VISTAAR

Riding Out The Demonetisation Wave

India's MSME sector continues unprecedented growth and embraces digitisation

Annual Report FY 2017

8th November 2016

On 8th November 2016, the Government of India announced that all ₹500 and ₹1000 denominated banknotes would be invalid past midnight. It sent shock waves throughout the nation, but it were the smaller businesses which probably felt its impact the most. Business transactions in India are primarily made with cash and suddenly there was none. Chaos ensued, but the nation eventually rallied by switching over to digital payments.

No Cash, No Carry

Overnight, 86% of cash in the Indian economy was voided. Millions of individuals and businesses were stranded, unable to function without any cash.

Paying The Price

Demonetisation stunted India's GDP growth momentarily and impacted almost every sector in the country.

Agriculture & Allied	Real Estate	Automobiles	Consumer Durables
Airlines	Telecom	Gold and Luxury Goods	Tourism
SMEs	Microfinance	Banking and Financial Services	

Digitisation To The Rescue

Despite the crippling effects of demonetisation, India rallied by switching to digital payments for money transactions. Card payments saw a whopping 88% rise and payments using mobile wallets and pre-paid cards shot up by 105% *(Source: RBI bulletin, February 2017)*. This signalled a major shift for the Indian economy, from being a largely informal sector towards a more formal set up.

Sailing through the Demonetisation wave...

Demonetisation had its affect on us here at Vistaar, as well as our MSME customers. But our strong leadership and crisis management expertise helped in making this transition effortless for our patrons. We immediately implemented several measures, such as

Providing customers with a range of options for smoother repayments through cheques, RTGS and online payment portals.

Staying connected with our customers helped us assess the situation at the ground-level and make informed decisions. To understand the extent of impact, we also conducted three surveys during demonetisation and found out that:

- Close to 75% of the respondents experienced a drop in sales within 10 days of demonetisation
- Respondents expected their businesses to bounce back within 2-3 months
- Respondents saw a decent upward tick in payments made to their suppliers through various banking models (Cheques, RTGS, etc.)

Making a prudent call and moderating loan disbursements despite good flow of proposals.

Proactive and transparent communication with all the stakeholders which kept their confidence intact in the company.

Robustness of our underwriting and regular connect with customers helped to contain the impact on our collection efficiency during and post the demonetisation period.

Demonetisation did not deter our growth in FY17

Because growth is tangible

"Best Financial Reporting -Medium Business" for second year in a row by CMO Asia - Asia CFO Excellence Awards in August, 2016

"Segment Leadership & Financial Inclusion" by SKOCH Award in June, 2016

"The India CFO Award for Excellence in Finance in a Start-Up" by IMA to Mr. Sudesh Chinchewadi, CFO & CS in May, 2016

"IFC – Mint Strategy Award" in September 2016

MSMEs Embracing Digitisation

Hotel Name : Sairaj
Customer Name : Balu Shivaram
Location : Pune, Maharashtra

My name is Balu Shivaram. I started my business in the year 2007. My hotel is in a prime location which is next to an Engineering College and usually the customers are college students. Initially, I started business as a small setup and later as the business grew I converted it into a hotel-cum-mess. Eight months ago I had taken a loan of ₹3 lakhs from Vistaar to improve my business further. Due to demonetisation, the business was impacted as the customers were not having cash resulting in low foot-falls leading to losses. To overcome this difficulty, I started cashless transactions by using mobile-wallets. This has revived my business as the customers make good use of this. To add to the advantage, in the surrounding areas, it was only me who have been using the cashless transactions. Thus, customers usually prefer my hotel over others.

Hotel Name : Swagat
Customer Name : Manohar
Location : Ranjangaon, Maharashtra

My name is Manohar. I started my business more than 10 years ago. My hotel is located on Pune - Aurangabad highway. Travellers are my major customers. About four years ago, I had taken a loan of ₹3 lakhs from Vistaar followed by a top-up of ₹4.8 lakhs recently for business development. My business used to run smoothly until demonetisation. I started losing customers and the business went down. I was even finding it difficult to meet my financial obligations. But since December, 2016, I started doing cashless transactions by accepting both card and mobile-wallet payments. Due to the use of digital money, my business is coming back on track.

Contents

BOARD OF DIRECTORS

Mr. C.B. Bhave
Non-Executive Chairman -Independent Director
DIN – 00059856
(w.e.f. 17-Nov-2016)

Ms. Radhika Haribhakti
Independent Director
DIN – 02409519

Mr. James Abraham
Independent Director
DIN – 02559000

Mr. Sandeep Farias
Nominee Director
DIN – 00036043

Mr. Ashit Lilani
Nominee Director
DIN – 00766821

Mr. Badri Pillapakkam
Nominee Director
DIN – 00272372

Mr. Sumir Chadha
Nominee Director
DIN – 00040789

Mr. Brahmanand Hegde
Executive Vice Chairman
DIN – 02984527

Mr. Ramakrishna Nishtala
Managing Director & Chief Executive Officer
DIN – 02949469

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Sudesh Chinchewadi
M. No.: 16422

LIST OF LENDERS, SUBSCRIBERS & HOLDERS OF DEBT ISSUES

Axis Bank
AK Capital
Bajaj Finance
Bank of Maharashtra
DCB Bank
Dhanlaxmi Bank
Federal Bank
FMO
HDFC Bank
Hero Fincorp
Hinduja Leyland Finance
ICICI Bank
IDBI Bank
IFMR Capital
IndusInd Bank
Kotak Mahindra Bank
Lakshmi Vilas Bank
MAS Financial Services
NabKisan Finance
RBL Bank
Reliance Mutual Fund
responsAbility
SIDBI
State Bank of Bikaner & Jaipur
State Bank of Hyderabad
State Bank of Mauritius
Sundaram Finance
Symbiotics
Union Bank of India
Vijaya Bank
Yes Bank

REGISTERED OFFICE, TELEPHONE & FAX NO., WEBSITE, E-MAIL ID & CIN

Vistaar Financial Services Private Limited
Plot no. 59 & 60 – 23,
22nd Cross, 29th Main,
BTM Layout, 2nd Stage,
Bangalore – 560 076,
Karnataka, India

Ph: 080 - 4666 0900
Fax: 080 - 2668 2645.

www.vistaarfinance.com
corporate@vistaarfinance.com

CIN: U67120KA1991PTC059126

STATUTORY AUDITORS

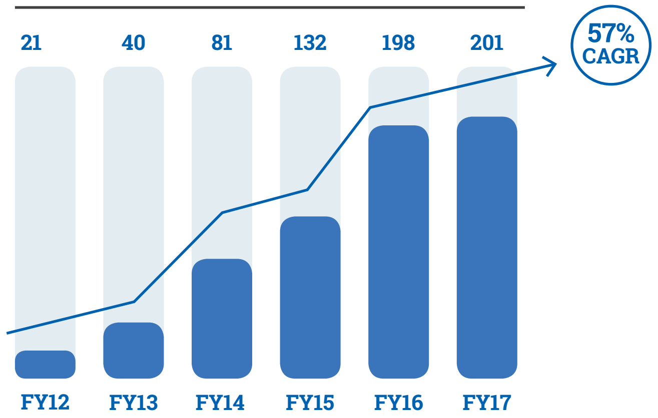
M/s. Walker Chandiok & Co LLP
Chartered Accountants
(ICAI Firm's Registration No.: 001076N/N500013)

KEY INDICATORS

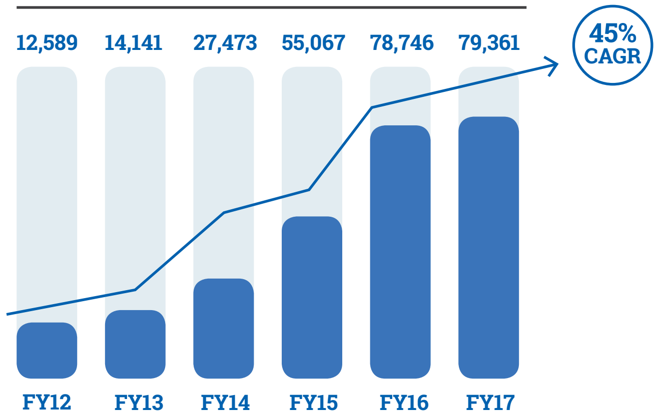
Operational Highlights:

Particulars	Unit	FY12	FY13	FY14	FY15	FY16	FY17
States	No.	2	3	4	7	12	12
Branches	No.	21	40	81	132	198	201
Borrowers	No.	12,589	14,141	27,473	55,067	78,746	79,361
Employees	No.	277	387	820	1,318	2,125	2,337
Disbursements	₹crore	41	107	201	434	600	670
Gross loan portfolio (GLP)	₹crore	36	111	243	515	844	1,124
– Own portfolio	₹crore	29	92	231	456	822	1,120
– Assigned/ managed portfolio	₹crore	7	19	12	59	22	4
GLP per branch	₹crore	1.7	2.8	3.0	3.9	4.3	5.6

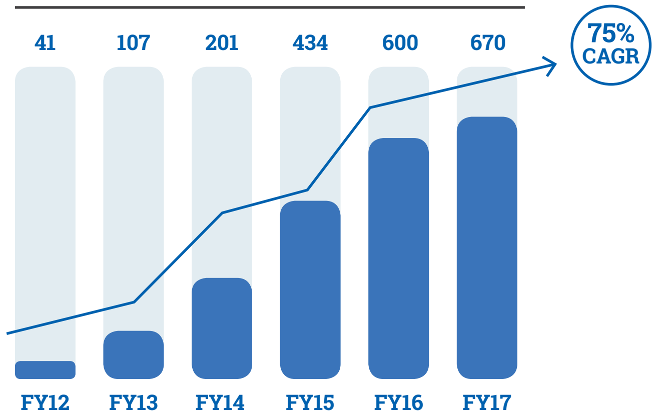
Branches (No.)



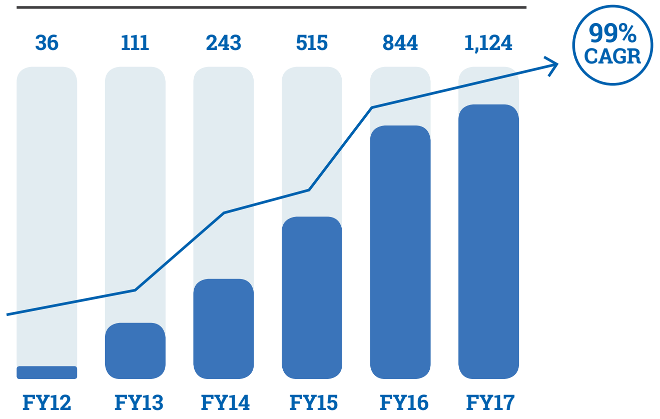
Borrowers (No.)



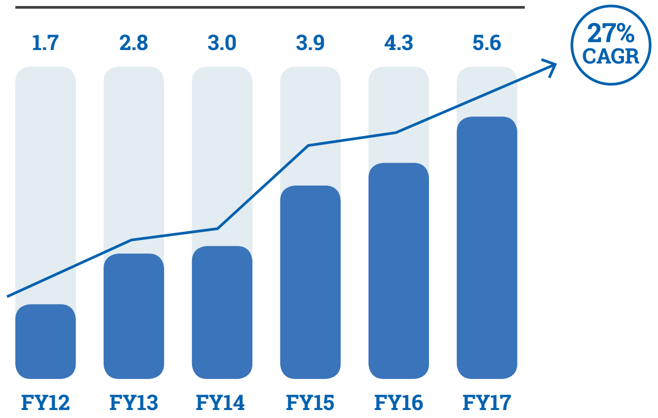
Disbursements (₹ crore)



Gross loan portfolio (GLP) (₹ crore)



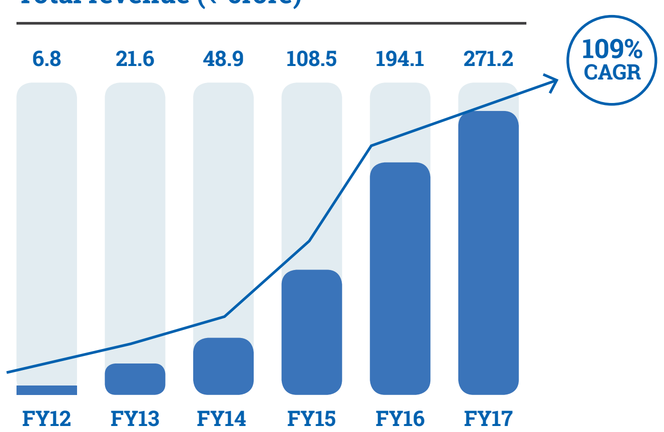
GLP per branch (₹ crore)



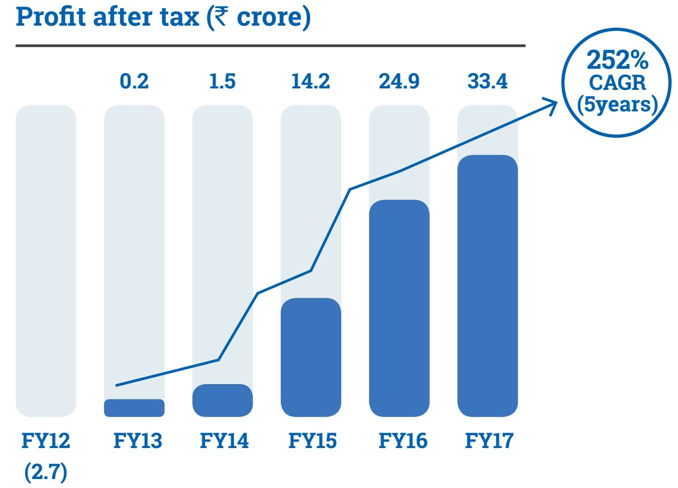
Financial Highlights:

Key Financial Numbers:							
Particulars	**Unit**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**
Total revenue	₹crore	6.8	21.6	48.9	108.5	194.1	271.2
Profit before tax	₹crore	(2.7)	0.2	1.6	15.1	38.8	50.5
Profit after tax	₹crore	(2.7)	0.2	1.5	14.2	24.9	33.4
Earnings per share (Basic)	₹	(3.7)	0.3	1.9	18.7	32.4	42.7
Earnings per share (Diluted)	₹	(3.7)	0.1	0.5	3.0	4.0	4.8
Networth	₹ crore	17.5	58.4	59.0	230.9	508.5	541.3
Total assets	₹ crore	47.7	134.4	283.5	596.9	964.1	1,314.4
Book value per share	₹	10.1	19.2	19.4	45.0	71.0	74.9
Key Financial Ratios:							
Return on average GLP	%	-12.0%	0.3%	0.9%	4.0%	3.8%	3.3%
Return on average assets	%	-7.5%	0.2%	0.7%	3.2%	3.2%	2.9%
Return on average equity	%	-16.6%	0.6%	2.5%	9.8%	6.7%	6.4%
Cost to income ratio	%	147.6%	96.3%	90.1%	76.3%	67.3%	58.5%
Capital adequacy ratio	%	48.4%	51.0%	22.4%	44.9%	58.2%	46.3%
Debt : equity	Times	1.4	1.1	3.6	1.4	0.8	1.3

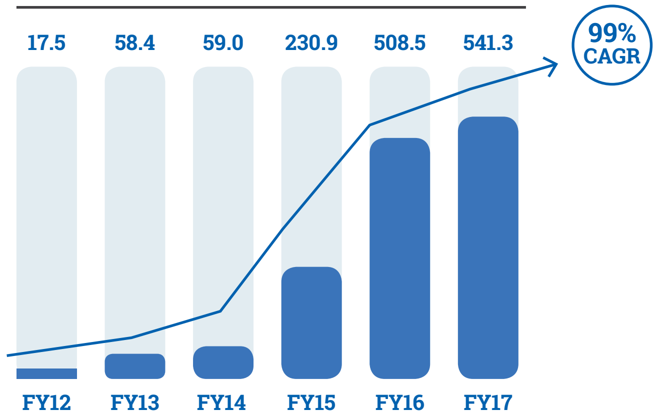
Total revenue (₹ crore)



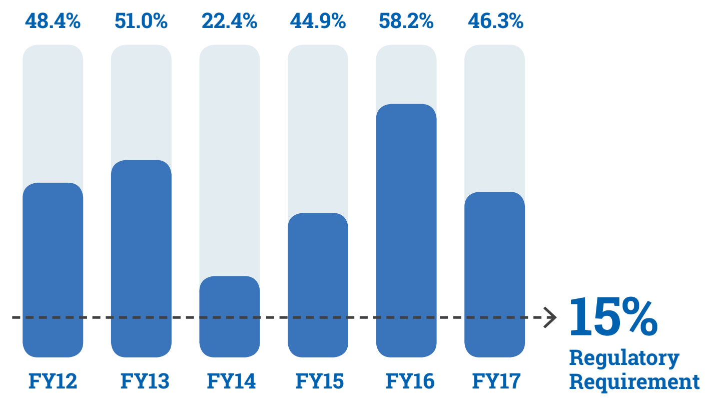
Profit after tax (₹ crore)



Networth (₹ crore)



Capital adequacy ratio (%)



MESSAGE FROM
MR. C.B. BHAVE

Non-Executive Chairman
& Independent Director

I am happy to join Vistaar, one of the first specialist MSME lending players in the country. A substantial part of the Indian economy is still outside the formal financial activity. Vistaar Finance is engaged in the process of integrating the informal sector into the mainstream of formal lending activity and helping them grow faster. I am pleased to be a part of Vistaar's Board and look forward to contributing to the fulfilment of the team's vision and thereby creating a significant impact in the field of financial inclusion.

While we are making progress, a large section of Indian population still remains unbanked. This has led to lack of access to financial products and services among the lower income group. In the recent years, the Government and the Reserve Bank of India have been significantly promoting financial inclusion through various initiatives and schemes such as Pradhan Mantri Jan-Dhan Yojna, enlarging the ambit of Business Correspondents (BCs), implementation of Electronic Benefit Transfers (EBT) by leveraging Aadhaar card and Jan-Dhan accounts, housing for all through Pradhan Mantri Awas Yojna (PMAY), different insurance benefit schemes - Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana; and issuing of new category of licences – Payment Banks and Small Finance Banks, and so on.

The Union Government demonetised old ₹500 and ₹1,000 denomination currency notes. These comprised nearly 86% of the total currency in circulation. The Government announced the measure to fight unaccounted money, fake currency and funding for terrorism. While this announcement caused disruption, it has given a fillip to cashless transactions.

Another important event during the fiscal was announcement of the applicable date of implementation of the long-awaited Goods and Services Tax (GST) which aims to merge many complicated individual and indirect taxes into a simple single tax regime. GST is expected to be applicable from 01st July, 2017. This combination of the move towards cashless economy and implementation of GST will certainly help a major shift from informal to formal economy and boost GDP.

MSMEs are critical to the nation's economy. They contribute approximately 40% of India's domestic production, 42% of total exports and 45% of industrial employment. They are the second largest employers of manpower, after agriculture. MSMEs in India operate mostly in the unorganised sector and are the source of livelihood for millions of people. The social contribution made by MSMEs is even more significant than its economic contribution as it serves as a seed-bed for nurturing entrepreneurial talent and originating units to eventually grow into medium and large enterprises. Despite their economic significance, MSMEs face a number of bottlenecks that prevent them from achieving their full potential. The promotion of this sector, therefore, becomes a major area for policy focus. Government and the private sector are continuously working to empower this sector to take it to its rightful place as the growth engine of Indian economy.

Vistaar started its journey in 2010 and since then it has been playing a catalytic role in reaching the underserved MSME segment. We shall continue our efforts to reach a deeper understanding of different customer segments/activities and to fulfil their financial needs through customised products and simple processes.

Thanking you.

Chandrashekhar Bhaskar Bhave
Non-Executive Chairman &
Independent Director

MESSAGE — FROM — FOUNDERS

Dear Shareholders,

The fiscal 2017 has been another significant year in the life of Vistaar. We have successfully completed seven years of operations. And all these years, our unique business model has enabled us to disburse more than 1,70,000 loans aggregating to over ₹2,000 crores 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.

The financial year 2017 has been the year of consolidation for Vistaar owing to the big demonetisation exercise announced by the Government on 08th November, 2016, a date which will always be remembered as one of the important events in India's history. Vistaar's MSME customers who are primarily from rural and semi-urban areas and largely deal in cash were affected by demonetisation. We stayed connected with our customers which helped to assess the ground-level situation and take informed decisions. The robustness of our underwriting and regular connect with customers helped to contain the impact on the collection efficiency through the demonetisation period. We also provided our customers with a range of options for smoother repayment of their loans through cheques, RTGS, online payment portal etc. The Company took a prudent call and moderated loan disbursements despite good flow of loan proposals. Despite of these hiccups, the Company recorded growth in portfolio by 33% over FY2016. The process of demonetisation has created opportunities for banks and other financial services companies to deepen the penetration of cards, digital wallets, Aadhaar linked payments, etc. Government of India is also pushing to move away from cash and encouraging establishments to accept digital money. All these initiatives will change the dynamics of the financial services market for the better in next 1-3 years and also reduce the cost of transactions.

Vistaar's head office facing the beautiful Madiwala lake.

Mr. Brahmanand Hegde

Executive Vice Chairman

Mr. Ramakrishna Nishtala

Managing Director & Chief Executive Officer

GST (Goods and Services Tax) is expected to revolutionise the Indian tax system and has been heralded as the biggest tax reform since independence which is finally going to be implemented from next financial year onwards. Though implementation of GST would bring both positives and challenges for the MSMEs, we see no major impact on the segment we cater to as more than ~95% of our customers have turnover of below ₹20 lakhs. And to comply with the GST law, your company will be ready with all the required registrations and technological updates before the expected date of rollout.

