

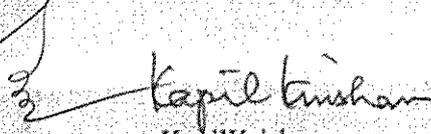
Form A

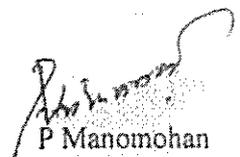
Format of covering letter of the annual audit report to be filed with the stock exchange

1	Name of the Company	Manappuram Finance Limited
2	Annual financial statements for the year ended	March 31, 2014
3	Type of Audit observation	Unqualified
4	Frequency of observation	Not Applicable

S Balasubrahmanyam
Partner

V.P Nandakumar
Managing Director & CEO

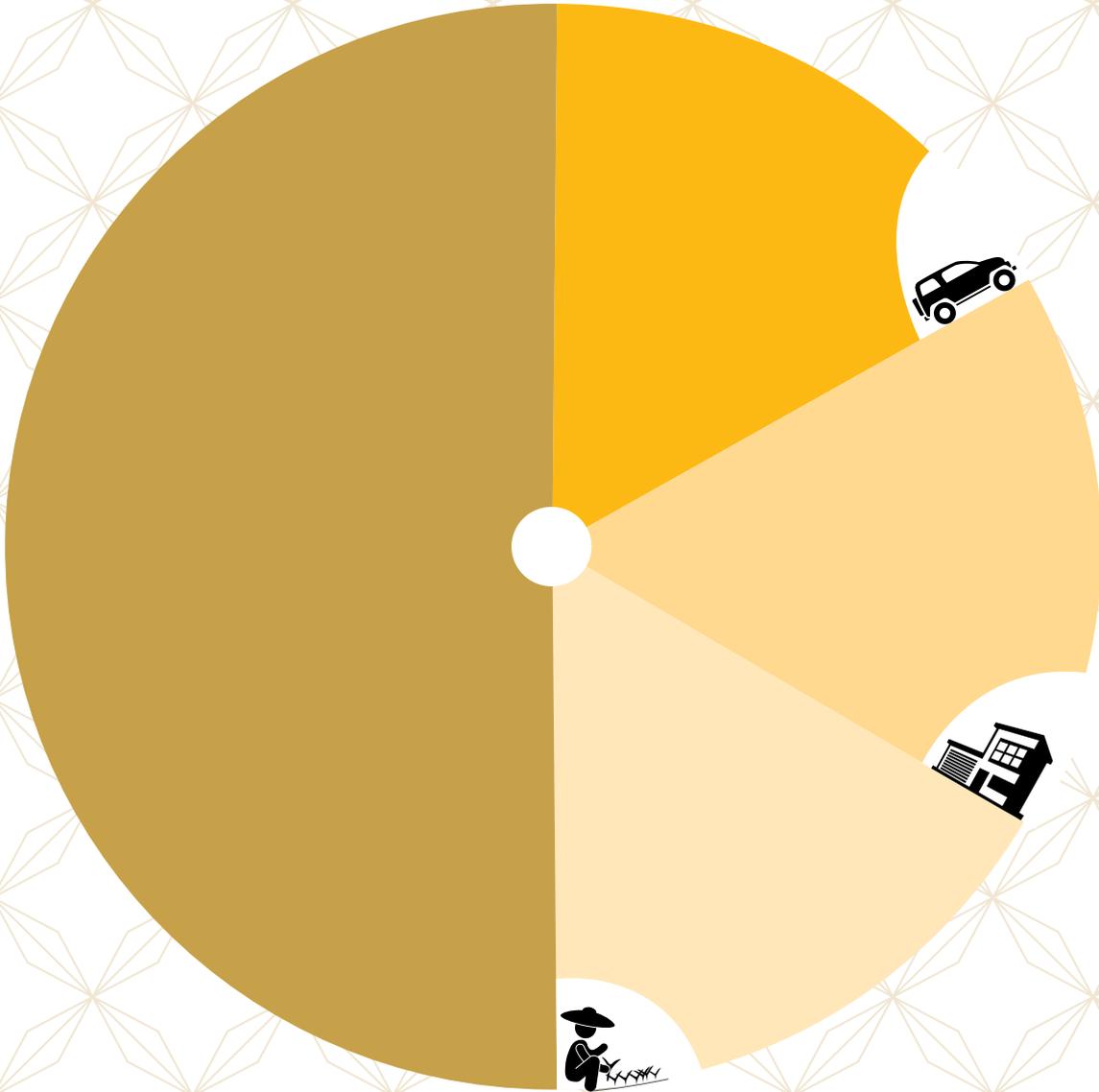

Kapil Krishan
Chief Financial Officer


P Manomohan
Audit Committee
Chairman

Membership No. 053315
S. R. Batliboi & Associates LLP
ICAI Firm registration No. 101049W

Date:

Date: 09/07/2014

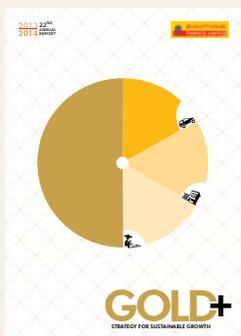


GOLD+

STRATEGY FOR SUSTAINABLE GROWTH

Forward-looking statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



For more information
log on to
www.manappuram.com

COMING UP NEXT

Manappuram - Symbol of trust

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V.C. Padmanabhan (1916 -1986)

BEFORE GOING FORWARD, IT IS IMPORTANT TO KNOW HOW THE VISION EVOLVED...

The story does not have a grand beginning, except the foresight and fortitude of one man, who walked the road less travelled.

Late Mr. V.C Padmanabhan helped farmers and fishermen with affordable and hassle-free loans on a very modest scale at a small village called Valapad, along the coast of Kerala. This was 1949, a time when India itself was striving hard on a journey towards socio-economic growth after centuries of colonial rule.

It was in that era of grand social and economic experiments that Late Mr. V.C Padmanabhan set

into motion his own blueprint for empowerment of people at the grassroots.

Today, Manappuram Finance is one of India's largest gold loan financing companies and one of the largest NBFCs in the country based on our assets. We have transformed from a small community finance provider into an established brand, prominent across 26 states in India.

It was in 1992 that Manappuram General Finance and Leasing Limited was incorporated and then renamed as Manappuram Finance Limited in 2011. We are excited to contribute to India's inclusive development model and are inspired by the vision of the man who laid the foundation of our business with a social agenda.



FOR MORE THAN TWO DECADES, MANAPPURAM FINANCE HAS HAD A REMARKABLE TRYST WITH GOLD. WE PLAYED A SIGNIFICANT ROLE IN ENERGISING INDIA'S VAST RESERVES OF PRIVATE GOLD, EVER SINCE OUR INCEPTION.

THIS IS HOW WE DID IT.

We empowered people who are unable to access formal channels of finance to translate their aspirations into reality through gold loans.

We created entrepreneurial and employment opportunities for a vast section of society.

We helped reduce economic vulnerabilities by bringing gold worth billions of dollars into mainstream channels of finance.

THE STORY, HOWEVER, DOES NOT END HERE.

Rather it takes an exciting turn.

Now we are leveraging other business opportunities, based on our experience, expertise, technological capability and pan-India reach.

We are diversifying into home loan, loan against property, micro finance and SME finance to capitalise on the synergies between our gold loan business and the non-gold products and services.

Our gold-plus strategy has a threefold advantage.

It lends a renewed dynamism to our business model and is in line with the evolving regulatory landscape. It reduces our dependence on gold loan business and releases additional capital for fresh lending.

Finally, it helps create new revenue streams for business sustainability and growth.

GOOD THINGS INDEED START WITH GOLD.



WE ALL KNOW THAT INDIA HAS A TREASURE TROVE OF PRIVATE GOLD (AROUND 20,000 TONNES), BECAUSE OF THE YELLOW METAL'S TIMELESS ALLURE.

WHAT MOST OF US DON'T KNOW IS HOW GOLD CAN DRIVE EMPOWERMENT AND FINANCIAL INCLUSION.

MANAPPURAM DOES MORE WITH GOLD.

99.9%

Of assets under management (AUM) represent gold loans as on March 31, 2014

98.88%

Contribution of gold loan on total interest income in 2013-14

₹ 2,02,922 MN

Gold loan disbursement in 2013-14

45.57 tonnes

Gold assets as on March 31, 2014

1.01%

Net NPA as on March 31, 2014

27.68%

Capital adequacy ratio as on March 31, 2014

1.51 MN+

Happy customers

26

States/Union territories where we are present

3,293

Pan-India branches

16,794+

Manappuram team members

DOING MORE WITH GOLD

We are India's first listed and first to be credit rated gold loan company. Headquartered in Kerala, Manappuram has emerged as one the of the fastest growing gold loan companies in India. We help realise the smallest of dreams through fast, easy and reliable gold loans. Our confidence and capital accumulated from the gold loan business will help strengthen our gold+ strategy.

Value drivers

- **Customer-first approach:** Our products aim at delivering value to the customer, irrespective of his/her social status. We believe time is precious and everyone is entitled to courtesy and prompt service with transparency.
- **Integrity:** We set great store by ethical values and practices in all our dealings. We believe in transparency and in following the laws of the land without ambiguity. We value the contributions of all our stakeholders and we take special pride in recognising those contributions.
- **Cutting-edge technology:** As a pioneer in the introduction of technology into the gold loan sector, we believe in constantly updating

our technology to keep our costs low and deliver better service for our customers. We have standardised our processes to allow us better and more cost-effective access to our customers. And we believe in fostering innovation to deliver ever greater value to our customers.

Credit record

- Credit rating history of 18 years (has investment grade rating since 1995)
- Short term debt raising programme rated A1+ by Crisil (subsidiary of S&P) and ICRA (associate of Moody's)

Diverse fund sources

- Credit lines from 30+ banks
- Healthy pipeline of un-utilised limits with banks and financial institutions

- Commercial papers from short term money markets
- Retail Non Convertible Debentures (NCD) and bonds
- NCD Public Issue

Awards and accolades

Our MD & CEO, Shri V.P. Nandakumar's achievements in business have earned recognition at the national level. Business Today magazine listed him among India's Top 100 CEOs in its issue dated January 5, 2014. Earlier, Business World had featured him in the list of India's Most Valuable CEOs in its issue dated December 2, 2013. He is ranked at 42 among CEOs of mid-sized companies with revenues of between ₹ 1,500 to ₹ 6,000 crores.

Expanding product offerings

			
Gold loan	Money transfer	Foreign exchange	Housing Finance
<p>Our customers can pledge gold ornaments or jewellery and draw cash against it. Depending on the net weight and purity of the gold, cash will be disbursed. Avail various schemes that will enable you to make your favourable choice.</p>	<p>Fast, easy and safe money transfer worldwide instantly. The money transfer service is available in all our branches spread across the country; moreover no bank account is needed for amount up to ₹ 50,000.</p>	<p>First NBFC from Kerala to have been awarded the AD II (Authorised Dealer II) license by the Reserve Bank of India (RBI) and to have been permitted by RBI to act as a full-fledged money changer, undertaking currency exchanges and sale of travellers cheque for a variety of purposes permitted under FEMA.</p>	<p>Proposed to entered the housing finance segment with the acquisition of Milestone Home Finance. The move reflects a significant interest in the housing finance space, owing to low loan defaults, a large untapped market and attractive returns on equity.</p>

NSE Ticker: MANAPPURAM | **BSE Ticker:** 531213 | **Dividend:** ₹ 1.80 per share (Face value: ₹ 2)

Market capitalisation: ₹ 18,128.01 million as on March 31, 2014

PAN-INDIA PROMINENCE



Branch mix

Nos.

