & DIRECTORS

The Company has a suitable framework to evaluate performance of the Board, Committees and Directors. The performance evaluation process was carried out during the year under review and the results were discussed in the Nomination Committee meeting and the Board meeting held on 17th February 2016.

## MEETING OF INDEPENDENT DIRECTORS

During the period under review, a separate meeting of Independent Directors has taken place on February 16, 2016 as required under section 149(8) read with clause VII of schedule IV the Companies Act, 2013.

## DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with Section 134(3) (C) of the Companies Act, 2013, your Directors confirm and state as follows:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- That your Directors have selected such accounting policies and have 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 the period under review.
- That your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the annual financial statements have been prepared on a going concern basis.
- That your directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

## PARTICULARS OF LOANS AND INVESTMENTS MADE BY THE COMPANY

During the year under review, the Company has not given any loan or made investment in other Companies. Hence, section 186 of the Companies Act, 2013 is not applicable to the Company.

## STATUTORY AUDITOR

M/s Walker, Chandiok & Co LLP., statutory auditors of the Company have been appointed for five years from FY 2015-16 to FY 2019-20, subject to ratification and confirmation by the shareholders on an annual basis based on the recommendation received by your Board of Directors of the Company as prescribed under Section 139 of the Companies Act, 2013.

## SECRETARIAL AUDITOR

Vinayak Hegde & Associates, Practicing Company Secretaries, was appointed to conduct the secretarial audit of the Company for the financial year 2015-16, as required under Section 204 of the Companies Act, 2013 and Rules thereunder. The secretarial audit report for FY 2015-16 forms part of the Annual Report as Annexure 2 to the Board's report.

## 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.

### Foreign exchange earnings and outgo

| Earnings in foreign currency | Amount (In ₹) |
|---|---|
| Grant received towards training | 764,736 |
| Grant towards IT development | 7,225,691 |
| **Total** | **7,990,427** |

| Expenditure in foreign currency | Amount (In ₹) |
|---|---|
| Training and recruitment expense | 251,028 |
| Information technology costs | 283,148 |
| **Total** | **534,176** |

## DETAILS OF RISK MANAGEMENT POLICY AS PER SECTION 134(3)(n)

The Company has a detailed risk management policy and framework. The policy helps in identifying the risk and sub-elements of risk. The risk management framework helps the Company to mitigate the risks.

In the opinion of the Board there are no risks which are threatening the existence of the Company.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Provisions of Section 135 of the Companies Act, 2013 read with Schedule VII and the Companies (Corporate Social Responsibility) Rules, 2014 are applicable to the Company for FY 2015-16 and the details of the compliance of CSR forms part of the Annual Report as Annexure 3 to the Board's report.

## DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

There are no orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

## DETAILS OF VIGIL MECHANISM

The Company has a suitable vigil mechanism policy and framework to deal with the instance of fraud and mismanagement, if any.

## DETAILS OF INTERNAL FINANCIAL CONTROL

The Company has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures.

## PERSONNEL

The names and particulars of the employees in accordance with the provisions of section 197(12) of the Companies Act, 2013 read with the Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is as follows

| Sl No | Requirements | Disclosure |
|---|---|---|
| 1 | The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year | Name of the Director: Brahmanand Hegde – Ratio 67.1x; Ramakrishna Nishtala – Ratio 70.4x |
| 2 | The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary in the financial year | Name of the Director/KMP – % increase: Brahmanand Hegde 60.7%; Ramakrishna Nishtala 69.2%; Sudesh Chinchewadi 41.7%. The above increase is inclusive of performance based pay. Increase in fixed remuneration is ~16% for Directors & 29% for CFO & Company Secretary. |
| 3 | The percentage increase in the median remuneration of employees in the financial year: | During FY 2016, the percentage increase in the median remuneration of employees as compared to previous year was 44%. Increase in median fixed remuneration of the employees is 9.3%. |
| 4 | The number of permanent employees on the rolls of the Company | There were 2,125 employees as on 31st March 2016. |
| 5 | The explanation on the relationship between average increase in remuneration and Company performance: | Factors considered while recommending increase in fixed compensation:<br>■ Financial performance of the Company.<br>■ Comparison with peer companies.<br>■ Industry Benchmarking.<br>■ Contribution made by the employee.<br>■ Regulatory guidelines as applicable to Managerial Personnel.<br>The portfolio increase as compared to the previous year is ~64%. The Company had revenue growth of 79% over the previous year against which the average increase in remuneration is 44%. |
| 6 | Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company; | For FY 2016, the total remuneration paid to all three KMP's aggregates to approximately 1.7% of the gross revenue. |
| 7 | Variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer in case of listed companies; | Not applicable as only the debt securities of the Company are listed. |
| 8 | Average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentage increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration. | Average increase in fixed and variable remuneration is 44% for Employees other than Managerial Personnel. Managerial personnel salary increase is in line with other employees of the Company. |
| 9 | Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company | Particulars – % of gross revenue for FY 2016 – % of closing AUM for FY 2016:<br>Brahmanand Hegde – MD & CEO: 0.64%, 0.15%<br>Ramakrishna Nishtala – Founder Director & COO: 0.67%, 0.16%<br>Sudesh Chinchewadi – CFO & CS: 0.31%, 0.07% |
| 10 | The key parameters for any variable component of remuneration availed by the Directors | Variable components of remuneration are paid as per the appraisal done by the Compensation Committee headed by an Independent Director |
| 11 | The ratio of the remuneration of the highest paid Director to that of the employees who are not Directors but receive remuneration in excess of the highest paid Director during the year. | Not applicable |
| 12 | Affirmation that the remuneration is as per the remuneration policy of the Company | Yes |

**Statement of particulars of employees pursuant to provisions of section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:**

| Sl No | Employee Name | Designation | Age | Education | Total experience | Date of joining | Remuneration (In ₹) | Last employment & Position held |
|---|---|---|---|---|---|---|---|---|
| 1 | Jayaraman V | Executive Vice President | 47 | Management Graduate with a Mechanical Engineering | 22 | 19-09-2013 | 1,73,54,558 (Including ₹93,08,430 pertaining to income from exercise & sale of ESOPs ) | Accenture India Private Limited, Commercial Service Delivery Lead |
| 2 | Sankar Sastri | Executive Vice President | 41 | Bachelor's degree in Horticulture and Post Graduate Diploma in Management | 18 | 01-04-2010 | 96,00,250 (Including ₹44,61,953 pertaining to income from exercise & sale of ESOPs) | Fullerton India, Asst. Vice President (Risk) for Microfinance Business |

## MANAGEMENT RESPONSE TO THE QUALIFICATION

There are no adverse remark/qualification made by the statutory auditors and the secretarial auditor in their reports and hence there is no requirement of management response as required by Section 134(3)(f) of the Companies Act, 2013.

## AWARDS AND RECOGNITIONS DURING FY 2015-16

During the year, your Company received awards and recognitions. Some of the key accolades received during the year includes:

- **"CEO with HR Orientation"** by Vijayavani - **BFSI award**
- **"Best Financial Reporting of the Year FY15 – Medium Business"** by **CMO Asia - Asia CFO Excellence Awards**
- **"Most Influential CFOs of India" award by Chartered Institute of Management Accountants (CIMA), London**

## 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 of **Vistaar Financial Services Private Limited**

**Brahmanand Hegde**
Managing Director
DIN: 02984527
Date: 20th May 2016
Place: Bengaluru

**Ramakrishna Nishtala**
Director
DIN: 02949469
Date: 20th May 2016
Place: Bengaluru

# Annexure: 1

## Form MGT 9

EXTRACTS OF THE ANNUAL RETURN AS ON FINANCIAL YEAR ENDED 31st MARCH 2016 AS PER CLAUSE A OF SUB SECTION 3 OF SECTION 134 OF THE COMPANIES ACT, 2013.

### Registration and Other Details:

1. **CIN** : U67120KA1991PTC059126
2. **Registration Date** : 04/09/1991
3. **Name of the Company** : Vistaar Financial Services Private Limited
4. **Category/Sub category of the Company** : Non-Banking Financial Services
5. **Address of the Registered Office and contact details** : Plot No. 59 & 60-23, 22nd Cross, 29th Main
BTM Layout, 2nd Stage, Bengaluru – 560076
6. **Whether listed Company** : No (Only Non-Convertible Debentures are listed)
7. **Name, Address and Contact details of Registrar or Transfer Agent, if any** : Link Intime India Private Limited
Contact Person: Mr. Ganesh Jadhav
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West) , Mumbai - 400078
Tel: +91 22 25963838
Fax: +91 22 25946979
Email: mumbai@linkintime.co.in

## II. Principal Business Activities of the Company:

The business activities contributing 10% or more of the total turnover of the Company are as under:

| SI. No | Name and Description of main products/ Services | NIC code of the product / Services | Percentage of contribution to total turnover (%) |
|---|---|---|---|
| 1. | Financial Services | 64920 | 99.8% |

## III. Particulars of Holding, Subsidiary and Associate Companies: None

| SI. No | Name and Address of the company | CIN/GLN | Holding/Subsidiary or Assosiates | Percentage of share held | Applicable Section |
|---|---|---|---|---|---|
| - | - | - | - | - | - |



## IV. Share holding Pattern (Equity share capital Breakup as percentage of Total Equity)

i) Category – wise share holding

| Categories of share holders | No. of shares held at the beginning of the year | | | | No. of shares held at the end of the year | | | | % change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| **A.** | | | | | | | | | |
| **Promoters** | | | | | | | | | |
| **1)Indian** | | | | | | | | | |
| Individual/HUF | - | 5,994,866 | 5,994,866 | 66.22% | - | 4,594,866 | 4,594,866 | 50.75% | (15.47%) |
| Central Govt | - | - | - | | - | - | - | - | |
| State Govt(s) | - | - | - | | - | - | - | - | |
| Bodies Corp. | - | - | - | | - | - | - | - | |
| Banks / FI | - | - | - | | - | - | - | - | |
| Any Other…. | - | - | - | | - | - | - | - | |
| **Sub Total** | **-** | **5,994,866** | **5,994,866** | **66.22%** | **-** | **4,594,866** | **4,594,866** | **50.75%** | **(15.47%)** |
| | | | | | | | | | |
| **2)Foreign** | | | | | | | | | |
| NRIs - Individuals Other – Individuals Bodies Corp. Banks / FI | - | - | - | - | - | - | - | - | - |
| Any Other…. | - | - | - | - | - | - | - | - | - |
| **Sub Total** | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| **Total Shareholding of Promoters (A)** | | - | - | - | - | - | - | - | - |
| | | **5,994,866** | **5,994,866** | **66.22%** | **-** | **4,594,866** | **4,594,866** | **50.75%** | **(15.47%)** |
| **B. Public share Holding** | | | | | | | | | |
| | | | | | | | | | |
| **1)Institutions** | | | | | | | | | |
| a) Mutual Funds | - | - | - | - | - | - | - | - | - |
| b) Banks / FI | - | - | - | - | - | - | - | - | - |
| c) Central Govt | - | - | - | - | - | - | - | - | - |
| d) State Govt(s) | - | - | - | - | - | - | - | - | - |
| e) Venture Capital Funds | - | - | - | - | - | - | - | - | - |

| Categories of share holders | No. of shares held at the beginning of the year | | | | No. of shares held at the end of the year | | | | % change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| f) Insurance Companies | - | - | - | - | - | - | - | - | - |
| g) FIIs | | 60 | 60 | 0.00% | 20 | 2,621,357 | 2,621,377 | 28.95% | 28.95% |
| h) Foreign Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| i) Others (specify) | - | - | - | - | - | - | - | - | - |
| **Sub total** | **-** | **60** | **60** | **0.00%** | **20** | **2,621,357** | **2,621,377** | **28.95%** | **28.95%** |
| | | | | | | | | | |
| **2)Non-Institutions** | | | | | | | | | |
| a)Bodies Corp. | - | - | - | - | - | - | - | - | - |
| i) Indian | - | - | - | - | - | - | - | - | - |
| ii) Overseas | - | - | - | - | - | - | - | - | - |
| b)Individuals | - | 1,600,917 | 1,600,917 | 17.68% | - | 582,900 | 582,900 | 6.44% | (11.24%) |
| i)Individual shareholders holding nominal share capital upto ₹1 lakh | - | - | - | - | - | 11,000 | 11,000 | 0.12% | 0.12% |
| ii)Individual shareholders holding nominal share capital in excess of Rs 1 lakh | - | 1,600,917 | 1,600,917 | 17.68% | - | 571,900 | 571,900 | 6.32% | (11.36%) |
| c)Others (specify) | - | 1,457,511 | 1,457,511 | 16.10% | - | 1,254,211 | 1,254,211 | 13.85% | (2.25%) |
| **Sub total** | **-** | **3,058,428** | **3,058,428** | **33.78%** | **-** | **1,837,111** | **1,837,111** | **20.29%** | **13.49%** |
| | | | | | | | | | |
| **Total Public shareholding (B)** | **-** | **3,058,488** | **3,058,488** | **33.78%** | **20** | **4,458,468** | **4,458,488** | **49.24%** | **15.46%** |
| **C. Shares held by custodians for GDR's and ADR's** | - | - | - | - | - | - | - | - | - |
| **Grand total (A+B+C)** | | **9,053,354** | **9,053,354** | **100%** | **20** | **9,053,334** | **9,053,354** | **100%** | **30.93%** |



**1. Shareholding of Promoters:**

| Sl. No | Shareholders Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | |
|---|---|---|---|---|---|---|---|---|
| | | No. of Shares | % of total Shares of the company | %of Shares Pledged / encumbered to total shares | No. of Shares | % of total Shares of the company | %of Shares Pledged / encumbered to total shares | % change in share holding during the year |
| 1 | Brahmanand Hegde | 2,997,433 | 5.84% | - | 2,297,433 | 3.21% | - | (2.63%) |
| 2 | Ramakrishna Nishtala | 2,997,433 | 5.84% | - | 2,297,433 | 3.21% | - | (2.63%) |

**2. Changes in promoters shareholding (please specify, if there is no change) :**

| Sl. No | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | | No. of Shares | % of total shares o the Company | No. of shares | % of total shares of the company |
| 1 | At the beginning of the year | 5,994,866 | 11.69% | - | - |
| 2 | Date wise Increase / Decrease in Promoters shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | - | - | (1,400,000)* | (5.27%) |
| 3 | At the end of the year | | | 4,594,866 | 6.42% |

* This decrease in the promoters shareholding is due to sale of their shares to WestBridge Crossover Fund, LLC (700,000 shares each) on November 24, 2015

**3. Shareholding Pattern of top ten Shareholders (including CCPS holders) (other than Directors, Promoters and Holders of GDRs and ADRs):**

| SI. No | | Shareholding at the beginning of the year | | Increase/Decrease during the year | | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|---|---|---|
| | Top 10 Shareholders | No. of Shares | % of total shares of the Company | Date of purchase /sale | Reason for increase/ decrease | No. of shares | No. of shares | % of total shares of the company |
| 1 | WestBridge Crossover Fund, LLC | 13,024,228 | 25.40% | Refer note -1 | Allotment & Transfer | 26,815,445 & 2,621,317 | 29,436,765 | 41.12% |
| 2 | Elevar Equity Mauritius | 9,680,979 | 19% | 28-08-2015 | Allotment | 1,228,921 | 10,909,884 | 15.24% |
| 3 | ON Mauritius | 7,270,291 | 14% | 28-08-2015 | Allotment | 2,048,201 | 9,318,492 | 13.02% |
| 4 | ICP Holdings I | 7,987,814 | 16% | - | - | - | 7,987,814 | 11.16% |
| 5 | Vistaar Employees Welfare Trust | 1,457,511 | 2.80% | Refer note -1 | Allotment & Transfer | 3,232,958 & 210,550 | 4,487,169 | 6.27% |
| 6 | Sarva Capital, LLC | 4,274,742 | 8% | - | - | - | 4,274,742 | 5.97% |
| 7 | Sudesh Chinchewadi | 158,000 | 0.17% | 24.11.2015 | Transfer | 37,920 | 120,080 | 0.17% |
| 8 | Sankar Sastri | 138,000 | 0.30% | Refer note -1 | Transfers | 43,750 & 64,100 | 117,650 | 0.30% |
| 9 | Prashant Gokhale | 71,250 | 0.10% | - | - | - | 71,250 | 0.10% |
| 10 | Ashok Kumar Nagpal | 62,400 | 0.10% | 24.11.2015 | Transfer | 27,480 | 34,920 | 0.5% |

| Note -1 | | | |
|---|---|---|---|
| Name of the Shareholder | Allotment/ Transfer | Date of Allotment/ Transfer | No. of Shares |
| WestBridge Crossover Fund, LLC | Allotment | 28.08.2015 | 26,815,445 |
| | Transfer | 04.08.2015 | 9,450 |
| | Transfer | 04.11.2015 | 910,267 |
| | Transfer | 24.11.2105 | 1,400,000 |
| | Transfer | 24.11.2105 | 301,600 |
| Vistaar Employees Welfare Trust (Trust) | Allotment | 22.06.2015 | 1,586,328 |
| | Allotment | 29.12.2015 | 1,646,630 |
| | Transfer | 22.06.2015 | 9,450 |
| | Transfer | 29.10.2015 | 201,100 |
| Sankar Sastri | Transfer from Trust | 29.10.2015 | 43,750 |
| | Transfer to WestBridge Crossover Fund, LLC | 24.11.2105 | 64,100 |