The Company appointed Mr. C.B. Bhave as the Non-Executive Chairman and Independent Director with effect from November 17, 2016. We are pleased to have Mr. Bhave on our Board as he brings with him more than 40 years of vast and valuable experience in the government and regulatory and financial services sectors. We are sure that our Company and Board will be immensely benefitted by his inputs and experience.

The long-term credit rating of the Company has been maintained at '[ICRA]A-' with Stable outlook. In FY2017, the Company raised debt of ₹495 crores to fund its growth through term loans and Non-Convertible Debentures (NCDs) from various banks and financial institutions and took the total number of lenders to 31. In the process, six new lenders have been on-boarded. We also made our debut in the debt capital market with ₹125 crores NCD issuance. We are also happy to share with you that the Company was able to bring down the weighted average cost of borrowing on outstanding debt significantly during the year.

The Company is continuously working towards 'Digital Office' by leveraging on technology, people and processes which will help in faster turnaround times, improve efficiencies and also manage the operational risks better.

FY2017 has also been remarkable in terms of winning awards and accolades. The Company has won four awards in different categories viz., the 'IFC – Mint Strategy Award' for the role in shaping the industry; creating unique positioning and altering the basis of competition for Finance, Banking and Insurance category, 'SKOCH award' for segment leadership & financial inclusion, 'Best Financial Reporting of the year – Medium Business' for second year in a row by CMO Asia - Asia CFO Excellence Awards and 'The India CFO Award for Excellence in Finance in a Start-up' by IMA to Mr. Sudesh Chinchewadi (CFO & CS).

Our aspirations go beyond becoming a larger robust financial institution. We strive to contribute actively in social initiatives which can play a critical role in social inclusiveness of the country. Based on detailed deliberations, we have decided to focus on select areas which we believe have maximum impact. As our first CSR initiative, the Company recently teamed-up with The Teacher Foundation (TTF) which is managed by Shraddha Trust, a registered public non-profit trust that is committed to promoting the development of schools and educators throughout India. The purpose of this collaboration is to empower teachers and heads in Government primary or secondary schools situated in the rural places of Karnataka to address some of the key issues related to learning and development and help schools to become better places for learning.

During the last seven years, the portfolio has grown by over 75 times from ₹14 crores as of March, 2011 to ₹1,124 crores as of March, 2017 and at a healthy CAGR of ~107%. From the first branch in 2010, the Company has grown to 201 branches spread across 136 districts and 12 states of India, as of March, 2017. At this scale, we can take satisfaction from the fact that we have clearly transitioned from the start-up to the growth phase of our Company. More importantly, we are heartened to see that many more financial institutions are now viewing the small business segment as a viable one to lend to and we have immense satisfaction in being the pioneer in this segment.

Vistaar's employees have been our greatest strength and they have played a pivotal role in bringing the Company to this level. They always strive to deliver the best to our Customers. The Company will continue to actively invest in their learning and development.

We are grateful to all our Directors for their invaluable contribution through their guidance and encouragement, which have been critical for the success of the Company.

Finally, we would like to extend our sincere gratitude to all our stakeholders including Customers, Investors, Lenders and to each and every Vistaarian who contributed to the Company's growth during all these years. And look forward to better years ahead for Vistaar.

Thanking you.

Brahmanand Hegde
Executive Vice Chairman,
Co-founder

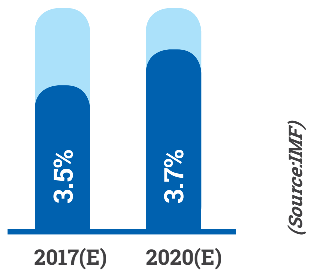
Ramakrishna Nishtala
Managing Director & Chief
Executive Officer, Co-founder

MANAGEMENT DISCUSSION & ANALYSIS

Global Economic Overview

As per the reporton 'Global Economic Prospects' by World Bank, stagnant global trade, subdued investment, and heightened policy uncertainty marked another difficult year for the world economy. Advanced economies continue to struggle with subdued growth and low inflation in a context of increased uncertainty about policy direction, tepid investment, and sluggish productivity growth. Weak investment and productivity growth are weighing on medium-term prospects across manyEmerging Market and Developing Economies (EMDEs) as well. Global trade growth in 2016 recorded its weakest performance since the global financial crisis of 2008-09. A gradual recovery in global trade is still expected in 2017 and 2018, supported by a projected rebound in import demand from large EMDEs. However, the pace of the recovery is slower than previously expected because of downward revisions to growth prospects in major advanced economies. Growth in EMDEs reached an estimated 3.4% in 2016, well below the long-term average of 4.4% and is projected to pick up to 4.2% in 2017 and about 4.7% on an average in 2018-19.

The global economic growth in GDP eased to 3.1% in 2016 from



Global GDP Real Growth Rate

4.2% in 2012. At 3.1%, the global GDP growth in 2016 witnessed signs of hope in the emerging economies that benefitted from policy stimulus. Calendar year 2016 witnessed yet another year of subdued global economy after five years of relatively muted growth. Uncertainties in policy direction in the US, coupled with the effects of Brexit contribute to the expectations for 2017 to also remain conservative. The outlook for global GDP CAGR is expected to be 3.6% over the period of 2016-2021 banking on the resurgence of global majors and the continued policy stimulus driven growth in India, China and similar growing economies.*(Source: International Monetary Fund (IMF))*.

We are in a world of conflicting agendas among global economies and central banks. These crosscurrents will continue to challenge investors. Yet, slow and stable global GDP growth and increased fiscal policy will support global opportunities.

Indian Economy Overview

India's Demography and Macro Economy Exhibits Robust Optimism: As per the National Commission on Population, the population of India is expected to grow at a CAGR of nearly 1.0% between 2014 and 2020. Growing at this rate, India is expected to be home to 1.35 billion people by 2020. India's economy has remained resilient even amidst sluggish global growth driven by the strong fundamentals and prudent economic, fiscal and social policies and also the strong consumer confidence in the country. Indications are rife that India's GDP is well positioned to reach USD 3,000 Billion (₹200 trillion) by 2020 and in the event of accelerated manufacturing and investments growth, there is potential for the GDP to scale higher to USD 3,600 billion (₹240 trillion). *(Source: IMF, HBL, Frost & Sullivan)*.

Despite the temporary sluggishness in consumer spending mooted through the demonetisation initiatives, consumer confidence in India largely remains optimistic, which is indicative of continuing spending. Factors such as the pay commission hike, favourable lending rates and an average monsoon have enabled surplus disposable income with consumers thus benefitting sectors such as consumer durables, retail, automotive and tourism. Growing at a rate of over 16%, the overall consumption expenditure in the country is expected to scale to USD 3,200 billion by 2020 *(Source: World Bank, AC Nielson, IBEF)*. India's per capita income grew by 9.7% to ₹1.03 lakh in FY17 from ₹94,000, a year ago.

According to the IMF, the Indian economy is poised to be one of the top five economies by 2020 following a robust GDP growth supported by a strong industry base, a growing population, and other socio-demographic factors. With steady economic growth, the per capita income of the population is rising and so is the economic stability of the burgeoning middle class population.

Developing & Emerging Economies like India to Drive GDP Growth in 2017 & 2018 (calendar years): The Economic Survey 2016-17 by the Government of India forecasts a growth rate of 6.75% to 7.5% for FY18, as compared to the expected growth rate of 6.5% in FY17. The survey also states that, over the medium run, the implementation of the Goods and Services Tax (GST), follow-up to demonetisation, and enacting other structural reforms should take the economy towards its potential real GDP growth of 8% to 10%.

IMF's estimates makes India the fastest growing major economy in FY17 at 6.8%, decelerated from the FY16 number of 7.6%, while maintaining that economic activity had slowed primarily because of the temporary negative consumption shock induced by cash shortages and payment disruptions from the currency exchange initiative. It also estimated that the growth rate would be 7.2% and 7.7% for the fiscals 2017 and 2018, respectively. IMF opines that India's medium-term growth prospects are favourable, with growth expected to rise to about 8% over the medium term due to implementation of key reforms, loosening of supply-side bottlenecks, and appropriate fiscal and monetary policies.

Industry Overview

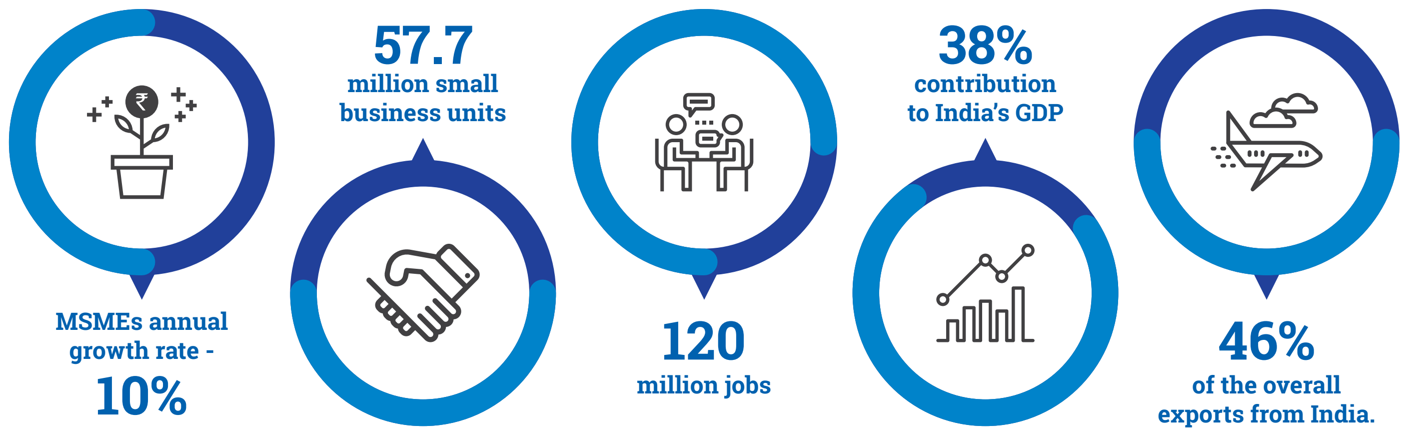
Financial Inclusion in India:

Given the sheer size of the Indian population and considering that a large section still lacks access to formal banking services, driving financial inclusion has always been a key priority for the government. The banking system and 'priority sector' lending have been the most explored channels to bring majority of the population under the ambit of formal credit institutions. India is on the threshold of a high-growth trajectory; hence financial inclusion is imperative for sustaining equitable growth. In India, the major reasons for financial exclusion are poverty, low income, financial illiteracy, high transaction cost and lack of infrastructure. Consequently, a significant proportion of the population still does not have access to formal banking facilities. The global average of adult population with an account (at a bank, financial institution or with mobile money providers) is about 62%. India is far behind at about 53%. However, its average is above that of South Asia, which is relatively low at about 46% due to poor financial inclusion, especially some of its neighbouring countries. *(Source: CRISIL MFI Information report, 2016)*.

Non-Banking Finance Company (NBFCs): Financing needs in India have risen with the notable growth recorded by the economy over the past decade. NBFCs have been playing a crucial role in terms of the macroeconomic perspective as well as strengthening the structure of the Indian financial system. Consolidation in the sector and better regulatory framework for NBFCs has helped them become more focused. NBFCs have been playing important role as innovators, serving unbanked and under-banked geographies and customer segments and services not provided by banks.

India Ratings and Research (Ind-Ra) has maintained a stable outlook on the NBFC sector for FY18. Ind-Ra stated in its report that NBFCs would continue to gain market share on account of their nimbleness & efficiency and fill the space vacated by mid-sized public sector banks owing to either capital constraints, flight to safety or limited ability to price in the risk. Also, a study by research firm CRISIL shows NBFCs have doubled their market share in SME loans and wholesale finance in the past five years, and expects their share in overall loans to rise by 3% to nearly 18% over the next two years.

Micro, Small and Medium Enterprises (MSMEs):

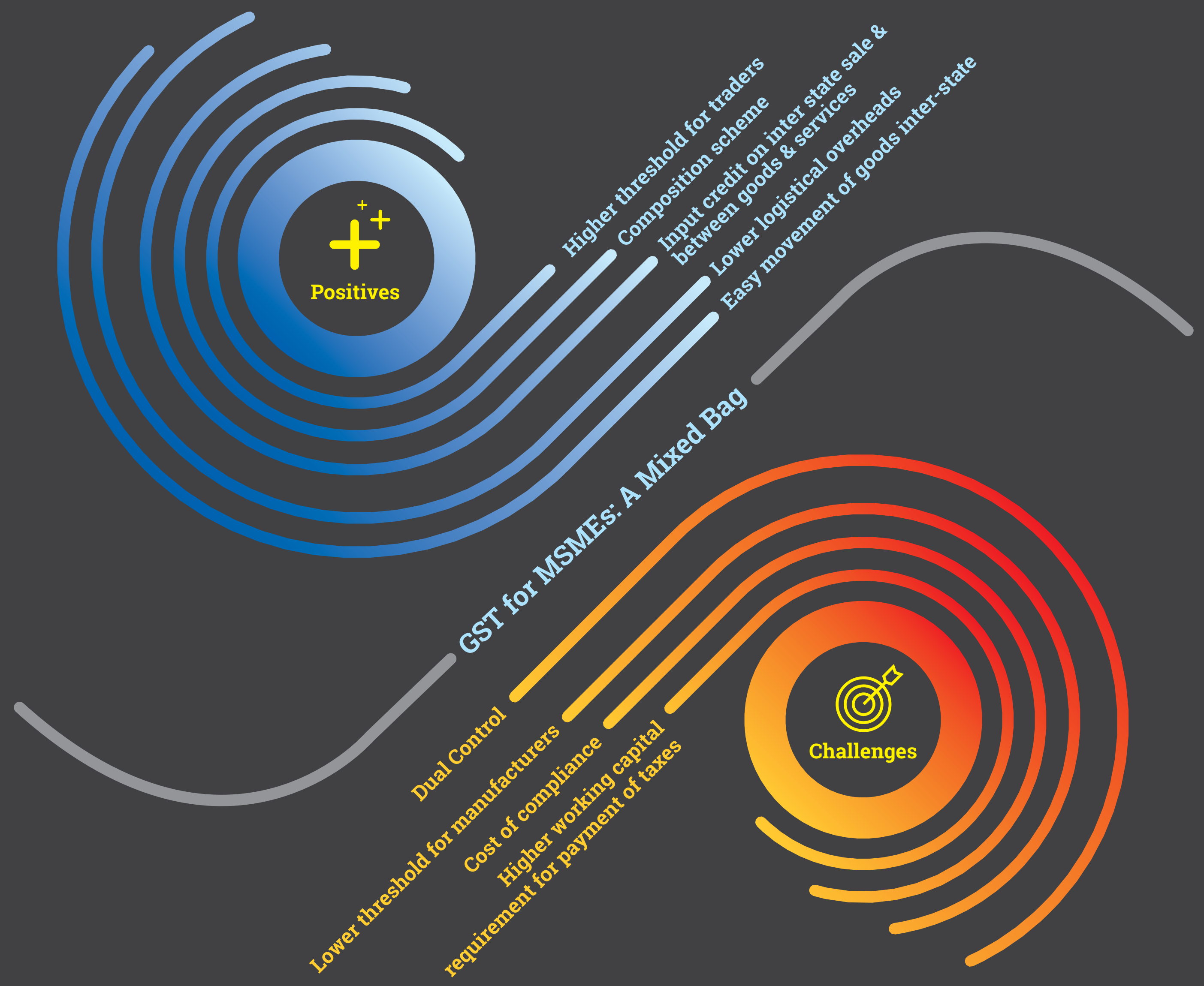


The Indian MSME sector is the backbone of the national economic structure and has unremittingly acted as the bulwark for the Indian economy, providing it resilience to ward off global economic shocks and adversities. The sector has consistently maintained a growth rate of over 10%. With its agility and 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, that run manufacturing, trading or services activities.

According to the estimates of the Ministry of MSME, Government of India, the sector contributes around 7% of the manufacturing GDP and 31% of the GDP from service activities as well as 37% of India's manufacturing output. They have been able to provide employment to around 120 million people and contribute around 46% of the overall exports from India. About 55.3% of the MSMEs are based out of rural areas, which indicates the deployment of significant rural workforce in the MSME sector and is an exhibit to the importance of these enterprises in promoting sustainable and inclusive development as well as generating large scale employment, especially in the rural areas. It is easy to comprehend the salience of the role they play in social and economic restructuring of India. In addition to the wide range of services provided by the sector, it manufactures 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.

Impact of Demonetisation on MSMEs: As per Confederation of Indian Industry (CII), the demonetisation move has received a widespread appreciation from all quarters of the Indian industry, including the Indian MSME sector. But some SMEs faced operational issues such as low cash reserves for meeting day-to-day operation related expenses, difficulty in making payments to daily wage employees, disruptions in supply chains and production cycles, etc. Moreover, lack of awareness about the various benefits of cashless transactions and limited understanding about the various breakthroughs in the area of digital payments thwarted these enterprises from transitioning to cashless transactions in order to run their business operations smoothly.

Impact of Goods and Services Tax (GST) on MSMEs: India's paradigm shift to the GST regime in next fiscal will increase compliance costs and snare a majority of them into the indirect tax net for the first time. Until now, unorganised MSMEs have grown faster than organised peers because of lower cost structures stemming from being outside the tax network, and not having to pay social security benefits to employees (such as provident fund and gratuity), and excise duty (if turnover is less than ₹1.5 crore). The vicissitudes resulting from the impact of GST are many. For manufacturers, the reduction in the threshold for GST exemption to ₹20 lakhs from ₹1.5 crore means tens of thousands of unorganised MSMEs will soon be cast into the tax net. For the services sector, the tax burden will increase.



GST also comes with some positives for the MSMEs. From small trader's point of view (in different states), the registration limit is higher under GST compared to the existing tax regime. GST will allow flexibility in transfer of goods across states and reduce the cost of doing business, as the reform will cut down multiple taxes imposed by state and central government. A simplified tax structure and unified market will improve operational efficiencies, especially for MSMEs with a wider reach.

Around 95% of Vistaar's customer segment have turnover of less than ₹20 lakhs and hence such small business entrepreneurs are excluded under the ambit of GST.

Demonetisation & GST: Growth Boosters for Indian Economy: The global rating agency Standard & Poor's, said that, "in the long run, demonetisation and GST could result in a wider tax base and greater participation in the formal economy. This should benefit India's business climate and financial system in the long run". As a Company, we expect that Government's push to move away from cash and going digital along with implementation of GST will change the dynamics of the financial services market for the better. These steps will help large proportion of segments we serve, to move to formal economy and ultimately boost GDP.

Company Overview

Vistaar Financial Services Private Limited ("Vistaar" or "VFSPL" or "Vistaar Finance" or "Company"), is a Non-Banking Financial Company ("NBFC") registered with Reserve Bank of India ("RBI") and based in Bangalore, India. The Company commenced operations in April, 2010 with a focus on lending to Micro, Small and Medium Enterprises ("MSME") segments primarily in the rural and semi-urban parts of India.

Vistaar is a commitment by two entrepreneurs and over 2,000 employees who believe that supporting and creating new economic opportunities for deserving small business women and men can enrich lives and communities can be transformed. The Company targets the customers with an annual household income of around ₹1,00,000 and above which are not effectively served by the formal financial system. These customers have sufficiently sound economic activity and cash flows to enable them to take up and effectively fulfil loan obligations. The objective is to make finance available at a reasonable cost and deliver it in a transparent manner to the target segment that comprises all the microenterprises; both registered and unregistered who do not have access to organised capital to fund their growth. In the process, Vistaar aims to continuously attract mainstream capital and human resources to serve these chosen segments who are the backbone of India's vibrant economy.

The businesses such as small manufacturing units, textiles/ power /auto looms, home-based enterprises, services (hotel, bakery, garages, workshops etc.), agri-allied activities, kirana/general stores and various kinds of shops, etc. continues to be the drivers of Vistaar's growth.