South	North	West	East
2,309	453	363	168

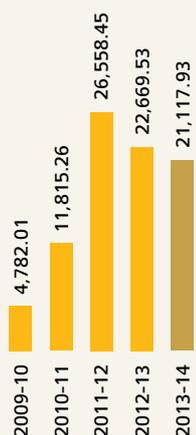
70%

**Strong presence in South India
(73% of branches)**

OUR PERFORMANCE

Total income

(₹ in million)



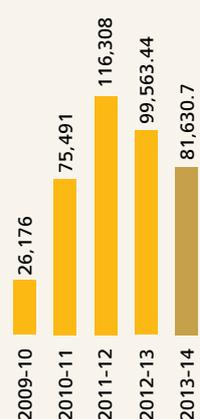
Profit after tax

(₹ in million)



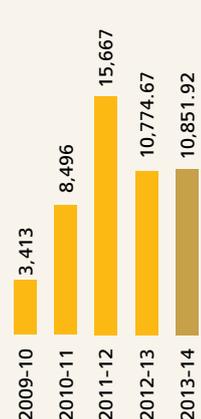
Assets Under Management

(₹ in million)



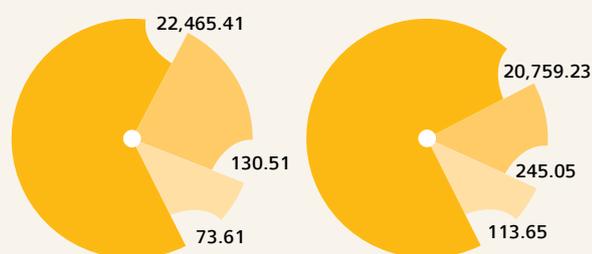
Net interest income

(₹ in million)



Income pie

(₹ in million)



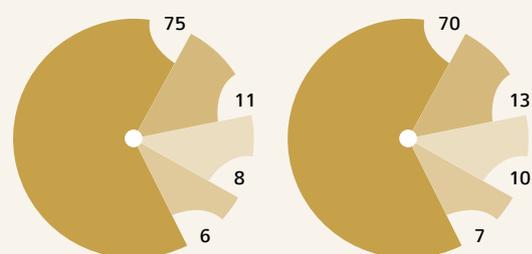
2012-13

2013-14



Region-wise disbursement

(%)



2012-13

2013-14



Pie charts not to scale

44.96%

5-year CAGR in total income from 2009-10

17.22%

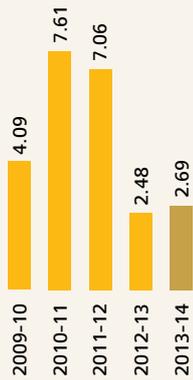
5-year CAGR in profit after tax from 2009-10

33.53%

5-year CAGR in net interest income from 2009-10

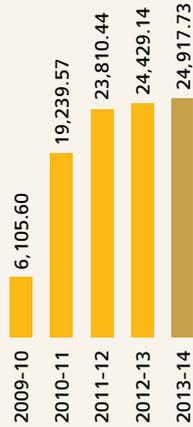
Earnings per share (Basic)

(₹)



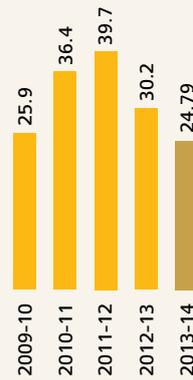
Net worth

(₹ in million)



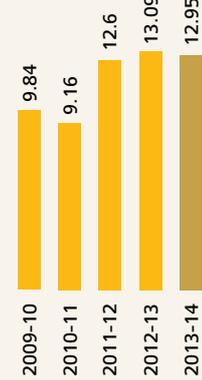
AUM per branch

(₹ in million)



Cost of borrowing

(%)



Ratios

(%)

	2012-13	2013-14
Net NPA	0.77	1.01
Return on Assets	1.58	1.9
Return on Equity	7.91	9.2
Capital Adequacy Ratio	22.49	27.68



5-year CAGR in AUM from 2009-10



5-year CAGR in Net worth from 2009-10

MD AND CEO'S COMMUNIQUÉ



V.P. Nandakumar, MD & CEO

IT IS MY PLEASURE TO PRESENT TO YOU OUR 22ND ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2014. I AM HAPPY TO REPORT THAT WE HAVE PUT UP A BETTER PERFORMANCE AS COMPARED TO THE YEAR BEFORE, EVEN AS THE MARKET ENVIRONMENT CONTINUED TO THROW UP MANY CHALLENGES.



THE EXPECTATION OF A NEW GOVERNMENT WITH A FOCUS ON DEVELOPMENT TAKING OVER AT THE CENTRE HAS LIFTED HOPES FOR AN ECONOMIC REVIVAL.

The Economic Outlook

The Indian economy saw another year of disappointing performance during FY 2013-14. The GDP grew at 4.7 percent, marking the second straight year of sub-5 percent growth. This is the worst slowdown in more than a quarter of a century. However, the expectation of a new government with a focus on development taking over at the Centre has lifted hopes for an economic revival.

Retail inflation continues to be high and therefore, an immediate easing of interest rates by the RBI seems unlikely. Moreover, real progress in combating inflation can come only after credible action in reducing the fiscal deficit is taken by the new

government. However, clarity about the direction of the economy will emerge only after the contours of the new government are known, and it's best to wait for the developments to unfold.

Outlook for Gold Loan NBFCs

India's organised gold loan industry has grown at a rapid pace over the past decade, but ran into strong headwinds from March 2012 onwards. This was the direct result of the severe tightening of regulations by the RBI which led to growth getting squeezed. Moreover, after 12 years of uninterrupted upward movement, the price of gold began to retreat from its highs in the year 2012. Looking back, the sustained increase in gold

prices had two positive (and unexpected) spinoffs for the gold loan business.

On one hand, the eligible loan amount per gram of gold kept going up, which made gold loans a compelling proposition for the customers. On the other hand, it kept defaults in check because the market value of the pledged security was going up. In the event of default, the lender did not suffer much loss because the proceeds from the auction of the pledged jewellery were adequate to cover the loan outstanding.

Now that the bull run in gold appears to be over, it is likely that the business will eventually settle down to a period of steady growth. This raises a question: what then, will drive growth for Manappuram Finance in the coming years?

Diversification

With India's vast stock of gold in private hands, the gold loan business offers ample opportunities for growth. However, it is also clear that the country's regulatory establishment is uncomfortable with the idea of large and prominent NBFCs focused exclusively on gold loans, as they are perceived to be risky.

Consequently, we have decided to diversify our portfolio and venture into other asset classes for lending. We have already made a beginning with loans against immovable property, targeting the micro and small enterprises sector. And now, we are poised to enter the promising affordable housing finance segment. While many institutions cater to the housing needs of affluent customers, the picture is bleak for those belonging to the lower end of the social pyramid. As a first step, we have acquired Milestone Home Finance Company Pvt. Ltd. as a fully owned subsidiary. We are in the process of obtaining necessary regulatory clearances to change the name and commence commercial operations and also to set up the required infrastructure to run the Company in a professional manner.

We have also firmed up plans to enter into the vehicle finance segment, to be followed

by microfinance, and hope to get started in the current year. Our aim is to generate 50 percent of the loan assets from LAP, housing finance, auto finance and micro-finance loans over the next decade and the remaining 50 percent from gold loans.

Performance

Fiscal year 2013-14 continued to pose challenges as the environment was not conducive for growth. However, the Company was able to report higher profits due to a focus on collections, together with aggressive cost cutting focused on right sizing our branch network and employee headcount.

Profit after tax for the year under review has gone up by 8.43 percent in comparison to the year before, despite a 6.84 percent decline in total revenue. Revenue declined primarily due to negative growth in the overall loan book of the Company. As on March 31, 2014, the loan book of the Company stood at ₹ 81,630.7 million as against ₹ 99,563.0 million recorded on March 31, 2013. The negative growth in loan book was the consequence of multiple factors, such as the sluggish macro-economic scenario, uncertainties in the regulatory environment for gold loan NBFCs, and also a persistence of defaults at higher than normal levels, which led to more auctions.

To address the issue of defaults, we are considering aligning our loan to value (LTV) ratio to the tenure of the loan. The maximum permissible LTV of 75 percent will be made available only on loans of shorter tenure, say, six months, rather than one year as was the practice till now. Moreover, we are continuing with our drive to collect interest on a monthly basis so as to maintain the lending margin. We are confident that all challenges thrown up by a volatile market can be met with our fleet-footed response.

A final dividend of ₹ 0.45 per share is proposed over and above the interim dividend of ₹ 1.35 per share already paid earlier, subject to approval by shareholders in the forthcoming AGM. Accordingly,



OUR AIM IS TO GENERATE 50 PERCENT OF THE LOAN ASSETS FROM LAP, HOUSING FINANCE, AUTO FINANCE AND MICRO-FINANCE LOANS OVER THE NEXT DECADE AND THE REMAINING 50 PERCENT FROM GOLD LOANS.

the total dividend for the year will amount to ₹ 1.80 per share of the face value of ₹ 2.

Corporate Social Responsibility (CSR)

CSR has assumed extra urgency now that the Companies Act makes it mandatory for corporate entities to spend a minimum of 2 percent of their after tax profit on social welfare. We are now required by law to spend at least 2 percent of our three-year average annual net profit on CSR activities every year, starting from FY 2015.

It is a matter of pride that well before it became mandatory, Manappuram had become active in the CSR sphere out of commitment to its own core values. We established the Manappuram Foundation in 2009 with the objective of funding and managing grassroots programmes in healthcare, education, empowerment of women, and charity. The first major initiative of the Foundation was the Janaraksha Manappuram Free Health Insurance Scheme rolled out in FY 2010-11. Under this project, 20,000 BPL families — that's about one lakh people—in seven Panchayats adjoining our Corporate Office at Valapad, Thrissur, are provided with free health insurance covering them for hospitalisation and medical expenses up to a limit of ₹ 60,000 per annum. Janaraksha Manappuram is now hailed as a model CSR initiative, relevant to the needs of the community, and it has been efficiently implemented.

The Foundation has also set up the Manappuram Academy where free coaching for professional courses is provided to bright students from financially weak backgrounds, who have completed their plus-two level. A Day Care Centre for the elderly has been set up at Thalikulam (Thrissur District) where senior citizens can spend their day productively with food, medical care and recreational facilities being made available to them. As part of the 'Sarojini Padmanabhan Women Empowerment Programme', the Manappuram Foundation has set up

Ma Mahima Employment Training Centres at Thrissur, Palakkad and Kochi. Women from backward socio-economic classes are imparted vocational training to enable them to earn a living through self-employment.

Today, I can say with some sense of satisfaction that our CSR mission has generated abundant goodwill for the Company and earned us a place among the model corporate citizens of the state.

Thank you

I am grateful to all our stakeholders—the shareholders, employees, our lending banks and financial institutions, our foreign and domestic investors, the regulatory bodies, and the government—for their continuing support to the Company in these challenging times.

The Reserve Bank of India has been a stabilising force in an otherwise volatile environment and we are especially thankful to them for having paid heed to the pleas of the gold loan NBFCs for a level playing field. Thanks to these developments, the future for the gold loan sector is brighter.

I seek your continued support and cooperation so that Manappuram can achieve its true potential in the years to come. We hope to contribute fully to India's quest for growth and development by unlocking the potential of India's vast reserves of gold.

V.P. Nandakumar

MD & CEO



THE RESERVE BANK OF INDIA HAS BEEN A STABILISING FORCE IN AN OTHERWISE VOLATILE ENVIRONMENT AND WE ARE ESPECIALLY THANKFUL TO THEM FOR HAVING PAID HEED TO THE PLEAS OF THE GOLD LOAN NBFCs FOR A LEVEL PLAYING FIELD. THANKS TO THESE DEVELOPMENTS, THE FUTURE FOR THE GOLD LOAN SECTOR IS BRIGHTER.



WHEN CUSTOMERS RECEIVE A COMPELLING VALUE PROPOSITION, THEY FEEL EMPOWERED. THAT FEELING OF EMPOWERMENT GENERATES TRUST, WHICH IN TURN, DRIVES OUR BUSINESS.

Competitive loan-to-value ratios, rapid and accurate appraisals, easy access, low documentation, quick approval and disbursement and above all, safekeeping of pledged gold have helped generate customer trust and strengthened Manappuram's brand recall.

Our customer engagement programmes in key target customer locations as well as the branch catchment areas enable us to reach closer to our target audience. These initiatives help in engaging with customers and enhancing awareness about the brand and our products.

On January 8, 2014, the RBI amended the Prudential Norms to increase the LTV ratio of the underlying gold collateral to 75 percent and later extended the 75 percent LTV ratio norm to commercial banks, who are lending against gold.

We lend up to 75 percent of the gold's price as appraised by us. We adequately collateralise our gold loans, because the actual value of the gold jewellery is higher than our appraised value when the loan is disbursed. Besides, higher LTVs will progressively lead to a level playing field for NBFCs vis-a-vis banks.

The benefits

We understand the real advantages of a higher LTV to the gold loan borrowers, who typically belong to the financially excluded classes. On the other hand, low

LTV pushes up the cost of borrowing for the disadvantaged sections and hinders the process of financial inclusion.

A 2009 study by ICRA Management Consultancy (IMaCS) reveals that rural India holds 65 percent of the total private gold. Moreover, financially excluded classes do not have access to banks and largely invest in gold. We have attracted a large number of customers - who traditionally relied on local money lenders for need-based loans - by penetrating deep into rural and semi-urban areas, and by offering high LTV at par with moneylenders.



WE ARE NOT AFRAID OF ECONOMIC VOLATILITIES, BECAUSE HISTORY HAS PROVED THEM TO BE THE NORM. OUR CONFIDENCE LIES IN THE CAPABILITIES THAT WE HAVE CREATED FOR DECADES. THOSE CAPABILITIES WILL NOW PAVE THE WAY FOR OUR DIVERSIFICATION INTO NEW ASSET CLASSES FOR LENDING. THAT WILL BE THE NEW NORM FOR MANAPPURAM.

At Manappuram, we have always considered our gold loans as instruments of empowerment; empowerment of the marginalised sections of society, who need financial support to translate their aspirations into reality.

Now the time is appropriate to diversify into other asset classes for lending and strengthen our empowerment agenda. Therefore, in addition to gold loans, we have forayed into new segments, such as the Loan against Property (LAP) and are in the process of entering housing, particularly affordable housing segment and Micro, Small and Medium Enterprises (MSME) finance.