Shareholding of Directors and Key Managerial Personnel:

| Sl. No | | Shareholding at the beginning of the year | | Increase/Decrease during the year | | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|---|---|---|
| | Top 10 Shareholders | No. of Shares | % of total shares of the Company | Date of pur-chase/sale | Reason for increase/ decrease | No. of shares | No. of shares | % of total shares of the company |
| 1 | Brahmanand Hegde | 2,997,433 | 5.84% | 24.11.2015 | Transfer | 700,000 | 2,297,433 | 3.21% |
| 2 | Ramakrishna Nishtala | 2,997,433 | 5.84% | 24.11.2015 | Transfer | 700,000 | 2,297,433 | 3.21% |
| 3 | Sudesh Chinchewadi | 158,000 | 0.31% | 24.11.2015 | Transfer | 37,920 | 120,080 | 0.17% |

I. Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment (in ₹)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|---|---|---|---|
| **Indebtedness at the beginning of the financial year** | | | | |
| i) Principal Amount | 3,243,972,058 | - | - | 3,243,972,058 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 69,951,275 | - | - | 69,951,275 |
| Total (i+ii+iii) | 3,313,923,333 | - | - | 3,313,923,333 |



| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|---|---|---|---|
| **Change in Indebtedness during the financial year** | | | | |
| -Addition | 1,765,924,464 | - | - | 1,765,924,464 |
| - Reduction | 1,013,163,617 | - | - | 1,013,163,617 |
| **Net Change** | 2,779,088,081 | - | - | 2,779,088,081 |
| **Indebtedness at the end of the financial year** | | | | |
| i) Principal Amount | 3,996,732,905 | - | - | 3,996,732,905 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 53,255,898 | - | - | 53,255,898 |
| **Total (i+ii+iii)** | 4,049,988,803 | - | - | 4,049,988,803 |

Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: Amount (in ₹)

| Sl. No | Particulars of Remuneration | Brahmanand Hegde | Ramakrishna Nishtala | Total |
|---|---|---|---|---|
| 1 | **Gross salary** | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 12,121,291 | 12,730,928 | **24,852,219** |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | - | - | - |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | - | - | - |
| 2 | Stock Option | - | - | - |
| 3 | Sweat Equity | - | - | - |
| 4 | Commission | - | - | - |
| | - as % of profit | - | - | - |
| | - others, specify… | - | - | - |
| 5 | Others, please specify | - | - | - |
| | **Total (A)** | 12,121,291 | 12,730,928 | **24,852,219** |
| | **Ceiling as per the Act** | Not Applicable | Not Applicable | Not Applicable |

### B. Remuneration to other directors:

| Sl. No | Particulars of Remuneration | Abhiram Seth | G.S Sundararajan | Radhika Haribhakti | James Abraham | Total Amount (in ₹) |
|---|---|---|---|---|---|---|
| | Independent Directors | | | | | |
| | - Fee for attending board / committee meetings | 305,000 | 60,000 | 330,000 | 180,000 | **875,000** |
| | -Commission | - | - | - | | - |
| | - Others, please specify | - | - | - | | - |
| | Total (1) | | | | | |
| | Other Non-Executive Directors | - | - | - | | - |
| | -Fee for attending board / committee meetings | - | - | - | | - |
| | - Commission | - | - | - | | - |
| | -Others, please specify | - | - | - | | - |
| | Total (2) | - | - | - | | - |
| | Total (B)=(1+2) | **305,000** | **60,000** | **330,000** | **180,000** | **875,000** |
| | Total Managerial Remuneration | **305,000** | **60,000** | **330,000** | **180,000** | **875,000** |
| | Overall Ceiling as per the Act | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |

### C. Remuneration to Key Managerial Personnel Other than MD/Manager/WTD:

| Sl. No | Particulars of Remuneration | | |
|---|---|---|---|
| | | CFO & Company Secretary | Total |
| 1 | Gross salary | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 6,056,192 | **6,056,192** |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | - | - |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | - | - |
| 2 | Stock Option | 1,264,000 | **1,264,000** |
| 3 | Sweat Equity | - | - |
| 4 | Commission | - | - |
| | - as % of | - | - |
| | profit | - | - |
| | - others, specify… | - | - |
| 5 | Others, please | - | - |
| | specify | - | - |
| | Total | **7,320,192** | **7,320,192** |



### II. Penalties / Punishment/ Compounding of Offences: None

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCLT / COURT] | Appeal made, if any (give Details) |
|---|---|---|---|---|---|
| **A. Company** | | | | | |
| Penalty | | | None | | |
| Punishment | | | None | | |
| Compounding | | | None | | |
| **B.Directors** | | | | | |
| Penalty | | | None | | |
| Punishment | | | None | | |
| Compounding | | | None | | |
| **C.Other Officers in Default** | | | | | |
| Penalty | | | None | | |
| Punishment | | | None | | |
| Compounding | | | None | | |

**For and on behalf of the Board of Directors of Vistaar Financial Services Private Limited**

**Brahmanand Hegde**
Managing Director
DIN: 02984527
Date: 20th May 2016
Place: Bengaluru

**Ramakrishna Nishtala**
Director
DIN: 02949469
Date: 20th May 2016
Place: Bengaluru

# Annexure: 2

## SECRETARIAL AUDIT REPORT

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

**FOR THE FINANCIAL YEAR ENDED 31st March 2016**

To,
The Members,
Vistaar Financial Services Private Limited.
Plot No 59 & 60 - 23, 22nd Cross,
29th Main, BTM Layout, 2nd Stage,
Bengaluru – 560076

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Vistaar Financial Services Private Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by "the Company" for the financial year ended on 31st March 2016 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made there under;

The Company has filed all form/returns with the registrar of Companies under the provisions of the Act and the rules made there under. In case of delay, necessary additional fees were duly paid.

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act').

a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. However these provisions are not applicable to the Company

b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; However these provisions are not applicable to the Company

c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. However these provisions are not applicable to the Company.

d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. However these provisions are not applicable to the Company

e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.

f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993

g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; however these provisions are not applicable to the Company.

h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998. However these provisions are not applicable to the Company

(vi) *Employee State Insurance Act 1945 and rules made there under

(vii) *Employee provident Fund & Miscellaneous provisions Act 1952 and rules made there under

(viii) *Finance Act 1994 and amendment thereof with respect to service Tax

(ix) *Income Tax Act 1961 and rules made there under.

(x) *Reserve Bank of India regulations with respect to Non-Banking Financial Companies

(xi) *Shops & Establishments Acts and related regulations of various states where the Company is having operation.

I have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) The Listing Agreement entered into by the Company with Bombay Stock Exchange Limited with respect to listing of Non-Convertible Debentures.

I further report that The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period:

(i) The Company has allotted shares/debentures as per the below details:

| Sl. No | Allotment | Descriptions of the securities | Name of the Allottees | Number of securities Allotted | Face Value of each Security | Remark |
|---|---|---|---|---|---|---|
| 1 | 22nd June 2015 | Compulsorily Convertible Preference Shares (Class A) | Vistaar Employees Welfare Trust 9, 3rd Cross, 37 Main KAS officers colony BTM 2nd Stage Bangalore 560 068 | 1,586,328 | ₹1/- | CCPS allotted to Vistaar Employees Welfare Trust is not for distributing to employees under any ESOP plan |
| 2 | 3rd July 2015 | Rated, Secured, listed, Redeemable, non convertible, Debentures | UTI International Wealth Creator 4 4th Floor, raffles Tower, Cybercity Ebene, Mauritius | 420 | ₹1,000,000/- | - |
| 3 | 28th August 2015 | Compulsorily Convertible Preference Shares (Series D) | ON Mauritius IFS Court, 28, Cyber City, Ebene, Mauritius | 2,048,201 | ₹10/- | - |
| 4 | 28th August 2015 | Compulsorily Convertible Preference Shares (Series D) | Elevar Equity Mauritius IFS Court, Bank Street, Twenty Eight, Cybercity, Ebene 72201, Mauritius | 1,228,921 | ₹10/- | - |
| 5 | 28th August 2015 | Compulsorily Convertible Preference Shares (Series D) | WestBridge Crossover Fund, LLC IFS Court, Twenty Eight, Cybercity, Ebene, Mauritius | 13,791,220 | ₹10/- | - |
| 6 | 29th December 2015 | Compulsorily Convertible Preference Shares (Class A) | Vistaar Employees Welfare Trust 9, 3rd Cross, 37 Main KAS officers colony BTM 2nd Stage, Bangalore 560 068 | 1,646,630 | ₹1/- | CCPS allotted to Vistaar Employees Welfare Trust is not for distributing to employees under any ESOP plan |

(ii) No Redemption or buy-back of securities took place during the Audit Period
(iii) No Major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013.
(iv) No Merger / amalgamation / reconstruction took place during the Audit Period.
(v) No Foreign technical collaborations took place during the Audit period.

**CS. Vinayak Hegde**
Company Secretary
M. No: 28093, CP. No:11880
Date: 20th May 2016
Place: Bengaluru

*Our Report is based on the report or opinion provided by other designated professionals/experts in the designated areas.

**Note:** Vistaar Financial Services Private Limited ("The Company") is a Private Limited Company. The Audit under section 204 of the Companies Act 2013 has been carried out because of the Non-Convertible Debentures are listed in the Bombay Stock Exchange Limited.

# Annexure: 3

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT

| Particulars | Remarks |
|---|---|
| 1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs. | The CSR policy is designed to support initiatives aimed at:<br>1. Ensuring socio-economic development of the community through different participatory and need-based initiatives in the best interest of the poor and deprived sections of the society;<br>2. training, providing and supporting educational needs of the underprivileged segments of society; and<br>3. such other activities as may be permitted under Schedule VII of the Companies Act, 2013 and the relevant rules. |
| 2. The Composition of the CSR Committee | Mr. Abhiram Seth - Independent Director<br>Mr. Sandeep Farias – Nominee Director<br>Mr. Brahmanand Hegde – Executive Director |
| 3. Average net profit of the Company for last three financial years as per Section 198 of the Companies Act, 2013 | ₹52,894,026/- |
| 4. Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above) | ₹1,057,881/- |
| 5. Details of CSR spent during the financial year<br>a. Total amount to be spent for the financial year<br>b. Amount unspent, if any; | Nil<br>₹1,057,881/-<br>₹1,057,881/- |

**Manner in which the amount spent during the financial year is detailed below.**

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|
| SI. No. | CSR project or activity identified. | Sector in which the project is covered | Projects or programs<br>(1) Local area or other<br>(2) Specify the State and district where projects or Programs were undertaken | Amount outlay (budget) project or program wise (In Rs.) | Amount spent on the projects or programs<br>Sub heads:<br>(1)Direct expenditure<br>(2)Overheads<br>(In Rs.) | Cumulative expenditure up to the reporting period (In Rs.) | Amount spent direct or through implementing agency (In Rs.) |
| 1. | To be identified | To be identified | Not Applicable | Nil | Nil | Nil | Nil |
| | TOTAL | | | - | - | - | - |



| Particulars | Remarks |
|---|---|
| In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report. | The Company's CSR initiatives involve setting the foundation of various programs and to learn from on-ground realities, getting feedback from community and then putting a sustainable model to ensure maximum benefit to the community. The Company and CSR Committee are working on the course of action and best possible way of spending the amount (calculated as per the CSR Rules) and to focus on the key area which will bring maximum value addition to the community. The Company is planning to spend the CSR amount in the financial year 2016-17. |
| A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company. | The CSR Committee confirms that the implementation and monitoring of the CSR Policy shall be in compliance with the CSR Objectives and policy of the Company. |

For and on behalf of the Board of Directors of **Vistaar Financial Services Private Limited**

**Brahmanand Hegde**
Managing Director
DIN: 02984527
Date: 20th May 2016
Place: Bengaluru

**Ramakrishna Nishtala**
Director
DIN: 02949469
Date: 20th May 2016
Place: Bengaluru

# MANAGEMENT DISCUSSION & ANALYSIS

## INDIAN ECONOMY OVERVIEW

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF). According to IMF World Economic Outlook Update (January 2016), Indian economy is expected to grow at 7% to 7.75% during FY17, despite the uncertainties in the global market.

With the improvement in the economic scenario, India attracted total private equity investments of US$ 19.2 billion with around 710 deals in FY16 as per the PwC MoneyTree India report for Q1-2016. According to The World Bank, India's per capita income is expected to cross ₹100,000 (US$ 1,505) in FY17 from ₹93,231 (US$ 1,403) in FY16.

## INDUSTRY OVERVIEW

**MSMEs annual growth rate - 10%**

**57.7 million small business units**

**100 million jobs**

**38% contribution to India's GDP**

**40% share in exports output**

**45% share in manufacturing output**

**6,000 products manufactured**

Financing needs in India have risen with the notable growth recorded by the economy over the past decade. According to the CRISIL Research's NBFC Overview Report – 2015, NBFCs' loans outstanding grew at approximately 21% in between fiscal 2010 and fiscal 2015, and as of March 2015, they accounted for almost 18% of the overall systemic credit. CRISIL Research expects the loan book of NBFCs to post 15-17% CAGR between fiscal 2015 and fiscal 2017.

Micro, Small and Medium Enterprises ("MSMEs") are critical to the nation's economy as they contribute significantly to India's domestic production. MSME sector in India continues to demonstrate remarkable resilience in the face of trialing global and domestic economic circumstances. The sector has sustained an annual growth rate of over 10% for the past few years. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive economic shocks, even of the gravest nature. According to the Survey of 2013 by National Samples Survey Organisation, India, there are some 57.7 million small business units, mostly individual proprietorships, which run manufacturing, trading or services activities.

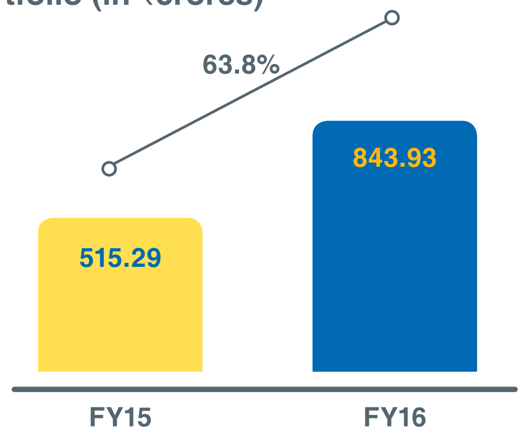
According to the estimates of the Ministry of MSME, Government of India, the sector generates around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country. With 38% contribution to the nation's GDP and 40% and 45% share of the overall exports and manufacturing output, respectively, it is easy to comprehend the salience of the role they play in social and economic restructuring of India. Besides the wide range of services provided by the sector, the sector is engaged in the manufacturing of over 6,000 products ranging from traditional to hi-tech items. The Indian MSME sector provides maximum opportunities for both self-employment and wage employment outside the agricultural sector and contributes in building an inclusive and sustainable society in innumerable ways through creation of nonfarm livelihood at low cost, balanced regional development, gender and social balance, environmentally sustainable development, etc.

## COMPANY OVERVIEW

### Business Update – FY16

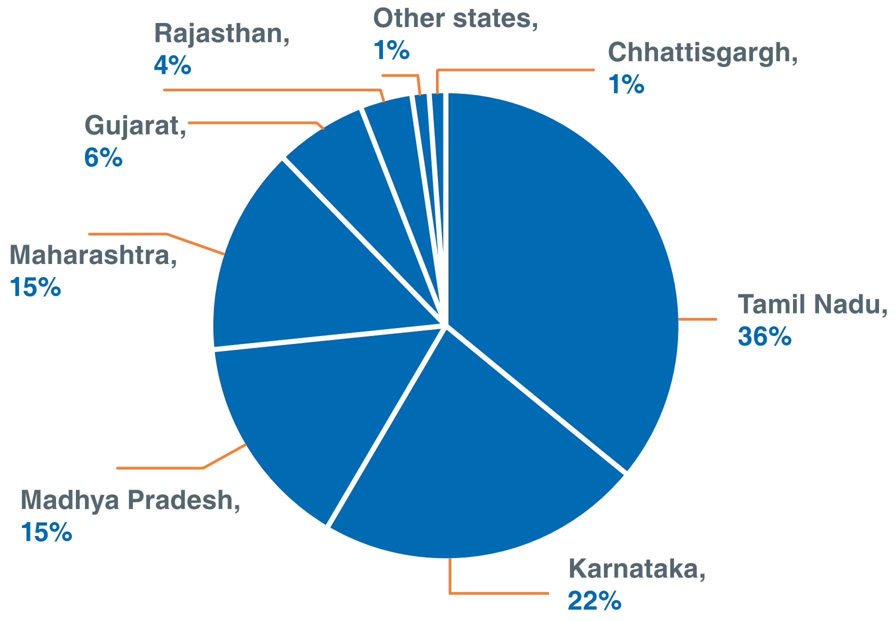
As of 31st March, 2016, Vistaar catered to 78,746 small business entrepreneurs, **77.7% of them being women entrepreneurs and 97.2% from rural and semi-urban areas.** The gross loan portfolio (including off balance sheet) was up by 63.8% to ₹843.93 crore as of 31st March, 2016 compared to ₹515.29 crore as of 31st March, 2015.