Vision

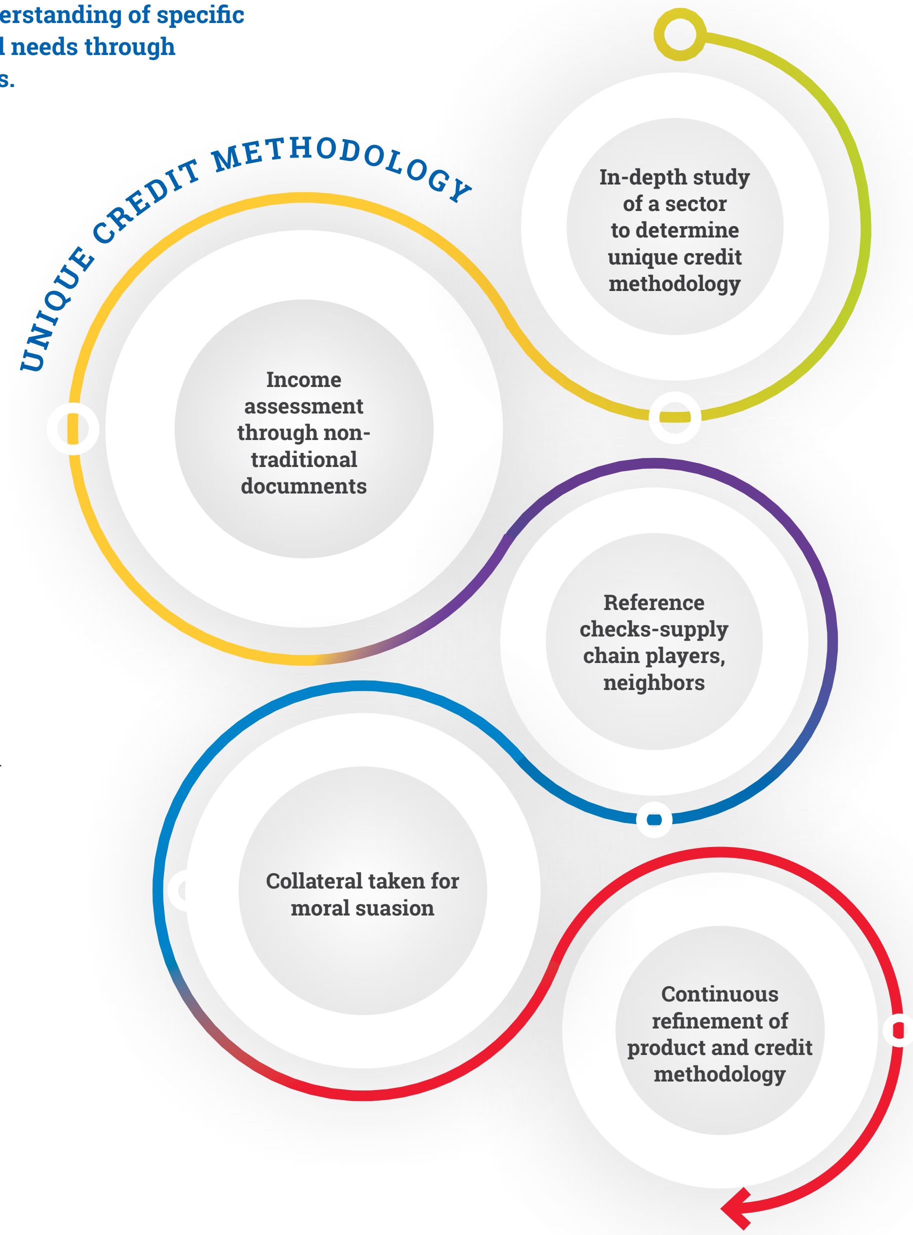
Our vision is to be a catalyst to the underserved so that they will achieve greater economic and social well-being. Specifically we offer a full range of financial services customized to fulfil their every business requirement and move them into the mainstream.

Mission

We shall achieve our vision by deeper understanding of specific customer segments, to fulfil their financial needs through customised products and simple processes.

The Proven Unique Credit Methodology

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.



Expansion Strategy

The distribution of livelihoods/ 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 including handloom, home based industries, handicrafts, agri-allied activities, etc. Urban areas have a concentration of trading activities, small manufacturing enterprises, shops offering a variety of goods and services, etc. The Company's approach 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 loan officers 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 that rarely had documentation to establish their cash flows.

The Company's strategy also has been to expand in the states that are adjacent to those in which Vistaar has presence. This helps to understand the geography, demography and potential of the target market.

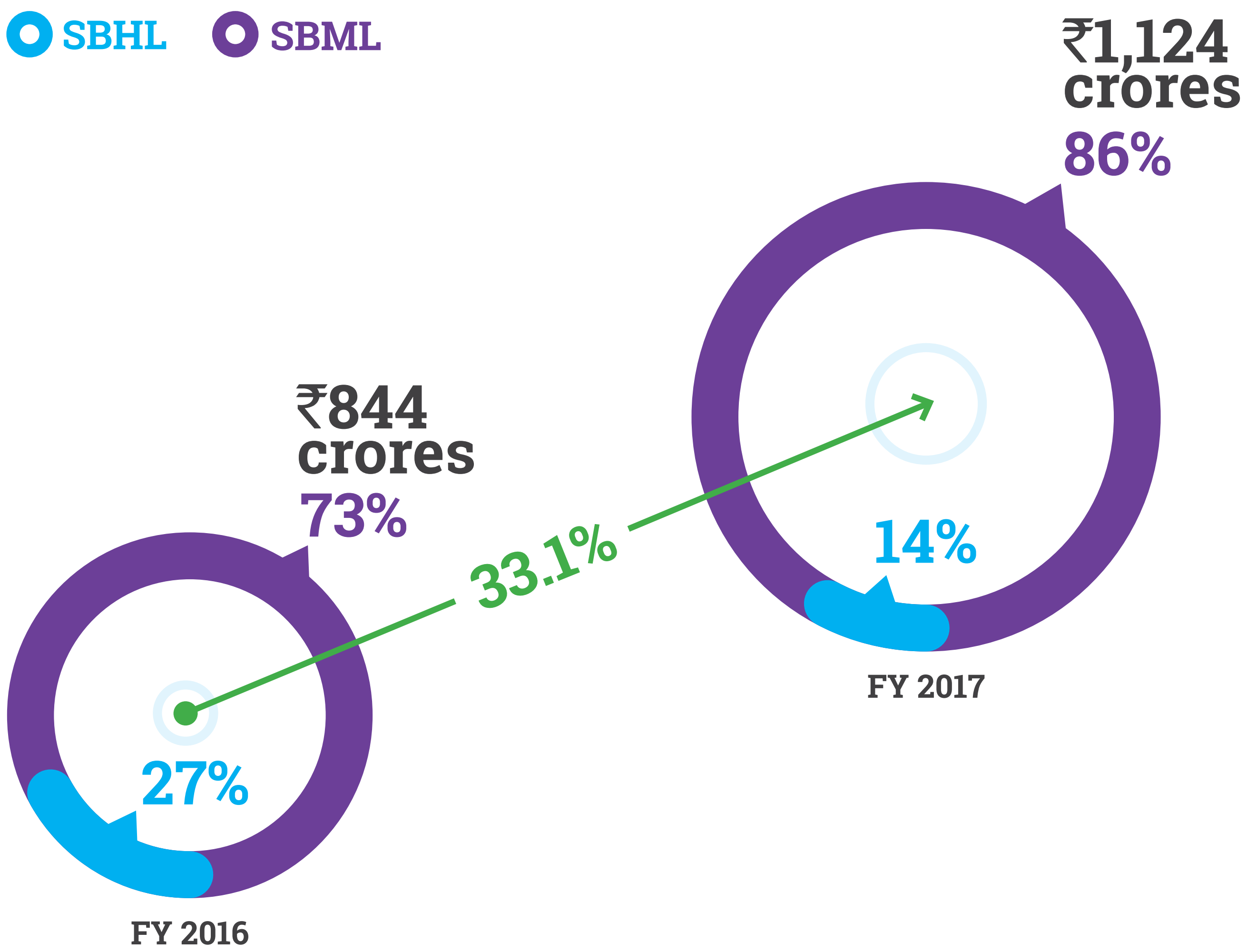
Business & Portfolio Update – FY17

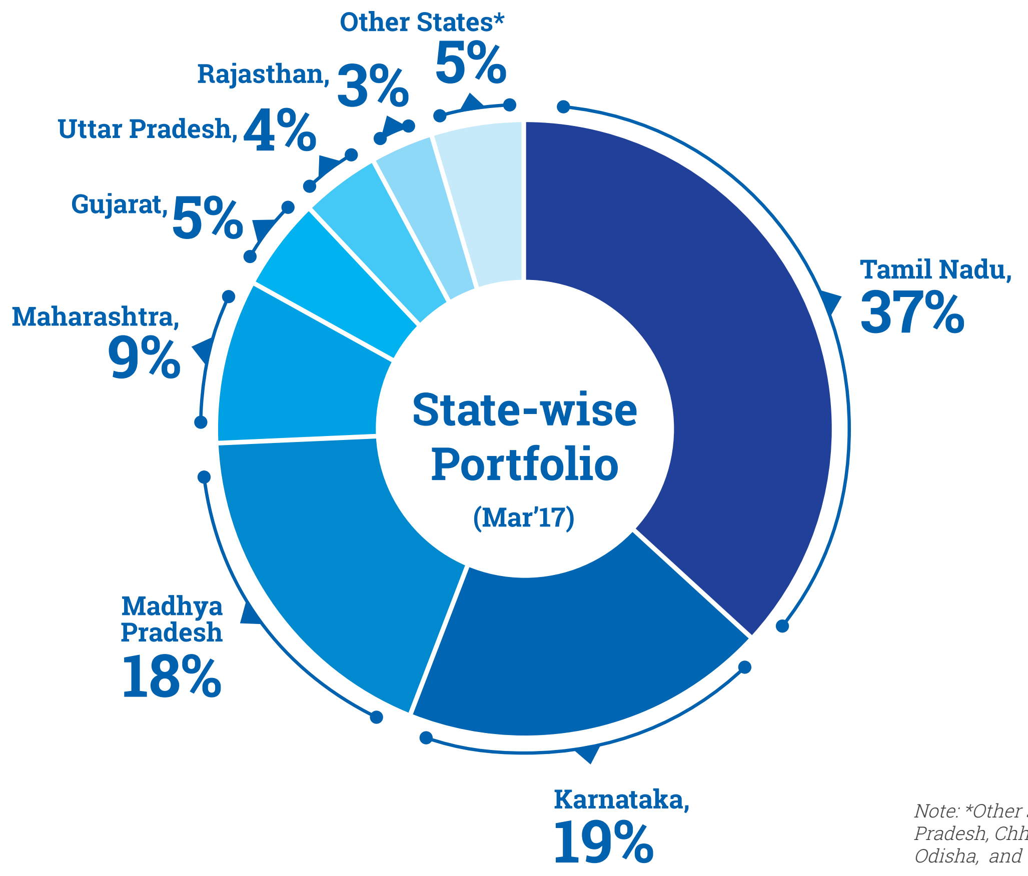
As of 31st March, 2017, Vistaar catered to 79,361 small business entrepreneurs, 65.2% of them being women entrepreneurs and 95.9% from rural and semi-urban areas. The gross loan portfolio (including off balance sheet) was up by 33.1% to ₹1,123.68 crores as of 31st March, 2017 compared to ₹843.93 crores as of 31st March, 2016. The share of secured loan portfolio, i.e., Small Business Mortgage Loans (SBML) increased to 86% from 73% and unsecured loan portfolio, i.e., Small Business Hypothecation Loans (SBHL) decreased to 14% from 27% last year.

During the year, the Company rolled-out four new branches taking the total count of branches to 201 spread across 136 districts and 12 states as of 31st March, 2017. The Company registered 11.7% growth in terms of loan disbursements from ₹599.66 crores in FY16 to ₹669.94 crores in FY17. The business was hindered during second half of the year due to demonetisation. The Company took prudent call and moderated loan disbursements despite good flow of proposals.

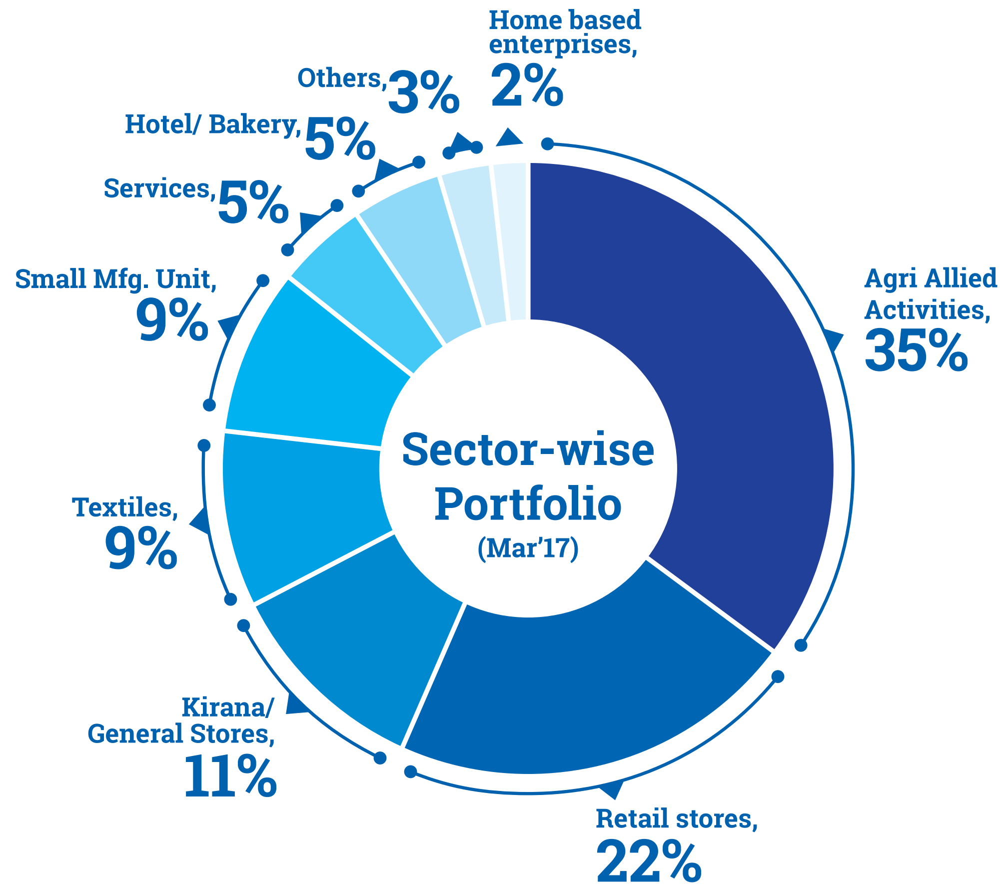
The percentage of gross non-performing assets (NPA) on the loan portfolio (excluding off balance sheet) as of 31st March, 2017 was at 3.21%. The asset quality deteriorated primarily due to demonetisation.

Gross Loan Portfolio



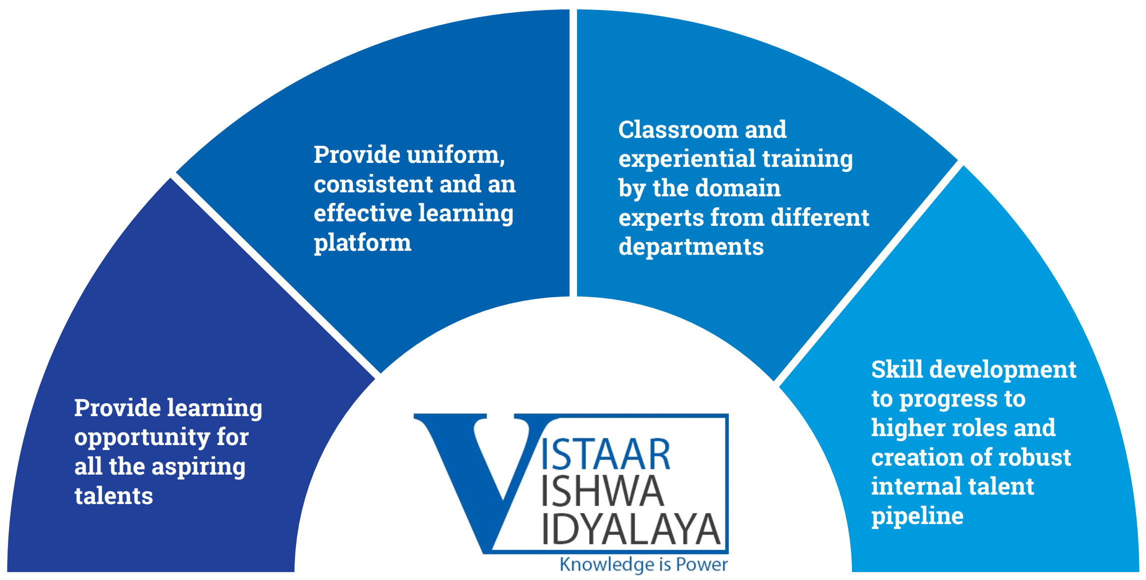


*Note: *Other states includes Andhra Pradesh, Chhattisgarh, Haryana, Odisha, and Uttarakhand*



Human Resources ("HR")

Human Resources are reckoned as very important and vital for our business growth. The cardinal belief of Vistaar in the abilities and competencies of its resources led us to formally institutionalise the training academy – **'Vistaar Vishwa Vidyalaya' or shortly 'V³'**.As the Company is in the business of lending to the MSME sector, understanding and servicing our customers require special knowledge and skill sets. With an objective to further strengthen Training and Development for our employees in critical roles, the Company has launched this initiative where the employees will be trained and nurtured as per the following approach and framework-



To augment our functional training capabilities across the organisation, we identified Subject Matter Experts (SME) and they were put through the paces of a formal Training Module which is duly certified by Accion Ltd.

We realise the war for talent and given the fact that we have a plethora of players from banking and financial services industry, we have embarked on a unique HR philosophy aimed at attracting, developing and retaining talent.The initial results are promising and we are sure that the direction taken will yield dividends over time. We have designed a unique incentive policy with a view to encourage our employees to look at Vistaar as a long-term employer. The Company also uses psychometric tests in hiring the right talent.

In our quest to increase ownership and associated behaviours aimed at quality management of our business portfolio, as also encourage long-term association with the organisation, we have also offered attractive ESOPs at the middle to senior levels across the organisation.

The Company has embarked on the exciting journey to be an employer of choice and have just completed a people engagement survey facilitated by the 'Great Place to Work Organisation'. Senior leaders have been enlisted to lead various projects that emerged out of the survey findings.

To enhance engagement and also increase interaction with the branch staff, the Executive Vice-Chairman and MD&CEO have periodic town-hall meetings (through video conference) across the organisation to enable team members seek answers on matters of organisational relevance. This is also in consonance with our values of transparency and customer centricity (employees as internal customers in this context).

Vistaar's human capital base was further strengthened as at the end of FY17 to 2,337 employees, up by 10.0%, compared to 2,125 as at the end of FY16.

The Company values and appreciates the contribution and commitment of the employees towards performance of the Company during the year.

The focus of the organisational leadership is to enhance employee engagement levels and thus impact the morale and motivation of the workforce to create a high performing and engaged organisation.

Information Technology ("IT")

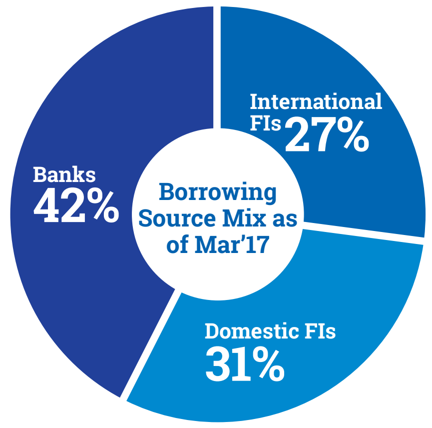
At Vistaar, Information Technology plays a vital role in enabling the business to transform, and also run the day-to-day operations with precision. During FY17, the Company has made significant investments to enhance core business applications, building new mobile enabled business solutions like Human Resource Management System (HRMS), 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.

The Company continues to invest in IT across various functions to provide better services to customers through its ambitious 'Digital Office' initiative which is planned to be launched in FY18.

Access to Multiple Sources of Capital & Credit Rating

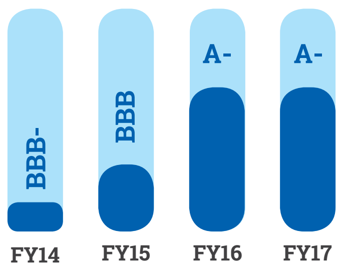
The Company has maintained a healthy capital adequacy ratio over the years, at well above the levels directed by the RBI. As of 31st March, 2017, the overall capital adequacy ratio of the Company was 46.1%. The Company has raised primary capital during last five financial years (FY11, FY12, FY13, FY15 and FY16) out of the total history of seven operating years from marquee investors. The increasing bottom-line growth has also been contributing to the overall capital available for the Company.



Vistaar constantly strives to diversify its sources of capital. During FY17, the Company raised ₹495.00 crores of debt from various Banks and Financial Institutions through term loans and non-convertible debentures (NCDs) to fund its growth. The Company also enjoys working capital limits to take care of its short-term requirements. In the process, six new lenders have been on-boarded and also we made our debut in the debt capital market with ₹125 crores NCD issuance. As at the end of FY17, the Company had an outstanding debt amount of ₹704.47 crores (excluding vehicle loans of ₹0.97 crores and including securitisation of ₹3.99 crores) from 31 banks, domestic and international financial institutions as against ₹420.32 crores (excluding vehicle loans of ₹0.67 crores and including securitisation of ₹21.23 crores) as at the end of FY16.

The long-term credit rating of the Company is '[ICRA]A-' with Stable outlook. The Company had two NCD issuances during the year FY17 and both were rated '[ICRA]A-' by the rating agency.

Long-term Credit Rating
(Term Loans & NCDs by ICRA)

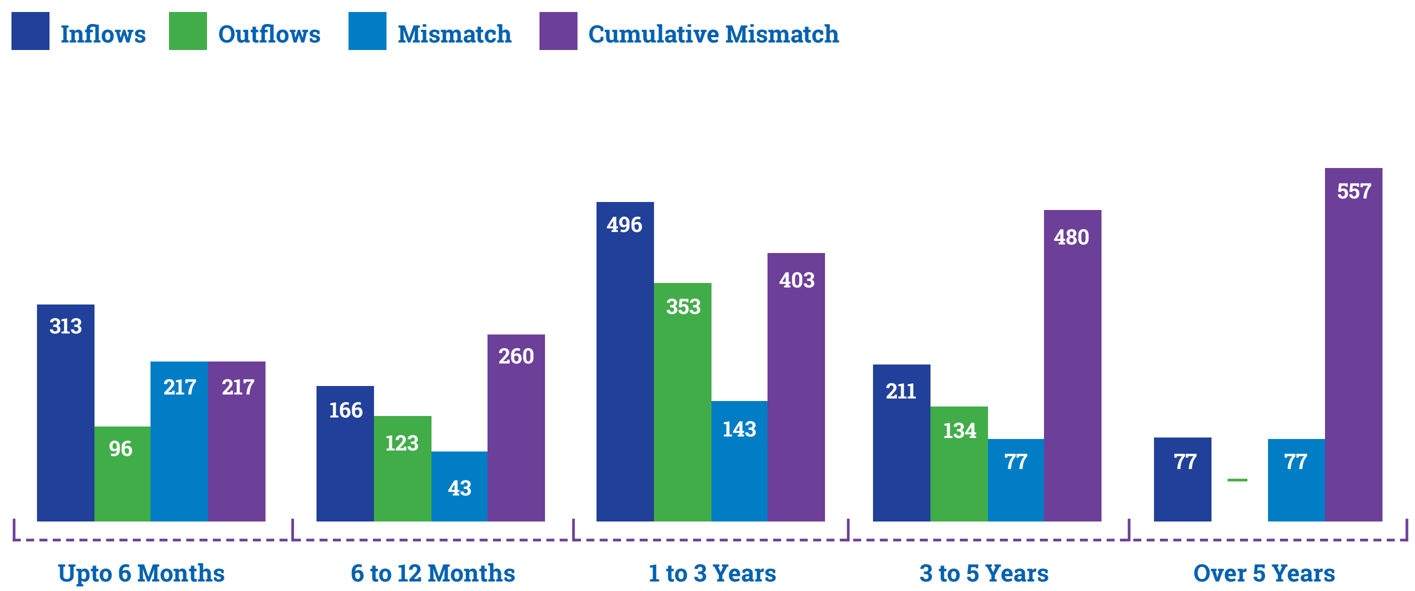


Asset Liability Management ("ALM")

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 the 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.