Our aim is to generate 50 percent of the loan assets from LAP, housing finance, auto finance and micro-finance loans over the next decade and the remaining 50 percent from gold loans.

This will further strengthen and diversify our loan book. We also plan to extend fully collateralised loans to individuals / proprietors, partnership firms, limited liability partnerships and companies.

Despite high funding costs in 2013, we continued to retain margins and achieve profitability. Our consistent focus on stabilisation of operations and maintenance of portfolio quality remains intact. We now aim to further contribute to financial inclusion by providing small ticket loans in housing, auto and micro finance spheres to a non-bankable customer base of 1.51 million customers.

Leveraging existing strengths to diversify

- We aim to further cater to our fast growing customer base all over India through emerging loan segments.
- Our extensive branch network gives us easy access to our pan-India customers.
- We have created a high comfort level, transparency and trust with our customers and shall continue to serve them with the utmost courtesy and regards. This has helped us with a loyal customer base.
- We have maintained better operating costs as compared to banks and can support our diversifications.
- A well-matched ALM profile due to the short tenure of advances and adequate unutilised funding and assignment lines has helped us achieve capital efficiencies. We are also broadening our resource mobilisation strategies so that we will have an efficient mix of resources to match our ALM profile going forward.
- We have a healthy capital adequacy ratio of 27.68 percent, compared to the minimum 15 percent stipulated by the RBI for gold loan companies. This gives us adequate capital to be effectively deployed in our diversifications.
- Comfortable gearing levels at 3.13x leave ample scope for increase in leverage.

27.68%

Capital adequacy ratio

3.13x

Gearing levels giving ample scope for increase in leverage





THE ABILITY TO PURSUE OPPORTUNITIES WITH AN EAGLE EYE AND QUICKLY ADAPT TO CHANGES IN MARKETS OR REGULATORY TRENDS IS THE KEY TO LEADERSHIP.

This is the corporate mantra that drives our people. At Manappuram, we are only as good as our people. The in-depth industry knowledge of our team and the foresight of the management provide us with a distinct competitive advantage. Our experienced management can identify market trends and suitable locations for setting up branches and expanding operations.



Inside the new state-of-the-art Corporate Office building at Valapad



Top management interacts with CRMs SRMs at the Budget Finalisation meeting

Talent management

Our team implements a decentralised recruitment policy at the entry level to attract and retain local entrepreneurial talent who drive business in gold loans and related business diversifications. Our employees are trained and nurtured to become effective branch heads, leading to business development.

The team comprises appraisers who are skilled in the evaluation of the worth and authenticity of the gold that is pledged with us and we conduct periodic training programmes to augment their knowledge and efficiency in performing this task.

Focus on training

Our continuous in-house training programmes and online skill assessments fortify the talent pool and augment skills for new branches and business segments, strengthening the overall resource pool. Internal promotions have helped us improve performance, increase employee morale and per person productivity. These initiatives have helped us achieve cost reductions too.

Employee engagement

There are many events undertaken for employee engagement and we are planning to increase organisation-wide activities in future. The Annual Manappuram Sports &

Games Meet, held in January 2014 saw the enthusiastic participation by employees. There were special events for children of employees and separate competitions organised for senior citizens, with participants belonging to various age groups.

Our HR team provides employees with an environment to recharge themselves and motivates them to work in a dedicated way. Our employees in turn, help our customers seize opportunities for advancement that come their way.

Recognising efforts

We have improved our Performance Management System (PMS) to monitor employee productivity and set clear performance benchmarks. Our HR systems measure yields, key performance indicators, customer acquisitions and retentions and have been able to increase employee trust and commitment. Manappuram’s retention policy promotes internal appreciation and retention of talent by promoting career growth, a performance based appraisal mechanism and employee welfare initiatives like provident funds and group mediclaim policy.

HR FOCUS

Enhanced focus on online training through weekly circulation of training modules across all branches

Encouraged an online feedback mechanism for transparency

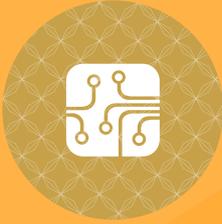
Implemented a suggestion scheme for innovative thinking

Offered Employee Stock Ownership Plan (ESOP) to senior and line managers to enhance their sense of ownership and belonging

Commenced an employee welfare cell to enhance employee engagement activities

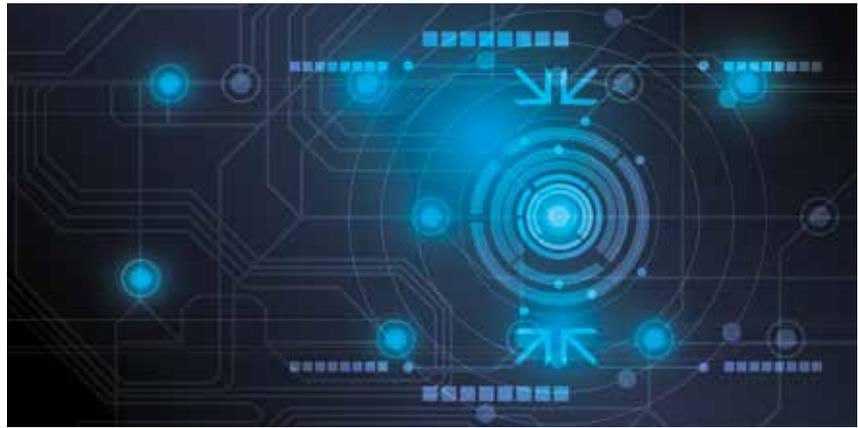
Engaged a dedicated team to redress employee grievances through the online platform

Incorporated Total Quality Management (TQM) in collaboration with an external consultant to optimise resource productivity



TECHNOLOGY IS OUR SILENT ALLY IN THE CREATION OF BUSINESS VALUE. IT ENABLES US TO REACH A WIDER AUDIENCE AND DELIVER A BETTER CUSTOMER EXPERIENCE.

At Manappuram, our business model is supported by a powerful technology platform that helps us to streamline credit-approval, administrative and monitoring procedures on a real-time basis. It also accelerates loan disbursements, enables faster data transmission and reinforces risk management practices. In 2013-14, we upgraded our IT systems, strengthened risk management practices and internal audit to improve monitoring and control.



IT partners

Our fruitful partnership with IBM has strengthened our IT architecture. Powered by a strong technology infrastructure, we address our customers' queries in the quickest timeframe and in the most simplified manner.

Enhanced security at branches

We ensure that our customers' gold is safe at our branches. Post verification, the gold is transferred to highly secured vaults under dual custody. As part of our robust risk management system, our branches are connected with state of the art technological equipment to facilitate offsite surveillance, including an efficient alert generating system in case of an intrusion.

Operational integration

We were the first in our industry to adopt a technology platform that enabled operational integration, similar to 'core banking'. Our technology solutions enabled real-time network linkage of branches across India with the head office. Customers gain from the flexibility of repayment at any Manappuram branch and, for the Company, there is lesser possibility of defaults by duplication of identity.

Online information access

We upload data in real-time from each branch to facilitate online information access. This reduces the transaction time, improving customer convenience and attracting more customers. Information-sharing has helped in better decision-making and responses from the management.

Disaster recovery system

Our state-of-the-art on-site and off-site disaster recovery system at Chennai replicates data in actual time.

Customer convenience

We have implemented an online payment gateway for easy interest payment and principle remittance. The ease of transaction has improved significantly with diverse options for payment, including Online, Airtel Money and Easy Money kiosks.

Strong in-house IT infrastructure

The availability of accurate and real-time information aids in faster decision-making and reduced turnaround time, resulting in improved loan disbursement:

- Significant automation at front end, reducing human intervention
- Centralised technology for offsite surveillance of all branches (efficient monitoring and controlling)
- Scalability enables rapid branch roll-out
- State-of-the-art Disaster Recovery Centre

Outlook

We are planning to make greater use of the mobile platform, so that we can reach out to the customer more often, and reduce the need for his/ her personal visits to our branch. Such an approach will increase customer comfort and also help us reach a wider customer base for our other loan segments like home loans.

Going forward, we hope to make our branch operations leaner through the use of a mobile kiosk based branch model. Our business model will always revolve around the customer, no matter how large or small be their borrowing amounts. Moreover, we continue to remain the best custodian of the borrower's gold – trustworthy, regulated by the law and fully insured.

IN GLAMOROUS COMPANY

Brand Manappuram is endorsed by trusted faces of the film industry from all regions of India. They whole-heartedly support our empowerment agenda.



Venkatesh



Puneeth Rajkumar



Mohan Lal



Vikram



Akshay Kumar



Sachin Khedekar



Mithun Chakrabarty



Uttam Mohanty

CREATING VALUE FOR THE COMMUNITY

We believe any business enterprise has to take the community along in its journey forward. Our empowerment agenda can only be truly successful if the community benefits through our initiatives. The community initiatives are driven by the Manappuram Foundation, which was set up in 2009. The Foundation works at the grassroots to help improve the quality of life of people at the bottom of the social pyramid.



Manappuram Foundation's 'Ma Mahima' programme focuses on employment oriented skills for women. In the photo, a new logo is unveiled



Veteran cine actor Padmashree Madhu receives the 2013 V.C. Padmanabhan Memorial Award in the category of Arts and Literature

Good health for the under-privileged

Janaraksha Manappuram Free Health Insurance scheme is a path-breaking initiative rolled out by the Foundation in 2010. Around 20,000 families (approximately one lakh people) belonging to the BPL category in the seven panchayats adjoining Valapad benefited from this scheme which provides them with health insurance coverage up to ₹ 60,000 per annum. The Foundation continues to bear the entire premium even as subsidy provided by the Central Government was withdrawn from FY 2013-14. This is a major step in Manappuram's empowerment agenda.

Caring for the old

In association with Thalikulam Vikas Trust, the Foundation has set up its first Adult Day Centre (Pakalveedu). The Centre provides food, health check-up, medicines and recreational facilities to the beneficiaries free of cost. At present, there are about 30 beneficiaries, who are regularly availing the facilities at the Pakalveedu. The Centre is functioning satisfactorily and the beneficiaries are happy with the facilities provided.

Creating educational infrastructure

To enhance the representation of professionals (CA, CS and ICWA) from



Manappuram Academy of Professional Education, Thriprayar, a classroom session in progress



Manappuram Foundation's Day Centre, Thalikulam, senior citizens play a board game

among the weaker sections of the society, the Foundation has set up a unique educational institution under Manappuram Academy of Professional Education at Thriprayar, Thrissur. The Academy provides free professional coaching and other facilities to students. The Foundation has met all the expenditure for setting up the Academy, including infrastructure, class rooms, library, conference room, rent, tuition fee, examination fee, among others.

Empowering women

The Foundation has set up two vocational training centres, one at Palakkad and the other at Thrissur. The objective is to

impart vocational training to financially disadvantaged women to make them independent. The centres began operations on January 1, 2014 and January 24, 2014, respectively.

Other initiatives

- The Foundation extends financial assistance to Alpha Pain and Palliative Care Clinic, Edamuttam (Thrissur District). The Clinic is renowned for its exemplary service to the poor in the area of palliative care.
- The Foundation regularly contributes to Karuna Charitable Trust for free dialysis of poor patients. During 2012,

it also donated a dialysis machine to the Thrissur District Co-operative Hospital.

- A cash award of Rs 500 each was given to 500 students to encourage students from nearby Panchayats, who had performed creditably in the March 2013 SSLC examination.
- Financial assistance was provided for one year to 100 widows above 70 years of age; the Foundation also provided financial support to patients suffering from various diseases.

BOARD OF DIRECTORS



01 Jagdish Capoor

74, Chairman, Independent and Non Executive Director

He holds a masters degree in Commerce from Agra University and a fellowship from the Indian Institute of Banking and Finance. He has more than 39 years of work experience in banking and finance. He has, in the past, worked as the Deputy Governor of the Reserve Bank of India, Chairman of HDFC Bank, BSE, Deposit Insurance and Credit Guarantee Corporation of India, Unit Trust of India and also as a Director on the Boards of several commercial banks. Currently, he is on the Board of Indian Hotels Company Limited, Assets Care Enterprise Limited, Indian Institute of Management, LIC Pension Fund Limited and is the Chairman of Quantum Trustee

Company Private Limited. He is a Director of our Company since July 20, 2010.

02 V. P. Nandakumar

60, Managing Director and CEO

He holds a masters degree in Science from Calicut University and is also a Certified Associate of Indian Institute of Bankers. He is the chief Promoter of the Manappuram Group of Companies and has in the past been associated with the banking industry in various capacities. He is the Chairman of the Equipment Leasing Association (India) and the Kerala Non-Banking Finance Companies Welfare Association and also District Governor of Lions Club of Thrissur District. He is a Director of our Company since July 15, 1992.