**Gross Loan Portfolio (in ₹crores)**

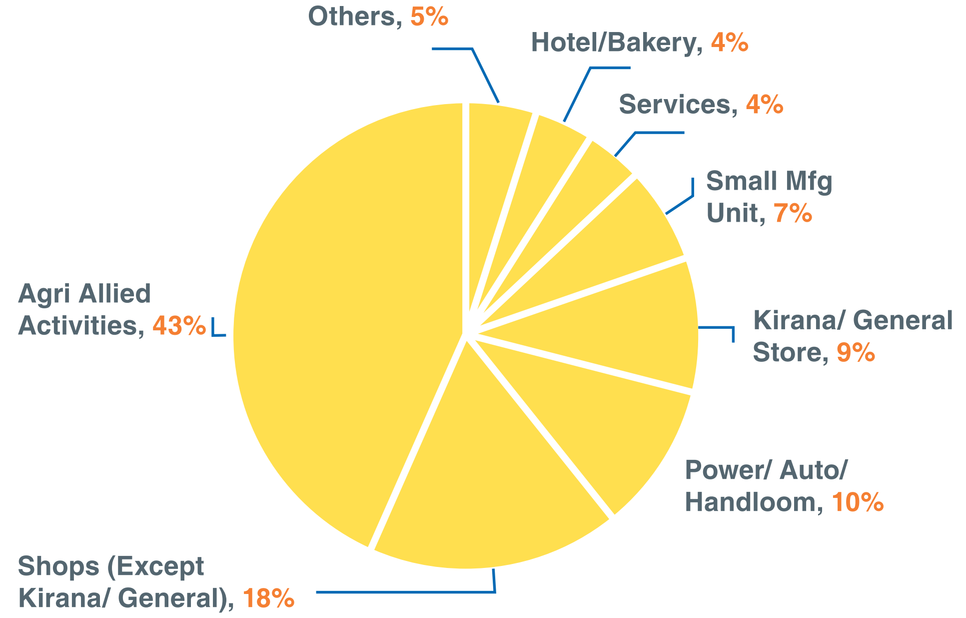


During FY16, the Company expanded its outreach and rolled out 68 new Branches primarily in the rural and semi-urban areas. The Company also entered into five new States viz., Uttar Pradesh, Uttarakhand, Haryana, Odisha and Andhra Pradesh. Presence in newer geographies and expansion of portfolio into various sectors will help in mitigating portfolio related risks. The Company registered 38.1% increase in the loan disbursements from ₹434.35 crore in FY15 to ₹599.66 crore in FY16. The Company has passed on the benefits of achieving the operational efficiency and lower cost of debt to our customers and **reduced the lending rates in the range of 1% to 3%**. And it will continue to do so in future depending on the industry outlook, our ability to raise funds at lower cost and upon further increase in the operating leverage.

## STATE-WISE PORTFOLIO (as of March'16)




## SECTOR-WISE PORTFOLIO (as of March'16)




The percentage of gross non-performing assets ("NPA") on the loan portfolio (excluding off balance sheet) as of 31st March, 2016 was at 2.23%. We believe that this asset quality has been good in the industry, owing to our unique credit methodology which helps to assess customer's credit worthiness.

## EXPANSION STRATEGY

The distribution of microenterprises across the country is characterised by geographically proximate clusters. Thus, often power looms, for example, are all concentrated in a radius of 150 to 200 kms with several towns and villages having most households engaged in this activity. The same holds good for other microenterprises as well including handloom, home based industries, handicrafts, agri allied activities, etc. The urban areas have a concentration of trading activities, small manufacturing enterprises, shops offering a variety of goods and services, etc. The Company's approach to opening branches is to find out these clusters and open branches in these locations, catering to the needs of those customers through its customised range of products. Strong understanding of the different microenterprises/businesses is translated into standard templates which help our credit mangers to arrive at assessments of the customers in a pre-defined manner, improving the quality of assessments substantially. This is even more important given the target segment which rarely has documentation to establish their cash flows. The Company's strategy has been to expand in the states which are adjacent to those in which Vistaar has presence. This helps to understand the geography, demography and potential of the target market.

## HUMAN RESOURCES ("HR")

**"Human Resources isn't a thing we do. It's the thing that runs our business.**

– Steve Wynn

The real assets of Vistaar are its employees. The Company believes that the main purpose of human resource management is to accomplish the organisational goals and therefore the resources are mobilised to achieve such goals.

We aim to attract, train and retain talent to create effective partnerships with and to fuel growth for the organisation which in turn nurtures them in a rewarding work culture. Our HR policies balance both business needs as well as those of the people sensitivities. Our practices and processes enable our people to deliver the best results, build upon their own capabilities, as also get recognised for their efforts. The Company values and appreciates the contribution and commitment of the employees towards performance of the Company during the year.

Last year has been a landmark year for building Vistaar's Human Capital base with number of employees growing by 61.2% from 1,318 as at the end of March, 2015 to 2,125 as at the end of March, 2016. For empowering these new recruits through success at work, the Learning and Development team has built a robust "Quality Assurance model" which is a three tier certification process for all new branch level hires along with regular quarterly follow up training for supervisory roles. The new Human Resource Information System has also ensured that employees have instant access to all information in terms of policies, processes and other personal information relevant to them and a re-energised Employee Helpline number has also made sure that employees' queries are sorted in a timely and accurate manner. Employee Engagement has been strengthened by the Outreach Program (through family meets, branch visits and cluster meets) conducted across branches by the HR Business Partners and teams on a regular basis. All these ground level" initiatives has ensured a motivated and informed employee force at branches

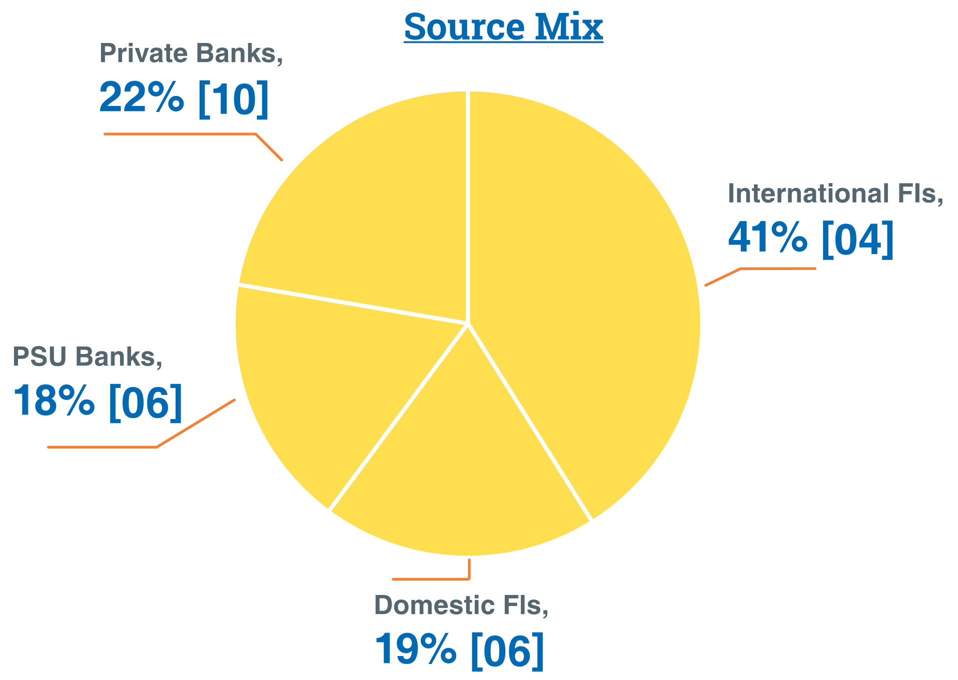


## INFORMATION TECHNOLOGY ("IT")

At Vistaar, Information Technology plays a vital role in enabling the business to transform, and also run the day to day operations with precision. During FY16, the Company has made significant investments to enhance core business applications, building new mobile enabled business solutions like HRMS, BPM, Collection management system etc. The Company has also strategically invested in strengthening of IT processes, information security and infrastructure to cater to the horizontal and vertical growth of business at Vistaar.

Vistaar will continue to invest in technology to catalyze business growth and challenge the operational processes towards optimization through its forward looking Digital Office initiative.

## ACCESS TO MULTIPLE SOURCES OF CAPITAL (as of March'16) [no. of lenders]




Vistaar constantly strives to diversify its sources of capital. During FY16, the Company raised ₹250.00 crore of equity capital from the existing investors WestBridge Capital, Elevar Equity and Omidyar Network. And additionally, the Company borrowed from various Banks and Financial Institutions to fund its growth. Company's incremental borrowings from these sources was ₹179.00 crore (through term loans and non-convertible debentures) in FY16 and ₹251.74 crore (through term loans, non-convertible debentures, securitisation and commercial paper) in FY15. The Company also enjoys working capital limit to take care of its day-to-day funding requirements.

As at the end of FY16, the Company had an outstanding debt amount of ₹399.54 crore from 26 banks, domestic and international financial institutions as against ₹324.40 crore as at the end of FY15.

## CREDIT RATING

Recognising the strength of the Company and its balance sheet as well as consistent performance over the past few years, during FY16, ICRA Limited ("ICRA") has upgraded the Company's long term bank loan rating to **[ICRA] A- (stable) from [ICRA] BBB+** (stable). ICRA has opined on the outlook on the long term rating to be stable. ICRA has also reaffirmed the short term rating of the Company as [ICRA] A2+.

The Company also obtained credit rating from ICRA for its NCD issuance done during the year. ICRA has assigned [ICRA] BBB+ rating to this NCD issuance. However in the month of November, ICRA has upgraded all the NCD ratings to [ICRA] A- (stable) from [ICRA] BBB+ (stable). We believe that such rating upgrades reinforces the long term confidence of the agency on the Company and sustainability of the business model.

## ASSET LIABILITY MANAGEMENT ("ALM")

The Company has a well-defined ALM policy to address the risk of mismatch between assets and liabilities either due to liquidity or changes in interest rates. The Company has an Asset Liability Committee ("ALCO") in place comprising of four directors and headed by an independent director. The ALCO periodically reviews the asset and liability positions, cost of funds, sources and mix of funding along with capital planning. It accordingly recommends for corrective measures to bridge the gaps, if any.

The ALCO is also backed by a support group namely 'ALCO Working Group' comprising of the senior management which meets on regular basis and reviews the risk profile, proposed funding plan and interest rates as per the requirements and accordingly report to ALCO on periodic basis. This results in proper planning on an on-going basis in respect of managing various financial risks viz. asset liability risk, interest rate risk, credit risk and liquidity risk.

## RISK MANAGEMENT

Risk management is an important part of the Company's business and is an ongoing process. The Company follows a disciplined risk management process and has been taking business decisions, ensuring growth and balancing approach on risk reward matrix. The Board of Directors are fully committed to a sound system for identification and mitigation of risks applicable to the Company and for this purpose created an Audit & Risk Committee which constitutes five Board members including two independent directors. The committee meets from time to time to identify and to assess the areas of potential risks and put in place appropriate controls and suggest various mitigants thereof. Risk is managed through a framework of policies and principles supported by an independent risk function which ensures that the Company operates within a pre-defined risk framework.

## INTERNAL AUDIT AND CONTROLS

The Company has an internal control system commensurate with the size, scale and complexity of its operations. It has a well-established Internal Audit Department whose scope and authority is defined in the Internal Audit charter that is approved by the Audit & Risk Committee of the Board. The Audit & Risk Committee of the Board oversees the Internal Audit function of the Company, thus ensuring its objectivity and independence. The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control systems and operational risks management by the Chief Risk Officer periodically through its control mechanism by conducting audit of branches and offices as well as various business processes and functions. The department submits its recommendations to the management to strengthen internal control systems and ensure corrective actions are initiated. Significant audit observations and follow-up actions thereon are reported to the Audit & Risk Committee.

## INTERNAL FINANCIAL CONTROL ("IFC")

### i) Internal Financial Control pertains to policies and procedures adopted by the Company to ensure:

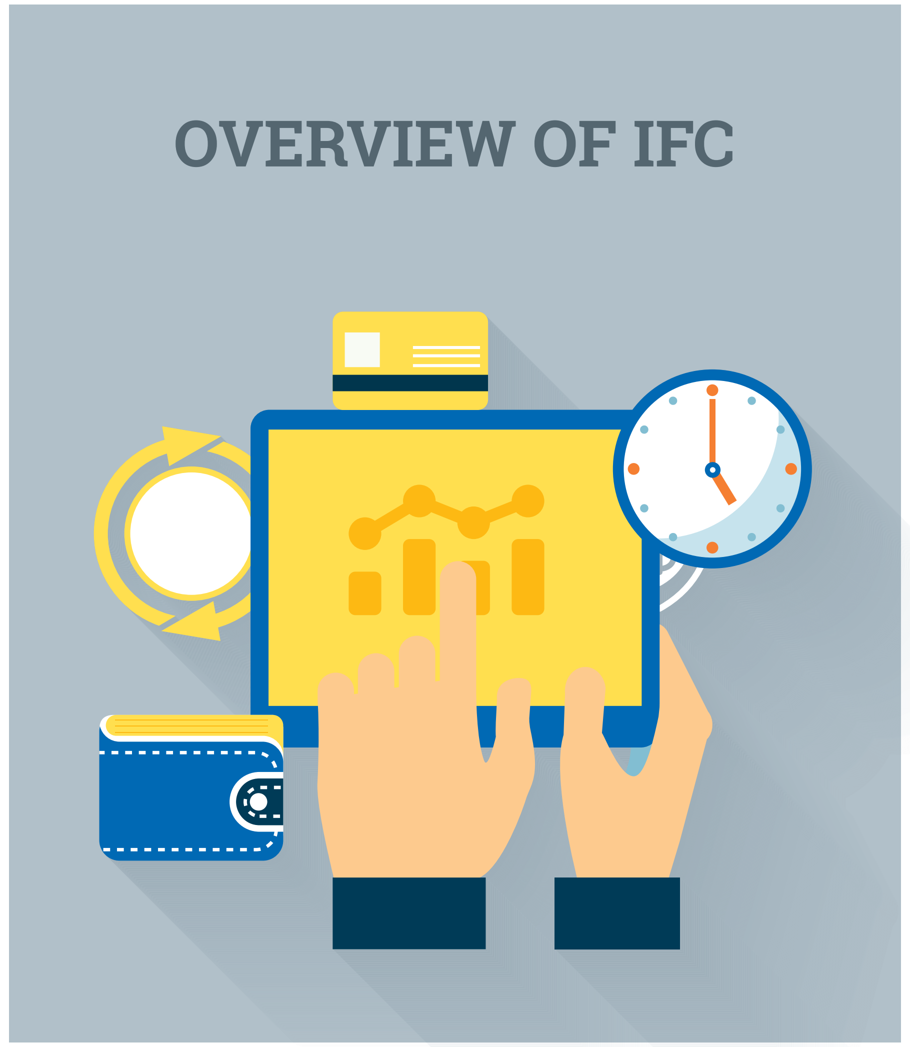
- Orderly and efficient conduct of business,
- Adherence to Company policies,
- Prevention detection of frauds and errors,
- Safeguarding of assets,
- Accuracy and completeness of accounting records, and
- Timely preparation of reliable financial information.