Asset Liability Management (₹crores)



The Company has conservative and prudent ALM policy that helped to provide the adequate liquidity at all times, as the total inflows in each maturity bucket is higher than the total outflows in the respective buckets. The strong ALM strategy is one of the key pillars of strength of the Company on a structural basis.

Financial Performance of FY17 vis-à-vis FY16

Particulars	FY17 ₹in crores	FY17 Percentage to Revenue	FY16 ₹in crores	FY16 Percentage to Revenue	FY17 Vs FY 16 Percentage Change
Income					
Revenue from operations	265.58	97.9%	182.04	93.8%	45.9%
Other income	5.59	2.1%	12.01	6.2%	-53.4%
Total revenue	**271.17**	**100.0%**	**194.05**	**100.0%**	**39.7%**
Expenses					
Employee benefits expense	75.32	27.8%	63.87	32.9%	17.9%
Finance costs	69.96	25.8%	51.91	26.8%	34.8%
Depreciation and amortisation expense	4.72	1.7%	2.97	1.5%	58.9%
Provision for loan assets	33.03	12.2%	7.65	3.9%	331.5%
Other expenses	37.69	13.9%	28.81	14.8%	30.8%
Total expenses	**220.71**	**81.4%**	**155.21**	**80.0%**	**42.2%**
Profit before tax	**50.46**	**18.6%**	**38.84**	**20.0%**	**29.9%**
Tax expense	17.07	6.3%	13.91	7.2%	22.7%
Profit after tax	**33.39**	**12.3%**	**24.93**	**12.8%**	**33.9%**

Revenue from operations

Revenue from operations increased by 45.9%, from ₹182.04 crores in FY16 to ₹265.58 crores in FY17. This increase in revenue was primarily due to increase in gross loan portfolio by 33.1% from ₹843.93 crores as at the end of FY16 to ₹1,123.68 crores as of FY17.

Employee benefit expenses

Employee benefit expenses comprise salaries and other employee benefits expenses which represents 34.1% of the total expenses for FY17. Employee benefit expenses increased by 17.9% from ₹63.87 crores in FY16 to ₹75.32 crores in FY17, due to annual increments and also increase in the number of branches and addition of new roles to support the growth.

Finance costs

The Company's finance costs represented 31.7% of the total expenses for FY17. Finance costs increased by 34.8% from ₹51.91 crores in FY16 to ₹69.96 crores in FY17 as the Company raised ₹495.00 crores of debt during the year FY17 to fund its growth compared to ₹179.00 crores in FY16.

Depreciation and amortisation expense

Depreciation and amortisation expenses increased by 58.9% from ₹2.97 crores in FY16 to ₹4.72 crores in FY17. This increase was on account of increased investments in IT infrastructure, software and new branches and offices setup during the year.

Provision for loan assets and additional provision

Provisions represented 15.0% and 4.9% of the total expenses for FY17 and FY16, respectively. This expense increased by 331.5% from ₹7.65 crores in FY16 to ₹33.03 crores in FY17 due to increase in provisions against total loan assets by 174.8% from ₹11.96 crores as of 31st March, 2016 to ₹32.85 crores as of 31st March, 2017, which was primarily due to the impact of demonetisation. The Company has also created an additional provision (over and above RBI's guidelines) based on the occurrence of certain events which will be periodically reviewed for adequacy based on predefined trigger events.

Other expenses

The operating expenses represented 17.1% and 18.6% of the total expenses for FY17 and FY16, respectively. These expenses increased by 30.8% from ₹28.81 crores in FY16 to ₹37.69 crores in FY17, due to normal inflationary effects, new branch expansions and increased investments in IT.

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 of 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 that 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 function 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")

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

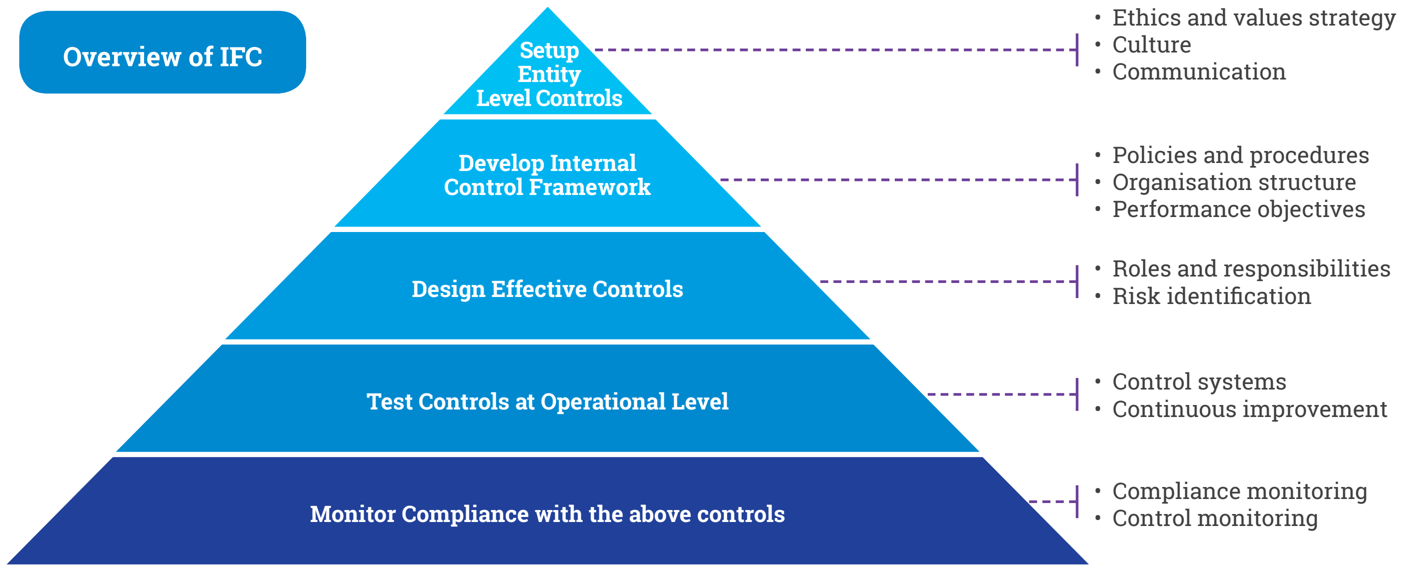
- Orderly and efficient conduct of business,
- Adherence to Company policies,
- Prevention detection of frauds and errors,
- Safeguarding of assets,
- Accuracy and completeness of accounting records, and
- Timely preparation of reliable financial information.

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

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.



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 has been increased from 132 to 201 and States from seven to 12 in FY17 compared to FY15. The provisioning norms adopted by the Company are more stringent than RBI's requirements. And we believe that Vistaar's NPA levels are 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 that 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. 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. Company's Board of Directors constitutes professionals having vast experiences in various sectors and Companies and constitutes of nine members, including three independent directors. There is a well-established set of policies and procedures laid out across departments and levels that helps in smooth functioning of the business.
Competition from unorganised sector, new entrants and diversification by existing financial institutions	Over the past seven 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, Challenges, Opportunities and Threats)

Strengths & Opportunities

- **Expertise in the MSME space with focus on rural and semi-urban areas:** The customer segment which the Company is serving do not have access to credit from the mainstream sources such as Banks and large NBFCs due to their conventional underwriting and credit approval processes and hence they have to rely on the unorganised sector. Vistaar, over the past seven 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 MD&A section 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 seven 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, a large 72% of the total MSME business units constitute Vistaar's target segment.

- **Experienced leadership – Board, Founders 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 founders are management professionals backed by the 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 that 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 and always results in a big loss in the country GDP levels. Majority of the customer segment 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.

Chandrashekhar Bhaskar Bhave

Mr. C.B. Bhave has over 41 years of vast experience in regulatory and financial services sector. He is a 1975 batch IAS officer. He worked in different positions in the Central and State Governments and also won awards from the Government of Maharashtra for his outstanding work in the area of family welfare and excellence in administration. He then worked in Securities and Exchange Board of India (SEBI) as a Senior Executive Director from 1992-1996, helping create the regulatory infrastructure for Indian capital markets. Mr. Bhave took voluntary retirement from the IAS to set up the National Securities Depository Limited (NSDL), the first depository, in 1996 and was its Chairman and Managing Director from 1996 to 2008. Mr. Bhave worked as the Chairman of SEBI, India's capital market regulator, from 2008 to 2011. During this time, he was also the Chairman of the Asia-Pacific regional Committee and a member of the Technical and Executive Committees of the International Organization of Securities Commissions (IOSCO). He was responsible for revolutionising the Indian capital market by getting market players to accept the new system of dematerialised shares and debentures.

Mr. Bhave is currently a member of the Board of the Public Interest Oversight Board (PIOB), which is a not-for- profit foundation registered in Madrid, Spain. He is also a trustee of the IFRS foundation based in London and a member of the Regulatory Committee of Abu Dhabi Global Markets.

Mr. Bhave has a bachelor's degree in Electrical Engineering from Jabalpur Engineering College

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

Mr. 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

Mr. 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

Mr. 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.

Ash Lilani is a Board member at the American Indian 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

Mr. Chadha is a Co-founder and Managing Director of 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.

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

Mr. 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

Mr. Hegde is the Executive Vice Chairman of 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

Mr. Nishtala is the Managing Director & Chief Executive Officer of 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.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Audited Accounts of the Company for the year ended 31st March 2017.

We are happy to inform you that the Company has performed well with respect to business and growth. The Profit After Tax (PAT) for FY17 is Rs.33.39 crores. Assets Under Management (AUM) during the same period increased to Rs. 1,124 crores as against Rs. 844 Crores in FY16 with 43% growth in new customer outreach.

Business Developments

Your Company has a total of 201 branches as on 31st March 2017, 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 Rs. 670 crores.

The Company has expanded geographically adding 04 branches during the year. 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 33 lenders across Banks, Financial Institutions and Overseas Development Financial Institutions, including six new lenders added during the year.

Operational Overview

Description	31 March 2017	31 March 2016
No. of Active Customers	79,361	78,780
No. of states	12	12
No. of Branches	201	198
Asset Under Management (AUM)* (Rs. crores)	1,124	844
Total Disbursements (Rs. crores)	670	600
Profit Before Taxes (Rs. crores)	50.46	38.83
Gross NPA on AUM (in %) (As per Company policy)	3.28%	2.35%
Gross NPA on AUM (in %) (As per RBI norms)	2.72%	1.92%

* AUM includes both Own and Managed portfolios

Particulars	31 March 2017 (Rs. in crores)	31 March 2016 (Rs. in crores)
Total Revenue	271.17	194.05
Total Expenditure	182.96	143.64
Profit before depreciation and provisions & write off	**88.21**	**50.41**
Depreciation	4.72	2.97
Provision & write off	33.03	8.30
Profit before tax	**50.46**	**38.83**
Provision for tax	17.07	13.91
Profit after tax	**33.39**	**24.92**

Your Company has constantly focused on improving its revenue and maintaining a sustainable growth. As on 31st March, 2017, the total revenue registered a growth of 40% and the PAT grew by 34% over last year.

Share Capital

During the year under review, your Company issued and allotted 7,15,926 equity shares at face value of Rs. 10 to Vistaar Employees Welfare Trust on October 07, 2016 for the purpose of granting Employee Stock Options (ESOP) to eligible employees under Employee Stock Option Plan – 2010 and Employee Stock Option Plan – 2016.

During the year under review, there was no change in authorized share capital of the Company and as on 31st March, 2017 the authorised share capital of the Company is Rs. 71.78 crores.

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 2017 stood at 2,408 with net addition of 283 employees during the year.

Amount Carried to the Statutory Reserves

Based on the financial results of the Company for the financial year 2016-17, the Board of Directors has transferred Rs. 6.68 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 2016-17 and till the date of this report, affecting the financial position of the Company.

Change in Nature of the Business (if any)

During the year under review, there was no change in the nature of business of your Company.

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	Executive Vice Chairman
Mr. Ramakrishna Nishtala	Managing Director & Chief Executive Officer
Mr. Sudesh Chinchewadi	Chief Financial Officer & Company Secretary

Subsidiary Companies

During the year under review, 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 (RBI). 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 more than 90 days. The classification and provisioning based on Management's estimates is more prudent than the classification and provision norms pursuant to Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, RBI/DNBR/2016-17/45, Master Direction DNBR. PD. 008/03.10.119/2016-17, dated September 01, 2016, (Updated as on March 09, 2017) issued by the RBI.

The gross NPA as per the policy adopted by the Company as on 31st March 2017 stood at 3.28% on own assets. However, as per RBI specified norms, the gross NPA (120 days+) is at 2.72%.

Capital Adequacy

The Capital adequacy ratio of the Company is healthy at 46.3% as of 31st March 2017 (58.2% as of 31st March 2016) as against the minimum capital adequacy requirement of 15% as prescribed by RBI.

Credit Rating

During the year under review, the Company was given a rating of A- for its borrowings from banks and Non-Convertible Debentures by ICRA Limited (ICRA) with stable outlook.

Capital Expenditure

During the year under review, the Company has spent Rs. 7.57 crores on growth capex, which includes Rs. 3.2 crores on Information Technology (hardware and software). 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 2017.

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 (ESOP)

The Company's ESOP continues with the philosophy of encouraging eligible employees and senior leaders in the Company to be partners in the growth of the organization.

The stock option granted to eligible employees operate under the Employee Stock Option Plan (ESOP) 2010 and Employee Stock Option Plan (ESOP) 2016. The disclosure required under Companies Act, 2013 is given below:

Employee Stock Option Plan (ESOP) 2010:

The total options issuable under the Employee Stock Option Plan 2010 (the 'Plan') are 21,89,437 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 within 6 months from the date of separation. Upon vesting, the employee can acquire 1 (one) equity share for every stock option.

The disclosure required under Companies Act, 2013 is given below.

Information on the option activity during the year ended 31st March 2017

	No. of options	Weighted average exercise price (In Rs.)
Options outstanding at the beginning	11,69,344	68.22
Options granted during the year	3,79,750	165.08
Options forfeited during the year	1,28,561	85.23
Options lapsed during the year	-	-
Options cancelled during the year	-	-
Options exercised during the year	12,089	76.78
Options outstanding at year end	14,08,444	92.64
Options exercisable at year end	5,02,532	58.54

Employee Stock Option Plan (ESOP) 2016:

The total options issuable under the Employee Stock Option Plan 2016 are 715,926 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 within 6 months from the date of separation. Upon vesting, the employee can acquire 1 (one) equity share for every stock option.

Information on the option activity during the year ended 31st March 2017

	No. of options	Weighted average exercise price (In Rs.)
Options outstanding at the beginning	-	-
Options granted during the year	3,66,980	151.50
Options forfeited during the year	52,400	151.50
Options lapsed during the year	-	-
Options cancelled during the year	-	-
Options exercised during the year	-	-
Options outstanding at year end	3,14,580	151.50
Options exercisable at year end	-	-

Information on Restricted Stock Units (RSU) during the year ended 31st March 2017

	No. of RSUs	Weighted average exercise price (In Rs.)
Options outstanding at the beginning	55,280	-
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	55,280	-
Options outstanding at year end	-	-
Options exercisable at year end	-	-

As per Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014 of the Companies Act, 2013, details of options granted to key managerial personnel and employees options amounting to five percent or more of options granted during the year are as below.

SI No.	Name of the Employee	No. of options granted	ESOP Plan
1	Sudesh Chinchewadi	21,000	ESOP Plan 2010
2	Srinath T K	1,20,000	ESOP Plan 2010
Total		1,41,000	

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.

Change In Directors

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

- Mr. Chandrashekhar Bhaskar Bhave was appointed as Non-Executive Chairman and Independent Director of the Company with effect from 17th November, 2016.
- Mr. Abhiram Seth, Independent Director, resigned from the Board of the Company with effect from 17th November, 2016.

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 2016-17. 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. Chandrashekhar Bhaskar Bhave, appointed as Non-Executive Chairman and Independent Director, has given the necessary declaration under Section 149, Section 164 and Section 184 of the Companies Act, 2013 and declaration on 'Fit And Proper' Criteria, as required by RBI Master Direction No. DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 (updated as on 09.03.2017). These declaration have been placed before the Board and duly taken on record.

Induction to Independent Directors

During the year under review, Mr. Chandrashekhar Bhaskar Bhave has been appointed as Non-Executive Chairman and Independent Director of the Company. The Company has conducted an induction program to familiarize the Independent Director with the Company, the nature of business and other activities of the Company.

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 Annexure 1.

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 financial year 2014-15. 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 14th February 2017. Board deliberated on various evaluation attributes indicated in the evaluation questionnaire for all the directors and after due deliberations made, an objective assessment and evaluated that all the directors in the Board have adequate expertise drawn from diverse industries and business and bring specific competencies relevant to the Company's business and operations.

The Board found that the performance of all the Directors was quite satisfactory and the functioning of the Board and its Committees were quite effective. The Board evaluated its performance as a whole and was satisfied with its performance and the composition of Independent and Non-Independent Directors.

Meeting of Independent Directors

During the period under review, a separate meeting of Independent Directors has taken place on January 17, 2017 as required under Section 149(8) read with Clause VII of Schedule IV the Companies Act, 2013.

Board Independence

Our definition of 'Independence' of Directors is derived from Section 149(6) of the Companies Act, 2013. Based on the confirmation/ disclosures received from the Directors and on evaluation of the relationships disclosed, the following Directors are Independent:

- **Mr. Chandrashekhar Bhaskar Bhave**
- **Ms. Radhika Haribhakti**
- **Mr. James Abraham**

Directors' Responsibility Statement

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

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

b) 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.

c) 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.

d) That the annual financial statements have been prepared on a going concern basis.

e) 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

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

RSV & Associates LLP, was appointed to conduct the secretarial audit of the Company for the financial year 2016-17, as required under Section 204 of the Companies Act, 2013 and Rules thereunder. The secretarial audit report for FY 2016-17 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	14,05,050
Reimbursement of expenses	28,124
Total	**14,33,174**

Imports in foreign currency	Amount (In ₹)
Capital goods (software)	1,77,271
Total	**1,77,271**

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 2016-17 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

Show Cause Notice received from Service Tax Department

Your Company has received a Show Cause Notice (SCN) from Service Tax Department consequent to audit conducted for five years from FY 2011-12 to FY 2015-16. Pursuant to the assessment, the department has raised a total demand of ₹1.90 Crores.

The Company has filed the reply to the show cause notice with Additional Commissioner/ Joint Commissioner of Service Tax, Service tax – II Commissionerate on January 9, 2017. The hearing has not taken place as of March 31, 2017.

Income Tax Department assessment order

Your Company has received assessment order from Income Tax Department in respect of assessment for FY 2013-14. Pursuant to the assessment, the department has raised a demand of ₹30.06 Lakhs being tax calculated on the notional interest on the interest free loan provided to the ESOP Trust of ₹5.08 Crores during FY 2012-13 to manage Employee Stock Option.

The above demand is being contested by the Company. An appeal has been filed with Commissioner of Income Tax (Appeals) within due date. Further, the Company has paid 15% of the demand amounting to ₹4,50,936 as pre deposit. The hearing has not taken place as of March 31, 2017.