03 I. Unnikrishnan

50, Executive Director & Dy CEO

He holds a bachelors degree in Commerce from Calicut University and is also a fellow member of the Institute of Chartered Accountants of India. He has, experience in rendering advisory services relating to NBFCs. He has in the past, worked with HAWA-MK Electrical Limited. He has been a Director of the Company since October 11, 2001. He was appointed as the Managing Director on October 1, 2006.

04 B. N. Raveendra Babu

62, Executive Director

He holds a masters degree in Commerce from the Calicut University and completed his inter from the Institute of Certified

Management Accountants. He has worked in a senior position in the Finance and Accounts Department of Blue Marine International in the U.A.E. He has been the Director of our Company since July 15, 1992. He was appointed as the Joint Managing Director on January 11, 2010 and redesignated as Executive Director on May 19, 2012.

05 Shailesh J. Mehta

65, Independent and Non Executive Director

He has completed his Bachelor of Technology in Mechanical Engineering from Indian Institute of Technology, Mumbai, and holds a masters degree in science in Operations Research from Case Western Reserve University. He holds a Doctor of Philosophy degree in Operation Research and Human Letters from the California State University and in Operation Research and Computer Science from Case Western Reserve University. He has over 38 years of work experience and has held the positions of President, Granite Hill Capital Ventures, Chairman and Chief Executive Officer, Providian Financial Corporation, operating general partner, West Bridge Capital, President and Chief Operating Officer, Capital Holding and Executive Vice President, Key Corp (formerly Ameritrust). He has also held the positions of Chairman and Chief Executive Officer, Providian Financial Corporation and President and Chief Operating Officer, Capital Holding. He is a Director of the Company since August 17, 2009.

06 P. Manomohanam

72, Independent and Non Executive Director

He holds a bachelor's degree in Commerce from Kerala University and also a diploma in Industrial finance from Indian Institute of Bankers. He is also a Certified Associate of the Indian Institute of Bankers. He has over 38 years of work experience in the RBI and in the regulatory aspects of NBFCs. He has in the past held the post of General Manager of Reserve Bank of India. He is a Director of the Company since August 18, 2003.

07 V. R. Ramachandran

61, Independent and Non Executive Director

He holds a bachelors degree in Science from the Calicut University and a bachelor's degree in law from the Kerala University. He has over 32 years of work experience and is a civil lawyer enrolled with the Thrissur Bar Association. He is a Director of the Company since April 19, 2002.

08 V. M. Manoharan

67, Independent and Non Executive Director

He holds a masters degree in Commerce from University of Kerala and holds a Doctor of Philosophy in International Business (Commerce) from Cochin University of Science and Technology. He has over 40 years of work experience and has, in the past, held the positions of Deputy Director, Collegiate Education, Thrissur Zone and Dean, KMCT School of Business, Kozhikode. He also held the position of Principal in various Government Colleges in Kerala and was a Syndicate Member of University of Calicut. Presently, he is a member of the steering committee of Vidya International Charitable Trust, Thalakkottukara, Thrissur, and of the All India Management Association and the Association of Indian College Principals.

He is a Director of the Company since August 18, 2003.

09 Mr. Rajiven V.R.

63, Independent and Non Executive Director

He holds a Bachelor of Science degree and has completed his LLB from Govt. Law College, Trivandrum. He joined the Indian Police Service (IPS) in 1977. A highly decorated IPS Officer and recipient of the President's Police Medals for Meritorious Service and for Distinguished Service, the highest honour for policemen in the country. Shri Rajiven brings to the Board a wealth of experience in areas like Leadership and Staff management, Strategic Management, Financial Control / Budgeting, Team Development, Human Resources, Recruitment and Development, Fleet management, Material Infrastructure Management and Disaster Management.

10 Mr. E. A. Kshirsagar

72, Nominee Director

Mr. E. A. Kshirsagar is a Fellow of the Institute of Chartered Accountants in England & Wales. He has wide experience in Corporate Strategy & Structure, Valuation, Feasibility Studies, Disinvestments, Mergers & Acquisitions. He was associated with the Management Consultancy division of A F Ferguson for over three decades and retired in 2004 as the Senior Partner. Mr. Kshirsagar serves on the Board of other leading Indian public companies.

11 Mr. Pradeep Saxena

66, Nominee Director

Mr. Pradeep Saxena is a Fellow of the Institute of Financial Services, London and Master's in Management Sciences, from University of Bombay. He has around 30 years of experience in International Banking and 5 years in Information Technology. Earlier he was MD & CEO of South East Asia Region of ING Barings and Executive Director with Merrill Lynch International. He was President of e Funds International from 2000 to 2003. He has worked in Senior Management Positions of various International Banks. At present he is engaged in the areas of Financial Services, Heavy Industry, Information Technology and Education.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

DIRECTORS' REPORT

To,
 The Members
Manappuram Finance Limited.

Your Directors are pleased to present the 22nd Annual Report on the working of the Company with the Audited Accounts and the Report of the Auditors for the financial year ended March 31, 2014.

1. FINANCIAL RESULTS AT A GLANCE

Description	Standalone		Consolidated
	2013-14	2012-13	2013-14
Gross Income	21117.93	22669.53	21118.27
Total Expenditure	17687.43	19604.49	17688.02
Profit Before Tax	3430.50	3065.04	3430.25
Provision for Taxes/Deferred tax	1170.39	980.72	1170.44
Net Profit	2260.11	2084.32	2259.81
Profit b/f from previous year	2772.63	2780.11	2772.63
Amount available for appropriations	5032.74	4864.43	5032.44
Appropriations:			
Transfer to Statutory Reserve	452.02	416.86	452.02
Transfer to General Reserve	226.01	208.43	226.01
Transfer to Debenture Redemption Reserve	113.90		113.90
Interim Dividend on Equity Shares	1135.65	1261.81	1135.65
Tax on Interim Dividend	193.00	204.70	193.00
Proposed Equity Dividend	378.54	-	378.54
Tax on dividend	64.33	-	64.33
Balance carried forward to next year	2469.28	2772.63	2468.99

The comparative operational results shown above summarise the financial performance of the company for the year under report and for the previous year. Profit after tax for the year under review has gone up by 8.43 percent in comparison to the previous year despite a 6.84 percent decline in total revenue. Revenue declined mainly due to negative growth in the overall loan book of the company. As of March 31, 2014, the loan book of the company stands at ₹ 81,630.7 million as against ₹ 99,563.0 million recorded on March 31, 2013. The negative growth in loan book was the consequence of multiple factors such as the sluggish macro-economic scenario, uncertainties in the regulatory environment for gold loan NBFCs, and increased competition from banks and the unorganised sectors. However, your management was able to rein in expenditure and improve collection efficiencies which enabled the company to register a moderate growth in net profit despite the fall in revenue.

During the last quarter of the year, your company acquired Milestone Home Finance Co. Pvt. Ltd. as a 100 percent subsidiary; therefore, consolidated performance highlights are also given.

8.43%

Profit after tax for the year under review has gone up by 8.43 percent in comparison to the previous year

(All amounts are in millions of Indian Rupees, unless otherwise stated)

2. BUSINESS OUTLOOK

In recent years, especially in the decade up to 2012, NBFCs engaged in the gold loan business have registered rapid growth. In these years, your company too registered substantial growth in terms of business volumes, profitability, human capital etc., and it also acquired a pan India presence.

Regulatory environment for Gold Loan NBFCs: On March 21, 2012, the Reserve Bank of India (RBI) issued a circular amending the Non-Banking Financial Companies (Non-Deposit Accepting or Holding) Prudential Norms Reserve Bank Directions, 2007. It was stipulated that all Gold Loan NBFCs should maintain a Loan- to Value (LTV) ratio of 60 percent for loans granted against the collateral of gold jewellery. It may be noted that no restrictions on LTV were applicable until this point, and individual NBFCs were free to offer loan-to-value ratios of their choice. Further, banks were kept out of the purview of the cap on LTV. As a result, NBFCs specialised in gold loans faced a significant slowdown in growth.

Fiscal year 2013-14 witnessed a gradual return to stability in the regulatory environment. RBI came out with further guidelines on strengthening fair practices across the sector such as streamlining the auction process, PAN based transactions (beyond a defined threshold value), standardisation of the method of valuation of gold etc. Moreover, in January 2014, RBI issued a circular permitting gold loan NBFCs to lend up to 75 percent of the collateral value of gold, i.e. at LTV of 75 percent. Further, banks were also directed to adhere to this stipulation. Consequently, a level playing field has been restored with banks and NBFCs treated on par within the organised gold loans sector. The measures put in place by RBI relating to the cap on LTV and the standardisation of the method of valuation of gold (for the purpose of arriving at LTV ratio) will help better insulate the company against adverse movements in the price of gold and is considered positive for the future of the industry.

Earlier, in June and July, 2013, RBI had issued circulars imposing certain restrictions on privately placed debentures in terms of the minimum amount of subscription and the maximum number of subscriptions per issue. In the past, your company was mobilising substantial funds through its branches by issue of Secured Redeemable Non-convertible Debentures (NCDS) to retail investors. In the changed regulatory environment, the company is required to focus on raising of resources through public issues of debentures in compliance with the SEBI (Issue and Listing of Debt Securities) Regulation, 2008. This may result in escalation of cost of funds compared to the past.

Credit Rating: The company holds valid ratings from CRISIL and ICRA for long term and short term borrowing programmes. During the year under review, the long-term rating of the company has improved from A+ (negative outlook) to A+ (stable outlook). Management is hopeful that the improved rating will enable the company to access resources at a more competitive price.

Thanks to the above developments, the outlook for growth of the gold loan business is considered more positive than in

the past couple of years. While the market continues to be competitive, management is confident that the company can achieve reasonable growth in view of the inherent strengths of the company such as transparent business practices, a pan-India presence, brand recognition, faster customer service, competitive pricing etc. Moreover, your company has a strong management team with demonstrated capabilities for operating in an adverse environment.

While volatility in gold prices is a concern, the strong demand for physical gold in the domestic markets holds the promise of enlarging the scope for monetisation of idle household jewellery. However, growth rates are likely to be subdued in comparison to past performances on account of greater competition (especially from the unorganised sector) and considering the international scenario where gold prices appear to have stabilised at lower levels, in the range of US\$ 1,200 to 1,400 per ounce, after having corrected from the highs of US\$ 1,900 in 2012.

Diversification: In line with the expectations of the regulatory establishment, your management has decided to diversify the portfolio and move into other asset classes for lending. Since the company is focused on fully collateralised lending, management is keen to begin by building up a portfolio of loans to the micro and small enterprises sector secured by immovable property. During the last quarter of the financial year under review, your company launched loans against property in Kerala targeting this very segment and we propose to expand to other markets with potential in a phased manner. Similarly, your management feels that growth prospects in the affordable housing finance segment hold promise. While institutions catering to the housing needs of premium customers are many, people belonging to the lower socio-economic classes continue to face challenges in accessing institutional finance for housing requirements. The company plans to enter this segment as it offers reasonable margins and return on equity. Moreover, it would serve a larger social purpose by enabling better living conditions to those who are unable to access loans from traditional banks.

As a first step towards entry into the Housing Finance Sector, your company has acquired Milestone Home Finance Company Pvt. Ltd. (Milestone)—a company possessing a valid Certificate of Registration from National Housing Bank—as a fully owned subsidiary. Milestone is yet to commence its commercial operations. Your management is in the process of obtaining necessary regulatory clearances to change the name and commence commercial operations and also to set up the required infrastructure to run the company in a professional manner.

3. DIVIDEND

Your Board had earlier declared an interim dividend for the year 2013-14 of ₹1.35 per equity share (face value ₹ 2.0 per share), which amounts to 67.50 percent of the paid up value of the shares. The Board has now recommended a final dividend of 0.45 paise per share, taking the total dividend for the year to ₹ 1.80 per share, at a rate of 90 percent of the paid up capital. The final dividend of 0.45 paise will be paid on declaration by the share holders at the ensuing annual general meeting.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

4. RAISING OF ADDITIONAL CAPITAL

Company has not allotted any shares during the financial year 2013-14.

5. RESERVES

During the year, the company transferred ₹ 226.01 million to General Reserve, taking it to a total of ₹ 3,885.08 million. The total Reserves & Surplus as on March 31, 2014 stands at ₹ 23,235.31 million.

6. DEBENTURE REDEMPTION RESERVE

Pursuant to the provisions of the Companies Act, 1956 and the relevant circulars issue by the Ministry of Corporate Affairs, the company is required to create a Debenture Redemption Reserve (DRR), to which amounts shall be transferred from the profits every year till the debenture is redeemed. The amount of DRR shall be 25 percent of the NCDs issued through public issue in compliance with SEBI (Issue and Listing of Debt Securities) Regulation 2008, and no reserve is required in respect of NCDs issued through private placement. As a matter of policy, your company creates a reserve on a proportionate basis till the redemption of the debentures. Accordingly, the company transferred a sum of ₹ 113.90 million to DRR during the year. Further, the company has to invest, in the prescribed manner, a sum equal to 15 percent of the NCDs maturing on or before March 31, 2015 towards which the company has deposited ₹ 68.34 million with a Scheduled Bank.