### ii) In-order to achieve the above, the below set of risk assessment processes are put in place by the Company:

- A demonstrable framework for IFC
- Documentation of controls that actually mitigate the risk of significant misstatements
- Requisite accountability for financial reporting structure
- Testing of operating effectiveness of controls

**iii) The following framework has been put in place in order to minimise risk at an entity level:**

- Create internal environment and set goals for the Operational Risk Management (ORM) framework
- **Identify operational risk** – Identify operational risk inherent in all products, activities, processes and systems. Consider both internal and external factors.
- **Assess operational risk** – Assess vulnerability to risks identified above. Use tools such as self-risk assessment, risk mapping and key risks indicators.
- **Monitor operational risk** – Identify appropriate indicators that provide early warnings of an increased risk of future losses.
- **Operational risk loss events** – Track actual loss data and map the same to relevant category to identify actual losses and estimate potential losses.
- **Mitigation of operational risk** – An effective internal control system to include top level reviews, activity controls, physical controls; compliance with exposure limits, a system of approvals and authorizations; and, a system of verification and reconciliation. Identify areas of potential conflicts of interest.
- Independent evaluation of ORM function by Internal Audit.




| | |
|---|---|
| **Entity Level Controls** | Ethics and values strategy<br>Culture<br>Communications |
| **Internal Control Framework** | Policies and procedures<br>Organisation structure<br>Performance objectives |
| **Effective Controls** | Roles and responsibilities<br>Risk identification |
| **Control testing at operational level** | Control systems<br>Continuous improvement |
| **Compliance monitoring of controls** | Compliance monitoring<br>Control monitoring |

### The key risks and the mitigation measures adopted by the Company are as follows –

| Key Risks | Management Strategy to Mitigate Risks |
|---|---|
| Risk of deterioration in asset quality | The Company is gradually diversifying its portfolio across various geographies and sectors. The number of Branches and States has been increased from 132 and seven respectively in FY15 to 198 and 12 in FY16.<br>The provisioning norms adopted by the Company are more stringent than RBI's requirements. And we believe that Vistaar's NPA levels are one of the lowest in the industry. Our deep understanding about the nature of borrowers and a strong business model reduces the risk of default significantly. |
| Liquidity risk | The company has a sound liquidity management process in place and has a solid list of stable funding partners ranging from private equity investors, public and private sector banks, domestic and international financial institutions and raised through multiple sources such as equity capital, term loans, non-convertible debentures, cash credit facility and securitisation transactions. |
| Volatility in interest rates may result in decline in the Company's net interest margins | The Company has a good liability management system in place which helps to borrow at varied interest rates and lending at fixed interest rates. Also, raising funds through multiple sources enables to strike a balance between varied interest rates while reducing the cost of borrowing. |
| Weak management reporting systems may delay in making timely business decisions | Vistaar has established a robust core-banking solution and other reporting systems which are connected on real-time basis with all the Branches. Hence, timely reporting of critical data points helps in taking business decisions. |
| Corporate governance | Vistaar has adopted best corporate practices and is committed to conducting its business in accordance with the applicable laws, rules and regulations.<br>The Company has been complying with the requirements of all applicable corporate governance norms in relation to the constitution of the Board and committees. The corporate governance framework is based on an effective independent Board, separation of the supervisory role of the Board from the executive management team and proper constitution of committees of the Board. The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas.<br>Company's Board of Directors constitutes professionals having vast experiences in various sectors and Companies and constitutes of nine members, including three independent directors.<br>There is a well-established set of policies and procedures laid out across departments and levels which helps in smooth functioning of the business. |
| Competition from unorganised sector, new entrants and diversification by existing financial institutions | Over the past six years, the Company has a widespread rural presence which gives it a distinct advantage. The Company's extensive research and survey helps in gradually increasing its Branch network across varied geographies in the areas where there are less scope of competition and huge market potential. Moreover, the segment Company is catering to, does not have access to credit from the mainstream sources such as Banks and large NBFCs due to their conventional under-writing and credit approval processes. |

## SCOT ANALYSIS

### Strengths & Opportunities

**Expertise in the MSME space with focus on rural and semi-urban areas:** The customer segment which the Company is serving to do not have access to credit from the mainstream sources such as Banks and large NBFCs due to their conventional under-writing and credit approval processes and hence they have to rely on the un-organised sector. Vistaar, over the past six years has exclusively catered to this segment and gained considerable experience in understanding the needs, behaviour and complexities of these Customers. The Company believes that this expertise gives it a competitive advantage.

**Unique Credit Methodology:** The unique credit methodology which is explained in the earlier section of this annual report is the USP (Unique Selling Proposition) of the Company. This unique business model of the Company focuses on serving the small business entrepreneurs effectively which has been proven over the past six years consistently.

**Huge credit gap:** 36 million enterprises in the MSME sector contribute to over 45% of India's manufacturing output. The total unmet demand is close to ₹2.9 trillion, which offers a unique opportunity for Vistaar across micro, small and medium sized enterprises. While banks and NBFCs try and address some of the sector's credit demand, 72% of the total MSME business units constitute Vistaar's target segment.

**Experienced leadership – Board, Promoters and Management team:** One of the major strengths of the Company is its experienced leadership. The Company's Board comprises experienced investors and industry experts. The promoters are management professionals backed by a strong senior management team having significant experience in the financial services industry and good knowledge of the target customer segment. The team has developed the knowledge and built efficient processes to identify and provide products and services that meet the needs of the small business entrepreneurs, while maintaining effective risk management and controls with competitive margins.

### Challenges & Threats

**Regulatory challenges:** Newer regulatory updates pose a constant challenge for smoother operations of the Company. However, the Company believes that the agenda of financial inclusion is the utmost priority of both the Government and RBI and shall not come up with any regulation which could adversely affect the functioning of the Company.

**Economic downturn and weak monsoon:** A slowdown in the rate of growth in the Indian economy could result in lower demand for credit and other financial products and services and higher delinquencies. Any slowdown in the growth or negative growth of the sectors where the Company has exposure could impact its performance. Any such slowdown could affect its business, prospects, results of operations and financial condition.

As India is an agrarian economy and is heavily dependent on the monsoon rains as a large part of the agricultural produce comes from the monsoon fed crops. A weak or bad monsoon is always considered as a big setback to India's economy. Majority of the customer segments of the Company is situated in the rural and semi-urban areas and weak monsoon may affect the business activities of these segments. The Company believes that with the continuous improvement in irrigation methods and availability of electricity shall reduce this dependence to some extent. The Company believes that its geographical presence across twelve States reduces the impact of poor monsoon significantly.

### Financial Performance of FY16 vis-à-vis FY15

| Particulars | FY16 | | FY15 | | % Change |
|---|---|---|---|---|---|
| | ₹in Crore | Per cent to Revenue | ₹in Crore | Per cent to Revenue | |
| **Income** | | | | | |
| Revenue from operations | 182.04 | 93.8% | 101.80 | 93.9% | 78.8% |
| Other income | 12.01 | 6.2% | 6.66 | 6.1% | 80.4% |
| **Total revenue** | **194.05** | **100.0%** | **108.46** | **100.0%** | **78.9%** |
| | | | | | |
| **Expenses** | | | | | |
| Employee benefits expense | 63.87 | 32.9% | 37.24 | 34.3% | 71.5% |
| Finance costs | 51.91 | 26.8% | 33.91 | 31.3% | 53.1% |
| Depreciation and amortisation expense | 2.97 | 1.5% | 1.78 | 1.6% | 66.8% |
| Provisions and write-offs | 7.65 | 3.9% | 2.58 | 2.4% | 196.1% |
| Other expenses | 28.81 | 14.8% | 17.88 | 16.5% | 61.1% |
| **Total expenses** | **155.21** | **80.0%** | **93.40** | **86.1%** | **66.2%** |



| Particulars | FY16 | | FY15 | | % Change |
|---|---|---|---|---|---|
| | ₹in Crore | Per cent to Revenue | ₹in Crore | Per cent to Revenue | |
| **Profit before tax** | **38.83** | **20.0%** | **15.07** | **13.9%** | **157.8%** |
| **Tax expense** | **13.91** | **7.2%** | **0.88** | **0.8%** | **1483.3%** |
| **Profit after tax** | **24.93** | **12.8%** | **14.19** | **13.1%** | **75.7%** |

## REVENUE FROM OPERATIONS

Revenue from operations increased by 78.8%, from ₹101.80 crore in FY15 to ₹182.04 crore in FY16. This growth was primarily due to increase in the gross loan portfolio by 63.8% from ₹515.29 crore in FY15 to ₹843.93 crore in FY16.

## OTHER INCOME

Other income increased by 80.4%, from ₹6.66 crore in FY15 to ₹12.01 crore in FY16. This increase was mainly attributable to the funds received from equity infusion of ₹250 crore during the year and which was parked as investments in debt securities. The income from investments increased by 74.6% from FY15 to FY16.

## EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses comprises salaries and other employee benefits expenses. Employee benefit expenses increased by 71.5% from ₹37.24 crore in FY15 to ₹63.87 crore in FY16, due to annual increments and increase in the number of employees by 61.2% from 1,318 at the end of FY15 to 2,125 at the end of FY16.

## FINANCE COSTS

The Company's financial costs represented 33.4% of the total expenses for FY16. Financial costs increased by 53.1% from ₹33.91 crore in FY15 to ₹51.91 crore in FY16 due to an increase in the average yearly borrowings by 40.3% from ₹257.98 crore at the end of FY15 to ₹361.97 crore at the end of FY16.

## DEPRECIATION AND AMORTISATION EXPENSE

Depreciation and amortization expenses increased by 66.8%, from ₹1.78 crore in FY15 to ₹2.97 crore in FY16. This increase was primarily on account of net additions of fixed and intangible assets of ₹4.23 crore during FY16. The net fixed and intangible assets (including capital work in progress) at the end of FY16 was ₹9.30 crore as against ₹5.07 crore at the end of FY15.

## PROVISIONS ON STANDARD, SUB-STANDARD AND DOUBTFUL ASSETS

Provisions represented 4.9% of the total expenses for FY16. These expense increased by 196.1% from ₹2.58 crore in FY15 to ₹7.65 crore in FY16 on account of increase in provision for standard assets from ₹0.93 crore in FY15 to ₹1.58 crores in FY16 (up by 69.9%) owing to the increase in gross loan portfolio by 63.8% and increase in provision for sub-standard and doubtful assets from ₹1.66 crore in FY15 to ₹6.08 crore in FY16.

## OTHER EXPENSES

The operating expenses represented 18.6% and 19.1% of the total expenses for FY16 and FY15, respectively. These expenses increased by 61.1% from ₹17.88 crore in FY15 to ₹28.81 crore in FY16, primarily due to roll-out of 68 new branches during the year and led to an increase in costs associated with it such as rents, rates and taxes, courier, etc.

# INDEPENDENT AUDITOR'S REPORT

**To the Members of Vistaar Financial Services Private Limited**

**Report on the Financial Statements**

1 We have audited the accompanying financial statements of Vistaar Financial Services Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

3 Our responsibility is to express an opinion on these financial statements based on our audit.

4 We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5 We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6 An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

8 In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016, and its profit and its cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

9 As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.

10 Further to our comments in Annexure I, as required by Section 143(3) of the Act, we report that:

**a.** we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

**b.** in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

**c.** the financial statements dealt with by this report are in agreement with the books of account;

**d.** in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);

**e.** on the basis of the written representations received from the directors as on 31 March 2016 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164(2) of the Act;

**f.** we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as of 31 March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 20 May 2016 as per Annexure II expressed unmodified opinion.

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

i. the Company does not have any pending litigations which would impact its financial position;

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

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

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Banthia** (Partner)
Membership No.: 061068
Bengaluru I 20 May 2016

## ANNEXURE I

**Independent Auditor's Report on Companies (Auditor's Report) Order, 2016 ("the Order") under Sub-section 11 of Section 143 of the Companies Act, 2013 ("the Act")**

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 Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) The Company does not hold any immovable properties. Accordingly, the provisions of clause 3(ii)(c) of the Order are not applicable.

ii. The Company does not have any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.

iii. The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

iv. The Company has not entered into any transactions in the nature of loans, investments, guarantees and security with parties covered under sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.

v. The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

vi. The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

vii. (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise duty, value added tax, cess have generally been regularly deposited to the appropriate authorities though the delays in deposit have not been significant. Further, the undisputed amounts payable in respect thereof that were outstanding at the year-end for a period of more than six months from the date they become payable are as follows:

| Name of the statute | Nature of the dues | Amount (₹) | Period to which the amount relates | Due Date | Date of Payment |
|---|---|---|---|---|---|
| The Gujarat Professions Tax Act, 1976 | Profession tax | 320 | FY 15-16 | Various | 17 May 2016 |

(b) There are no dues in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax that have not been deposited with the appropriate authorities on account of any dispute.

viii. In our opinion, the Company has not defaulted in repayment of loans or borrowings to any financial institution or a bank or government or any dues to debenture-holders during the year.

ix. The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained, though idle/surplus funds which were not required for immediate utilisation have been invested in liquid investments, payable on demand.

x. No fraud by the Company or on the company by its officers or employees has been noticed or reported during the period covered by our audit.

xi. In our opinion, the Company is a private limited company in terms of Section 68 of Act. Accordingly, provisions of clause 3(xi) of the Order are not applicable.

xii. In our opinion, the Company is not a Nidhi company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

xiii. In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.

xiv. During the year, the Company has made private placement of fully convertible preference shares. In respect of the same, in our opinion, the Company has complied with the requirement of section 42 of the Act and the rules framed thereunder. Further in our opinion the amounts so raised have been used for the purposes for which the funds were raised, though idle funds which were not required for immediate utilization have been invested in liquid investments, payable on demand. During the year the Company did not make preferential allotment or private placement of equity shares or fully/partly convertible debentures.

xv. The Company has not entered into any non-cash transactions with the directors or persons connected with them.

xvi. The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and such registration has been obtained by the Company.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Banthia** (Partner)
Membership No.: 061068
Bengaluru I 20 May 2016



## ANNEXURE II

**Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

1 In conjunction with our audit of the financial statements of Vistaar Financial Services Private Limited ("the Company") as at and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting (IFCoFR) of the Company as at that date.

**Management's Responsibility for Internal Financial Controls**

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the control criteria in accordance with Internal control framework defined in Appendix 1 to SA 315, "Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment" ('the framework'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to company's policies, the safeguarding of company's assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditors' Responsibility**

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

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

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

**Meaning of Internal Financial Controls Over Financial Reporting**

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

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

**Opinion**

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the framework.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Banthia** (Partner)
Membership No.: 061068
Bengaluru I 20 May 2016

# FINANCIAL STATEMENTS

**Vistaar Financial Services Private Limited**

**Balance Sheet as at 31 March 2016 (All amounts in ₹lakhs except otherwise stated)**

| | | Notes | 31 March 2016 | 31 March 2015 |
|---|---|---|---|---|
| I | **EQUITY AND LIABILITIES** | | | |
| | **Shareholders' funds** | | | |
| | Share capital | 3 | 6,745 | 4,984 |
| | Reserves and surplus | 4 | 44,105 | 18,104 |
| | | | **50,850** | **23,088** |
| | **Non-current liabilities** | | | |
| | Long-term borrowings | 5 | 28,392 | 23,882 |
| | Other long-term liabilities | 6 | 471 | 641 |
| | Long-term provisions | 7 | 600 | 312 |
| | | | **29,463** | **24,835** |
| | **Current liabilities** | | | |
| | Other current liabilities | 6 | 15,360 | 11,520 |
| | Short-term provisions | 7 | 731 | 245 |
| | | | **16,091** | **11,765** |
| | | | **96,404** | **59,688** |
| | | | | |
| II | **ASSETS** | | | |
| | **Non-current assets** | | | |
| | Fixed assets | | | |
| | Tangible assets | 8 | 494 | 238 |
| | Intangible assets | 9 | 214 | 200 |
| | Capital work in progress | | 172 | - |
| | Intangible assets under development | 10 | 51 | 70 |
| | Deferred tax assets (net) | 11 | 508 | 209 |
| | Long-term loans and advances | 12 | 53,760 | 29,221 |
| | Other non-current assets | 13 | 1,697 | 2,906 |
| | | | **56,896** | **32,844** |
| | **Current assets** | | | |
| | Cash and bank balances | 14 | 8,289 | 8,737 |
| | Short-term loans and advances | 12 | 29,242 | 16,908 |
| | Other current assets | 13 | 1,977 | 1,199 |
| | | | **39,508** | **26,844** |
| | | | **96,404** | **59,688** |
| | Summary of significant accounting policies.<br>The accompanying notes form an integral part of these financial statements. | 2 | | |