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 Board 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:

Sr No	Requirements	Disclosure
01	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** – **Ratio** Brahmanand Hegde – 79.2x Ramakrishna Nishtala – 77.6x
02	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 – -24% Ramakrishna Nishtala – -24% Sudesh Chinchewadi – 7% The above increase is inclusive of performance based pay. Increase in fixed remuneration is ~8% for Mr. Brahmanand Hegde, ~8% for Mr. Ramakrishna Nishtala & ~9% for CFO & Company Secretary.
03	The percentage increase in the median remuneration of employees in the financial year:	During FY 2016-17, the percentage increase in the median remuneration of employees as compared to previous year was 32%. Increase in median fixed remuneration of the employees is 14%.
04	The number of permanent employees on the rolls of the Company	There were 2,408 employees as on 31st March 2017.
05	The explanation on the relationship between average increase in remuneration and Company performance:	Factors considered while recommending increase in fixed compensation: • Financial performance of the Company. • Comparison with peer companies. • Industry Benchmarking • Contribution made by the employee. • Regulatory guidelines as applicable to Managerial Personnel. The portfolio increase as compared to the previous year is ~33%. The Company had revenue growth of 40% over the previous year against which the average increase in remuneration is 12%.
06	Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company;	For FY 2016-17, the total remuneration paid to all three KMP's aggregates to approximately 0.98% of the gross revenue.
07	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.
08	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 15% for Employees other than Managerial Personnel. The decrease in managerial remuneration is due to lower variable remuneration paid in FY 2016-17 which is linked to performance metrics.
09	Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company;	**Particulars** – **% of gross revenue for FY 2017** – **% of closing AUM for FY 2017** **Brahmanand Hegde** – **0.37%** – **0.09%** **Ramakrishna Nishtala** – **0.37%** – **0.09%** **Sudesh Chinchewadi** – **0.23%** – **0.06%**
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:

Employee Name	Designation	Age (Years)	Education	Total experience (Years)	Date of joining	Remuneration (In Rs.)	Last employment & Position held
Jayaraman V	Executive Vice President	48	Management Graduate with a Mechanical Engineering	23	19-09-2013	82,85,683	Accenture India Private Limited, Commercial Service Delivery Lead

Management Response to the Qualification

There are no adverse remarks made by the statutory auditors and secretarial auditor in their reports. The statutory auditors have additionally reported on the disclosure in respect of amounts received in Specified Bank Notes (SBN) during the period November 9, 2016 to December 30, 2016 in accordance with the Ministry of Corporate Affairs (MCA) notification No. G.S.R. 307(E) and G.S.R. 308 (E) dated March 30, 2017 as follows

"The Company has provided disclosures in Note 29 to the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016. Based on the audit procedures performed and taking into consideration the information and explanations given to us and internal control system prevalent in the company with respect to receipts and deposits of collection from customers, in our opinion, the total receipts, total payments and total amount deposited in banks are in accordance with the books of account maintained by the Company. In the absence of sufficient appropriate audit evidence, we are unable to comment upon the appropriateness of classification between specified bank notes and other denomination notes of 'permitted receipts' and 'amount deposited in banks' to the extent of ₹3.54 Crores, as disclosed under such note".

In this regard, the Board of Directors would like to state that the Company has disclosed the required information under the above notification in the financial statements. The Company has further provided the below note in the financial statements in respect of the disclosure on the SBN.

"Consequent to the announcement to withdraw SBN, the Company had immediately stopped all transactions in SBN. The Closing balance of cash in SBN as on 08 November 2016 has been deposited by the Company subsequently. In accordance with para no.3(c)(iv) of RBI Circular DCM (plg) No. 1226/10.27.00/2016-17 dated 08 November 2016, the Company authorised banks to accept deposits from the customers directly into the Company's bank account by issuing an authorisation letter. These deposits have been disclosed as part of permitted receipts and amount deposited in banks."

"In respect of cash deposits into the Company's bank accounts, the Company has obtained confirmations from banks on the amount of deposits in SBN and other denomination notes. To the extent confirmations have been received from banks, 'Permitted receipts' have been bifurcated between SBN and other denomination notes. This constitutes ₹32.01 Crores of the total deposits.

To the extent of the remainder of the deposits amounting to ₹3.54 Crores, the required information was not made available to the Company from a few banks for suitable disclosure in the financial statements. Accordingly, the aforesaid cash deposits amounting ₹3.54 Crores have been currently disclosed as part of 'Others'."

As such, the Company has made suitable disclosures as detailed above in compliance with MCA notification No. G.S.R. 307(E) and G.S.R. 308 (E) dated March 30, 2017.

Awards and recognitions during FY2016-17

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

- **"Best Financial Reporting of the Year FY16 – Medium Business" by CMO Asia - Asia CFO Excellence Awards**
- **"Segment Leadership & Financial Inclusion" by SKOCH**
- **"IFC – Mint Strategy Award" by Mint-Institute for Competitiveness Strategy**
- **"The India CFO Award for Excellence in Finance in a Start Up" by IMA was awarded to Mr. Sudesh Chinchewadi, CFO & Company secretary of the Company**

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
Executive Vice Chairman
DIN: 02984527
Date: 15th May 2017
Place: Bengaluru

&

Ramakrishna Nishtala
Managing Director
DIN: 02949469
Date: 15th May 2017
Place: Bengaluru

Annexure 1

Form MGT - 9
EXTRACTS OF THE ANNUAL RETURN
AS ON FINANCIAL YEAR ENDED 31ST MARCH, 2017
AS PER CLAUSE A OF SUB SECTION 3 OF SECTION 134 OF THE COMPANIES ACT, 2013.

I. Registration and Other Details:

i	CIN (Corporate Identification Number)	:	U67120KA1991PTC059126
ii	Registration Date	:	04-Sep-1991
iii	Name of the Company	:	Vistaar Financial Services Private Limited
iv	Category/Sub category of the Company	:	Non-Banking Financial Services
v	Address of the Registered Office and contact details	:	Plot No. 59 & 60-23, 22nd Cross, 29th Main BTM Layout, 2nd Stage, Bengaluru – 560076
Vi	Whether listed Company	:	No (Only Non-Convertible Debentures are listed)
vii	Name, Address and Contact details of Registrar or Transfer Agent, if any	:	Link Intime India Private Limited Contact Person: Mr. Ganesh Jadhav Link Intime India Pvt. Ltd C 101, 247 Park, L.B.S.Marg, Vikhroli (West), Mumbai - 400083 Tel: +91 22 49186000 ~ Fax: +91 22 49186060 Email: mumbai@linkintime.co.in

I. 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 (%)
01	Financial Services	64920	97.94%

I. Particulars of Holding, Subsidiary and Associate Companies:

SI. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary or Associates	Percentage of share held	Applicable Section
01	WestBridge Crossover Fund, LLC	-	Holding Company	52.71%	Sub-Section 46 of Section 2 of Companies Act, 2013

I. 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	-	45,94,866	45,94,866	50.75%	38,36,500	35,280	38,71,780	39.63%	(11.12%)
Central Govt	-	-	-	-	-	-	-	-	-
State Govt(s)	-	-	-	-	-	-	-	-	-
Bodies Corp.	-	-	-	-	-	-	-	-	-
Banks / FI	-	-	-	-	-	-	-	-	-
Any Other….	-	-	-	-	-	-	-	-	-
Sub Total	**-**	**45,94,866**	**45,94,866**	**50.75%**	**38,36,500**	**35,280**	**38,71,780**	**39.63%**	**(11.12%)**
2) Foreign									
NRIs-Individuals									
Other–Individuals									
Bodies Corp.									
Banks / FI	-	26,21,320	26,21,320	28.95%	34,10,176	-	34,10,176	34.91%	5.95%
Any Other	-	-	-	-	-	-	-	-	-
Sub Total	**-**	**26,21,320**	**26,21,320**	**28.95%**	**34,10,176**	**-**	**34,10,176**	**34.91%**	**5.95%**
Total Shareholding of Promoters (A)		**72,16,186**	**72,16,186**	**79.70%**	**72,46,676**	**35,280**	**72,81,956**	**74.54%**	**(5.17%)**
B. Public share Holding									
1) Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	20	37	57	0.00%	20	17	37	0.00%	0.00%
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub total	**20**	**37**	**57**	**0.00%**	**20**	**17**	**37**	**0.00%**	**0.00%**
2)Non-Institutions									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-								
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	11,000	11,000	0.12%	-	2,250	2,250	0.02%	(0.10%)
ii)Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	5,71,900	5,71,900	6.32%	2,12,000	3,14,989	5,26,989	5.39%	(0.92%)
c) Others (specify) -Vistaar Employees Welfare Trust	-	12,54,211	12,54,211	13.85%	-	19,58,048	19,58,048	20.04%	6.19%
Sub total	**-**	**18,37,111**	**18,37,111**	**20.30%**	**2,12,000**	**22,75,287**	**24,87,287**	**25.46%**	**5.17%**
Total Public shareholding (B)	**20**	**18,37,148**	**18,37,168**	**20.30%**	**2,12,020**	**22,75,304**	**24,87,324**	**25.46%**	**5.17%**
C. Shares held by custodians for GDR's and ADR's									
Grand total (A+B+C)	**20**	**90,53,334**	**90,53,354**	**100.00%**	**74,58,696**	**23,10,584**	**97,69,280**	**100.00%**	**0.00%**

- **Shareholding of Promoters:**

Sl. No	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year		% of Shares Pledged / encumbered to total shares	% change in shareholding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company		
1	Brahmanand Hegde	22,97,433	3.21%	-	19,35,890	2.68%	-	(0.53%)
2	Ramakrishna Nishtala	22,97,433	3.21%	-	19,35,890	2.68%	-	(0.53%)
3	WestBridge Crossover Fund, LLC	2,94,36,765	41.12%	-	3,81,15,750	52.71%	-	11.59%

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

Sl. No	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of shares	% of total shares of the company
1	At the beginning of the year	3,40,31,631	47.54%	-	-
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):	-	-	79,55,899	10.53%
3	At the end of the year			4,19,87,530	58.07%

Details of increase and decrease in the Promoters Shares

Share Transfer Details				
Date of Transfer of Shares	No. shares	Type of shares	Transferred From	Transferred To
20-May-16	28,500	Equity	Susarla Suryanarayana Murty	WestBridge Crossover Fund, LLC
20-May-16	28,500	Equity	Samanthapudi Srinivasa Raju	WestBridge Crossover Fund, LLC
20-May-16	8,750	Equity	Prashant Bhattacharya	WestBridge Crossover Fund, LLC
30-Sep-16	20	Class A Equity	Sarva Capital, LLC	WestBridge Crossover Fund, LLC
30-Sep-16	42,74,702	CCPS	Sarva Capital, LLC	WestBridge Crossover Fund, LLC
30-Sep-16	36,15,427	CCPS	ICP Holdings – I	WestBridge Crossover Fund, LLC
07-Oct-16	3,61,543	Equity	Brahmanand Hegde	WestBridge Crossover Fund, LLC
07-Oct-16	3,61,543	Equity	Ramakrishna Nishtala	WestBridge Crossover Fund, LLC

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

Sl. No	Top 10 Shareholders	Shareholding at the beginning of the year		Increase/Decrease during the year			Cumulative Shareholding during the year	
		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	Elevar Equity Mauritius	1,09,09,884	15.24%	-	-	-	1,09,09,884	15.09%
2	ON Mauritius	93,18,492	13.02%	-	-	-	93,18,492	12.89%
3	ICP Holdings I	79,87,814	11.16%	Refer Note -2	Transfer	36,15,427	43,72,387	6.05%
4	Vistaar Employees Welfare Trust	44,87,169	6.27%	Refer Note-1 & Note-2	Allotment & Transfer	7,15,926 & 12,089	51,91,006	7.18%
5	Sarva Capital, LLC	42,74,722	5.97%	Refer Note -2	Transfer	42,74,742	-	-
6	Sudesh Chinchewadi	1,20,080	0.17%	-	-	-	1,20,080	0.17%
7	Sankar Sastri	1,17,650	0.16%	-	-	-	1,17,650	0.16%
8	Prashant Gokhale	71,250	0.10%	Refer Note -2	Transfer	5,500	76,750	0.11%
9	Anand Gokhale	57,000	0.08%	-	-	-	57,000	0.08%
10	Mahesh S G	45,000	0.06%	-	-	-	45,000	0.06%

Note – 1

Share Allotment Details			
Date of Allotment of Shares	No. shares	Type of shares	To
07-Oct-16	7,15,926	Equity	Vistaar Employees Welfare Trust

Note – 2

Share Transfer Details				
Date of Transfer of Shares	No. shares	Type of shares	Transferred From	Transferred To
30-Sep-16	20	Class A Equity	Sarva Capital, LLC	WestBridge Crossover Fund, LLC
30-Sep-16	42,74,702	CCPS	Sarva Capital, LLC	WestBridge Crossover Fund, LLC
30-Sep-16	36,15,427	CCPS	ICP Holdings - 1	WestBridge Crossover Fund, LLC
28-Jan-17	12,089	Equity	Vistaar Employees welfare Trust	Lekshmi Bhargavi
31-Mar-17	5,500	Equity	Akshintala Balarama Krishna	Prashant Gokhale

Shareholding of Directors and Key Managerial Personnel:

Sl. No	Top 10 Shareholders	Shareholding at the beginning of the year		Increase/Decrease during the year			Cumulative Shareholding during the year	
		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	Brahmanand Hegde	22,97,433	3.21%	07-Oct-16	Transfer	3,61,543	19,35,890	2.68%
2	Ramakrishna Nishtala	22,97,433	3.21%	07-Oct-16	Transfer	3,61,543	19,35,890	2.68%
3	Sudesh Chinchewadi	1,20,080	0.17%	-	-	-	1,20,080	0.17%

- **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	3,99,54,18,314	-	-	3,99,54,18,314
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	6,99,51,275	-	-	6,99,51,275
Total (i+ii+iii)	**4,06,53,69,589**	**-**	**-**	**4,06,53,69,589**
Change in Indebtedness during the financial year	**-**	**-**	**-**	**-**
- Addition	4,95,59,60,442	-	-	4,95,59,60,442
- Reduction	1,93,68,73,483	-	-	1,93,68,73,483
Net Change	**3,01,90,86,959**	**-**	**-**	**6,89,28,33,925**
Indebtedness at the end of the financial year	**-**	**-**	**-**	**-**
i) Principal Amount	6,93,59,29,637	7,85,75,636	-	7,01,45,05,273
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	8,52,19,026	-	-	8,52,19,026
Total (i+ii+iii)	**7,02,11,48,663**	**7,85,75,636**	**-**	**7,09,97,24,299**

Remuneration of Directors and Key Managerial Personnel

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

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	85,80,404	84,10,352	1,69,90,756
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	39,600	39,600	79,200
	(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)	**86,20,004**	**84,49,952**	**1,70,69,956**
	Ceiling as per the Act	**Not Applicable**	**Not Applicable**	**Not Applicable**

- **Remuneration to other directors:**

Sl. No	Particulars of Remuneration	Abhiram Seth	C B Bhave	Radhika Haribhakti	James Abraham	Total Amount (in Rs.)
	Independent Directors					
	- Fee for attending board / committee meetings	1,70,000	80,000	1,05,000	2,05,000	5,60,000
	-Commission	-	-	-	-	-
	- Others, (Director Fee)	5,00,000	-	-		-
	Other Non-Executive Directors	-	-	-		-
	-Fee for attending board / committee meetings	-	-	-		-
	- Commission	-	-	-		-
	- Others, please specify	-	-	-		-
	Total (B)=(1+2)	**6,70,000**	**80,000**	**1,05,000**	**2,05,000**	**10,60,000**
	Total Managerial Remuneration	**6,70,000**	**80,000**	**1,05,000**	**2,05,000**	**10,60,000**
	Overall Ceiling as per the Act	**Not Applicable**	**Not Applicable**	**Not Applicable**	**Not Applicable**	**Not Applicable**

• **Remuneration to Key Managerial Personnel Other than MD/Manager/WTD:**

Sl. No	Particulars of Remuneration	CFO & Company Secretary	Total
1	**Gross salary**	(Amt in Rs.)	(Amt in Rs.)
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	62,20,695	**62,20,695**
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	32,400	**32,400**
	(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	**62,53,095**	**62,53,095**

• **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)
• **Company**					
Penalty			None		
Punishment			None		
Compounding			None		
• **Directors**					
Penalty			None		
Punishment			None		
Compounding			None		
• **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
Executive Vice Chairman
DIN: 02984527
Date: 15th May, 2017
Place: Bengaluru

Ramakrishna Nishtala
Managing Director
DIN: 02949469
Date: 15th May, 2017
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 2017

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

We 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 us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our 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, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March 2017 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:

We, 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 2017 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.

(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, 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.

We, 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.

We 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 notices were 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. However no such instance during the year under review.

We 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.

We further report that during the audit period:

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

Sl. No	Date of Allotment	Descriptions of the securities	Name of the Allottees	Number of securities Allotted	Face Value of each Security
1	27th July 2016	Rated, Secured, listed, Redeemable, non convertible, Debentures	UTI International Wealth Creator 4	680	Rs.10,00,000/-
2	7th October 2016	Equity shares of Rs. 10 each	Vistaar Employees Welfare Trust	7,15,926	Rs.10/-
3	30th November 2016	Rated, Secured, listed, Redeemable, non convertible, Debentures	Reliance Regular Saving Fund – Debt Option	750	Rs.10,00,000/-
4	6th January 2017	Rated, Secured, listed, Redeemable, non convertible, Debentures	Reliance Regular Saving Fund – Debt Option	500	Rs. 10,00,000/-

(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 except passing special resolution authorizing Board to borrow money.

(iv) No Merger / amalgamation / reconstruction took place during the Audit Period.

(v) No Foreign technical collaborations took place during the Audit period.

RSV & Associates LLP
Company Secretaries

Sd/-
Vinayak Hegde
Partner
M. No: 28093
CP. No: 11880
Date: 15th May 2017
Place: Bangalore

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

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: • 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; • training, providing and supporting educational needs of the underprivileged segments of society; and • such other activities as may be permitted under Schedule VII of the Companies Act, 2013 and the relevant rules. **Web- link to the CSR policy:** **http://vistaarfinance.com/legal.htm**l
2. The Composition of the CSR Committee	• **Mr. Chandrashekhar Bhaskar Bhave** – Chairman & Independent Director • **Mr. Sandeep Farias** – Nominee Director • **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	**₹24.18 Crores**
4. Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above)	**₹48.36 Lakhs**
5. Details of CSR spent during the financial year a) Total amount to be spent for the financial year b) Amount unspent, if any; c) Manner in which the amount spent during the financial year is detailed below	 ₹48.36 Lakhs ₹27.63 Lakhs. This amount pertains to Financial Year 2015-16 and 2016-17 –

(In Rupees)

01	02	03	04	05	06	07	08
Sl. No	CSR project or activity identified.	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or Programs were undertaken	Amount outlay (budget) project or program wise	Amount spent on the projects or programs Sub heads: (1)Direct expenditure (2)Overheads	Cumulative expenditure up to the reporting period	Amount spent direct or through implementing agency
01	Project 'Belagu' is to empower teachers & heads in Government primary or secondary schools to address some of the key issues & help schools to become better places for learning.	Education	Rural places in Karnataka	20 Lakhs	Direct Expenditure	10 Lakhs	Through implement agency
	TOTAL	-	-	**20 Lakhs**	-	**10 Lakhs**	-

Details of implementing agency:

The Company has tied up with Shraddha Trust, a registered trust based in Bengaluru which runs professional training and school improvement programs under the banner of 'The Teacher Foundation', a training and resource centre. The Company has committed a sum of Rs. 20 Lakhs for the CSR program. A sum of Rs. 10 Lakhs is already spent in FY 2016-17.

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 has started its maiden CSR activity in FY 2016-17 and has committed Rs. 20 Lakhs for the development and improvement of the education sector in rural parts of Karnataka. • The Company and CSR Committee are working on the course of action and best possible way of spending the balance amount (Calculated as per the CSR Rules) and to focus on the key area which will bring maximum value addition to the community at large.
A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.	The CSR Committee confirms that the implementation and monitoring of the CSR Policy is in compliance with the CSR Objectives and policy of the Company.

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

Brahmanand Hegde **Executive Vice Chairman** **DIN: 02984527**	**Ramakrishna Nishtala** **Managing Director** **DIN: 02949469**
Date: 15th May 2017 **Place: Bengaluru**	**Date: 15th May 2017** **Place: Bengaluru**

CORPORATE GOVERNANCE REPORT

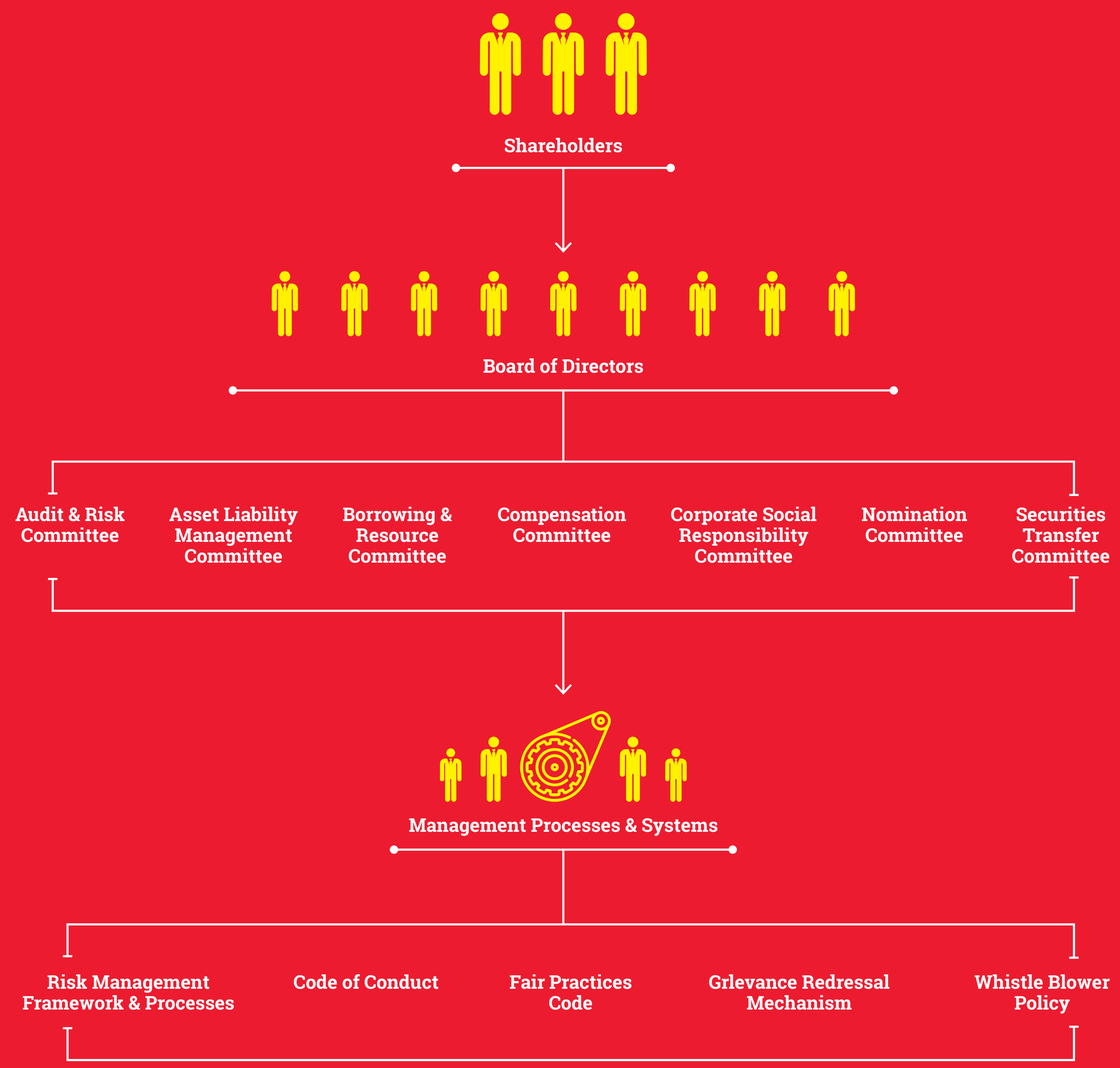
CORPORATE GOVERNANCE PHILOSOPHY

The Company is committed to ensure high standards of transparency and accountability in all its activities. A strong reporting system was developed right at the start after carefully understanding the requirements of different stakeholders for operational and financial information. This system is continuously upgraded over time and has helped us meet stakeholders' expectations consistently. Transparent communication is the most important element in this process, as is the adherence to the highest possible standards of disclosure and transparency. Despite being a private company, we voluntarily chose to adhere to strict compliance and governance practices. Our disclosures and the majority of compliances are in-line with those of listed companies. The Company adheres to all principles of corporate governance in its true spirit and at all times.