7. RESOURCES

As an NBFC, mobilisation of resources at optimal cost and its deployment in the most profitable and secured manner constitutes the two important functions of the company. The main source of funding for the company continues to be credit lines from the banks and financial institutions. Your company currently enjoys credit facilities from about 30 banks.

Management has been making continuous efforts to broaden the resource base of the company so as to maintain its competitive edge. The next important source of funding is the issue of Secured Redeemable Non Convertible Debentures (NCDs). Your company issues NCDs under the listed & unlisted private placement route to Institutional Investors and to high net worth individuals. During the year under review, the Company has fully repaid the NCDs raised during the public issue of August 2011 amounting to ₹ 2,980 million (along with applicable interest). We are pleased to inform you that your company has successfully completed two rounds of public issues during the year, raising ₹ 4,000 million, including the exercise of the green shoe option. Incidentally, both the issues were oversubscribed. In addition, the Company also raised funds through the issue of Commercial Paper (CPs).

Your directors are confident that the company will be able to raise adequate resources for onward lending in line with its business plans.

8. DEPOSITS

As you are aware, your company had stopped acceptance of deposits from the public in 2007. Your company had converted itself into a non deposit taking Category 'B' NBFC. All amounts due to deposit holders have been transferred to an ESCROW account opened with Punjab National Bank. The balance outstanding as on March 31, 2014 was ₹ 217,708.

As on the date of this report, there were no deposits which are due for transfer to the IEPF Account of the Central Government on the expiry of seven years after maturity. There is regular follow up on the part of the Company to redeem unclaimed deposits.

9. COMPLIANCE WITH NBFC REGULATIONS

Your Company has complied with all the regulatory provisions of the Reserve Bank of India applicable to Non-Banking Financial Companies. As on March 31, 2014, the Capital Adequacy Ratio of the Company is 27.68 percent, well above the statutory requirement of 15 percent.



AS AN NBFC, MOBILISATION OF RESOURCES AT OPTIMAL COST AND ITS DEPLOYMENT IN THE MOST PROFITABLE AND SECURED MANNER CONSTITUTES THE TWO IMPORTANT FUNCTIONS OF THE COMPANY. THE MAIN SOURCE OF FUNDING FOR THE COMPANY CONTINUES TO BE CREDIT LINES FROM THE BANKS AND FINANCIAL INSTITUTIONS. YOUR COMPANY CURRENTLY ENJOYS CREDIT FACILITIES FROM ABOUT 30 BANKS.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO - INFORMATION AS PER SECTION 217 (1) (E) OF THE COMPANIES ACT, 1956

The company is engaged in the financial services sector and therefore conservation of energy, technology absorption etc. have a limited application. However, the company follows a practice of purchase and use of energy efficient electrical and electronic equipment and gadgets in its operations.

The Company holds AD Category II licence from the Reserve Bank of India for its foreign exchange operations. Following are the details of foreign exchange earnings and outgo during the period covered by this report:

Foreign Exchange Earnings : Nil

Foreign Exchange Outgo : ₹ 2.37 million towards foreign travel and training expenses Nil towards import of capital goods

11. PARTICULARS OF EMPLOYEES

Particulars of the employees covered by the provisions of section 217 (2A) of the Companies Act, 1956 read with Company's (Particulars of Employees) Rules, 1975 is as under:

STATEMENT PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANY'S (PARTICULARS OF EMPLOYEES) RULES, 1975

Name	Designation	Age	Remuneration Received	Date Of Joining	Experience In Years
Mr. V.P. Nandakumar	Managing Director & CEO	60	45.55	15.07.1992	34
Mr. I. Unnikrishnan	ED & Dy.CEO	50	14.06	01.10.2006	24
Mr. B.N. Raveendra Babu	ED	62	11.34	17.08.2009	34

12. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, the Board of Directors hereby declares that:

- In the preparation of Annual Accounts for the financial year ended March 31, 2014, applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of the profit of the Company for that period.
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors have prepared the Annual Accounts for the year 2013-14 on a going concern basis.

13. REPLY TO AUDITORS' OBSERVATIONS

- In point No. (ix) (a) and (b) of the annexure to the auditor's report they have observed that there were delay in remittances of professional taxes relating to a few branches. The observation of the auditors has been noted and the Company has already paid the tax demands. However, it may be noted that profession tax is a state/local body levy and different states are following different procedure for registration and collection of taxes. Since the company is having nationwide branch network there are practical difficulties in obtaining registration under profession tax and making payments on time.
- In point No. (xxi) of the annexure to the Auditors Report they have also pointed out certain incidents of fraud on the company by employees and others. Considering the nature of its business, these are instances of certain inherent risks associated with the business of the Company. The observation is self explanatory and the members may also refer to note No. 37 to the notes on accounts for more information.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

14. AUDITORS

The statutory Auditors M/s S.R. Batliboi & Associates, Chartered Accountants, Firm Registration Number- 101049W, TIDEL Park, 6th and 7th Floor - A Block , Module 601, 701-702, No 4 RajivGandhi Salai, Taramani , Chennai 600 113, India will retire at the ensuing Annual General Meeting of the Company and are eligible for re-appointment.

15. REPORT ON CORPORATE GOVERNANCE

Your Company has been practicing principle of good Corporate Governance over the years. The endeavour of the Company is not only to comply with the regulatory requirements but also practice good Corporate Governance that lays strong emphasis on integrity, transparency and overall accountability. A separate section on Corporate Governance along with a certificate from the Statutory Auditors confirming compliance is annexed and forms part of this report.

16. MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report is attached and forms an integral part of the Report of the Board of Directors.

17. ACKNOWLEDGEMENT

Your Directors acknowledge and place on record its sincere appreciation and gratitude to the employees of the company at all levels for their dedicated service and commitments, to the Reserve Bank of India, Rating Agencies, Stock Exchanges, Governments and its statutory agencies for the support, guidance and co-operation, to the Investors, shareholders Bankers and other financial institutions and customers for the whole hearted support and confidence reposed on the company and the management and to the general public at large for their blessings and good wishes the company has been receiving in good measure over the years.

For and on behalf of the Board of Directors of
Manappuram Finance Limited

Sd/-
Jagdish Capoor
 Chairman

Place:Valappad
 Date: May 15, 2014

ANNEXURE TO THE DIRECTORS REPORT

Disclosures in terms of Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999:

SL No.	Particulars	Disclosures- ESOP 2009
a	Options granted during the year	Nil
b	Pricing Formula	The exercise price may be decided by the Nomination, Compensation and Corporate Governance Committee of the Board in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and any amendments thereto
c	Options Vested	50% of the above Options would vest on 16th August 2010 and the balance on 16th August 2011
d	Options Exercised during the year	54,000
e	Total no. of shares arising as a result of exercise of Options	74,58,760
f	Options lapsed	6,95,000
g	Variation in terms of Options	The criterion for expiry of Exercise Period has been amended as 'Not later than 4 years from the date of vesting of Options for continuing Employees' at the Extra-Ordinary General Meeting held on 22.04.2010 and the number of Options have been proportionately increased in view of the Subdivision and Bonus issue.
h	Money realised by exercise of Options	₹ 12,35,17,065
i	Total number of Options in force	66,000

(All amounts are in millions of Indian Rupees, unless otherwise stated)

SL No.	Particulars	Disclosures- ESOP 2009																				
j	Employee wise details of Options granted to:																					
	(i) Senior Management	Name	No. of Options																			
		Mr. I.Unnikrishnan	120000																			
		Mr. B.N.Raveendra Babu	100000																			
		Mr. P.Manomohanan	30000																			
		Dr. V.M.Manoharan	30000																			
		Mr. A.R.Sankaranarayanan	30000																			
		Adv. V.R.Ramachandran	30000																			
		Mr. M.Anandan	30000																			
		Mr. Shailesh J Mehta	30000																			
	(ii) Any other employee who receives a grant in any one year of Option amounting to 5 per cent or more of Option granted during that year	Nil																				
	(iii) Employees who were granted Option, during any one year, equal to or exceeding 1 per cent of the issued capital (excluding warrants and conversions) of the Company at the time of grant	Nil																				
k	Diluted earnings per share pursuant to issue of shares on exercise of Options calculated in accordance with AS 20 'earnings per share'	2.48/-																				
l	Where the company has calculated the employee compensation cost using the intrinsic value of the Stock Options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the Options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	<p>The difference between the employee compensation cost computed in accordance with intrinsic value adopted by the Company and fair value is zero.</p> <p>Had the Company adopted the fair value model, the net profit after tax would have been ₹ 2084.32 million as against the reported amount of ₹ 2084.32</p> <p>The Basic EPS would have been ₹ 2.48 as against the reported figures of ₹ 2.48 respectively.</p> <p>The Diluted EPS would have been ₹ 2.48/-as against the reported figures of ₹ 2.48</p>																				
m	Weighted-average exercise prices and weighted-average fair values of Options shall be disclosed separately for Options whose exercise price either equals or exceeds or is less than the market price of the stock on the grant date.	The exercise price is ₹ 16.56/-																				
n	Description of method and significant assumptions used to estimate the fair value of Options	<p>The fair value of options was estimated at the date of grant using the Black-Scholes method with the following assumptions:</p> <table border="1"> <thead> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: center;">Vesting I August 16, 2010 50%</th> <th style="text-align: center;">Vesting II August 16, 2011 50%</th> </tr> </thead> <tbody> <tr> <td>Risk-free interest rate</td> <td style="text-align: right;">6.15%</td> <td style="text-align: right;">6.53%</td> </tr> <tr> <td>Expected life</td> <td style="text-align: right;">3 years</td> <td style="text-align: right;">4 years</td> </tr> <tr> <td>Expected volatility</td> <td style="text-align: right;">67.11%</td> <td style="text-align: right;">66.62%</td> </tr> <tr> <td>Expected dividend yield</td> <td style="text-align: right;">2.76%</td> <td style="text-align: right;">2.76%</td> </tr> <tr> <td>Share price on the date of grant</td> <td style="text-align: right;">₹ 331.15 /-</td> <td style="text-align: right;">₹ 331.15 /-</td> </tr> </tbody> </table>			Particulars	Vesting I August 16, 2010 50%	Vesting II August 16, 2011 50%	Risk-free interest rate	6.15%	6.53%	Expected life	3 years	4 years	Expected volatility	67.11%	66.62%	Expected dividend yield	2.76%	2.76%	Share price on the date of grant	₹ 331.15 /-	₹ 331.15 /-
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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. ECONOMIC OUTLOOK

The Indian economy continued to face significant strains during FY 2013-14. The Union Budget 2013-14 was premised on a growth of 6.2 percent in Gross Domestic Product (GDP). However, the actual achievement is likely to fall short of 5 percent, for the second year running.

Asia's third-largest economy has been struggling to recover from a stagflation-type situation where economic growth has been stuck below 5 percent for the past seven quarters while prices continue to rise at a fast clip. Consumer price inflation was high throughout the year, occasionally breaching double digits. The fiscal deficit is stated by the ministry of finance to have been contained at 4.5 percent of GDP by severely cutting back on expenditure. It may be noted that in recent years, India's fiscal deficit is the widest among major emerging economies due to heavy expenditure on subsidies for food, fuel and fertilizer. Subdued tax revenues in a slowing economy have aggravated fiscal strains and, in the push to meet the fiscal deficit target, expenditure on infrastructure has suffered which is likely to curtail growth in the coming years.

The one bright spot for the economy is that current account deficit, a major concern in the last fiscal year, has eased considerably following curbs on the import of gold. India's current account deficit is likely to be \$35 billion in the current fiscal year, compared to the \$88 billion recorded in the previous fiscal year (of which gold imports accounted for \$60 billion.)

Inflationary pressures continued throughout the year prompting the RBI to hike policy rates three times between September to January 2014. Retail inflation in March 2014 inched up to 8.31 per cent from 8.03 in February, mainly on account of a rise in fruit and vegetable prices. Inflation as measured by the wholesale price index rose to a three-month high of 5.7 per cent in March, 2014. In view of inflation persisting above comfort levels, expectations of an easing of policy rates by RBI may not materialise in the immediate future.

The outlook for the current fiscal year is cautiously optimistic and hinges upon expectations of a stable government coming to power after the current elections, with the ability to clear the policy logjam and push through key reforms.

2. THE GOLD LOANS SECTOR

Gold loans in India have been in existence for centuries, in the form of informal institutions such as pawn shops, delivering quick and easy access to loans against gold as collateral. Until a couple of decades ago, gold loans were delivered almost totally through the unorganised sector by private money lenders and pawn brokers. However, with the entry of formal financial institutions in the gold loan sector, the market dynamics have changed completely. Formal financial institutions have introduced innovative gold loan products at cheaper costs, and provide better customer service.

Scenario for Gold Price

The price of gold had ended calendar year 2013 at \$1,202 per troy ounce or 28% lower than at the beginning of the year, bringing to an end 12 consecutive years of price growth. A survey of analysts in a report compiled by the London Bullion Market Association (LBMA) issued in January, 2014 suggested that gold price will average \$1,219 an ounce this year. The analysts expect the gold price to range between \$1,067 and \$1,379 this year. The most optimistic prediction for the gold price this year said it could go as high as \$1,550, considering that central banks in developed economies were hoping to boost inflation (and avoid deflation). It was also noted that the price could find support from continued strong demand from China, possibility of a relaxation in India's import duties as well as the prospect that low prices could constrain mine output and supply of scrap.