As per our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

**For and on behalf of the Board of Directors of Vistaar Financial Services Private Limited**

per **Sanjay Banthia** (Partner)
Bengaluru I 20 May 2016

**Brahmanand Hegde** (Managing Director)
DIN : 02984527
Bengaluru I 20 May 2016

**Ramakrishna Nishtala** (Director)
DIN : 02949469

**Sudesh Chinchewadi**
(CFO & Company Secretary)

Vistaar Financial Services Private Limited

Statement of Profit and Loss for the year ended 31 March 2016 (All amounts in ₹lakhs except otherwise stated)

| | Notes | 31 March 2016 | 31 March 2015 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 15 | 18,204 | 10,180 |
| Other income | 16 | 1,201 | 666 |
| **Total operating revenue** | | **19,405** | **10,846** |
| | | | |
| **Expenses** | | | |
| Employee benefits expense | 17 | 6,387 | 3,724 |
| Finance costs | 18 | 5,191 | 3,391 |
| Depreciation and amortisation expense | 19 | 297 | 178 |
| Provision for sub-standard and doubtful assets | 7 | 608 | 166 |
| Provision for standard assets | 7 | 158 | 93 |
| Other expenses | 20 | 2,881 | 1,787 |
| **Total expenses** | | **15,522** | **9,339** |
| | | | |
| **Profit before tax** | | 3,883 | 1,507 |
| | | | |
| **Tax expense** | | | |
| Current tax [including income taxes pertaining to prior years ₹168 lakhs (31 March 2015: ₹Nil)] | | 1,682 | 258 |
| Minimum alternate tax (credit) / reversed | | 8 | (8) |
| Deferred tax (benefit) | 11 | (299) | (162) |
| **Total tax expense** | | **1,391** | **88** |
| **Profit for the year** | | **2,492** | **1,419** |
| | | | |
| **Earnings per equity share (Nominal value of ₹10 per share)** | | | |
| -Basic | 21 | 32.43 | 18.68 |
| -Diluted | | 4.04 | 3.00 |
| Summary of significant accounting policies.<br>The accompanying notes form an integral part of these financial statements. | 2 | | |

As per our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

**For and on behalf of the Board of Directors of Vistaar Financial Services Private Limited**

per **Sanjay Banthia** (Partner)
Bengaluru I 20 May 2016

**Brahmanand Hegde** (Managing Director)
DIN : 02984527
Bengaluru I 20 May 2016

**Ramakrishna Nishtala** (Director)
DIN : 02949469

**Sudesh Chinchewadi**
(CFO & Company Secretary)



Vistaar Financial Services Private Limited

Cash Flow Statement for the year ended 31 March 2016 (All amounts in ₹lakhs except otherwise stated)

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| **A. Cash flows from operating activities** | | |
| Profit before tax | 3,883 | 1,507 |
| Adjustments for: | | |
| Depreciation and amortisation expense | 297 | 178 |
| Provision for sub-standard and doubtful assets | 608 | 166 |
| Provision for standard assets | 158 | 93 |
| Provision for assigned/ securitized portfolio | 64 | 26 |
| Loan to small business write off | 31 | 11 |
| Share based compensation | 250 | 42 |
| Profit on sale of investments in mutual funds | (101) | - |
| Profit on sale of fixed assets [₹48,280 (31 March 2015: ₹Nil)] | - | - |
| **Operating profit before working capital changes** | **5,190** | **2,023** |
| | | |
| Changes in working capital: | | |
| Increase in loans and advances | (36,796) | (22,644) |
| Increase in other assets | 60 | (679) |
| Increase in other liabilities and provisions | 1,682 | 1,568 |
| **Cash (used in) operating activities** | **(29,864)** | **(19,732)** |
| Income tax paid/received (net) | (1,712) | (314) |
| **Net cash (used in) operating activities** | **(31,576)** | **(20,046)** |
| | | |
| **B. Cash flows from investing activities** | | |
| Purchase of fixed assets (net) | (652) | (325) |
| Proceeds from sale of fixed assets [₹48,280 (31 March 2015: ₹Nil)] | - | - |
| Purchase of investments in mutual funds | (1,02,406) | (53,959) |
| Proceeds from sale of investments in mutual funds | 1,02,507 | 53,959 |
| **Net cash (used in) investing activities** | **(551)** | **(325)** |
| | | |
| **C. Cash flows from financing activities** | | |
| Proceeds from issue of CCPS | 24,943 | 15,726 |
| Proceeds of loan availed from banks | 10,600 | 7,900 |
| Proceeds of loan availed from others | 1,969 | 9,130 |
| Proceeds of loan availed from NCDs | 4,200 | 3,870 |
| Repayment of loan availed from banks | (4,960) | (2,476) |
| Repayment of loan availed from others | (4,323) | (4,765) |
| Repayment of loan availed from NCDs | (750) | (375) |
| Proceeds from short-term borrowings | - | (1,945) |

| | Vistaar Financial Services Private Limited | | |
|---|---|---|---|
| | Cash Flow Statement for the year ended 31 March 2016 (All amounts in ₹lakhs except otherwise stated) | | |
| | | 31 March 2016 | 31 March 2015 |
| | **Net cash provided by financing activities** | **31,679** | **27,065** |
| | **Net increase in cash and cash equivalents during the year (A+B+C)** | **(448)** | **6,694** |
| | Cash and cash equivalents at the beginning of the year | 8,737 | 2,043 |
| | **Cash and cash equivalents at the end of the year (refer note 14)** | **8,289** | **8,737** |

As per our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

**For and on behalf of the Board of Directors of Vistaar Financial Services Private Limited**

per **Sanjay Banthia** (Partner)
Bengaluru I 20 May 2016

**Brahmanand Hegde** (Managing Director)
DIN : 02984527
Bengaluru I 20 May 2016

**Ramakrishna Nishtala** (Director)
DIN : 02949469

**Sudesh Chinchewadi**
(CFO & Company Secretary)



## Summary of significant accounting policies and other explanatory information

(All amounts in ₹lakhs except otherwise stated)

### 1. Background

Vistaar Financial Services Private Limited ('the Company') is a Non Banking Financial Company (NBFC) incorporated on September 4, 1991. The Company has obtained a fresh Certificate of Registration from the Reserve Bank of India to carry on the business of Non-Banking Financial Institution without accepting deposits. The Company is engaged in providing credit facility to the small business segment primarily focused on rural and semi-urban markets.

### 2. Significant accounting policies and other explanatory information

**a) Basis of preparation of financial statements**

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014 (as amended) and the provision of the RBI as applicable to NBFC-ND.

The Central Government in consultation with National Advisory Committee on Accounting Standards has amended Companies (Accounting Standards) Rules, 2006 (principal rules), vide notification issued by Ministry of Corporate Affairs dated 30 March 2016. The Companies (Accounting Standards) Rules, 2016 is effective on the date of its publication in the official gazette, i.e., 30 March 2016. The Company believes that the Rule 3(2) of the principal rules has not been withdrawn or replaced and accordingly, the Companies (Accounting Standards) Rule, 2016 will apply for the accounting periods commencing on or after 30 March 2016. Accordingly, the changes thereof have not given effect to while preparing these financial statements.

The financial statements have been prepared on an accrual basis and under the historical cost convention except interest income on loans which have been classified as non-performing assets and are accounted for on realisation basis. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

**b) 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, deferred tax, accrual for employee benefits and provision for standard and non-performing assets. Difference between the actual results and estimates are recognised in the period in which the results are known/materialized. Any revision to accounting estimates is recognized prospectively in the current and future periods.

**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 documentation 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 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) Tangible assets**

Fixed assets are stated at their original cost of acquisition less accumulated depreciation. Cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the Statement of Profit and Loss for the period during which such expenses are incurred.

Gains or losses arising from de-recognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of assets and are recognised in the Statement of Profit and Loss when the asset is de-recognised.

**e) Intangible assets**

Intangible assets are stated at cost of acquisition less accumulated amortisation and impairment loss, if any. The cost comprises purchase price and any cost directly attributable to bringing the asset to its working condition for the intended use and net of grants received, if any.

**f) 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 II 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 assetsis as follows:"

| Asset category | Estimated useful life as per mangement | Estimated useful life per Companies Act 2013 (years) |
|---|---|---|
| **Tangible assets** | | |
| Computer equipment | 3 | 3 |
| Furniture and fixtures* | 4 | 10 |
| Office equipment* | 4 | 5 |
| Electrical equipment* | 3 | 10 |
| Vehicles* | 4 | 8 |
| **Intangible assets** | | |
| Softwares | 3 | 3 |

*For these class of assets, based on internal assessment and independent technical evaluation carried out by external valuers the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

**g) Impairment of tangible and intangible assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the Statement of Profit and Loss. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

**h) Grants**

Grants for acquisition of assets are recognised when there is reasonable assurance that the grant will be received and any condition attached to them have been fulfilled. Grants are reduced in arriving at the carrying amount of the asset.

**i) 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 (AS)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 ancillary charges incurred at the time of origination of the loan are being amortised over the term of respective loans.

**j) Investments**

Investment that are readily realisable and intended to be held for not more than one year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost or fair value determined on individual investment basis. Long term investments are carried at cost. On initial recognition, all investments are measured at cost. The cost comprises of purchase price and directly attributable acquisition charges such as brokerage, fee and duties. However, provision for diminution in value is made to recognise a decline other than temporary in the value of long term investments. On disposal of investments, the difference between its carrying amount and net disposal proceeds is charged or credited to the Statement of Profit and Loss.

**k) Leases**

**a) Finance leases**

Assets acquired on lease which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the assets, are capitalised at the lower of the fair value and present value of the minimum lease liability based on the implicit rate of return.

**b) Operating 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.

**l) 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 be availed by the employees.

**iv) Employee 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.

**m) Tax expense**

Tax expense comprises of current 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 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income originating during 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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws.

Deferred tax liabilities are recognised for all the taxable timing differences. 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. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.
At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises un-recognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each Balance Sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The Company recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognises MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the Statement of Profit and Loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

**n) Earnings per equity share**

Basic earnings per equity 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 equity 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.

**o) Provisions and contingent liabilities**

**i) Provision:**

A Provision is recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions, are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

**ii) Contingent liability:**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

**p) 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.

**q) Classification of portfolio loans and provisioning**

The small business 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 Systematically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015, including Notification No. DNBR (PD) CC No.043/ 03.10.119 / 2015-16, dated July 01, 2015, (updated as on April 11, 2016) issued by the RBI.

**Small Business Hypothecation Loans (Disbursed up to July 31, 2014)**

| Period outstanding | Provision % |
|---|---|
| Not overdue or overdue for less than 90 days | - |
| Overdue for 90 days or more but less than 180 days (substandard assets | 50% |
| Overdue for 180 days or more (Doubtful assets) | 100% |

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

**Small Business Hypothecation Loans (Disbursed post 1 August 2014)**

| Period outstanding | Provision % |
|---|---|
| Not overdue or overdue for less than 90 days | - |
| Overdue for 90 days or more but less than 180 days (sub-standard assets) | 50% |
| Overdue for 180 days or more (Doubtful assets) | 100% |

The management provides an additional 0.5% 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 90 days | - |
| Overdue for 90 days and more but less than 180 days (substandard assets) | 10% |
| Overdue for 180 days and more but less than 360 days (sub-standard assets) | 20% |
| Overdue for 360 days or more but less than 630 days (sub-standard assets) | 50% |
| Overdue for 630 days or more but less than 720 days (Doubtful assets) | 50% |
| Overdue for 720 days or more (Doubtful assets) | 100% |

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

**r) Foreign currency transactions**

**Initial recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

**Conversion**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction

**Exchange differences**

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

## 3. Share capital

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| **Authorised** | | |
| 11,449,980 (31 March 2015: 11,449,980) Equity shares of ₹10 each | 1,145 | 1,145 |
| 500 (31 March 2015: 500) Class A Equity shares of ₹10 each [₹5,000 (31 March 2015: ₹5,000)] | 0 | 0 |
| 60,000,000 (31 March 2015: 46,549,520) Compulsorily Convertible Preference shares of ₹10 each | 6,000 | 4,655 |
| 3,300,000 (31 March 2015: Nil) Class A Compulsorily Convertible Preference shares of ₹1 each | 33 | - |
| | **7,178** | **5,800** |
| **Issued, subscribed and paid-up** | | |
| 9,053,294 (31 March 2015: 9,053,294) Equity Shares of ₹10 each, fully paid-up | 905 | 905 |
| Less : Amount recoverable from the ESOP Trust [face value of 1,228,411 shares (31 March 2015: 1,447,711 shares) allotted to the ESOP Trust] (refer note 3e) | 123 | 145 |
| | 782 | 760 |
| 60 (31 March 2015: 60) Class A Equity Shares of ₹10 each, fully paid-up [₹600 (31 March 2015: ₹600)] | 0 | 0 |
| 59,306,300 (31 March 2015: 42,237,958) Compulsorily Convertible Preference Shares of ₹10 each, fully paid-up | 5,931 | 4,224 |
| 3,232,958 (31 March 2015: Nil) Class A Compulsorily Convertible Preference Shares of ₹1 each, fully paid-up | 32 | - |
| | **6,745** | **4,984** |

## a) Reconciliation of share capital

| Reconciliation of Equity share capital | | | | |
|---|---|---|---|---|
| | 31 March 2016 | | 31 March 2015 | |
| | Number | Amount | Number | Amount |
| **Balance at the beginning of the year** | 9,053,294 | 905 | 9,053,294 | 905 |
| Add : Issued during the year | - | - | - | - |
| | 9,053,294 | 905 | 9,053,294 | 905 |
| Less : Amount recoverable from the ESOP Trust [face value of 1,228,411 shares (31 March 2015: 1,447,711 shares) allotted to the ESOP Trust] (refer note 3e) | 1,228,411 | 123 | 1,447,711 | 145 |
| **Balance at the end of the year** | 7,824,883 | 782 | 7,605,583 | 760 |

| Reconciliation of Class A Equity share capital | | | | |
|---|---|---|---|---|
| | 31 March 2016 | | 31 March 2015 | |
| | Number | Amount (₹) | Number | Amount (₹) |
| **Balance at the beginning of the year** | 60 | 600 | 60 | 600 |
| Add : Issued during the year | - | - | - | - |
| **Balance at the end of the year** | 60 | 600 | 60 | 600 |

| Reconciliation of Compulsorily Convertible Preference Shares | | | | |
|---|---|---|---|---|
| | 31 March 2016 | | 31 March 2015 | |
| | Number | Amount | Number | Amount |
| **Balance at the beginning of the year** | 42,237,958 | 4,224 | 21,399,198 | 2,140 |
| Add : Issued during the year | 17,068,342 | 1,707 | 20,838,760 | 2,084 |
| **Balance at the end of the year** | 59,306,300 | 5,931 | 42,237,958 | 4,224 |

| Reconciliation of Class A Compulsorily Convertible Preference Shares | | | | |
|---|---|---|---|---|
| | 31 March 2016 | | 31 March 2015 | |
| | Number | Amount | Number | Amount |
| **Balance at the beginning of the year** | - | - | - | - |
| Add : Issued during the year | 3,232,958 | 32 | - | - |
| **Balance at the end of the year** | 3,232,958 | 32 | - | - |

## b) Rights and preference of shareholders:

**Rights and preference of Equity shareholders:**

The Company has two classes of equity shares namely equity shares and Class A equity shares having par value of ₹10 each. Each holder of equity share is entitled to one vote per share. Class A equity shares are issued to 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 a fully diluted basis. Further, with the conversion of CCPS, Class A equity shares shall be converted to equity shares and the differential voting rights shall fall away.

The Company declares and pays dividend in proportion to the number of Equity shares and CCPS held by the shareholders. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting (AGM).

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.

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

During the year ended 31 March 2016 and 31 March 2015, the Company issued 17,068,342 and 20,838,760 CCPS of ₹10 each fully paid-up at a premium of ₹136.47 and ₹66.78 per share respectively.

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 a 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, Class A equity shareholders and Class A CCPS 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 (aggregating to ₹1 per annum) for all CCPS issued. In addition, if the holders of equity shares are paid dividend in excess of aforesaid dividend rate, the holders of the CCPS shall be entitled to dividend on as if converted basis along with equity shareholders.

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

During the year ended 31 March 2016, the Company issued Class A CCPS of 1 each fully paid to Vistaar Employee Welfare Trust ('ESOP Trust').

The holders of Class A CCPS does not carry any voting rights. Further, Class A CCPS carry only a pre-determined non-cumulative dividend of 0.0001% per annum.

The holders of Class A CCPS may convert the CCPS into Equity shares at any time of their choice upon occurrence of the 'Compulsory Conversion Event' and subject to payment of applicable conversion price at the rate of 1 (one) fully paid equity shares per 1 (one) CCPS. 'Compulsory Conversion Event' is the date of completion of 19 years from the date of issuance of CCPS or a capital event

In the event of liquidation of the Company, the holders of Class A CCPS will be entitled to receive in preference to the holders of equity shares, including Class A equity shares, the subscription price of the relevant Class A CCPS but only after payment of any liquidation preference that the holders of all other classes of preference shares of the Company are entitled to. The holders of Class A CCPS shall not be entitled to participate in the surplus after payment of the subscription price unless the holders of Class A CCPS seek conversion and receive their pro-rata entitlement as equity shareholders of the Company.