The approach of the Company has always been to create such eco-system which addresses the customer needs and achieves business objectives at the same time. Our high standards in governance and disclosures are well recognised which has been proven by the fact that we have won awards for 'Best Financial Reporting - Medium Business' by CMO Asia - Asia CFO Excellence Awards for the last two financial years in a row.

CORPORATE GOVERNANCE FRAMEWORK

Active participation of the Board and management in building strong governance and compliance frameworks bring in the necessary alignment and accountability.



BOARD OF DIRECTORS

The Board is composed of individuals whose knowledge, background, experience and judgment are valuable to the Company, with the ability to provide advice to management. The fundamental role of the members of the Board is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders.

The Board consists of 9 Directors as on 31st March, 2017. All Independent Directors possess requisite qualifications and are very experienced in their respective fields. Necessary disclosures have been obtained from all the directors regarding their directorship and have been taken on record by the Board.

BOARD & COMMITTEE MEETINGS AND ATTENDANCE

The Board met six times during the financial year 2016-17. The Board of Directors had met with a gap not exceeding the minimum gap of one hundred and twenty days between two meetings, as per the provisions of the Companies Act, 2013. The dates of the Board meetings are fixed after taking into account the convenience of all the Directors and sufficient notice is given to them. All the information required for decision making are incorporated in the agenda and those that cannot be included in the agenda are tabled at the meeting.

The details of Board & Committee meetings and Directors' attendance during the financial year 2016-17 are as follows:

Board/Committee Meetings	No. of Meetings held during FY 2016-17
Board Meetings	06
Audit & Risk Committee	04
Asset Liability Management Committee	04
Borrowing & Resource Committee	17
Corporate Social Responsibility (CSR) Committee	02
Compensation Committee	02
Nomination Committee	04
Securities Transfer Committee	08

Particulars of Board meetings

Particulars	Dates of Meetings held
Meeting of Board of Directors	• 26 April, 2016 • 20 May, 2016 • 08 August, 2016 • 01 September, 2016 • 17 November, 2016 • 14 February, 2017

PARTICULARS OF COMMITTEE MEETINGS

Name of Committee	Dates of Meetings held
Audit & Risk Committee	• 20 May, 2016 • 31 August, 2016 • 17 November, 2016 • 13 February, 2017
Asset Liability Management Committee	• 20 May, 2016 • 31 August, 2016 • 17 November, 2016 • 13 February, 2017
Borrowing & Resource Committee	• 11 April, 2016 • 03 May, 2016 • 10 June, 2016 • 23 June, 2016 • 18 July, 2016 • 22 August, 2016 • 06 September, 2016 • 23 September, 2016 • 29 September, 2016 • 19 October, 2016 • 03 November, 2016 • 14 November, 2016 • 22 December, 2016 • 30 December, 2016 • 21 February, 2017 • 28 February, 2017 • 17 March, 2017
Compensation Committee	• 20 May, 2016 • 13 February, 2017
Corporate Social Responsibility Committee	• 31 August, 2016 • 19 January, 2017
Nomination Committee	• 20 May, 2016 • 31 August, 2016 • 17 November, 2016 • 13 February, 2017
Securities Transfer Committee	• 20 May, 2016 • 17 June, 2016 • 30 September, 2016 • 07 October, 2016 • 15 November, 2016 • 28 January, 2017 • 25 March, 2017 • 31 March, 2017

ATTENDANCE

Name	Nature of Directorship	Board	Nomination	Borrowing & Resource	CSR	Compensation	Audit & Risk	Asset Liability Management	Securities Transfer
Chandrashekhar Bhaskar Bhave*	Non-Executive Chairman & Independent Director	2/6	NA	NA	1/2#	1/2#^	1/4#	NA	NA
Abhiram Seth**	Independent Director	4/6	NA	NA	0/2	1/2	2/4	NA	NA
Radhika Haribhakti	Independent Director	2/6	2/4	NA	NA	NA	NA	2/4	NA
James Abraham	Independent Director	4/6	NA	NA	NA	1/2	3/4	2/4	NA
Brahmanand Hegde	Executive Vice Chairman	6/6	4/4	17/17	2/2	NA	4/4	4/4	8/8
Ramakrishna Nishtala	Managing Director & CEO	6/6	NA	13/17	NA	NA	4/4	4/4	7/8
Sandeep Farias	Nominee Director	3/6	NA	16/17	1/2	1/2	NA	NA	8/8
Ashit R Lilani	Nominee Director	5/6	NA	NA	NA	0/2	NA	NA	NA
Badri Pillapakkam	Nominee Director	5/6	NA	NA	NA	NA	4/4	4/4	NA
Sumir Chadha	Nominee Director	4/6	4/4	NA	NA	2/2	NA	NA	NA

*Mr. Chandrashekhar Bhaskar Bhave has been appointed as Non-Executive Chairman & Independent Director with effect from 17 November, 2016

**Mr. Abhiram Seth resigned from the Board with effect from 17 November, 2016

#Mr. Chandrashekhar Bhaskar Bhave became a member of the Committee with effect from 17 November, 2016

^Mr. Chandrashekhar Bhaskar Bhave resigned from Compensation Committee with effect from February 14, 2017

PROFILE

The profile of all the Directors of the Company are available in the Company's website, viz. www.vistaarfinance.com/team.html, as well as from page no. 38 of this annual report

ANNUAL GENERAL MEETING AND SHAREHOLDERS' MEETINGS

The details of the Annual General Meetings / Extraordinary General Meeting held during the year ended 31st March, 2017 are as follows.

General Body Meeting	Date, Time & Venue	No. of Special Resolution passed
Extraordinary General Meeting	23 May, 2016 at 10:00 am at the registered office: Plot No 59 & 60 - 23, 22nd Cross, 29th Main, BTM Layout, 2nd Stage, Bengaluru – 560076	4
Annual General Meeting	15 June, 2016 at 11:00 am at the registered office: Plot No 59 & 60 - 23, 22nd Cross, 29th Main, BTM Layout, 2nd Stage, Bengaluru – 560076	2
Extraordinary General Meeting	13 December, 2016 at 11:00 am at the registered office: Plot No 59 & 60 - 23, 22nd Cross, 29th Main, BTM Layout, 2nd Stage, Bengaluru – 560076	1

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

BOARD COMMITTEES

In order to have a more focused attention on the affairs of the Company, the Board has formed various committees. These Committees prepare the groundwork for decision making and report at the subsequent Board Meeting. As of March 31, 2017, the Company has the following committees of the Board of Directors:

- Audit & Risk Committee
- Asset Liability Management Committee
- Borrowing & Resource Committee
- Compensation Committee
- Corporate Social Responsibility Committee
- Nomination Committee
- Securities Transfer Committee

AUDIT & RISK COMMITTEE

This Committee provides oversight of the Company's accounting and financial reporting processes and the audit of the Company's financial statements and assists the Board in oversight of (1) the Company's compliance with legal and regulatory requirements; (2) the integrity of the Company's financial statements; (3) the independent auditor's qualifications, independence and performance; (4) the Company's internal accounting and financial controls; and (5) Internal Controls over Financial Reporting (ICFR).

Members

- **Mr. James Abraham**
  - Independent Director & Chairman of the Committee
- **Mr. Chandrashekhar Bhaskar Bhave**
  – Independent Director
- **Mr. Badri Pillapakkam**
  – Nominee Director
- **Mr. Brahmanand Hegde**
  – Executive Director (Permanent Invitee)
- **Mr. Ramakrishna Nishtala**
  – Executive Director (Permanent Invitee)

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

ASSET LIABILITY MANAGEMENT COMMITTEE

This Committee supervise the Asset Liability gap and interest rate structures to address liquidity and interest rate risks. The Committee is responsible for supervising and directing the Asset/ Liability Management policies and procedures and to decide the business strategy of the Company (on assets and liabilities sides) in line with the company's budget and decided risk management objectives.

Members

- **Ms. Radhika Haribhakti**
  - Independent Director & Chairman of the Committee
- **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

BORROWING AND RESOURCE COMMITTEE

This Committee oversee borrowing funds activity and availing any credit facilities from any Banks, financial institutions or other lenders including but not limited to securitization transactions, assignment of receivables or such other transactions as may be considered necessary from time to time. The Committee decides to open various Bank accounts in the name of the Company like Current account, Cash Credit Account, CMS Account or such other account including various services such as ECS, NEFT and internet banking facility etc. provided by the Banks for the purpose of regular day-to-day business operations of the Company and change of authorized signatories from time to time for operating the said accounts

Members

- **Mr. Brahmanand Hegde**
  – Executive Director & Chairman of the Committee
- **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

COMPENSATION COMMITTEE

This Committee reviews compensation of executive directors, key managerial personnel and other employees of the Company and frames ESOP scheme, recommend grant of ESOPs to various eligible employees of the Company. Further, the Committee supervise the administration of the ESOP scheme based on the Board's approval.

Members:

- **Mr. James Abraham**
  - Independent Director & Chairman of the Committee
- **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

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

As per Section 135 of the Companies Act, 2013, the Company had constituted a Corporate Social Responsibility (CSR) Committee of the Board to indicate the activities to be undertaken by the company as specified in Schedule VII to the Companies Act, 2013. The Committee recommend the amount of expenditure to be incurred on the CSR activities and Monitor the CSR Policy of the Company from time to time.

Members

- **Mr. Chandrashekhar Bhaskar Bhave**
  – Independent Director & Chairman of the Committee
- **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

NOMINATION COMMITTEE

This Committee identify and formulate criteria for determining qualifications, positive attributes for Board and independence of a Director. The Committee recommend to the Board, appointment and removal of Director.

Members

- **Ms. Radhika Haribhakti**
  - Independent Director & Chairman of the Committee
- **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

SECURITIES TRANSFER COMMITTEE

This Committee is constituted to review & approve transfer and transmission of securities of the Company, deletion of names from share certificates, consolidation of share certificates, change of name of member on share certificates, issue of duplicate share certificates and to review dematerialisation of shares.

Members

- **Mr. Brahmanand Hegde**
  - Executive Director & Chairman of the Committee
- **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

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.

MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER & COMPANY SECRETARY CERTIFICATION

Managing Director and Chief Financial Officer & Company Secretary has given an 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	**Ramakrishna Nishtala**
Executive Vice Chairman	**Managing Director**
DIN: 02984527	**DIN: 02949469**
Date: 15th May 2017	Date: 15th May 2017
Place: Bengaluru	Place: Bengaluru

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 2017, the Statement of Profit and Loss and 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 prescribed 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 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 thesefinancial 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 these 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 these 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 2017, 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 Section143(3) of the Act, we report that:

a. we have sought and except for the matter described in para 10(g)(iv) below, 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 statementsdealt 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 prescribed 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 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 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 on 31 March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 15 May 2017 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

i. the Company, as detailed in Note 29 to the financial statements, has disclosed the impact of pending litigations on its financial position

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

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

iv. The Company has provided disclosures in Note 29 to the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016. Based on the audit procedures performed and taking into consideration the information and explanations given to us and internal control system prevalent in the company with respect to receipts and deposits of collection from customers, in our opinion, the total receipts, total payments and total amount deposited in banks are in accordance with the books of account maintained by the Company. In the absence of sufficient appropriate audit evidence, we are unable to comment upon the appropriateness of classification between specified bank notes and other denomination notes of 'permitted receipts' and 'amount deposited in banks' to the extent of INR 35.4 million, as disclosed under such note.

For Walker Chandiok & Co LLP

Chartered Accountants
Firm's Registration No.: 001076N/N500013

per Sanjay Banthia
Partner
Membership No.: 061068

Place: Bengaluru
Date: 15 May 2017

Annexure I

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, and to the best of our knowledge and belief, 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. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.

(c) The title deeds of all the immovable properties (which are included under the head 'fixed assets') are held in the name of the Company.

(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) In our opinion,the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.

(v) In our opinion, 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
Tamil Nadu Tax on Professions, Trade Callings, and Employment's Act, 1992	Profession tax	92,265	01 April 2016 to 30 September 2016	30th September 2016	Various

(vii) (b) The dues outstanding in respect of income-tax, sales-tax, service tax, duty of customs, duty of exciseand value added tax on account of any dispute, are as follows:

Statement of Disputed Dues

Name of the statute	Nature of the dues	Amount (₹)	Amount paid under Protest (₹)	Period to which the amount relates	Forum where dispute is pending	Remarks, if any
The Income Tax Act, 1961	Income tax and interest	3,006,240	450,936	AY 2014-15	CIT (Appeals)	
Finance Act, 1994	Service tax and interest	19,149,381	Nil	FY 2011-12 to 2015-16	Commissioner of Service Tax	

(viii) 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 surplus funds which were not required for immediate utilisation have been invested in liquid investments, payable on demand.

(x) We have been informed that one employee of the Company have misappropriated cash balance amounting to ₹76,771 during the year under audit. As explained to us, the Company terminated the service of such employee and a recovery of ₹30,000 is made against the same. No fraud by the Company has been noticed or reported during the period covered by our audit.

(xi) The provisions of Section 197 of the Act read with Schedule V to the Act are not applicable to the company sincethe company is not a public company as defined under Section 2(71) of the 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 did not make preferential allotment/ private placement of shares/ fully/partly convertible debentures.

(xv) In our opinion,the company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.

(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

Place: Bengaluru
Date: 15 May 2017

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 2017, we have audited the internal financial controls over financial reporting (IFCoFR) of the Company of 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 2017, based on the framework.

For Walker Chandiok & Co LLP

Chartered Accountants
Firm's Registration No.: 001076N/N500013

per Sanjay Banthia
Partner
Membership No.: 061068

Place: Bengaluru
Date: 15 May 2017

Balance Sheet as at 31 March 2017

(All amounts in ₹ lakhs except otherwise stated)

	Notes	As at 31 March 2017	As at 31 March 2016
I. EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	6,747	6,745
Reserves and surplus	4	47,382	44,105
		54,129	50,850
Non-current liabilities			
Long-term borrowings	5	48,554	28,392
Other long-term liabilities	7	229	471
Long-term provisions	8	1,992	730
		50,775	29,593
Current liabilities			
Short-term borrowings	6	140	777
Other current liabilities	7	24,862	14,583
Short-term provisions	8	1,535	731
		26,537	16,091
		131,441	**96,534**
II. ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	9	794	494
Intangible assets	10	192	214
Capital work in progress		54	172
Intangible assets under development	11	12	51
Deferred tax assets (net)	12	1,336	508
Long-term loans and advances	13	76,822	54,021
Other non-current assets	14	951	1,566
		80,161	**57,026**
Current assets			
Cash and bank balances	15	13,323	8,289
Short-term loans and advances	13	35,811	29,242
Other current assets	14	2,146	1,977
		51,280	39,508
		131,441	**96,534**

Summary of significant accounting policies. 2

The accompanying notes form an integral part of these financial statements.

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
15 May 2017

Brahmanand Hegde
Executive Vice Chairman
DIN : 02984527
Bengaluru
15 May 2017

Ramakrishna Nishtala
Managing Director
DIN : 02949469

Sudesh Chinchewadi
CFO & Company Secretary
M.No: 16422

Statement of Profit and Loss for the period ended 31 March 2017

(All amounts in ₹ lakhs except otherwise stated)

	Notes	Year ended 31 March 2017	Year ended 31 March 2016
Income			
Revenue from operations	16	26,558	18,204
Other income	17	559	1,201
		27,117	**19,405**
Expenses			
Employee benefits expense	18	7,532	6,387
Finance costs	19	6,996	5,283
Depreciation and amortisation expense	20	472	297
Provision for loan assets	8	3,303	830
Other expenses	21	3,768	2,725
		22,071	**15,522**
Profit before tax		**5,046**	**3,883**
Tax expense			
Tax expense for earlier years		21	-
Minimum alternate tax credit for earlier years reversed		-	8
Current tax		2,328	1,682
Deferred tax (benefit)	12	(642)	(299)
		1,707	1,391
Profit for the year		**3,339**	**2,492**
Earnings per equity share [Nominal value per share ₹10 (31 March 2016: ₹10)]			
- Basic	22	42.65	32.43
- Diluted		4.79	4.04
Summary of significant accounting policies.	2		

The accompanying notes form an integral part of these financial statements.

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
15 May 2017

Brahmanand Hegde
Executive Vice Chairman
DIN : 02984527
Bengaluru
15 May 2017

Ramakrishna Nishtala
Managing Director
DIN : 02949469

Sudesh Chinchewadi
CFO & Company Secretary
M.No: 16422

Cash Flow Statement for the period ended 31 March 2017

(All amounts in ₹ lakhs unless otherwise stated)

		Year ended 31 March 2017	Year ended 31 March 2016
Cash flows from operating activities			
Profit before tax		5,046	3,883
Adjustments for:			
Depreciation and amortisation		472	297
Provision for loan assets		3,303	830
Loan assets written off		93	31
Employee stock option plan expense		10	250
Profit on sale of investments		(119)	(101)
Profit on sale of assets		(2)	-
Dividend income		(280)	(603)
Operating profit before working capital changes		**8,523**	**4,587**
Changes in working capital:			
(Increase) in loans and advances		(29,609)	(36,806)
Decrease in other assets		7	372
Increase/(decrease) in other liabilities and provisions		(1,340)	592
Cash (used in) operating activities		**(22,419)**	**(31,255)**
Income tax paid (net)		(2,435)	(1,712)
Net cash flow (used in) operating activities	**(A)**	**(24,854)**	**(32,967)**
Cash flows from investing activities			
Purchase of fixed assets		(718)	(643)
Proceeds from sale of fixed assets		8	1
Purchase of investments in mutual funds		(92,492)	(102,406)
Proceeds from sale of investments in mutual funds		92,611	102,507
Dividend income from mutual funds		280	603
Net cash flow (used in)/from investing activities	**(B)**	**(311)**	**62**
Cash flows from financing activities			
Proceeds from issue of shares including securities premium, (net)		6	24,943
Proceeds from long-term borrowings			
Proceeds of loan availed from banks		25,200	10,600
Proceeds of loan availed from others		5,060	1,969
Proceeds of loan availed from NCDs		19,300	4,200
Repayment of long-term borrowings			
Repayment of loan availed from banks		(10,732)	(4,801)
Repayment of loan availed from others		(3,749)	(4,480)
Repayment of loan availed from NCDs		(4,250)	(750)
Repayment of short-term borrowings		(637)	777
Net cash flow from financing activities	**(C)**	**30,198**	**32,458**
Net increase in cash and cash equivalents during the year (A+B+C)		**5,033**	**(447)**
Cash and cash equivalents at the beginning of the year		8,290	8,737
Cash and cash equivalents at the end of the year (refer note 15)		**13,323**	**8,290**
Note 1: Cash and cash equivalents as per note 15		**13,323**	**8,290**
		13,323	**8,290**

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
15 May 2017

Brahmanand Hegde
Executive Vice Chairman
DIN : 02984527
Bengaluru
15 May 2017

Ramakrishna Nishtala
Managing Director
DIN : 02949469

Sudesh Chinchewadi
CFO & Company Secretary
M.No: 16422

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 Finance 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 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.

i 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.

ii 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

iii Pre-closure charges are levied and accounted at the time of actual pre-closure.

iv Commission income is considered to be accrued on the basis of collection from customers an recognised accordingly.

v 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.

vi Cash profit arising at the time of securitisation/ assignment of loan portfolio (Premium loan transfer transactions) is amortised over the life of the underlying loan portfolio and the unamortised amount is disclosed as 'Cash profit on loan transfer transactions pending recognition' within 'Other liabilities' on the balance sheet. Cash loss arising on premium loan transfer transactions are accounted for immediately in the Statement of profit and loss.

The contractual right retained by the Company to receive a portion of interest ('Unrealised profits') arising at the time of securitization/ assignment of loan portfolio (Portfolio at Risk - Excess Interest Spread ('PAR-EIS') loan transfer transactions) is recorded at its present value and disclosed as 'Receivables on assigned/ securitisation' within 'Other assets" on the balance sheet.