However, such forecasts need to be treated with caution – the predictions about last year's gold price were far too optimistic. The average analyst's prediction for the gold price in 2013 was \$1,753, but the average actual price last year was just \$1,411 – almost 20pc lower.

In 2013, China officially overtook India as the world's largest consumer of gold according to the World Gold Council (WGC). Chinese consumer demand – which includes jewellery, bars and coins – rose 32 percent on year to a record 1,066 tonnes in 2013. Indian consumers, by comparison, bought 975 tonnes – a 13 percent rise from the previous year. Globally, consumer demand climbed 21 percent on year, totalling 3,864 tonnes.



The organised gold loan market has grown at 40% CAGR in the period from 2002 to 2010.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

India: Gold prices in India keep track of the international prices after factoring in the additional impact of the rupee-dollar exchange rate and the prevailing customs duty. While international prices had fallen by close to 30% in 2013, the decline in India was much less (at about 10% or so) because of the currency depreciation (nearly 15%) and the increase in import duty on gold from 2% to 10%. Higher import duties, strict import quotas and restrictions on gold-related lending and coin sales limited supply in the domestic market. Over the past two years, the government has implemented a slew of measures to curb demand for gold as a way of reducing the country's large current account deficit. Further, after the government introduced the 80:20 rule for gold imports by jewellers in July 2013, the Indian market has faced a supply crunch resulting in a premium for physical gold over the international price.

Scenario for Gold Loan NBFCs

Traditionally in India, loans against gold were provided by the unorganised sector through pawn brokers and money lenders at usurious rates of interest. The situation changed with the entry of NBFCs and Banks and together they now command a market share exceeding 25%. The organised gold loan market has grown at 40% CAGR in the period from 2002 to 2010. The gold loan market has emerged as one of the most reliable sources of credit for low-income households. Compared to other sources of credit available to low-income households - such as loans from Microfinance Institutions (MFI), loans from Self-Help Groups (SHGs), or community-based borrowing - gold loans are easily available with minimal procedural requirements. Unlike MFI loans, gold loans can be used for various purposes. This provides flexibility to gold loan clients to use the money for medical expenses, education, or repair of household assets etc., which are important investments that improve the quality of life.

With India's Current Account Deficit (CAD) becoming a cause for concern in the last two years, with gold imports contributing a major share to the deficit, and also with fears of systemic risks arising from the rapid growth of gold loan NBFCs, there followed a tightening of regulations governing gold loan NBFCs. The intervention by the regulators had a salutary impact on the sector from a long term perspective in terms of strengthening the ability to withstand price risk, improved customer care, standardisation of processes related to valuation of security etc. At the same time, growth in the sector was affected and business volumes have shown a marked decline over the last couple of years.

Recent thinking on this subject within the RBI suggests a re-evaluation of the role of the gold loan NBFCs in a positive light. In a speech delivered on January 23, 2014 at the National Summit on "Non-Banking Finance Companies – Game Changers" at New Delhi, Shri P. Vijaya Bhaskar, Executive Director, RBI, spoke glowingly of the contribution of gold loan NBFCs in the monetisation of gold in India:

"Gold loan NBFCs provide loans against security of gold jewellery. Although banks are also involved in gold loan business, NBFCs' gold loans witnessed phenomenal growth due to their customer friendly approaches like simplified sanction procedures, quick loan disbursement etc. Branches of gold loan NBFCs increased significantly during the last couple of years mostly housed at semi-urban and rural centres of the country.

Gold loan NBFCs help in monetisation of idle gold stocks in the country and facilitate in creating productive resources. Credit extended by the gold loan NBFCs witnessed a CAGR of 86.7 per cent during the period March 2009 to March 2013. In absolute terms, NBFC gold loans increased from just ₹ 39 billion as on March 31, 2009 to ₹ 475 billion as on March 31, 2013. To study the issues related to the gold loans by NBFCs a working group was set up under the chairman ship of K.U.B. Rao which submitted its report in January 2013. Several recommendations have since been accepted and acted upon."

Structural versus cyclical growth drivers for gold loans

Structural growth drivers:

- India has the world's largest stock of privately held gold estimated at about 20,000 tonnes. Importantly, about 65% of the total stock is held by rural India. In the absence of financial inclusion, for many Indians gold is the preferred outlet for savings. Moreover, rural areas are still largely unbanked and for people here gold remains the only viable option to park one's savings in. No doubt, banks are present in urban areas but the poor continue to be diffident about approaching banks given the procedural hurdles. With all the noise about financial inclusion, opening a bank account may have become easier, but there's nothing to suggest that getting a loan has become any easier.
- Traditionally gold has been a valued commodity, used for making jewellery, coins, and other articles. When held in this form it does not serve any productive purpose. While gold has always been a highly liquid asset, it is only recently that people have started leveraging it for meeting liquidity needs. The gold loan NBFCs (and banks to an extent) were responsible for ushering in this change. However, even today, the bulk of private gold is not monetised.
- There are efficiency gains that result when people are given access to credit speedily and with minimum hassle. Transactions can be put through, and deals closed, with the ready availability of funds from a gold loan. Further, with rising income levels, people exhibit lower tolerance for waiting in queues or fulfilling cumbersome formalities and a preference for speedy disposal asserts itself.
- Gold loans are typically small ticket loans taken for short durations. Due to the institutional lenders' investment in technology and modern management techniques, they are now a source of convenient and instant credit.
- With the rise of the aspirational class, people are buying more on credit and gold loans are used either as a source of margin money or to finance some extra costs not anticipated earlier (e.g. unforeseen expenses with house construction/repairs). It is also used as a bridge loan.

Cyclical factors:

- Internationally, the price of gold has enjoyed a decade long bull run with sustained increases in price till 2012. This aided the growth of the gold loan business in India in two ways. On the one hand, customers could be offered increasingly higher loan amounts on their existing jewellery. On the other hand, it benefited lenders by containing the price risk in the

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event of default. With gold prices having entered a correction phase, such advantages are unlikely to be available to gold financiers in the short to medium term future.

Low penetration a key enabler of growth

A recent report put out by a leading investment banking firm says, "Penetration levels for all players combined (banks and NBFCs) remains low at about 23.4% of the potential gold-loan market in India. Accordingly, we do not see a problem with either competitive clutter or with opportunity headroom. Also, remember that our estimate of the opportunity is based on assumption that only 15% of the domestic gold stock is potentially up for collateralisation. With 70% of India's gold in rural locations with limited banking facilities, the opportunity size may well be bigger."

4. OPPORTUNITIES

a) Untapped potential

The core business of the Company, of providing gold loans, continues to offer good growth potential. The World Gold Council (WGC) estimates privately held gold to be anywhere between 18,000 to 20,000 tonnes in India. The gold loans business model aims essentially to impart liquidity to this stock which is still largely untapped.

b) Level playing field

In March 2012, RBI issued a directive restricting LTV on gold loans by NBFCs to 60 percent of the value of the security. It was clear that RBI was worried about the systemic risks emanating from the rapid growth of the gold loan NBFCs till then. As the stipulation was made applicable only to the gold loan NBFCs, it opened up a competitive advantage to the banks and the unorganised sector. Consequently, it had a negative impact on the gold loan NBFCs and growth over the last couple of years has been negatively impacted.

Around this time, the RBI had appointed a working group headed by Shri K.U.B. Rao to go into the entire gamut of issues related to gold and gold loan NBFCs. The Working Group submitted its final report in February 2013 and its major recommendation that the maximum LTV permitted should be increased to 75 percent (from 60 percent) was implemented in January 2014. Further, it was clarified that commercial banks too were to adhere to the stipulation. With this, the playing field has been levelled more or less.

c) Comparison with microfinance

The average time to receive a gold loan from an NBFC can be measured in minutes/ hours, while a loan from an MFI or SHG takes weeks to get processed. The repayment schedule of MFI/ SHG is either weekly or monthly, whereas the repayment schedules for gold loans are extremely flexible. While gold loans can be used for any purpose, 70 percent of MFI loans have to be used for income generating activities, as per the Micro Finance Institutions (Development and Regulation) Bill, 2011. These consumer friendly features of the gold loan market distinguish it from other sources of credit, thus making gold loan products popular and reliable.

5. THREATS

a) Volatility in gold prices

As mentioned earlier, the price of gold began to retreat in the year 2012 after 12 uninterrupted years of gain. From USD 1,746.58 (per troy ounce) in October 2012, it had declined to USD 1,539.09 at the end of March 2013. The price of gold had ended calendar year 2013 at \$1,202 per troy ounce or 28% lower than at the beginning of the year, bringing to an end 12 consecutive years of price growth.

The fall in the international markets was not fully reflected in the Indian market as the rupee-dollar equation underwent sharp correction in the first half of FY 2013-14, touching a low of nearly ₹ 69 to the dollar in August 2013. Moreover, in order to cut down on the import of gold, the government has progressively increased the import duty on gold to a level of 10 percent which has added to the price of gold in India. Accordingly, while international prices had fallen by close to 30% in 2013, the decline in India was much less (at about 10% or so) because of the currency depreciation (nearly 15%) and the increase in import duty on gold from 2% to 10%.

An assessment of the threat posed by a scenario of falling gold prices which considers the likely impact on defaults and on business volumes, is presented below.

Impact on default/ auction realisation: A declining trend in gold prices can have the impact of increasing the rate of default as instances of loan outstanding exceeding the value of pledged security increase. Moreover, considering that realisation of the value of security in an account in default takes about 15 months from the date of disbursement, the lender is vulnerable to price risk over this period.

Gold loan companies believe that lending against used household jewellery is less risky because borrowers are emotionally connected to their family gold jewellery which is often in the nature of a family heirloom. Chances of default are low even when there's a fall in the price of gold because the sentimental value of the jewellery to the borrower would outweigh its market value. However, the experience over the past two years suggests that defaults can increase in a scenario of falling prices.

In this context, the company has introduced certain new measures to strengthen its collection mechanism. Borrowers are now encouraged to pay the accrued interest periodically, preferably on a monthly basis. Hitherto, the practice in gold loans was to make bullet repayments of both interest and principal. Moreover, the company is actively exploring ways to further reduce risk by restructuring its loans in ways that will factor in price volatility.

Impact on business volumes: The gold loans business is not generally dependent on the price of gold. After all, people borrow only because they have needs and these needs are always independent of the current price of the gold in their possession. At the same time, in a scenario of rising gold prices, gold loans do well because it would

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compare favourably with other loans. When prices fall, the eligible loan amount falls proportionately, and gold loans may become somewhat less attractive. It can happen that some borrowers would resist having to settle for a lesser loan amount than before. Consequently, in the short run, the company may see a phase of lower growth than was expected earlier but, over time,

b) Change in periodicity of interest collection

Till recently, bullet repayments of both interest and principal were the norm for gold loans given by NBFCs. Consequent to the recent softening of gold prices, NBFCs are now calling on customers to periodically remit the interest due, preferably on a monthly basis. It's possible that the customer may see this requirement as cumbersome and to that extent as detracting from the attractiveness of gold loans as a product class.

c) Flawed policies on gold

With an increase in the import duty of gold to 10 percent and further restrictions levied by the government on the purchase of gold, gold is increasingly becoming unaffordable for the low-income households. Keeping in view the challenge of financial inclusion, discouraging purchase of gold makes the base of population pyramid even more vulnerable to shocks since gold serves as a medium of financial security for low-income households. While the government aims to bring all households under the ambit of the formal financial sector, it should keep in mind that achieving this would take some time, and gold loans would continue to be important during the transition.

Further, gold is a highly liquid asset and people prefer obtaining gold loans during an emergency situation. However, restrictions on the purchase of gold imply decrease in the demand for gold, leading to a decrease in gold loans. In the absence of alternative financial products, this leaves low-income households with few credit options.

d) Gold as inflation hedge weakens emotional connect

The Indian economy is passing through a high-inflation phase that began around 2006 and has persisted till now. Interest rates on deposits in the banking sector have fallen well behind the inflation rates. Consequently, savers in the economy have been diverting funds away from bank deposits to other assets like real estate, gold etc. Thanks to the prolonged bull run in prices, gold had become an attractive inflation hedge and a lot of people bought gold, not for the traditional reasons, but merely as a protection for savings against inflation. It is therefore likely that when such gold is pledged, borrowers would lack the traditional "emotional connect" with it and, to that extent, defaults during price corrections will be higher.