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

| | 31 March 2016 | | 31 March 2015 | |
|---|---|---|---|---|
| **Equity shares** | % of shareholding | No. of shares | % of shareholding | No. of shares |
| Mr. Brahmanand Hegde | 25% | 2,297,433 | 33% | 2,997,433 |
| Mr. Ramakrishna Nishtala | 25% | 2,297,433 | 33% | 2,997,433 |
| Mr. G S Sundararajan | 0% | - | 10% | 910,267 |
| Westbridge Crossover Fund LLC | 29% | 2,621,317 | 0% | - |
| **Class A Equity shares** | % of shareholding | No. of shares | % of shareholding | No. of shares |
| Sarva capital LLC (formerly Lok capital LLC) | 33% | 20 | 33% | 20 |
| ON Mauritius | 28% | 17 | 28% | 17 |
| Elevar Equity Mauritius | 27% | 16 | 27% | 16 |
| ICP Holdings I | 7% | 4 | 7% | 4 |
| Westbridge Crossover Fund LLC | 5% | 3 | 5% | 3 |
| **Compulsorily Convertible Preference Shares** | % of shareholding | No. of shares | % of shareholding | No. of shares |
| Westbridge Crossover Fund LLC | 45% | 26,815,445 | 31% | 13,024,225 |
| Elevar Equity Mauritius | 18% | 10,909,868 | 23% | 9,680,947 |
| ON Mauritius | 16% | 9,318,475 | 17% | 7,270,274 |
| ICP Holdings I | 13% | 7,987,810 | 19% | 7,987,810 |
| Sarva capital LLC (formerly Lok capital LLC) | 7% | 4,274,702 | 10% | 4,274,702 |
| **Class A Compulsorily Convertible Preference Shares** | % of shareholding | No. of shares | % of shareholding | No. of shares |
| Vistaar Employee Welfare Trust | 100% | 3,232,958 | - | - |

d) The Company has not allotted any bonus shares in the five years immediately preceding 31 March 2016. The Company has not bought back equity shares during five years immediately preceding 31 March 2016. The Company has allotted 219,300 equity shares having par value of ₹10 each during the year ended 31 March 2016 on exercise of options granted under the Employee Stock Option Plan 2010 (the 'ESOP Plan') where in part consideration was received in the form of employee services (refer note 23).

e) The Company has given interest and collateral free loan to the 'ESOP Trust' to provide financial assistance for purchase of equity shares of the Company under Employee Stock Option Plan 2010 ('the ESOP Plan'). The Company has issued 1,447,711 equity shares to the ESOP Trust at a premium of ₹25.09 per share as per the ESOP Plan. 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) to the extent the options have not been exercised. (refer note 3(d), 12 and 23).

f) For details of equity shares reserved for issuance under the ESOP plan of the Company, refer note 23.
For details of shares reserved for issuance of conversion of CCPS and Class A CCPS, please refer note 3(b) regarding terms of conversion of CCPS.

## 4. Reserves and surplus

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| **Statutory reserve** | | |
| Opening balance | 321 | 37 |
| Add: Transferred from the Statement of Profit and Loss | 498 | 284 |
| Balance at the end of the year | **819** | **321** |
| | | |
| **Securities premium** | | |
| Opening balance | 17,575 | 3,933 |
| Add: Premium received on issuance of CCPS | 23,293 | 13,916 |
| Add: Transferred from employee share option outstanding | 109 | - |
| Less: Expenses incurred on issuance of CCPS and NCDs | (89) | (274) |
| | 40,888 | 17,575 |
| Less: Amount recoverable from the ESOP Trust (refer note 3e and 12) | (309) | (364) |
| Balance at the end of the year | **40,579** | **17,211** |
| | | |
| **Employee share options outstanding** | | |
| Opening balance | 91 | 49 |
| Add: Share based compensation for the year (refer note 17) | 250 | 42 |
| Less: Transferred to securities premium* | (109) | - |
| Balance at the end of the year | **232** | **91** |
| | | |
| **Surplus / (Deficit) in the Statement of Profit and Loss** | | |
| Opening balance | 481 | (654) |
| Add: Profit for the year | 2,492 | 1,419 |
| Less: Transfer to statutory reserve | (498) | (284) |
| Balance at the end of the year | **2,475** | **481** |
| **Balance at the end of the year** | **44,105** | **18,104** |

*Employee share options outstanding to be transferred to securities premium at the time of vesting of Restricted Stock Units (RSUs) and allotment of equity shares to holders of Class A CCPS and employee stock options.

## 5. Long-term borrowings

| | 31 March 2016 | | 31 March 2015 | |
|---|---|---|---|---|
| | Non - current | Current | Non - current | Current |
| **Secured** | | | | |
| Term loans | | | | |
| - from banks | 8,174 | 6,591 | 4,487 | 3,438 |
| - from others | 4,523 | 3,443 | 7,150 | 4,370 |
| | | | | |
| Non Convertible Debentures ('NCD') | 15,695 | 750 | 12,245 | 750 |
| | **28,392** | **10,784** | **23,882** | **8,558** |
| Less: Current maturities disclosed under "Other liabilities", note 6 | - | (10,784) | - | (8,558) |
| | **28,392** | **-** | **23,882** | **-** |

## 5 Term loans from banks (Secured)

| Sl.No | Sanction Amount | Party Name | Repayment details (months) | 31 March 2016 | 31 March 2015 |
|---|---|---|---|---|---|
| 1 | 57,000,000 | DCB Bank Limited | 36* | 117 | 319 |
| 2 | 150,000,000 | DCB Bank Limited | 36* | 1,091 | 1,500 |
| 3 | 70,000,000 | DCB Bank Limited | 36* | 700 | - |
| 4 | 100,000,000 | Ratnakar Bank Limited | Repayable in 9 quarterly instalments* | 111 | 556 |
| 5 | 250,000,000 | Ratnakar Bank Limited | Repayable in 9 quarterly instalments* | 1,111 | 2,222 |
| 6 | 14,500,000 | Dhanalaxmi Bank Limited | 48 | - | 27 |
| 7 | 50,000,000 | Dhanalaxmi Bank Limited | 48* | 366 | 500 |
| 8 | 50,000,000 | Union Bank Limited (refer note c below) | 48* | 266 | 400 |
| 9 | 50,000,000 | Union Bank Limited | 60 | 400 | 100 |
| 10 | 50,000,000 | HDFC Bank Limited | 48 | 347 | 461 |
| 11 | 50,000,000 | HDFC Bank Limited | 48 | 414 | - |
| 12 | 100,000,000 | State Bank of Patiala | 36* | 545 | 909 |
| 13 | 200,000,000 | State Bank of Bikaner & Jaipur | 36* | 1,460 | - |
| 14 | 100,000,000 | Kotak Mahindra Bank | 24 | 442 | 922 |
| 15 | 150,000,000 | Yes Bank | 36 | 1,125 | - |
| 16 | 150,000,000 | IDFC Bank Limited | 48* | 828 | - |
| 17 | 100,000,000 | ICICI Bank Limited | 72* | 1,000 | - |
| 18 | 250,000,000 | IDBI Bank Limited | 48* | 1,467 | - |
| 19 | 50,000,000 | The Lakshmi Vilas Bank Limited | 48* | 468 | - |
| 20 | 150,000,000 | Vijaya Bank | 36* | 1,500 | - |
| 21 | 100,000,000 | State Bank of Hyderabad | 42* | 1,000 | |

* Moratorium for these loans range from two months to twelve months.

| | | | | | |
|---|---|---|---|---|---|
| **Vehicle loan (Secured)** | | | | | |
| 22 | 12,00,000 | Axis Bank | 48 | 7 | 9 |
| | | | | **14,765** | **7,925** |
| | As at Balance Sheet date, interest rates per annum range between | | | 10.35% to 14.50% | 10.35% to 14.50% |

## 5. Term loans from others (Secured)

| Sl.No | Sanction Amount | Party Name | Repayment details (months) | 31 March 2016 | 31 March 2015 |
|---|---|---|---|---|---|
| 23 | 30,000,000 | IFMR Capital Finance Private Limited | 36 | - | 16 |
| 24 | 45,000,000 | IFMR Capital Finance Private Limited | 36 | - | 144 |
| 25 | 150,000,000 | IFMR Capital Finance Private Limited | 36 | 620 | 1,110 |
| 26 | 150,000,000 | IFMR Capital Finance Private Limited | 48 | 1,171 | 1,475 |
| 27 | 80,000,000 | Small Industries Development Bank of India (refer note c below) | 48* | 426 | 640 |
| 28 | 50,000,000 | MAS Financial Services Private Limited | 36 | - | 28 |
| 29 | 30,000,000 | MAS Financial Services Private Limited | 36 | - | 25 |
| 30 | 50,000,000 | MAS Financial Services Private Limited | 36 | - | 111 |
| 31 | 100,000,000 | MAS Financial Services Private Limited | 36 | 28 | 361 |
| 32 | 50,000,000 | Bellwether Microfinance Fund Private Limited | 6 half-yearly instalments* | - | 167 |
| 33 | 50,000,000 | Manaveeya Development & Finance Private Limited | 12 quarterly instalments* | - | 125 |
| 34 | 60,000,000 | MAS Financial Services Private Limited | 36 | 200 | 400 |
| 35 | 40,000,000 | MAS Financial Services Private Limited | 36 | 133 | 267 |
| 36 | 150,000,000 | MAS Financial Services Private Limited | 36 | 1,000 | 1,100 |
| 37 | 150,000,000 | IDFC Limited | 48* | - | 1,200 |
| 38 | 50,000,000 | Reliance Capital Limited | 36 | - | 100 |
| 39 | 100,000,000 | Reliance Capital Limited | 36 | - | 356 |
| 40 | 150,000,000 | Hinduja Leyland Finance Limited | 36 | 965 | 1,413 |
| 41 | 150,000,000 | Hero Fin Corp Limited | 60 | 1,254 | 1,482 |
| 42 | 150,000,000 | Hero Fin Corp Limited | 48 | 1,401 | - |
| 43 | 100,000,000 | Sundaram Finance Limited | 36 | 708 | 1,000 |
| **Vehicle loan (Secured)** | | | | | |
| 44 | 3,172,000 | Toyota Financial Services India Ltd | 36 | 25 | - |
| 45 | 3,700,000 | BMW Financial Services Pvt Ltd | 36 | 35 | - |
| | | | | **7,966** | **11,520** |
| | As at Balance Sheet date, interest rates per annum range between | | | 9.30% to 15.50% | 13.50% to 15.50% |

* Moratorium for these loans range from two months to twelve months.



**5 Non Convertible Debentures (Secured)**

| Sl.No | Sanction Amount | Party Name | Repayment details (months) | 31 March 2016 | 31 March 2015 |
|---|---|---|---|---|---|
| 46 | 350,000,000 | Triodos SICAV II-Tridos Microfinance Fund and Tridos Custody BV as a custodian of Tridos Fair Share Fund | Bullet repayment at the end of 72 months | 3,500 | 3,500 |
| 47 | 387,000,000 | AAV SARL | Bullet repayment at the end of 59 months | 3,870 | 3,870 |
| 48 | 300,000,000 | UTI International Wealth Creator 4 | Bullet repayment at the end of 72 months | 3,000 | 3,000 |
| 49 | 420,000,000 | UTI International Wealth Creator 4 | Bullet repayment at the end of 72 months | 4,200 | - |
| 50 | 300,000,000 | FMO-Nederlandse Finan- Maatschappij Voor OntwikkelingsI N.V. | Repayable in 16 quarterly instalments | 1,875 | 2,625 |
| | | | | **16,445** | **12,995** |
| | As at Balance Sheet date, interest rates per annum range between | | | 13.25% to 14.70% | 13.50% to 14.70% |

Notes

a. Term loans and debentures are secured by hypothecation of small business loans of the Company.

b. The Company has not defaulted in repayment of loans.

c. Loans borrowed from SIDBI and Union Bank are additionally secured by unconditional and irrevocable personal guarantee of Mr. Brahmanand Hegde and Mr. Ramakrishna Nishtala.

d. Fixed deposits amounting to ₹756 (31 March 2015: ₹1,210) have been pledged towards term loans from banks and others.

## 6. Other liabilities

| | 31 March 2016 | | 31 March 2015 | |
|---|---|---|---|---|
| | Non - current | Current | Non - current | Current |
| Current maturities on long-term borrowings | - | 10,784 | - | 8,558 |
| Bank Overdraft | - | 777 | - | - |
| Payable against assigned/ securitised loans | - | 355 | - | 460 |
| Interest accrued but not due on borrowings | - | 700 | - | 532 |
| Advance income on assigned/ securitised loans | 471 | 283 | 641 | 426 |
| Cash Profit on Loan Transfer Transactions Pending Recognition | - | 19 | - | 50 |
| Advance received from small business loans | - | 610 | - | 419 |
| Other statutory liabilities | - | 37 | - | 14 |
| TDS payables | - | 86 | - | 81 |
| Employee dues | - | 61 | - | 55 |
| Bonus payable to employees (refer note 29(c)) | - | 911 | - | 395 |
| Capital creditors | - | 197 | - | 120 |
| Other payables* | - | 540 | - | 410 |
| | **471** | **15,360** | **641** | **11,520** |

* 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.

## 7. Provisions

| | 31 March 2016 | | 31 March 2015 | |
|---|---|---|---|---|
| | Long-term | Short-term | Long-term | Short-term |
| Provision for employee benefits | | | | |
| Gratuity | 84 | 10 | 47 | 9 |
| Compensated absences | - | 41 | - | 38 |
| Contingent provisions against standard assets | 262 | 142 | 156 | 90 |
| Provisions against substandard assets | 243 | 132 | 104 | 60 |
| Provisions against doubtful assets | - | 406 | - | 48 |
| Provisions on assigned/ securitised portfolios | 11 | - | 5 | - |
| | **600** | **731** | **312** | **245** |

**Provision change- (owned portfolio)**

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Opening balance | 458 | 199 |
| Additions during the year | | |
| Standard | 158 | 93 |
| Substandard | 210 | 129 |
| Doubtful | 398 | 37 |
| Less: Write off | (39) | - |
| **Closing balance** | **1,185** | **458** |

## 8. Tangible assets

| | Vehicles | Computer equipments | Furniture and fixtures | Office equipments | Electrical equipments | Total |
|---|---|---|---|---|---|---|
| **Gross block** | | | | | | |
| **As at 1 April 2014** | **16** | **166** | **69** | **91** | **25** | **367** |
| Additions | - | 100 | 57 | 36 | 11 | 204 |
| Disposals | - | - | - | - | - | - |
| **As at 31 March 2015** | **16** | **266** | **126** | **127** | **36** | **571** |
| Additions | 69 | 161 | 141 | 91 | 16 | 478 |
| Disposals | - | 4 | 2 | - | - | 6 |
| **As at 31 March 2016** | **85** | **423** | **265** | **218** | **52** | **1,043** |
| **Depreciation** | | | | | | |
| **As at 1 April 2014** | **-** | **84** | **51** | **42** | **24** | **201** |
| Charge for the year | 4 | 63 | 33 | 30 | 2 | 132 |
| Disposals | - | - | - | - | - | - |
| **As at 31 March 2015** | **4** | **147** | **84** | **72** | **26** | **333** |
| Charge for the year | 11 | 92 | 70 | 42 | 7 | 222 |
| Disposals | - | 4 | 2 | - | - | 6 |
| **As at 31 March 2016** | **15** | **235** | **152** | **114** | **33** | **549** |
| **Net block** | | | | | | |
| **As at 31 March 2015** | **12** | **119** | **42** | **55** | **10** | **238** |
| **As at 31 March 2016** | **70** | **188** | **113** | **104** | **19** | **494** |

## 9. Intangible assets

| | Software | Total |
|---|---|---|
| **Gross block** | | |
| **As at 1 April 2014** | **38** | **38** |
| Additions | 229 | 229 |
| Disposals | - | - |
| **As at 31 March 2015** | **267** | **267** |
| Additions | 130 | 130 |
| Adjustment towards grant received* | (41) | (41) |
| Disposals | - | - |
| **As at 31 March 2016** | **356** | **356** |
| **Amortisation** | | |
| **As at 1 April 2014** | **21** | **21** |
| Charge for the year | 46 | 46 |
| Disposals | - | - |
| **As at 31 March 2015** | **67** | **67** |
| Charge for the year | 75 | 75 |
| Disposals | - | - |
| **As at 31 March 2016** | **142** | **142** |
| **Net block** | | |
| **As at 31 March 2015** | **200** | **200** |
| **As at 31 March 2016** | **214** | **214** |

## 10. Intangible assets under development

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Software development | 83 | 70 |
| Less:Grant received** | 32 | - |
| | 51 | 70 |

Note:

*During the current year the Company has received a non refundable grant of $ 0.6 (equivalent to ₹41 lakhs) from Nederlandse Financerings Maatschappi Voor Ontwikkelingslanden N.V. (FMO) towards towards migrating to more robust and scalable IT platform. The total contribution from FMO will be 50% of the project cost or Euro 1 (equivalent to ₹87 lakhs) whichever is less.