In accordance with RBI guidelines, the unrealised profits in respect of securitised/ assigned loan portfolio that is not due for collection is recorded at its present value and disclosed as 'Advance income on securitisation/assignment of loans' within 'Other liabilities" on the balance sheet.

vii 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.

viii 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 assets is as follows:

Asset Category	Estimated useful life as per management (Years)	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. Grants received for expenses are taken to the statement of Profit or Loss.

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 from the date in which such investments are made 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. 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 is 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 year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a right issue to existing shareholders, share splits, and reverse splits (consolidation of shares).

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 dilutive 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 for the purpose of cash flow statement 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 Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, RBI/DNBR/2016-17/45, Master Direction DNBR. PD. 008/03.10.119/2016-17, dated September 01, 2016, (Updated as on March 09, 2017) issued by the RBI.

Small Business Hypothecation Loans ***Period outstanding***	**Provision**
Not overdue or overdue for less than 91 days	-
Overdue for 91 days or more but less than 181 days (sub-standard assets)	50 percent

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

Small Business Mortgage Loans ***Period outstanding***	**Provision**
Not overdue or overdue for less than 91 days	-
Overdue for 91 days and more but less than 181 days (substandard assets)	10 percent
Overdue for 181 days and more but less than 361 days (sub-standard assets)	20 percent
Overdue for 361 days or more but less than 541 days (sub-standard assets)	50 percent
Overdue for 541 days or more but less than 721 days (Doubtful assets)	50 percent

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

The Company has created an additional provision in the books of accounts based on the occurrence of certain events. Such provision is over and above the provisioning policy adopted, thereby accelerating the effective provision percentages in the categories defined above. i.e., SBHL (~50 percent) and SBML (ranging between 10 percent and 80 percent) of the loans outstanding as at 31st March 2017. Such additional provision created is periodically reviewed for adequacy based on predefined trigger events.

The Company had a policy of writing off of SBHL that are outstanding for greater than or equal to 545 days and SBML that are outstanding for greater than or equal to 1085 days up to October 31, 2016.

From November 1, 2016, the Company has a policy of writing off of SBHL that are outstanding for more than 180 days and SBML that are outstanding for more than 720 days.

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.

s. Transaction cost

Transaction costs (including loan origination costs) are incremental costs that are directly attributable to the acquisition of share capital and financial liabilities. Transaction cost includes fees paid to advisors and levies by regulatory agencies, including taxes and duties. Transaction costs incurred towards:

i Issuance of share capital and debentures is taken to the securities premium account of the Company

ii Acquisition of borrowings is expensed to the Statement of Profit and Loss on a straight line basis over the term of the borrowing.

3 Share capital	As at 31 March 2017	As at 31 March 2016
Authorised		
11,449,980 (31 March 2016: 11,449,980) equity shares of ₹10 each	1,145	1,145
500 (31 March 2016: 500) Class A equity shares of ₹10 each	0	0
60,000,000 (31 March 2016: 60,000,000) Compulsorily convertible preference shares of ₹10 each	6,000	6,000
3,300,000 (31 March 2016: 3,300,000) Class A compulsorily convertible preference shares of ₹1 each	33	33
	7,178	**7,178**
Issued, subscribed and paid-up		
9,769,220 (31 March 2016: 9,053,294) equity shares of ₹10 each, fully paid-up	977	905
Less : Amount recoverable from the ESOP trust [face value of 1,932,248 shares (31 March 2016: 1,228,411 shares) allotted to the ESOP trust] (refer note 3e)	193	123
	784	**782**
60 (31 March 2016: 60) Class A equity shares of ₹10 each, fully paid-up	0	0
59,306,300 (31 March 2016: 59,306,300) Compulsorily convertible preference shares of ₹10 each, fully paid-up	5,931	5,931
3,232,958 (31 March 2016: 3,232,958) Class A compulsorily convertible preference Shares of ₹1 each, fully paid-up	32	32
	6,747	**6,745**

	As at 31 March 2017		As at 31 March 2016	
	Number	**Amount**	**Number**	**Amount**
a) Reconciliation of share capital (equity)				
Balance at the beginning of the year	9,053,294	905	9,053,294	905
Add : Issued during the year	715,926	72	-	-
	9,769,220	**977**	**9,053,294**	**905**
Less : Amount recoverable from the ESOP trust [face value of 1,932,248 shares (31 March 2016: 1,228,411 shares) allotted to the ESOP trust] (refer note 29)	1,932,248	193	1,228,411	123
Balance at the end of the year	**7,836,972**	**784**	**7,824,883**	**782**
Reconciliation of share capital (Class A equity)				
Balance at the beginning of the year (₹600 (31 March 2016: ₹600)	60	0	60	0
Add : Issued during the year	-	-	-	-
Balance at the end of the year	**60**	**0**	**60**	**0**
Reconciliation of share capital (Compulsorily convertible preference shares)				
Balance at the beginning of the year	59,306,300	5,931	42,237,958	4,224
Add : Issued during the year	-	-	17,068,342	1,707
Balance at the end of the year	**59,306,300**	**5,931**	**59,306,300**	**5,931**
Reconciliation of share capital (Class A compulsorily convertible preference shares)				
Balance at the beginning of the year	3,232,958	32	-	-
Add : Issued during the year	-	-	3,232,958	32
Balance at the end of the year	**3,232,958**	**32**	**3,232,958**	**32**

3 Share capital (Cont'd)

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), except interim dividend.

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') :

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') :

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 percent 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 as defined in the share holders agreement.

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 percent shares

	As at 31 March 2017		As at 31 March 2016	
	Percent of shareholding	No. of shares	Percent of shareholding	No. of shares
Equity shares				
Mr. Brahmanand Hegde	19.82	1,935,890	25.38	2,297,433
Mr. Ramakrishna Nishtala	19.82	1,935,890	25.38	2,297,433
Westbridge Crossover Fund LLC	34.91	3,410,153	28.95	2,621,317
Class A Equity shares				
Sarva capital LLC (formerlly Lok capital LLC)	0.00	-	33.33	20
ON Mauritius	28.33	17	28.33	17
Elevar Equity Mauritius	26.67	16	26.67	16
ICP Holdings I	6.67	4	6.67	4
Westbridge Crossover Fund LLC	38.33	23	5.00	3
Compulsorily Convertible Preference Shares				
Westbridge Crossover Fund LLC	58.52	34,705,574	45.22	26,815,445
Elevar Equity Mauritius	18.40	10,909,868	18.40	10,909,868
ON Mauritius	15.71	9,318,475	15.71	9,318,475
ICP Holdings I	7.37	4,372,383	13.47	7,987,810
Sarva capital LLC (formerlly Lok capital LLC)	0.00	-	7.20	4,274,702
Class A Compulsorily Convertible Preference Shares				
Vistaar Employee Welfare Trust	100.00	3,232,958	100.00	3,232,958

d. The Company has not allotted any bonus shares in the five years immediately preceding 31 March 2017. The Company has not bought back equity shares during five years immediately preceding 31 March 2017, nor has it issued any share for consideration other than cash.

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 various employee stock option schemes. The Company has issued over the years 2,163,637 equity shares to the ESOP Trust. These shares were issued at fair value. 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 24).

f. For details of equity shares reserved for issuance under the ESOP plan of the Company, refer note 24.
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

	As at 31 March 2017	As at 31 March 2016
Statutory reserve u/s 45(IC) of the RBI Act, 1934		
Balance at the beginning of the year	819	321
Add: Transferred from the Statement of Profit and Loss	668	498
	1,487	**819**
Securities premium		
Balance at the beginning of the year	40,888	17,575
Add: Premium on issue of equity shares/CCPS	1,013	23,293
Add: Transferred from employee share option outstanding	28	109
Less: Expenses incurred on issuance of CCPS and NCDs	(75)	(89)
	41,854	40,888
Less: Amount recoverable from the ESOP Trust (refer note 3e and 13)	(1,318)	(309)
	40,536	**40,579**
Share options outstanding account		
Balance at the beginning of the year	232	91
Add: Share based compensation for the year (refer note 18)	10	250
Less: Transferred to securities premium*	(28)	(109)
	214	**232**
Surplus / (Deficit) in the Statement of Profit and Loss		
Balance at the beginning of the year	2,475	481
Add: Profit for the year	3,339	2,492
Less: Transfer to statutory reserve u/s 45(IC) of the RBI Act, 1934	(668)	(498)
	5,146	2,475
	47,382	**44,105**

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

5 Long-term borrowings

	As at 31 March 2017		As at 31 March 2016	
	Non - current	Current	Non - current	Current
Secured				
Term loans				
- from banks	17,921	11,738	8,386	6,805
- from financial institutions	4,636	3,429	4,311	3,229
Non Convertible Debentures ('NCD')	25,938	5,557	15,695	750
Unsecured				
Term loans				
- from financial institutions	59	726	-	-
	48,554	21,450	28,392	10,784
Less: Current maturities disclosed under "other current liabilities", (refer note 7)	-	(21,450)	-	(10,784)
	48,554	**-**	**28,392**	**-**

5 Term loans from banks (Secured)

Sl.No	Party Name	Sanction Amount	Repayment details (months)	As at 31 March 2017	As at 31 March 2016
1	DCB Bank Limited	570	36	-	117
2	DCB Bank Limited	1,500	36	545	1,091
3	DCB Bank Limited	700	36 (Including moratorium of 3 months)	488	700
4	RBL Bank Limited	1,000	Repayable in 9 quarterly instalments	-	111
5	RBL Bank Limited	2,500	Repayable in 9 quarterly instalments	-	1,111
6	RBL Bank Limited	3,500	36 (Including moratorium of 3 months)	3,162	-
7	Dhanalaxmi Bank Limited	500	48	232	366
8	Small Industries Development Bank of India (refer note iii below)	800	48	213	426
9	Union Bank Limited (refer note iii below)	500	48	133	266
10	Union Bank Limited	500	60	300	400
11	Union Bank Limited	2,500	45	244	-
12	HDFC Bank Limited	500	48	217	347
13	HDFC Bank Limited	500	48	298	414
14	HDFC Bank Limited	2,000	48	896	-
15	State Bank of Patiala	1,000	36	-	545
16	State Bank of Bikaner & Jaipur	2,000	36	740	1,460
17	State Bank of Bikaner & Jaipur	2,000	48 (Including moratorium of 3 months)	1,736	-
				9,204	**7,354**

Sl.No	Party Name	Sanction Amount	Repayment details (months)	As at 31 March 2017	As at 31 March 2016
18	Kotak Mahindra Bank	1,000	24	-	442
19	Kotak Mahindra Bank	2,000	36	1,559	-
20	Yes Bank	1,500	36	625	1,125
21	Yes Bank	3,500	36	2,722	-
22	IDFC Bank Limited	1,500	48	-	828
23	ICICI Bank Limited	1,000	72 (Including moratorium of 12 months)	850	1,000
24	IDBI Bank Limited	2,500	48	1,911	1,467
25	IDBI Bank Limited	2,500	48 (Including moratorium of 3 months)	489	-
26	The Lakshmi Vilas Bank Limited	500	48	333	468
27	Vijaya Bank	1,500	36	1,000	1,500
28	Vijaya Bank	1,500	36	1,313	-
29	State Bank of Hyderabad	1,000	42	718	1,000
30	Axis Bank Limited	2,200	48 (Including moratorium of 3 months)	1,907	-
31	IndusInd Bank Limited	2,000	48	1,625	-
32	The Federal Bank Ltd	1,500	48	1,311	-
33	The Federal Bank Ltd	1,000	48	1,000	-
34	Bank of Maharashtra	2,500	48 (Including moratorium of 3 months)	2,389	-
35	SBM Bank(Mauritius) Ltd	1,500	36 (Including moratorium of 3 months)	700	-
	Vehicle loan (Secured)				
1	Axis Bank Ltd	12	48	3	7
				20,455	**7,837**
				29,659	**15,191**

As at Balance Sheet date, interest rates per annum range between for term loan	9.75% to 14.00%	11.40% to 14.50%
As at Balance Sheet date, interest rates per annum range between for vehicle loan	10.35%	10.35%

5 Term loans from financial institutions (Secured)

Sl.No	Party Name	Sanction Amount	Repayment details (months)	As at 31 March 2017	As at 31 March 2016
1	MAS Financial Services Private Limited	1,000	36	-	28
2	MAS Financial Services Private Limited	600	36	-	200
3	MAS Financial Services Private Limited	400	36	-	133
4	MAS Financial Services Private Limited	1,500	36	500	1,000
5	Hinduja Leyland Finance Limited	1,500	36	452	965
6	IFMR Capital Finance Private Limited*	1,500	36	-	620
7	IFMR Capital Finance Private Limited*	1,500	48	-	1,171
8	Hero Fin Corp Limited	1,500	60	991	1,254
9	Hero Fin Corp Limited	1,500	48	1,079	1,401
10	Hero Fin Corp Limited	1,000	48	863	-
11	Sundaram Finance Limited	1,000	36	378	708
12	Bajaj Finance Limited	2,500	48	2,208	-
13	NABKISAN Finance Ltd	1,500	36 (Including moratorium of 3 months)	1,500	-
	Vehicle loan (Secured)				
1	Toyota Financial Services India Ltd	32	36	15	25
2	Toyota Financial Services India Ltd	21	48	17	-
3	Toyota Financial Services India Ltd	25	36	25	-
4	BMW Fianancial Services Pvt Ltd	37	36	24	35
5	Kotak Mahindra Prime Ltd	13	48	13	-
				8,065	**7,540**

As at Balance Sheet date, interest rates per annum range between for term loan	11.00% to 13.90%	12.50% to 15.35%
As at Balance Sheet date, interest rates per annum range between for vehicle loan	8.50% to 10.00%	9.30% to 10.00%

5 Term loans from financial institutions (Unsecured)

Sl.No	Party Name	Sanction Amount	Repayment details (months)	As at 31 March 2017	As at 31 March 2016
1	IFMR Capital Finance Private Limited*	1,500	36	51	-
2	IFMR Capital Finance Private Limited*	1,500	48	734	-
				785	-

As at Balance Sheet date, interest rates per annum range between for term loan 12.00%

- Term Loan from IFMR Capital Finance Private Limited were reclassified to unsecured on the account of collateral being released during the year. The above loans carry an interest rate of 12%.

5 Non Covertible Debentures (Secured)

Sl.No	Party Name	Sanction Amount	Repayment details (months)	As at 31 March 2017	As at 31 March 2016
1	Triodos SICAV II-Tridos Microfinance Fund and Tridos Custody BV as a custodian of Tridos Fair Share Fund	3,500	Bullet repayment at the end of 72 months	-	3,500
2	AAV SARL	3,870	Bullet repayment at the end of 59 months	3,870	3,870
3	UTI International Wealth Creator 4	3,000	Bullet repayment at the end of 72 months	3,000	3,000
4	UTI International Wealth Creator 4	4,200	Bullet repayment at the end of 72 months	4,200	4,200
5	UTI International Wealth Creator 4	6,800	Bullet repayment at the end of 72 months	6,800	-
6	FMO-NEDERLANDSE FINAN-MAATSCHAPPIJ VOOR ONTWIKKELINGSL N.V	3,000	Repayable in 16 quarterly instalments	1,125	1,875
7	Reliance Nippon Life Asset Management Limited	7,500	Repayable in 8 quarterly instalments after a moratorium of 15 months	7,500	-
8	A. K. Capital Services Limited	2,000	Bullet repayment at the end of 15 months	2,000	-
9	A. K. Capital Services Limited	1,500	Bullet repayment at the end of 24 months	1,500	-
10	A. K. Capital Services Limited	1,500	Bullet repayment at the end of 36 months	1,500	-
				31,495	**16,445**

As at Balance Sheet date, interest rates per annum range between 11.20% to 13.75% 13.25% to 14.70%

Notes

i Term loans and debentures are secured by hypothecation of small business loans of the Company. The debentures also have pari passu charge on the part and parcel of the land held by the Company. Vehicle loans are secured as hypothecation by way of first charge on the underlying vehicle.

ii The Company has not defaulted in repayment of loans.

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

iv Fixed deposits amounting to ₹396 lakhs (31 March 2016: ₹756 lakhs) have been pledged towards term loans from banks and financial institutions.

6 Short-term borrowings

	As at 31 March 2017	As at 31 March 2016
Bank overdraft	140	777
	140	**777**

7 Other liabilities

	As at 31 March 2017		As at 31 March 2016	
	Non - current	Current	Non - current	Current
Current maturities of long-term borrowings (refer note 5)	-	21,450	-	10,784
Payable towards assignment/securitisation of loans	-	118	-	355
Interest accrued but not due on borrowings	-	852	-	700
Advance income on securitisation/assignment of loans	229	86	471	283
Cash profit on loan transfer transactions pending recognition	-	8	-	19
Advance received from small business loans	-	396	-	610
Tax deducted at source payable	-	81	-	86
Other statutory dues payable	-	57	-	37
Provision for tax [net of advance tax paid ₹4,492 lakhs (31 March 2016: ₹2,057 lakhs)]	-	39	-	-
Employee dues	-	128	-	78
Bonus payable to employees (refer note 29(c)	-	787	-	911
Capital creditors	-	71	-	197
Accrued expenses	-	614	-	336
Other payables	-	175	-	187
	229	**24,862**	**471**	**14,583**

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.

8 Provisions

	As at 31 March 2017		As at 31 March 2016	
	Long-term	Short-term	Long-term	Short-term
Provision for employee benefits				
Provision for gratuity	124	24	84	10
Provision for compensated absences	-	93	-	41
Provision for loans and advances				
Contingent provisions against standard assets	909	422	262	142
Contingent provisions against substandard assets	906	421	243	132
Contingent provisions against doubtful assets	-	575	-	406
Provisions on assigned/ securitised portfolio	53	-	141	-
	1,992	**1,535**	**730**	**731**

Provision change- (owned portfolio)	As at 31 March 2017	As at 31 March 2016
Opening balance	1,185	458
Additions during the year		
Standard	927	158
Substandard	952	210
Doubtful	1,416	398
Less: Write off	(1,247)	(39)
Closing balance	**3,233**	**1,185**

Provision change- (assigned / securitised portfolio)	31 March 2017	31 March 2016
Opening balance	141	77
Additions during the year	8	64
Less : Write off during the year	(96)	-
Closing balance	**53**	**141**

9 Tangible assets

	Land	Vehicles	Computers	Furniture and fixtures	Office equipment	Electrical equipment	Total
Gross block							
As at 1 April 2015	**-**	**16**	**266**	**126**	**127**	**36**	**571**
Additions	-	69	161	141	91	16	478
Disposals (Office equiment: ₹14,800)	-	-	4	2	0	-	6
As at 31 March 2016	**-**	**85**	**423**	**265**	**218**	**52**	**1,043**
Additions	11	60	109	303	91	91	665
Disposals	-	-	12	38	4	4	58
As at 31 March 2017	**11**	**145**	**520**	**530**	**305**	**139**	**1,650**
Depreciation							
As at 1 April 2015	**-**	**4**	**147**	**84**	**72**	**26**	**333**
Charge for the year	-	11	92	70	42	7	222
Disposals (Office equiment: ₹4,795)	-	-	4	2	0	-	6
As at 31 March 2016	**-**	**15**	**235**	**152**	**114**	**33**	**549**
Charge for the year	-	28	114	132	50	35	359
Disposals	-	-	11	33	4	4	52
As at 31 March 2017	**-**	**43**	**338**	**251**	**160**	**64**	**856**
Net block							
As at 31 March 2016	**-**	**70**	**188**	**113**	**104**	**19**	**494**
As at 31 March 2017	**11**	**102**	**182**	**279**	**145**	**75**	**794**

10 Intangible assets

	Software	Total
Gross block		
As at 1 April 2015	**267**	**267**
Additions	130	130
Adjustment towards grant received*	(41)	(41)
Disposals	-	-
As at 31 March 2016	**356**	**356**
Additions	124	124
Adjustment towards grant received*	(32)	(32)
Disposals	-	-
As at 31 March 2017	**448**	**448**
Amortisation		
As at 1 April 2015	**67**	**67**
Charge for the year	75	75
Disposals	-	-
As at 31 March 2016	**142**	**142**
Charge for the year	114	114
Disposals	-	-
As at 31 March 2017	**256**	**256**
Net block		
As at 31 March 2016	**214**	**214**
As at 31 March 2017	**192**	**192**

11 Intangible assets under development

	31 March 2017	31 March 2016
Software development	12	83
Less:Grant received*	-	(32)
	12	51

* Note: During FY16, the Company had received a non refundable grant of USD 60,091 (equivalent to ₹41 lakhs) from Nederlandse Financerings Maatschappi Voor Ontwikkelingslanden N.V. (FMO) towards migrating to more robust and scalable IT platform.
Further, during the year 2015-16, an amount of USD 47,828 has been received towards implementation of key IT projects.