6. RISKS AND CONCERNS

The Company has put in place a mechanism to minimise operational risks through effective control systems which call for constant review and an ongoing internal audit. Our risk management framework aims to identify the diverse risks

faced by the Company and come up appropriate mitigation strategies. Our Internal Audit Team, which reports directly to the Audit Committee of the Board, undertakes a comprehensive audit of functional areas and operations at all the branches. The Company has also set up an off-site surveillance system to make its internal control systems more risk-proof. Managing risks in credit, interest rates, and liquidity, form critical components of our risk management system. The Company has in place rigorous norms for credit disbursal through the Lending Policy Framework. An asset-liability management model has been developed to measure and manage interest rate and liquidity risks and these are discussed and reviewed periodically at appropriate forums within the company.

7. DISCUSSION ON FINANCIAL PERFORMANCE

During the year under review (i.e. FY 2013-14), income from operations registered a decline of 7.04 percent to ₹ 21,004.6 million from ₹ 22,595.9 million in the previous year. This was mainly due to a negative growth in the overall loan book of the company. The company ended the year with an AUM of ₹ 81,630.7 million compared to ₹ 99,563.0 million in the previous year. However, profit after tax for the year has gone up by 8.43 percent in comparison to the previous year despite the fall in income.

The negative growth in loan book reflects the sluggish macro-economic scenario and the uncertainties in the regulatory environment for gold loan NBFCs. However, expenditure was kept in check and, together with improved collection efficiencies, it enabled the company to register a moderate growth in net profit.

The Board has recommended a final dividend of ₹ 0.45 per share for the year ended 31 March 2014 subject to approval by the shareholders in the annual general meeting. An interim dividend of ₹ 1.35 per share of face value of ₹ 2/-, has already been declared during the year. The total dividend for the year will therefore amount to ₹ 1.80 per share.

8. CAUTIONARY STATEMENT

Statements in this report pertaining to the Company's objectives, projections, estimates, exceptions and predictions are forward-looking statements subject to the applicable laws and regulations. These statements may be subject to certain risks and uncertainties. The Company's operations are affected by many external and internal factors which are beyond the control of the management. Therefore, the actual position may differ from those expressed or implied. The Company assumes no obligation to amend or update forward looking statements in future on the basis of new information, subsequent developments or otherwise.

For and on behalf of the Board of Directors of
Manappuram Finance Limited

Sd/-
Jagdish Capoor
Chairman

Place: Valappad
Date: May 15, 2014

(All amounts are in millions of Indian Rupees, unless otherwise stated)

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Corporate Governance standards of the Company place strong emphasis on transparency, accountability and integrity in all the business activities of the Company. The objective is not merely compliance, but also to uphold transparency and integrity in all its operations, thereby optimising shareholder value. The Company believes that its business plans and strategies should be consistent with the above objective leading to sustained corporate growth and long-term benefit to all. The Company follows this principle meticulously in all its business dealings and decisions.

The Company has complied with all mandatory requirements of corporate governance as detailed in the Clause 49 of the listing agreement. The Company has also complied with some of the non-mandatory requirements, details whereof are given in the following paragraphs.

BOARD OF DIRECTORS

There are eleven directors on the Board of the Company having diverse experience and expertise in their respective areas. The composition of the Board meets the criteria as prescribed in Clause 49 of the Listing Agreement. This composition also fulfills the norms prescribed by Reserve Bank of India in this regard. Out of the ten directors, three are Executive Directors, two are nominee directors and six are independent directors.

During the financial year 2013-14, the Board met on Seven occasions viz. 15-05-2013, 09-07-2013, 09-08-2013, 20-08-2013, 13-11-2013, 07-02-2014 and 11-03-2014. The details of participation in the meetings and other relevant information are given in the below statement.

Name & Category of Director	No. of Board Meetings attended	Whether attended the last AGM	Details of membership in Committees of the Board*	Share Holding of Non- Executive Directors	Directorships in other Public Limited Companies
1. Mr.Jagdish Capoor Chairman	5	Yes	Nomination, Compensation & Corporate Governance Committee	2000	9
2. Mr.V.P Nandakumar Managing Director & CEO	7	Yes	Nomination, Compensation & Corporate Governance Committee		6
3. Mr. I Unnikrishnan Executive Director & Dy.CEO	7	Yes	-		1
4. Mr.B.N.Raveendra Babu Executive Director	7	Yes	-		-
5. Adv.V.R.Ramachandran Independent & Non Executive Director	6	Yes	Share Holder's Grievance Committee	1537961	NIL
6. Mr.P. Manomohanan Independent & Non Executive Director	7	Yes	Audit Committee, Share Holder's Grievance Committee	1065582	NIL
7. Dr. V.M. Manoharan Independent & Non Executive Director	5	Yes	Share Holder's Grievance Committee	875000	Nil

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Name & Category of Director	No. of Board Meetings attended	Whether attended the last AGM	Details of membership in Committees of the Board*	Share Holding of Non- Executive Directors	Directorships in other Public Limited Companies
8. Mr. Shailesh. J. Mehta Independent & Non Executive Director	6	Yes	Audit Committee and Nomination, Compensation & Corporate Governance Committee	687000	5
9. Mr. E. A. Kshirsagar (Nominee Director of Baring India Listed Investments III Ltd.)	7	Yes	Audit Committee & Nomination, Compensation & Corporate Governance Committee	NIL	7
10. Mr. V.R. Rajiven Independent & Non Executive Director	5	Yes	Audit Committee & Nomination, Compensation & Corporate Governance Committee	2500	Nil
11. Mr. Pradeep Saxena ** (Nominee Director of Hudosa Equity Holdings Ltd.,)	NA	N.A	N.A	NIL	1

* Membership of Audit Committee, Nomination Compensation and Corporate Governance Committee and Share Holders Grievance Committee only are shown.

** Mr. Pradeep Saxena was appointed to the Board as an additional director on 15th May 2014.

Change in the Board of Directors during the year 2013-14

Mr. V.R. Rajiven, IPS (Rtd) joined the Board as an additional director in the meeting held on 06th February 2013 and confirmed as Director in the Annual General Meeting held on 10th August 2013.

COMMITTEES OF THE BOARD

a. Audit Committee

The Company has constituted a qualified and independent Audit Committee as required under Section 292A of the Companies Act, 1956, and in fulfilment of the requirements of clause 49 of the Listing Agreement. The Committee also fulfils the guidelines issued by the Reserve Bank of India in this regard.

The Committee has four members eminently qualified to handle accounts, finance, audit and legal matters. The Company Secretary acts as the Secretary of the Audit Committee. The terms of reference of the Committee shall be the same as those mentioned in the Listing Agreement, as given below:

Terms of Reference:

- Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

- Recommending to the Board the appointment, reappointment, and if required, the replacement or removal of the statutory auditor and the fixation of audit fee.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing with management the annual financial statements before submission to the Board for approval with particular reference to:
 - Matters required to be included in the Directors Responsibility Statement to be included in the boards report in terms of clause 2AA of section 217 of the Companies Act 1956.
 - Changes if any in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by management.
 - Significant adjustment made in the financial statement arising out of audit findings.
 - Compliance with listing and other legal requirements relating to the financial statements.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

- f. Disclosure of any related party transactions.
- g. Qualifications in the draft audit report.
- v) Reviewing with the management the quarterly financial statements before submission to the board for approval.
- vi) Reviewing with the management performance of the statutory and internal auditors and adequacy of the internal control system.
- vii) Reviewing the adequacy of internal audit function if any including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- viii) Discussion with internal auditors regarding any significant findings and follow-up thereon.
- ix) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- x) Discussion with statutory auditors before audit commences about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern.
- xi) To look into the reasons for substantial defaults in the payments to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends) and creditors.
- xii) To review the function of whistle blower mechanism in case the same exists.
- xiii) Carrying out any other function as mentioned in the terms of reference of audit committee.

The Audit Committee met five times during the financial year 2013-14 viz. 14-05-2013, 09-07-2013, 09-08-2013, 12-11-2013 and 06.02.2014 the constitution, record of attendance of meetings and other details of the Audit Committee of the Company are below:

Name of the Member	Position	Status	No. of meetings attended
1. Mr.P.Manomohanan	Chairman	Independent and Non Executive	5
2. Dr.Shailesh J Mehta	Member	Independent and Non Executive	4
3. Mr.E.A. Kshirsagar	Member	Nominee and Non Executive	5
4. Mr.V.R.Rajiven	Member	Independent and Non Executive	4

b. Nomination, Compensation & Corporate Governance Committee

The Nomination, Compensation and Corporate Governance Committee of the Company was constituted to oversee the Compliance with the Reserve Bank of India's Circular No. DNBS/PD/CC/94/03.10.042/2006-07 dated May 08, 2007 to ensure that eminent and experienced persons are appointed as directors. The Committee also meets the requirements of the Clause 49 of the Listing Agreement.

The main role of the Committee is to determine on behalf of the Board and on behalf of the Shareholders, the Company's policies

on specific remuneration packages for executive Directors, including pension rights and any compensation payments.

The Committee is chaired by a Non-Executive Director with other members as mentioned below:

1. Mr. Shailesh J Mehta	Chairman
2. Mr. V.P.Nandakumar	Member [Executive]
3. Mr. Jagdish Capoor	Member [Non Executive]
4. Mr. E.A. KShirsagar	Member [Non Executive]
5. Mr. Rajiven.V.R	Member [Non Executive]

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Date of Meeting	Members Attended	Item Discussed	Remarks
14-05-2012	1. Mr. V.P.Nandakumar 2. Mr.Shailesh J Mehta 3. Mr.E.A.Kshirsagar 4. Mr.V.R.Rajiven	Managerial Remuneration	1. Payment of Commission to Non-Executive Directors for the Financial year 2012-13 2. Payment of Commission to Executive Directors for the Financial year 2012-13.
07.02.2014	1. Mr. V.P.Nandakumar 2. Mr. Jagdish Capoor. 3. Mr.Shailesh J Mehta 4. Mr. E.A.Kshirsagar 5. Mr. V.R.Rajiven	Appointment of Senior Vice President	Appointment of Mr.Sooraj Nandan as Senior Vice President-Strategies
11.03.2014	1. Mr. V.P.Nandakumar 2. Mr.Shailesh J Mehta 3. Mr. E.A.Kshirsagar 4. Mr.V.R.Rajiven	Consideration of ESOP Scheme 2014	Consideration and approval of ESOP Scheme 2014

Details of Remuneration paid to Directors during the financial year 2013-14

(Amount in ₹)

Sl No	Name of Director	Sitting Fees		Salaries and other allowances	Commission	Total
		Board Meeting	Committee Meetings			
1	Mr.Jagdish Capoor	1,00,000	10000	Nil	25,00,000	2610000
2	Mr.V. P Nandakumar			3,36,00,000	1,05,00,000	4,41,00,000
3	Mr I. Unnikrishnan	-	-	1,00,80,000	35,00,000	1,35,80,000
4	Mr B.N.Raveendra Babu	-	-	80,64,000	29,00,000	1,09,64,000
5	Adv.V.R.Ramachandran	1,20,000	40000	Nil	10,00,000	11,60,000
6	Mr.E.A. Kshirsagar	Nil	Nil	Nil	Nil	Nil
7	Mr P.Manomohanan	1,40,000	150000	Nil	₹ 15,00,000	1790000
8	Dr.V.M.Manoharan	1,00,000	40000	Nil	₹ 15,00,000	16,40,000
9	Mr. Shailesh J Mehta	1,20,000	120000	Nil	₹ 25,00,000	2740000
10	Mr.Rajiven V R	1,00,000	120000	Nil	10,00,000	1220000
11	Pradeep Saxena	Nil	Nil	Nil	Nil	Nil

Criteria for remunerating Non-Executive Directors:

Decisions relating to the remuneration of Non Executive Directors are taken by the Board of Directors of the Company based on the recommendation of the Nomination committee. Independent/Non-Executive directors were paid sitting fees of ₹ 20,000/- per meeting. At the AGM held on 18th August 2011, the shareholders had approved payment of commission at a rate not exceeding one percent of the net profits of the Company to the Non-Executive Directors. Each year, the Board determines the amount of commission to be paid to directors based on the recommendation of the Nomination, Compensation and Corporate Governance Committee of the Board. The amount of commission payable is based on their contribution to the growth and development of the Company.

c. Shareholders' Grievance Committee

The Company has constituted a Shareholders' Grievance Committee to monitor investor complaints/grievances pertaining to non-receipt of share certificate, dividend, Annual Report etc.

The committee also review and monitor the complaints of listed debenture holders. The Committee shoulders the responsibility for expeditious settlement on investor complaints and reporting the same to the Board periodically.

During the period under review the Company had received 18 complaints from investors. All complaints received up to the date of this report have been settled.