**An amount of $ 0.3 (equivalent to ₹21 lakhs) has been received towards implementation of additional modules in core banking software and $ 0.2 (equivalent to ₹11 lakhs) towards implementation of a Collection Management System and Human Resource Management System. The total contribution from FMO will be 50% of the estimated project cost of $1.1 (equivalent to ₹73 lakhs).

## 11. Deferred tax assets (net)

| Deferred tax asset arising on | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Employee benefits | 46 | 32 |
| Provisions for loan portfolio | 459 | 181 |
| Deferred tax liability (arising) / reversal on | | |
| Depreciation and amortisation | 3 | (4) |
| | **508** | **209** |

## 12. Loans and advances

| | 31 March 2016 | | 31 March 2015 | |
|---|---|---|---|---|
| | **Long-term** | **Short-term** | **Long-term** | **Short-term** |
| **Loans to small business**** | | | | |
| Secured, considered good | 53,929 | 29,969 | 31,551 | 19,916 |
| Secured, considered doubtful | - | 495 | - | 61 |
| | **53,929** | **30,464** | **31,551** | **19,977** |
| Less: Assigned/ securitised portfolio* | 608 | 1,553 | 2,631 | 3,308 |
| **Sub total** | **53,321** | **28,911** | **28,920** | **16,669** |
| **Other loans and advances** | | | | |
| *(Unsecured,considered good)* | | | | |
| Security deposits | 256 | - | 140 | - |
| Capital advances | 8 | - | - | - |
| Minimum alternate tax credit | - | - | 8 | - |
| Advance tax [net of provisions ₹2,007 lakhs (31 March 2015 ₹316 lakhs)] | 59 | - | 29 | - |
| Prepaid expense | - | 22 | - | 16 |
| Unamortised loan processing fees | 116 | 110 | 124 | 94 |
| Recoverable from Employee Welfare Trust ^ | - | 77 | - | - |
| Other advances | - | 122 | - | 129 |
| **Total** | **53,760** | **29,242** | **29,221** | **16,908** |

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

** Secured exposures are secured wholly or partly by hypothecation of machinery and stock amounting ₹22,617 lakhs (31 March 2015: ₹18,223 lakhs), and/or equitable mortgage of property amounting ₹61,776 lakhs (31 March 2015: ₹33,305 lakhs).

^ Pertains to equity shares exercised by the employees under 'Employee Stock Option Plan 2010' during the year, yet to be received from the ESOP Trust (refer note 3d, 3e and 23)



## 13. Other assets

| | 31 March 2016 | | 31 March 2015 | |
|---|---|---|---|---|
| | **Non-current** | **Current** | **Non-current** | **Current** |
| **Unsecured, considered good** | | | | |
| Margin money deposit (refer note 14) | 998 | - | 1,452 | - |
| Interest accrued but not due on fixed deposits | 97 | 78 | 166 | 23 |
| Interest accrued but not due on loans to small business | - | 1,354 | - | 730 |
| Interest due but not collected on loans to small business | - | 262 | - | 20 |
| Advances given as collaterals against assignment/ securitisation, net of provision ₹91 lakhs (31 March 2015: ₹29 lakhs) | 131 | - | 647 | - |
| Receivables on assigned/ securitisation, net of provision ₹39 lakhs (31 March 2015: ₹43 lakhs) | 471 | 283 | 641 | 426 |
| | **1,697** | **1,977** | **2,906** | **1,199** |

## 14 Cash and bank balances

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| **Cash and cash equivalent** | | |
| Balances with banks | | |
| -in current accounts | 5,815 | 2,709 |
| -deposits with original maturity of less than three months | 2,350 | 5,700 |
| Cash on hand | 124 | 328 |
| | **8,289** | **8,737** |
| **Other bank balances** | | |
| Margin money deposit * | 998 | 1,452 |
| | **9,287** | **10,189** |
| Amount disclosed under non current assets (refer note 13) | (998) | (1,452) |
| | **8,289** | **8,737** |

* Represents margin money deposits placed with banks and financial institutions (₹756 lakhs) for availing term loans. Also includes cash collaterals towards securitisation/ assignment of loans (₹242 lakhs).

| | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| **15. Revenue from operations** | | |
| Interest on loans to small businesses | 15,614 | 8,470 |
| Loan processing and service fee | 2,164 | 1,460 |
| Income from assignment/ securitisation | 426 | 250 |
| | **18,204** | **10,180** |
| **16. Other income** | | |
| Profit on sale of investments in mutual funds | 101 | - |
| Dividend on investments in units of mutual funds | 604 | 503 |
| Interest on fixed deposits | 451 | 159 |
| Commission income from Insurance business | 37 | - |
| Profit on sale of fixed assets [₹48,280 (31 March 2015: ₹Nil)] | - | - |
| Others | 8 | 4 |
| | **1,201** | **666** |
| **17. Employee benefits expense** | | |
| Salaries and wages | 5,584 | 3,322 |
| Contributions to provident and other funds | 255 | 152 |
| Share based compensation (refer note 2(d), 12 and 23) | 250 | 42 |
| Compensated absences | 33 | 25 |
| Gratuity | 38 | 27 |
| Staff welfare expenses | 227 | 156 |
| | **6,387** | **3,724** |
| **18. Finance costs** | | |
| Interest expense on term loans | 5,076 | 3,230 |
| Discount on issue of commercial paper | - | 57 |
| Amortisation of loan processing fees | 115 | 104 |
| | **5,191** | **3,391** |
| **19. Depreciation and amortisation expense** | | |
| Depreciation of tangible assets (refer note 8) | 222 | 132 |
| Amortisation of intangible assets (refer note 9) | 75 | 46 |
| | **297** | **178** |

| | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| **20. Other expenses** | | |
| Rent | 301 | 166 |
| Electricity and water | 74 | 73 |
| Repairs and maintenance - others | 103 | 72 |
| Insurance | 12 | 7 |
| Rates and taxes | 9 | 2 |
| Travelling and conveyance | 635 | 526 |
| Printing and stationery | 58 | 54 |
| Postage and courier | 58 | 36 |
| Information technology costs | 250 | 193 |
| Legal and professional (refer note 20 (a)) | 635 | 307 |
| Communication | 68 | 74 |
| Commission | 104 | 52 |
| Training and recruitment | 266 | 74 |
| Branding and marketing | 102 | 62 |
| Bank charges | 92 | 43 |
| Loan to small business written off | 31 | 11 |
| Provision for assigned/ securitized portfolio (refer note 20 (b)) | 64 | 26 |
| Miscellaneous | 19 | 9 |
| | **2,881** | **1,787** |
| **20a. Payment to auditors (excluding service tax)** | | |
| Audit fees | 19 | 11 |
| Tax audit fees | 1 | 1 |
| Limited review fees | 2 | 2 |
| Out of pocket expenses [₹35,000 (31 March 2015 ₹31,107)] | - | - |
| | **22** | **14** |
| **20b. Provision change- (assigned / securitised portfolio)** | | |
| Opening balance | 77 | 51 |
| Additions during the year | 64 | 26 |
| Less : Reversal during the year | - | - |
| Closing balance | **141** | **77** |
| | | |
| **21. Earnings per equity share (EPS)** | | |
| Net profit attributable to equity shareholders | 2,492 | 1,419 |
| Weighted average number of shares outstanding during the year for computing basic EPS (nos) | 7,683,865 | 7,595,843 |
| Add: Effect of potential shares for conversion of CCPS (nos) | 53,427,683 | 39,440,426 |
| Add: Effect of potential shares for conversion of ESOP (nos) | 614,598 | 249,916 |
| Weighted average number of shares used to compute diluted EPS (nos) | **61,726,146** | **47,286,185** |
| Profit/(loss) per share : | | |
| Basic | 32.43 | 18.68 |
| Diluted | 4.04 | 3.00 |
| Nominal value - per equity share | 10 | 10 |

## 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 2016 | 31 March 2015 |
|---|---|---|
| **1. The amounts recognised in the Balance Sheet are as follows:** | | |
| Present value of the obligation as at the end of the year | **94** | **56** |
| Fair value of plan assets as at the end of the year | - | - |
| Net liability recognised in the Balance Sheet | **94** | **56** |
| **Defined benefit obligation as at the end of the year** | **94** | **56** |
| | | |
| **2 The amounts recognised in the Statement of Profit and Loss are as follows:** | | |
| Service cost | 35 | 26 |
| Interest cost | 4 | 2 |
| Expected return on plan assets | - | - |
| Past service cost | - | - |
| Net actuarial (gain)/loss recognised in the year | (1) | (1) |
| **Expense recognised in the Statement of Profit and Loss of the year** | **38** | **27** |
| | | |
| **3 Changes in the present value of defined benefit obligation** | | |
| Defined benefit obligation as at beginning of the year | 56 | 29 |
| Service cost | 35 | 26 |
| Interest cost | 4 | 2 |
| Actuarial losses/(gains) | (1) | (1) |
| Benefits paid | - | - |
| **Defined benefit obligation as at the end of the year** | **94** | **56** |

**Assumptions used in the actuarial valuation for gratuity are as under:**

| | | |
|---|---|---|
| Interest rate | 7.37% p.a. | 7.81% p.a. |
| Discount rate | 7.37% p.a. | 7.81% p.a. |
| Future salary increase | 12% p.a. | 12% p.a. |
| Attrition rate | 25% p.a. | 25% p.a. |
| Retirement age | 58 years | 58 years |

| Particulars | 31-Mar-16 | 31-Mar-15 | 31-Mar-14 | 31-Mar-13 | 31-Mar-12 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | 94 | 56 | 29 | 14 | 6 |
| Fair value of plan asset | - | - | - | - | - |
| Surplus/(deficit) | (94) | (56) | (29) | (14) | (6) |
| Experience adjustments | (1) | (1) | - | - | - |



**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.

**23 Share based compensation plan**

The Company and/or its shareholders provide share based payment schemes to its employees. During 31 March 2016, the share based compensation plans in existence are as below:

**a) Employee Stock Option Plan 2010**

An 'Employee Stock Option Plan 2010' (the 'Plan') was approved in the Extraordinary General Meeting of the members held on 2 July 2010. The total options issuable under the Plan are 1,473,511 options. The Plan provides for the issuance of stock options to eligible employees based on Company's Compensation Committee's recommendation to whom ESOP Trust grants equity shares from its holdings at an exercise price usually equal to the fair market value (FMV). Under the Plan, these options vest over a period of four years and can be exercised any time during employment or with in 6 months from the date of separation. Upon vesting, the employee can acquire 1 (one) equity share for every stock option.

**Option activity during the year is summarised below:**

| | 31 March 2016 | | 31 March 2015 | |
|---|---|---|---|---|
| | No. of options | Weighted average exercise price | No. of options | Weighted average exercise price |
| Options outstanding at the beginning | 1,078,644 | 60.49 | 530,694 | 34.45 |
| Granted during the year | 350,000 | 90.00 | 640,000 | 76.78 |
| Forfeited during the year | 40,000 | 80.75 | 92,050 | 50.74 |
| Exercised during the year | 219,300 | 51.29 | - | - |
| Options outstanding at the end | 1,169,344 | 68.22 | 1,078,644 | 60.49 |
| Options exercisable at year end | 191,841 | 49.02 | 148,871 | 35.80 |

The weighted average grant date fair value of options granted during the year ended 31 March 2016 was ₹37.35 (31 March 2015 ₹57.28) for each option. The weighted average share price of options exercised during the year ended 31 March 2016 is ₹147.46 for each option.

The weighted average remaining contractual life for the ESOP Plan as at 31 March 2016 is 6 years (31 March 2015: 6 years).

**b) Vistaar Employee Welfare Trust Plan ('VEWT Plan')**

VEWT plan was approved in the Extraordinary General Meeting held on 28 May 2015 and 01 December 2015. The total shares issuable under the plan stand at 3,232,958. The plan provides for issuance of Class A CCPS to eligible employees based on Company's Compensation Committee's recommendation to whom the ESOP Trust grants Class A CCPS from its holdings at an exercise price usually equal to the fair market value (FMV). These shares generally vest over a period upto two years subject to meeting certain performance criteria.

**Option activity during the year is summarised below:**

| | 31 March 2016 | | 31 March 2015 | |
|---|---|---|---|---|
| | No. of options | Weighted average exercise price | No. of options | Weighted average exercise price |
| Outstanding at the beginning | - | - | - | - |
| Granted during the year | 3,232,958 | 112.27 | - | - |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Outstanding at the end | 3,232,958 | 112.27 | - | - |
| Exercisable at year end | 2,724,882 | 107.05 | - | - |

The weighted average grant date fair value of options granted during the year ended 31 March 2016 was ₹59.21 for each option. The weighted average remaining contractual life for the ESOP Plan as at 31 March 2016 is 8 years (31 March 2015 Nil years).

**c) Restricted Stock Units (RSU's)**

A shareholder of the Company transferred 586,400 equity shares for allotment to eligible employees of the Company based on the Compensation Committee's recommendation. Under the arrangement, equity shares vest over a period of four years until such time the shares are escrowed with the Company.

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

| | 31 March 2016 | | 31 March 2015 | |
|---|---|---|---|---|
| | No. of options | Weighted average exercise price | No. of options | Weighted average exercise price |
| Outstanding at the beginning | 227,428 | - | 381,084 | - |
| Granted during the year | - | - | - | - |
| Forfeited during the year | - | - | 16,000 | - |
| Released from escrow during the year | 172,148 | - | 137,656 | - |
| Outstanding at the end (Unvested) | 55,280 | - | 227,428 | - |
| Exercisable at year end | - | - | - | - |

d) The share based compensation is computed under intrinsic value method and amortised on straight line basis over the vesting period. For the year ended 31 March 2016, the Company has recorded share based compensation of ₹250 lakhs (31 March 2015: ₹42 lakhs) (refer note 17).

The impact on the net results and earnings/(loss) per share, had the fair value method been followed, is as follows;

| | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Net profit as reported | 2,492 | 1,419 |
| Add: Stock-based employee compensation expense included in the Statement of Profit and Loss | 250 | 42 |
| Less: Stock-based employee compensation expense determined under the fair value method | 1,091 | 56 |
| Pro-forma net profit | 1,651 | 1,405 |
| Profit per share – Basic | | |
| As reported | 32.43 | 18.68 |
| Pro forma | 21.49 | 18.50 |
| Profit per share – Diluted | | |
| As reported | 4.04 | 3.00 |
| Pro forma | 2.67 | 2.97 |

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 7 years |
| Risk free interest rate | 6.5% - 9.12% | 6.5% - 9.12% |
| Volatility | Nil | Nil |

**24.** During the year, a Shareholder of the Company repurchased 208,300 equity shares from the existing employees of the Company at a price of ₹192 which is higher than the current fair value of the Company at ₹146.47. The aforementioned transaction between the employees and a Shareholder of the Company, to which the Company is not a party. Accordingly, the Company did not record that compensation cost in respect of the aforesaid transaction in the financial statements.

**25.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) |
| Sarva capital LLC (formerly Lok capital LLC) | Shareholder |
| Westbridge Crossover Fund LLC | Shareholder |
| Elevar Equity Mauritius | Shareholder |
| ON Mauritius | Shareholder |
| Vistaar Employee Welfare Trust | Shareholder |

| b) Nature of transactions | 31 March 2016 | 31 March 2015 |
|---|---|---|
| **Transactions with key management personnel** | | |
| - Managerial remuneration (refer note below) | | |
| Mr. Brahmanand Hegde | 121 | 79 |
| Mr. Ramakrishna Nishtala | 127 | 79 |
| **Reimbursement of expenses** | | |
| Sarva capital LLC (formerly Lok capital LLC) | 8 | - |
| **Share capital received on issue of CCPS** | | |
| Westbridge Crossover Fund LLC | 20,200 | - |
| Elevar Equity Mauritius | 1,800 | - |
| ON Mauritius | 3,000 | - |
| **Share capital received on issue of Class A CCPS** | | |
| Vistaar Employee Welfare Trust | 32 | - |
| **Receivables** | | |
| Vistaar Employee Welfare Trust | 77 | - |

Note:

The managerial remuneration disclosed above does not include
- perquisites, including share based compensation
- the provision for gratuity and compensated absences made on the basis of actuarial valuation

**26 Operating leases**

The Company has entered into non – cancellable leasing arrangements in respect of its office premises during the year for a period of 6 years. The Company has also taken cancellable leases for its other office premises and vehicle leases. These leases expire over the period up to December 2021 and are further renewable at the mutual consent of the Company and the lessor. The lease agreements carry an escalation up to 22.5 percent on the rent payable at the end of every one to three years, as the case may be, from the date of executing the lease agreements.

Lease expenses for the year amounted to ₹301 lakhs (31 March 2015: ₹166 lakhs).

Future minimum lease payments with respect to non-cancellable operating lease are as follows:

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Within one year | 68 | - |
| Later than one year but not later than 5 years | 124 | - |
| Later than 5 years | - | - |

**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 (AS) 17, on Segment Reporting. The Company operates primarily in India and there is no other significant geographical segment.