12 Deferred tax assets (net)

	As at 31 March 2017	As at 31 March 2016
Deferred tax asset arising on		
Employee benefits	84	46
Contingent provisions for loan asset	1,015	459
Disallowance u/s 43B and other provisions	185	-
Deferred tax liability reversal on		
Depreciation and amortisation	52	3
	1,336	**508**

13 Loans and advances

	As at 31 March 2017		As at 31 March 2016	
	Long-term	Short-term	Long-term	Short-term
Loans to small business**				
Secured				
Standard assets	75,340	33,339	53,231	29,166
Substandard assets	1,188	1,912	698	803
Doubtful assets	-	588	-	495
	76,528	**35,839**	**53,929**	**30,464**
Less: Assigned/securitised portfolio				
Standard assets	84	221	586	1,421
Substandard assets	14	74	22	73
Doubtful assets	-	6	-	59
	98	**301**	**608**	**1,553**
	76,430	**35,538**	**53,321**	**28,911**
Loans given as collateral towards asset assignment/ securitised transaction				
Secured, considered good	-	42	261	-
	-	42	261	-
Other loans and advances (Unsecured, considered good)				
Security deposits	284	-	256	-
Capital advances	-	-	8	-
Advance tax [net of provisions (31 March 2016: ₹1,998)]	-	-	59	-
Prepaid expense	-	65	-	22
Unamortised borrowing cost	108	68	116	110
Recoverable from Employee Welfare Trust ^	-	-	-	77
Other advances	-	98	-	122
	392	**231**	**439**	**331**
	76,822	**35,811**	**54,021**	**29,242**

** Secured exposures are secured wholly or partly by hypothecation of machinery and stock amounting ₹15,642 lakhs (31 March 2016: 22,616 lakhs), and/or equitable mortgage of property amounting ₹96,725 lakhs (31 March 2016: 61,777 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 24)

14 Other assets

	As at 31 March 2017		As at 31 March 2016	
	Non - current	Current	Non - current	Current
Unsecured, considered good				
Margin money deposit with banks (refer note 15)	565	-	976	-
Margin money deposit with financial institutions(*)	20	-	22	-
Fixed deposit with banks	107	-	-	-
Interest accrued but not due on fixed deposits	30	28	97	78
Interest accrued but not due on loans to small business	-	1,813	-	1,354
Interest due but not collected on loans to small business	-	219	-	262
Receivables on assigned/ securitisation	229	86	471	283
	951	**2,146**	**1,566**	**1,977**

(*)Represents margin money deposits placed with financial institutions for availing term loans.

15 Cash and bank balances

	As at 31 March 2017	As at 31 March 2016
Cash and cash equivalents		
Balances with banks		
- in current accounts	13,17	5,815
- deposits with original maturity less than three months	-	2,350
Cash on hand	150	124
	13,323	**8,289**
Other bank balances		
Fixed deposit with banks with original maturity more than 12 months	107	-
Margin money deposit **	565	976
	13,995	**9,265**
Amount disclosed under non-current assets (refer note 14)	(672)	(976)
	13,323	**8,289**

**Represents margin money deposits placed with banks ₹376 lakhs (31 March 2016: ₹734 lakhs) for availing term loans. Also includes cash collaterals towards securitisation/assignment of loans ₹189 lakhs (31 March 2016: ₹242 Lakhs).

16 Revenue from operations

	Year ended 31 March 2017	Year ended 31 March 2016
Interest on loans to small businesses	23,896	15,614
Loan processing and service fee	2,490	2,164
Income from assignment/ securitisation	172	426
	26,558	**18,204**

17 Other income

Interest on fixed deposits	85	451
Dividend on investments in mutual funds	280	604
Commission income from insurance business	55	37
Profit on sale of investments in mutual funds	119	101
Profit on sale of fixed assets (31 March 2016: 48,280)	2	0
Others	18	8
	559	**1,201**

18 Employee benefits expense

	Year ended 31 March 2017	Year ended 31 March 2016
Salaries and wages	6,748	5,584
Contributions to provident and other funds	373	255
Share based compensation (refer note 2(l) and 24)*	10	250
Compensated absences	52	33
Gratuity expenses	56	38
Staff welfare expenses	293	227
	7,532	**6,387**

*previous year cost includes cost of shares issued to ESOP Trust

19 Finance costs

Interest expense on term loans	6,627	5,076
Loan processing fee on borrowings	265	115
Bank charges	104	92
	6,996	**5,283**

20 Depreciation and amortisation expense

Depreciation of tangible assets (refer note 9)	358	222
Amortisation of intangible assets (refer note 10)	114	75
	472	**297**

21 Other expenses

Rent	428	301
Electricity and water	86	74
Repairs and maintenance	154	103
Insurance	9	12
Rates and taxes	13	9
Travelling and conveyance	789	635
Printing and stationery	73	58
Postage and courier	77	58
Information technology costs	313	250
Legal and professional [refer note 21(a)]	1,044	635
Contribution towards CSR [refer note 21(b)]	10	-
Communication	89	68
Commission	161	104
Training and recruitment	213	266
Branding and marketing	136	102
Loan assets written off	93	31
Miscellaneous	80	19
	3,768	**2,725**

21(a) Payment to auditors (excluding service tax)

- Audit fees	21	19
- Tax audit fees	1	1
- Limited review fees	2	2
- Out of pocket expenses (31 March 2016: 35,000)	2	0
	26	**22**

21 (b) Corporate social responsibility (CSR)

As per Section 135 of the Companies Act 2013, a CSR committee has been formed by the Company.

	Year ended 31 March 2017
Gross amount required to be spent by the company during the year.	28
Amount committed for CSR during the year*	20
Amount spent during the year ended 31 March 2017	10

*Balance of the committed amount of ₹10 lakhs will be spent in FY18.

22 Earnings per equity share (EPS)

	Year ended 31 March 2017	Year ended 31 March 2016
Net profit attributable to equity shareholders	3,339	2,492
Weighted average number of shares outstanding during the year for computing basic EPS (nos)	7,826,996	7,683,865
Add: Effect of potential shares for conversion of CCPS (nos)	60,907,456	53,427,683
Add: Effect of potential shares for conversion of ESOP (nos)	894,377	614,598
Weighted average number of shares used to compute diluted EPS (nos)	**69,628,829**	**61,726,146**
Profit per share :		
Basic (₹)	42.65	32.43
Diluted (₹)	4.79	4.04
Nominal value - per equity share	10	10

23 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:

	Year ended 31 March 2017	Year ended 31 March 2016
1 The amounts recognised in the Balance Sheet are as follows:		
Present value of the obligation as at the end of the year	148	94
Fair value of plan assets as at the end of the year	-	-
Net liability recognised in the Balance Sheet	**148**	**94**
2 The amounts recognised in the Statement of Profit and Loss are as follows:		
Service cost	59	35
Interest cost	7	4
Expected return on plan assets	-	-
Past service cost	-	-
Net actuarial (gain)/loss recognised in the year	(10)	(1)
Expense recognised in the Statement of Profit and Loss of the year	**56**	**38**
3 Changes in the present value of defined benefit obligation		
Defined benefit obligation as at beginning of the year	94	56
Service cost	59	35
Interest cost	7	4
Actuarial losses/(gains)	(10)	(1)
Benefits paid	(2)	-
Defined benefit obligation as at the end of the year	**148**	**94**

Assumptions used in the actuarial valuation for gratuity and compensated absences are as under:

Interest rate	6.54% p.a.	7.37% p.a.
Discount rate	6.54% p.a.	7.37% 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 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Present value of defined benefit obligation	148	94	56	29	14
Fair value of plan asset	-	-	-	-	-
Surplus/(deficit)	(148)	(94)	(56)	(29)	(14)
Experience adjustments	(10)	(1)	(1)	(0)	(0)

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 18, Employee benefits expense.

24 Share based compensation plan

The Company and/or its shareholders provide share based payment schemes to its employees. During 31 March 2017, 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 upto 2,189,437 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:

	Year ended 31 March 2017		Year ended 31 March 2016	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Options outstanding at the beginning	1,169,344	68.22	1,078,644	60.49
Granted during the year	379,750	165.08	350,000	90.00
Forfeited during the year	128,561	85.23	40,000	80.75
Lapsed during the year	-	-	-	-
Cancelled during the year	-	-	-	-
Exercised during the year	12,089	76.78	219,300	51.29
Options outstanding at the end	1,408,444	92.64	1,169,344	68.22
Options exercisable at year end	502,532	58.54	191,841	49.02

The weighted average grant date fair value of options granted during the year ended 31 March 2017 was ₹54.55 (31 March 2016 ₹37.35) for each option. The weighted average share price of options exercised during the year ended 31 March 2017 is ₹151.50 (31 March 2016:₹147.46) for each option.

The weighted average remaining contractual life for the ESOP Plan as at 31 March 2017 is 4 years (31 March 2016: 6 years).

b. Employee Stock Option Plan 2016

An 'Employee Stock Option Plan 2016' (the 'Plan') was approved in the Extraordinary General Meeting of the members held on 23 May 2016. The total options issuable under the Plan are upto 715,926 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:

	Year ended 31 March 2017		Year ended 31 March 2016	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Options outstanding at the beginning	-	-	-	-
Granted during the year	366,980	151.50	-	-
Forfeited during the year	52,400	151.50	-	-
Lapsed during the year	-	-	-	-
Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Options outstanding at the end	314,580	151.50	-	-
Options exercisable at year end	-	-	-	-

The weighted average grant date fair value of options granted during the year ended 31 March 2017 was ₹68 for each option.
The weighted average remaining contractual life for the ESOP Plan as at 31 March 2017 is 8 years.

c. 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:

	Year ended 31 March 2017		Year ended 31 March 2016	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at the beginning	3,232,958	112.27	-	-
Granted during the year	-	-	3,232,958	112.27
Forfeited during the year	95,861	114.00	-	-
Lapsed during the year	-	-	-	-
Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end	3,137,097	112.27	3,232,958	112.27
Exercisable at year end	2,725,439	107.05	2,724,882	107.05

There has been no grant under the scheme during the current year. 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 2017 is 7 years (31 March 2016 8 years).

d. 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:

	Year ended 31 March 2017		Year ended 31 March 2016	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at the beginning	55,280	-	227,428	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Cancelled during the year	-	-	-	-
Released from escrow during the year	55,280	-	172,148	-
Outstanding at the end (Unvested)	-	-	55,280	-
Exercisable at year end	-	-	-	-

e. 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 2017, the Company has recorded share based compensation of ₹10 lakhs (31 March 2016: ₹250 lakhs) (refer note 18).

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 2017	Year ended 31 March 2016
Net profit as reported	3,339	2,492
Add: Stock-based employee compensation expense included in the Statement of Profit and Loss	10	250
Less: Stock-based employee compensation expense determined under the fair value method	803	1,091
Pro-forma net profit	**2,546**	**1,651**
Profit per share – Basic		
As reported	42.65	32.43
Pro forma	32.53	21.49
Profit per share – Diluted		
As reported	4.79	4.04
Pro forma	3.66	2.67

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 10 years**	**1 to 7 years**
Risk free interest rate	**6.3% - 9.12%**	**6.5% - 9.12%**
Volatility	**Nil**	**Nil**

25 Related party disclosures

Description of relationship	Nature of relationship
i) Parties where control exists	
Westbridge Crossover Fund LLC	Holding Company
ii) Key management personnel (KMP)	
Mr. Brahmanand Hegde	Key Management Personnel (KMP)
Mr. Ramakrishna Nishtala	Key Management Personnel (KMP)
iii) Other related parties	
Sarva capital LLC (formerly Lok capital LLC)	Shareholder
Elevar Equity Mauritius	Shareholder
ON Mauritius	Shareholder
Vistaar Employee Welfare Trust	Shareholder
iv) The transactions with related parties during the year	

Nature of transaction	Relationship	Year ended 31 March 2017	Year ended 31 March 2016
Transactions with key management personnel			
Managerial remuneration (refer note below)			
Mr. Brahmanand Hegde	KMP	86	121
Mr. Ramakrishna Nishtala	KMP	84	127
Loan granted			
Vistaar Employee Welfare Trust	Shareholder	1,085	-
Repayment of loan received			
Vistaar Employee Welfare Trust	Shareholder	81	-
Shares issued to Trust			
Vistaar Employee Welfare Trust	Shareholder	1,085	-
Reimbursement of expenses			
Sarva capital LLC (formerly Lok capital LLC)	Shareholder	-	8
Share capital received on issue of CCPS			
Westbridge Crossover Fund LLC	Holding Company	-	20,200
Elevar Equity Mauritius	Shareholder	-	1,800
ON Mauritius	Shareholder	-	3,000
Share capital received on issue of Class A CCPS			
Vistaar Employee Welfare Trust	Shareholder	-	32
v) Closing balance of related parties receivables / (payables)			
Receivables			
Vistaar Employee Welfare Trust	Shareholder	-	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 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 May 2022 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 ₹428 lakhs (31 March 2016: ₹301 lakhs).

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

	As at 31 March 2017	As at 31 March 2016
Within one year	72	68
Later than one year but not later than 5 years	52	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 17 on Segment Reporting. The Company operates primarily in India and there is no other significant geographical segment.

28 Contingent liabilities and commitment

a Credit enhancement provided by the Company towards assets assignment/securitisation transactions including Minimum Retention Ratio (MRR) : ₹231 lakhs (31 March 2016: ₹503 lakhs).

b Commitment towards purchase of various assets including software ₹70 lakhs (31 March 2016: ₹32 lakhs).

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 made the payment of bonus as per the Act amounting to ₹67.5 lakhs 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 ₹40.8 lakhs 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.

29 The details of Specified Bank Notes (SBN) held and transacted during the period 08 November 2016 to 30 December 2016 are provided below:

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 08 November 2016	94	17	111
Add: Permitted receipts	779	2,789	3,568
Less: Permitted payments	-	(28)	(28)
Less: Amount deposited in banks	(873)	(2,682)	(3,555)
Closing cash in hand as on 30 December 2016	-	96	96

Consequent to the announcement to withdraw SBN, the Company had immediately stopped all transactions in SBN. The Closing balance of cash in SBN as on 08 November 2016 has been deposited by the Company subsequently. In accordance with para no. 3(c) (iv) of RBI Circular DCM (plg) No. 1226/8.27.00/2016-17 dated 08 November 2016, The Company authorised banks to accept deposits from the customers directly into the Company's bank account by issuing an authorisation letter. These deposits have been disclosed above as part of permitted receipts and amount deposited in banks.

In respect of cash deposit into the Company's bank accounts, the Company has obtained conformations from banks on the amount of deposits in SBN and other denomination notes. This constitutes ₹3,201 lakhs of the total deposits.

To the extent of the reminder of the deposits amounting to ₹354 lakhs, the required information was not made available to the Company from a few banks for suitable disclosure in the financial statements. Accordingly, the aforesaid cash deposits amounting ₹354 lakhs have been currently disclosed as part of 'Others' in the above table.

30 Disclosure as per RBI Master Direction DNBR. PD. 008/03.10.119/2016-17, dated September 01, 2016 (updated as on March 09, 2017)

A Provisions and contingencies

	As at 31 March 2017	As at 31 March 2016
Provision for loan assets	3,303	830
Provision for current tax	2,349	1,682
Provision for leave encashment	52	33
Provision for gratuity	56	38

B Classification and provisions for loan portfolio owned

Asset classification	As at 31 March 2017	As at 31 March 2016
Loan outstanding		
Standard assets	108,374	80,390
Substandard assets	3,012	1,406
Doubtful assets	582	436
Less: Provision		
Standard assets	1,331	404
Substandard assets	1,327	375
Doubtful assets	575	406
Loan outstanding (net)		
Standard assets	107,043	79,986
Substandard assets	1,685	1,031
Doubtful assets	7	30

C 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.

D 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	32,284	-
Unsecured	-	-
(b) Deferred credits	-	-
(c) Term loans	38,572	-
(d) Inter-corporate loans and borrowing	-	-
(e) Commercial paper	-	-
(f) Other loans (bank overdraft)	140	-
	70,996	**-**

Assets side:	Amount outstanding
b. Break-up of loans and advances (standard assets):	
(a) Secured	108,374
(b) Unsecured	-
	108,374
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)** — **Amount (standard assets net of provisions)**

	Secured	Unsecured	Total
Category			
1 Related Parties	-	-	-
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2 Other than related parties	107,043	-	107,043
	107,043	**-**	**107,043**

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**

(i) Gross Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	3,594
(ii) Net Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	1,692
(iii) Assets acquired in satisfaction of debt	-

E (i) Capital Risk Asset Ratio

Sl.No.	Items	As at 31 March 2017	As at 31 March 2016
(a)	Capital risk Asset Ratio (%)	46.25%	58.16%
(b)	Capital risk Asset Ratio (%) - Tier I Capital (%)	45.15%	57.76%
(c)	Capital risk Asset Ratio (%) - Tier II Capital (%)	1.10%	0.40%

(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
Up to 1 month	4,466	-	1,001	347
Over one month to 2 months	3,045	-	939	1,265
Over 2 months upto 3 months	3,037	-	954	624
Over 3 months to 6 months	8,676	-	2,932	1,237
Over 6 months to 1 year	16,314	-	5,912	6,239
Over 1 year to 3 years	48,937	-	15,988	19,195
Over 3 years to 5 years	21,046	-	1,933	4,638
Over 5 years	6,447	-	-	6,800
Total	**111,968**	**-**	**29,659**	**40,345**

F Disclosure on securitisation

Sl.No	Particulars	As at 31 March 2017 No./Amount	As at 31 March 2016 No./Amount
1	No. of SPVs sponsored by the NBFC for securitisation transactions	2	3
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	399	2,160
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of Balance Sheet	231	503
	a) Off-balance sheet exposures		
	* First loss		
	* Others		
	b) On-balance sheet exposures		
	* First loss	231	503
	* 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	315	755
	ii) Exposure to third party securitisations		
	* First loss	-	-
	* Others	-	-

G Instances of fraud for the year ended 31 March 2017

Nature of fraud	No. of cases	Amount of fraud (in lakhs)	Amount written off
Cash misappropriation by employee	1	1	-
Fraudulent representation by customers	2	6	3
Total	**3**	**7**	**3**

In respect of the above three cases, provision has been created for an amount of ₹6 lakhs

H Registration obtained from other financial regulators

During the previous year, the Company had obtained a 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.

I Disclosure of penalties imposed by RBI and other regulators

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

J Ratings assigned by credit rating agencies and migration of ratings during the year

The overall rating of the Company by ICRA Limited is A-. Further, the Company has obtained rating from ICRA Limited in respect of outstanding securatisation transactions, Non-Convertible Debentures and term loans. The ratings obtained for the said transactions are provided below:

Deposit instrument	Date of rating	Rating assigned	Valid upto
Securitisation	08-May-14	Series A1 PTC - ICRA BBB+ (SO)	16-Oct-19
	08-May-14	Series A2 PTC - ICRA B (SO)	16-Oct-19
Securitisation	22-Jun-16	Series A1 PTC - ICRA AA (SO)	19-Feb-20
	22-Jun-16	Series A2 PTC - ICRA A- (SO)	19-Feb-20
Non-Convertible Debentures	20-Dec-16	ICRA A- (Stable)	30-Nov-19
Non-Convertible Debentures	20-Dec-16	ICRA A- (Stable)	06-Jan-20
Non-Convertible Debentures	18-Jul-16	ICRA A- (Stable)	27-Jul-22
Term loans	12-Jun-16	ICRA A- (Stable)	12-Jun-17

K Concentration of Deposits, Advances, Exposures and NPAs

i Concentration of advances

Total advances to twenty largest borrowers	471
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	467
Percentage of exposures to twenty largest borrowers/customers to total exposure of the NBFC on borrowers/ customers	0.42%

iii Concentration of exposures

Total exposures to top four NPA accounts	78

iv Sector-wise NPAs

		As at 31 March 2017	As at 31 March 2016
Sl No	Sector	Percentage of gross NPAs to total advances in that sector	Percentage of gross NPAs to total advances in that sector
1	Agriculture & allied activities	-	-
2	MSME	3.21%	2.23%
3	Corporate borrowers	-	-
4	Services	-	-
5	Unsecured personal loans	-	-
6	Auto loans	-	-
7	Other personal loans	-	-

v Movement of NPAs

Sl No	Particulars	As at 31 March 2017	As at 31 March 2016
i	Net NPAs to net advances (%)	1.56%	1.31%
ii	Movement of NPAs (Gross)		
	i) Opening balance	1,842	633
	ii) Additions during the year	3,341	1,406
	iii) Reductions during the year	(1589)	(196)
	iv) Closing balance	3,594	1,843
iii	Movement of net NPAs		
	i) Opening balance	1,062	421
	ii) Additions during the year	1,998	938
	iii) Reductions during the year	(1,368)	(297)
	iv) Closing balance	1,692	1,062
iv	Movement of provisions for NPAs (excluding provision on standard assets)		
	i) Opening balance	781	212
	ii) Provisions made during the year	2,497	634
	iii) Write-off during the year	(1,247)	(39)
	iv) Write-back of excess provisions	(128)	(26)
	v) Closing balance	1,903	781

L Customer complaints

		As at 31 March 2017
i)	No. of complaints pending at the beginning of the year	4
ii)	No. of complaints received during the year	51
iii)	No. of complaints redressed during the year	55
iv)	No. of complaints pending at the end of the year	-

31 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.

32 Expenditure in foreign currency

	Year ended 31 March 2017	Year ended 31 March 2016
Training and recruitment expense	-	3
Information technology costs	-	3
	-	**6**

33 Value of import in foreign currency on CIF basis

	Year ended 31 March 2017	Year ended 31 March 2016
Capital goods (Software)	2	-
	2	**-**

34 Earnings in foreign currency

	Year ended 31 March 2017	Year ended 31 March 2016
Reimbursement of travel cost from Lok Capital	-	8
Reimbursement of expenses incurred	14	-
	14	**8**

35 The Company does not have any unhedged foreign currency exposures as at the year end.

36 Comparatives

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

For Walker Chandiok & Co LLP
Chartered Accountants

per Sanjay Banthia
Partner
Bengaluru
15 May 2017

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

Brahmanand Hegde
Executive Vice Chairman
DIN : 02984527

Ramakrishna Nishtala
Managing Director
DIN : 02949469

Sudesh Chinchewadi
CFO & Company Secretary
M.No: 16422

Bengaluru ~ 15 May 2017

NOTES

Our management is committed to achieve higher goals...

www.vistaarfinance.com

We Welcome Your Feedback
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