**28 Provisions and contingencies**

All provisions and contingencies under the statement of profit and loss account as per RBI Master Circular RBI/2015-16/13 DNBR (PD) CC.No.043/03.10.119/2015-16 dated July 01, 2015 (updated as on April 11, 2016) and pursuant to RBI Master Circular – "Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015" RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Provision for standard assets | 158 | 93 |
| Provision towards substandard and doubtful assets | 608 | 166 |
| Provision for assigned/securitized portfolio | 64 | 26 |
| Provision for current tax | 1,682 | 258 |
| Provision for compensated absences | 33 | 25 |
| Provision for gratuity | 38 | 27 |

**29 Contingent liabilities and commitment**

a Credit enhancement provided by the Company towards assets assignment/ securitisation transactions including Minimum Retention Ratio (MRR) :₹426 (31 March 2015: ₹740).

b Commitment towards software product support and management fee for data center ₹32 (31 March 2015: ₹61).

c On 1 January 2016, the Payment of Bonus (Amendment) Act, 2015 (the 'Act') was notified in the official gazette increasing the minimum wages for payment of statutory bonus with retrospective effect from 01 April 2014. The Company has provided for the payment of bonus as per the Act amounting to ₹47 for the fiscal year 2016. The Hon'ble High Court of Karnataka vide order dated 02 February 2016 stayed the retrospective application of the Act. Accordingly, the Company did not provide for the payment of bonus as per the Act amounting to ₹41 for the fiscal year 2015. Considering the facts of the matter, the Company believes that the final outcome should be in favour of the Company and will not have any material adverse effect on the financial position and results of operation.

**30. Classification and provisions for loan portfolio (Own)**

| Asset classification | 31 March 2016 | 31 March 2015 |
|---|---|---|
| **Loan outstanding** | | |
| Standard assets | 80,390 | 44,956 |
| Substandard assets | 1,406 | 585 |
| Doubtful assets | 436 | 48 |
| **Less: Provisions** | | |
| Standard assets | 404 | 246 |
| Substandard assets | 375 | 164 |
| Doubtful assets | 406 | 48 |
| **Loan outstanding (net)** | | |
| Standard assets | 79,986 | 44,710 |
| Substandard assets | 1,031 | 421 |
| Doubtful assets | 30 | - |

**31 Securitisation of loans**

During the year, the Company has not securitised any loans to third parties. The information on securitisation activity of the Company, as an originator, is shown below:

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Assets de-recognised during the year | - | 5,882 |
| Total number of receivables (nos) | - | 8,922 |
| Book value of assets | - | 5,882 |
| Sale consideration | - | 7,191 |
| Gain on transaction (refer note 2 (c) (f)) | - | 1,309 |
| Bank deposits provided as cash collateral | - | 160 |

**32 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.

**33 Additional disclosure pursuant to the RBI Master Circular - "Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015" RBI/2015-16/13 DNBR (PD) CC.No.043/03.10.119/2015-16 (updated as on April 11, 2016).**

| 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(other than falling within the meaning of public deposits) | | |
| Secured | 17,052 | - |
| Unsecured | - | - |
| (b) Deferred credits | - | - |
| (c) Term loans (secured) | 22,824 | - |
| (d) Inter-corporate loans and borrowing | - | - |
| (e) Commercial paper | - | - |
| (f) Other loans (specify nature) | - | - |
| | 39,876 | - |

| Assets side : | Amount outstanding |
|---|---|
| **b.Break-up of loans and advances (standard assets):** | |
| (a) Secured | 80,390 |
| (b) Unsecured | - |
| | 80,390 |
| **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) | - |
| **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 net of provisions)** | | |
|---|---|---|---|
| | Secured | Unsecured | Total |
| 1. Related Parties | - | - | - |
| (a) Subsidiaries | - | - | - |
| (b) Companies in the same group | - | - | - |
| (c) Other related parties | - | - | - |
| 2. Other than related parties | 79,986 | - | 79,986 |
| | **79,986** | **-** | **79,986** |

**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 | - | - |

**g. Other information**

| Category | Book Value (Net of Provisions) | Market Value / Break up or fair value or NAV |
|---|---|---|
| **(i) Gross Non-Performing Assets** | | |
| (a) Related parties | | - |
| (b) Other than related parties | | 1,842 |
| **(ii) Net Non-Performing Assets** | | |
| (a) Related parties | | - |
| (b) Other than related parties | | 1,062 |
| **iii) Assets acquired in satisfaction of debt** | | - |

**34.Additional disclosures pursuant to the RBI Master Circular RBI/2015-16/13 DNBR (PD) CC.No.043/03.10.119/2015-16 dated July 01, 2015 (updated as on April 11, 2016) and pursuant to RBI Master Circular – "Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015" RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 and pursuant to Notification - Revised Regulatory Framework for NBFC RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014.**

| (i) Capital Risk Asset Ratio | | | |
|---|---|---|---|
| **Sl.No.** | **Items** | **31 March 2016** | **31 March 2015** |
| (a) | Capital risk Asset Ratio (%) | 58.16% | 44.92% |
| (b) | Capital risk Asset Ratio (%) - Tier I Capital (%) | 57.76% | 44.55% |
| (c) | Capital risk Asset Ratio (%) - Tier II Capital (%) | 0.40% | 0.37% |

(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) | 2,997 | - | 354 | 300 |
| Over one month to 2 months | 2,390 | - | 537 | 275 |
| Over 2 months upto 3 months | 2,413 | - | 737 | 464 |
| Over 3 months to 6 months | 7,122 | - | 1,695 | 1,030 |
| Over 6 months to 1 year | 13,989 | - | 3,268 | 2,123 |
| Over 1 year to 3 years | 36,249 | - | 7,129 | 4,994 |
| Over 3 years to 5 years | 14,105 | - | 978 | 11,025 |
| Over 5 years | 2,967 | - | 67 | 4,200 |
| Total | 82,232 | - | 14,765 | 24,411 |

**35. Disclosure pursuant to the RBI Master Circular RBI/2015-16/107 DNBR (PD) CC.No.056/03.10.119/2015-16 dated July 01, 2015 (updated as on April 11, 2016) and additional disclosure pursuant to RBI Master Circular – "Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015" RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 and pursuant to Notification - Revised Regulatory Framework for NBFC RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014.**

| **Sl.No** | **Particulars** | **No./ Amount** |
|---|---|---|
| 1 | No. of SPVs sponsored by the NBFC for securitisation transactions | 3 |
| 2 | Total amount of securitised assets as per books of the SPVs sponsored by the NBFC | 6,705 |
| 3 | Total amount of exposures retained by the NBFC to comply with MRR as on the date of Balance Sheet | 426 |
| | a) Off-balance sheet exposures | |
| | * First loss | - |
| | * Others | - |
| | b) On-balance sheet exposures | |
| | * First loss | 426 |
| | * 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 | - |

**36 Disclosure of frauds as per circular no. RBI/2015-16/17 DNBR (PD) CC.No.058/03.10.119/2015-16 dated July 01, 2015 (updated as on April 11, 2016)**

**a Fraud reporting**

| Nature of fraud | No. cases | Amount of fraud | Amount written off |
|---|---|---|---|
| Cash misreporting | - | - | - |
| Fraud by borrowers and employees | 3 | 10 | - |

In respect of the above three cases, the total amount involved has been provided for in the books.

**37 Additional disclosures pursuant to RBI Master Circular – "Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015" RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 and pursuant to Notification - Revised Regulatory Framework for NBFC RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014.**

**a) Registration obtained from other financial regulators**

During the year, the Company has obtained fresh registration having license no. CA0146 from the Insurance Regulatory and Development Authority to act as a corporate agent (Composite) from 1 April 2016 to 31 March 2019 for procuring or soliciting insurance business for life, general and health insurers.

**b) Disclosure of penalties imposed by RBI and other regulators**

There were no penalties imposed on the Company by RBI or any other regulator.

**c) Ratings assigned by credit rating agencies and migration of ratings during the year**

The Company was given a rating of A- for its borrowings from banks and Non Convertible Debentures during November 2015. The outlook on the Company is provided as stable.

**d) Concentration of Deposits, Advances, Exposures and NPAs**

| **(i) Concentration of Advances** | |
|---|---|
| Total advances to twenty largest borrowers | 439 |
| Percentage of advances to twenty largest borrowers to total advances of the NBFC | 0.70% |

| ii Concentration of Exposures | |
|---|---|
| Total exposures to twenty largest borrowers/customers | 416 |
| Percentage of exposures to twenty largest borrowers/customers to total exposure of the NBFC on borrowers/ customers | 0.51% |

| iii Concentration of Exposures | |
|---|---|
| Total exposures to top four NPA accounts | 77 |

**(iv) Sector-wise NPAs**

| Sl No | Sector | Percentage of gross NPAs to total advances in that sector |
|---|---|---|
| 1 | Agriculture & allied activities | - |
| 2 | MSME | 2.23% |
| 3 | Corporate borrowers | - |
| 4 | Services | - |
| 5 | Unsecured personal loans | - |
| 6 | Auto loans | - |
| 7 | Other personal loans | - |

**e) Movement of NPAs**

| **Particulars** | 31 March 2016 | 31 March 2015 |
|---|---|---|
| i) Net NPAs to Net Advances (%) | 1.31% | 0.93% |
| ii) Movement of NPAs (Gross) | | |
| i) Opening balance | 633 | 233 |
| ii) Additions during the year | 1,406 | 449 |
| iii) Reductions during the year | (196) | (49) |
| iv) Closing balance | 1,843 | 633 |
| iii) Movement of Net NPAs | | |
| i) Opening balance | 421 | 187 |
| ii) Additions during the year | 938 | 343 |
| iii) Reductions during the year | (297) | (109) |
| iv) Closing balance | 1,062 | 421 |
| iv) Movement of provisions for NPAs (excluding provision on standard assets) | | |
| i) Opening balance | 212 | 46 |
| ii) Provisions made during the year | 634 | 175 |
| iii) Write-off during the year | (39) | - |
| iv) Write-back of excess provisions | (26) | (9) |
| v) Closing balance | 781 | 212 |



**38 Customer complaints**

| | 31 March 2016 |
|---|---|
| i) No. of complaints pending at the beginning of the year | 1 |
| ii) No. of complaints received during the year | 167 |
| iii) No. of complaints redressed during the year | 164 |
| iv) No. of complaints pending at the end of the year | 4 |

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

**40 Expenditure in foreign currency**

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Legal and professional fees | - | 5 |
| Training and recruitment expense | 3 | 7 |
| Security issue expenses | - | 43 |
| Information technology costs | 3 | 26 |
| | 6 | 81 |

**41 Expenditure in foreign currency**

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Reimbursement of travel cost from Lok Capital | 8 | - |

**42 Value of import in foreign currency on CIF basis**

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Capital goods (software) | - | 9 |

**43 The Company does not have any unHegded foreign currency exposures as at the year end**

**44** Corporate social responsibility (CSR)
As per Section 135 of the Companies Act, 2013, a CSR committee has been formed by the Company

| | 31 March 2016 |
|---|---|
| a) Gross amount required to be spent by the company during the year. | 11 |
| b) Amount spent during the year ended 31 March 2016 | - |

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

As per our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Banthia** (Partner)
Membership No.: 061068
Bengaluru I 20 May 2016

**For and on behalf of the Board of Directors of Vistaar Financial Services Private Limited**

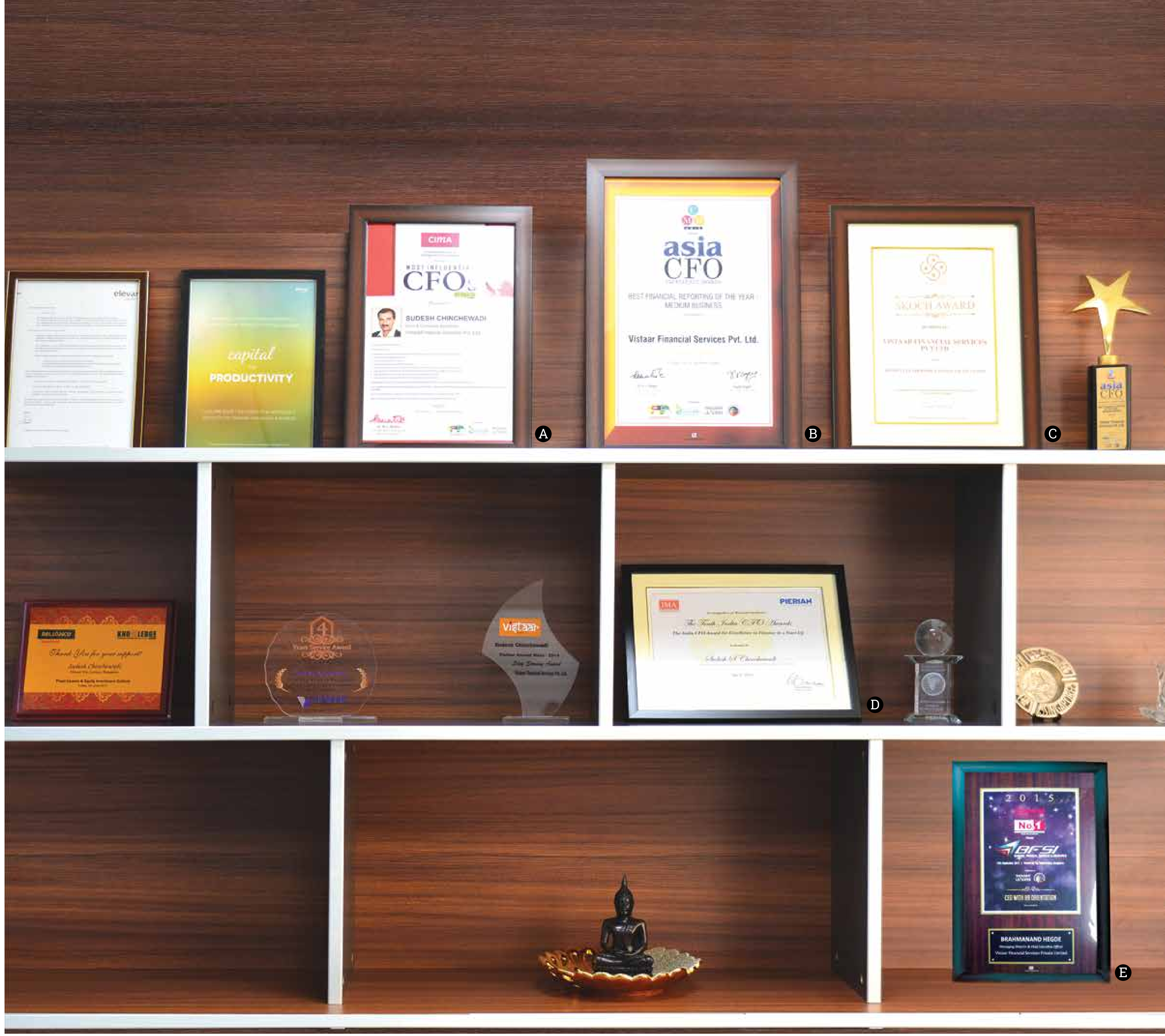
**Brahmanand Hegde** (Managing Director)
DIN : 02984527
Bengaluru I 20 May 2016

**Ramakrishna Nishtala** (Director)
DIN : 02949469

**Sudesh Chinchewadi**
(CFO & Company Secretary)

# NOTES

# BECAUSE GROWTH IS TANGIBLE




From left to right: (A) "Most influential CFOs of India" By CIMA, London to Mr. Sudesh Chinchewadi, CFO & CS in July, 2015. (B) "Best Financial Reporting For FY15 – Medium Business" by CMO Asia - Asia CFO excellence awards in August, 2015. (C) SKOCH award For "Segment Leadership & Financial Inclusion" in June, 2016. (D) "The India CFO award for excellence in finance in a start-up" by IMA to Mr. Sudesh Chinchewadi, CFO & CS in May, 2016. (E) "CEO With HR orientation" By Vijayavani - BFSI award to Mr. Brahmanand Hegde, MD & CEO in September, 2015

# GROWTH, WHEN IT IS REAL AND PHENOMENAL, GOES WAY BEYOND THE NUMBERS. IT BECOMES TANGIBLE.

AT VISTAAR, WE HAVE BEEN GROWING AT A STEADY PACE EVER SINCE OUR INCEPTION. TODAY, WE HAVE SMART AND VIBRANT OFFICES THAT HOUSE AN EVER-EXPANDING TEAM OF VISTAARIANS WHO ARE PASSIONATE ABOUT CHANGING THE MSME LANDSCAPE IN THE COUNTRY.

www.vistaarfinance.com

**We Welcome Your Feedback**

**Vistaar Financial Services Pvt. Ltd.**

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