1. Adv. V.R.Ramachandran	Chairman
2. Mr. P.Manomohanan	Member
3. Dr. V.M.Manoharan	Member

Other relevant details are given below:-

Name and designation of Compliance Officer
Mr. Rajesh Kumar K, Company Secretary

The Committee has met 4 times during the year.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

OTHER COMMITTEES

i) Risk Management Committee

The Company has constituted a Risk Management Committee to review on an ongoing basis the measures adopted by the Company for the identification, measurement, monitoring and mitigation of the risks involved in various areas of the Company's functioning. The Committee is chaired by the chairman of the audit committee with five other directors as members as detailed below, and the head of risk is a permanent invitee to the committee meetings:-

1. Mr. P. Manomohanam	Chairman
2. Mr. V.P. Nandakumar	Member

3. Mr. I. Unnikrishnan	Member
4. Mr. Shailesh J Mehta	Member
5. Mr. V.R.Rajiven	Member
6. Mr E.A.Ksirsagar	Member

The Committee deliberates on the various aspects of risk related to its business. In relation to its business of gold loans, such risks may include appraisal risk, custodial risk, competition risk, price fluctuation risk etc. In relation to its vehicle loan segment, these would include sourcing risk, borrower risk, product risk, interest rate risk, market risk, asset liability management risk etc.

GENERAL BODY MEETINGS

Details of the last three Annual General Meetings of the Committee are given below:

Year	Date	Time and Place	Details of Special Business 2013
2013	August 10	10.30.a.m Anugraha Auditorium Valapad, Thrissur	1. Appointment of Mr.V.R.Rajiven as a director of the company
2012	August 2	10.30.a.m Anugraha Auditorium Valapad, Thrissur	1. Appointment of Mr.Sudhindar Krishan Khanna as a director of company. 2. Appointment of Mr. E A Kshirsagar as a director of company. 3. Amendment of Articles of Association
2011	August 18th	10.30.a.m Anugraha Auditorium Valapad, Thrissur	1. Appointment of Mr. Jagdish Capoor as a Director of the Company 2. Appointment of Mr.Gaurav Mathur as a Director of the Company. 3. Variation of the terms of appointment and remuneration of Shri. V. P .Nandakumar, Executive Chairman. 4. Re-appointment and revision of the remuneration of Shri. I. Unnikrishnan, Managing director. 5. Re-appointment and revision of the remuneration of Shri. B.N.Raveendra Babu, Joint Managing director.

Details of Special Resolutions Passed in Previous 3 AGMS

Year	2011	2012	2013
Special Resolutions Passed during AGMs.	1. Variation of terms of appointment and remuneration of Mr.V.P Nandakumar, Executive Chairman. 2. Reappointment and variation of Remuneration of Mr. I Unnikrishnan, Managing Director. 3. Variation of terms of appointment of Mr.B.N.Raveendra Babu, Joint Managing Director	1) For Amendment of Articles of Association	NIL

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Extraordinary general Meeting was held during the financial year.

Details are given below:-

Year	Date	Time and Place	Details of Special Business
2014	March 11	10.30.a.m Anugraha Auditorium Valapad, Thrissur	1. For Appointment of Mr.Sooraj Nandan as Senior Vice President

DISCLOSURES

- There were no materially significant related party transactions having potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Schedule 18 (notes forming part of accounts-).
- The Company has complied with all the directives issued by stock exchanges and other statutory authorities. No penalties and strictures were imposed on the Company by any of the regulatory authorities, viz; the Stock Exchange, SEBI, Reserve Bank of India, Registrar of Companies, for non-compliance with any laws, guidelines and directives during the year.
- Whistle Blower Policy:

In terms of Clause 49 of the Listing Agreement, one of the non-mandatory clauses provides that a listed company may establish a mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. In line with this the Company has framed a Whistle Blower Policy which is approved by the Board and the same is posted in the Company website.

MEANS OF COMMUNICATION

The Company publishes the un-audited / audited financial results on quarterly basis as required under clause 41 of the listing agreement. The financial results in the prescribed format are published in leading newspapers including Economic Times, Business Line, Business Standard, Malayala Manorama, Mathrubhumi etc. Other major announcements pertaining to Book Closure, Board Meetings etc. are also published as above. The Company has its web site at www.manappuram.com wherein relevant information about the Company and its performance are given. The financial results of the Company are also posted on the web site. Detailed presentations on overall performance of the Company is also posted in its website on a quarterly basis for the benefit of investors and other stake holders.

CODE OF CONDUCT

As per the clause 49 of the Listing Agreement the Company has framed a Code of Conduct for the directors and senior management personnel and the same was uploaded on to the website of the Company and is accessible to the shareholders of the Company. Company is also in the process of making a new code of conduct in line with the amended clause 49 which will come in to effect on 01.10.2014. The requisite Certificate from CEO and the Chief Financial Officer as per clause 49 of the Listing agreement was taken note of by the Board of Directors at its meeting held on 15.05.2014 and provided in the annual report.

As required by clause 49 (1) (d) of Listing Agreement, it is hereby affirmed that all the Board members and senior management personnel have complied with Code of Conduct of the Company.

FAIR PRACTICES CODE

The Company has framed Fair Practices Code as per the latest guidelines issued by Reserve Bank of India in this regard. The code is posted on the website of the Company.

CEO/CFO CERTIFICATION

The requisite certification made by CEO/CFO as per the format given in the clause 49 for the financial year 2013-14 was placed before the Board at its meeting held on 15th May 2014.

GENERAL SHAREHOLDER INFORMATION

22nd Annual General Meeting	Date	31st July, 2014
	Time	10.00 am
	Place	Anugraha Auditorium, Valapad PO-680 567 Thrissur District
Financial Year		2013-14
Date of Book closure		—25.07.2014 to 31.07.2014
Dividend Payment Date		—16.08.2014
Listing on Stock Exchanges		Mumbai, Chennai and Cochin (Permitted security in National Stock Exchange)
Stock Code		531213 – ISIN INE522D01027
Registrar and Share Transfer Agents		M/s SKDC Consultants Limited KANAPATHY TOWERS 3rd Floor, 1391/A-1, SATHY ROAD Ganapathy PO, Coimbatore- 641 006 Ph 0422 6549995, 0422 2539835 Email: info@skdc-consultants.com
Compliance Officer		Mr. Rajesh Kumar K, Company Secretary Ph:0487-3050408 Email: cosecretary@manappuram.com
Company Address		Manappuram Finance Limited, IV/470A (OLD) W 638A (NEW) Manappuram House Valapad PO , Thrissur-680 567 Kerala Phone: 0487- 3050108, 3050000. Fax 0487- 2399298 Email: mail@manappuram.com Website: www.manappuram.com

(All amounts are in millions of Indian Rupees, unless otherwise stated)

SHARE PRICE MOVEMENTS OF THE COMPANY [BSE] DURING EACH MONTH OF THE FINANCIAL YEAR 2013-14

Month	Open	High	Low	Close	No. of Shares	No. of Trades	Total Turnover	Deliverable Quantity	% Deli. Qty to Traded Qty	Spread	
										H-L	C-O
Apr 13	22.30	23.85	14.95	17.30	1,35,29,179	35,598	23,96,25,003	57,63,201	42.60	8.90	-5.00
May 13	17.35	18.10	14.70	17.50	1,06,51,291	24,186	17,49,57,015	54,37,171	51.05	3.40	0.15
Jun 13	17.90	17.90	9.95	10.65	43,09,001	16,870	5,71,59,434	21,10,923	48.99	7.95	-7.25
Jul 13	11.00	16.38	9.85	12.74	93,40,128	24,883	12,13,48,766	42,43,863	45.44	6.53	1.74
Aug 13	12.12	19.54	11.51	18.48	1,02,89,906	33,851	15,03,35,792	53,00,262	51.51	8.03	6.36
Sep 13	18.45	19.40	14.40	14.55	52,55,246	16,089	9,01,96,194	28,23,377	53.72	5.00	-3.90
Oct 13	14.50	16.38	14.31	15.99	50,95,178	15,818	7,83,19,459	31,72,213	62.26	2.07	1.49
Nov 13	16.15	18.30	15.15	16.40	95,94,659	26,825	15,71,93,867	45,14,278	47.05	3.15	0.25
Dec 13	16.60	17.30	14.70	15.60	69,70,571	20,159	11,12,18,033	32,45,244	46.56	2.60	-1.00
Jan 14	15.75	22.25	14.05	19.65	2,24,86,751	60,294	43,63,51,627	1,10,73,154	49.24	8.20	3.90
Feb 14	20.50	25.65	19.10	22.55	98,48,250	37,526	22,46,50,450	39,20,459	39.81	6.55	2.05
Mar 14	22.50	24.10	20.75	21.55	43,19,269	15,978	9,60,47,609	19,01,165	44.02	3.35	-0.95

COMMON AGENCY FOR PHYSICAL AND ELECTRONIC TRANSFER

Share transfers, dividend payments and all other investor related activities are attended to and processed at the office of the Registrar and Transfer Agents of the Company SKDC Consultants Limited.

Distribution of Share Holding as on 31st March 2014

Share or Debenture holding of Nominal value of	Share Holders		Share Amount	
	Number	% to Total	₹	% to Total
Upto - 5,000	58,272	90.44	4,67,82,634	2.78
5,001 - 10,000	2,704	4.20	2,02,73,878	1.21
10001 - 20,000	1,366	2.12	2,05,00,312	1.22
20001 - 30,000	468	0.73	1,16,78,000	0.69
30,001 - 40,000	571	0.89	2,15,48,642	1.28
40,001 - 50,000	181	0.28	82,81,920	0.49
50,001 - 1,00,000	486	0.75	3,52,89,598	2.10
1,00,001 and above.	383	0.59	1,51,80,59,288	90.23
TOTAL	64,431	100.00	1,68,24,14,272	100.00

(All amounts are in millions of Indian Rupees, unless otherwise stated)

DEMATERIALISATION

The Company is a member of the depository services of the national depository services Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of its shares. Shareholders can get their share dematerialised with either NSDL or CDSL.

Through SKDC Consultants Limited, Registrars and Share Transfer Agents, we have established connectivity with both the depositories, that is, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

PAYMENT OF UNCLAIMED OR UNPAID DIVIDEND

The Company has remitted all unclaimed and unpaid dividend up to financial year 2005-06 to the Investor Education Protection Fund of

Central Government. Dividends relating to subsequent financial years would be transferred to said account on the expiry of seven years after transfer of the same to unpaid dividend account.

GDRs/ADRs/Warrants or any other convertible instruments

The Company does not have any GDRs/ADRs/Warrants or any other convertible instruments outstanding as on date.

On Behalf of the Board

Sd/
V.P. Nandakumar
Managing Director & CEO

Place:Valapad
Date: May 15, 2014

(All amounts are in millions of Indian Rupees, unless otherwise stated)

CEO & CFO CERTIFICATION UNDER CLAUSE 49(V) OF THE LISTING AGREEMENT

To

The Board of Directors of

MANAPPURAM FINANCE LIMITED

We, V.P.Nandakumar, Managing Director & CEO and Kapil Krishan, Chief Financial Officer, of Manappuram Finance Limited, ("the Company") hereby certify that:-

- (a) We have reviewed financial statements and the Cash Flow Statement of the company for the year ended 31st March 2014 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company for the year ended 31st March 2014 which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the audit committee
 - i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in accounting policies during the quarter and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

V.P.Nandakumar
Managing Director & CEO

Kapil Krishan
Chief Financial Officer

Place: Valapad

Date: 15.05.2014

AUDITORS' CERTIFICATE

To

The Members of

Manappuram General Finance and Leasing Limited

We have examined the compliance of conditions of Corporate Governance by Manappuram General Finance and Leasing Limited, for the year ended on March 31, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S.R. BATLIBOI & ASSOCIATES
Firm Registration Number: 101049W
Chartered Accountants

per **S. Balasubrahmanyam**
Partner
Membership No.: 053315

Place: Chennai
Date: May 15, 2014

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(All amounts are in millions of Indian Rupees, unless otherwise stated)

INDEPENDENT AUDITORS' REPORT

To

The Members of

Manappuram Finance Limited

REPORT ON THE FINANCIAL STATEMENTS

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

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April, 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the over all presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956("the Act") in the

manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April, 2014 issued by the Ministry of Corporate Affairs; and
 - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W

per S Balasubrahmanyam

Place: Chennai

Partner

Date: May 15, 2014

Membership Number: 053315

(All amounts are in millions of Indian Rupees, unless otherwise stated)

INDEPENDENT AUDITORS' REPORT (CONTD.)

ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE

Re: Manappuram Finance Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) The Company is a non banking finance company engaged in the business of providing loans and does not maintain any inventory. Therefore, the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and sale of services. The activities of the Company during the year did not involve any purchase and sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) Based on information and explanations provided to us, we report that the Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax, sales-tax, value added tax, excise duty, professional tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there has been a significant delay in remittances of professional tax relating to few branches*. The provisions relating to customs duty is not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. According to the information and explanations given to us, *undisputed dues in respect of professional tax which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows.*

Name of the Statute	Nature of dues	Period to which the amount relates	Amount Due ₹ In mil	Amount Paid ₹ In mil	Due date	Date of payment
Maharashtra Tax on Professions, Traders, Callings and Employments Act, 1975	Professional tax	FY 2004-05 to FY 2012-13	5.05	5.05	Various dates	Various dates

(All amounts are in millions of Indian Rupees, unless otherwise stated)

INDEPENDENT AUDITORS' REPORT (CONTD.)

- (c) According to the records of the Company, there are no dues outstanding of income tax, wealth tax, excise duty and cess on account of any dispute. The dues outstanding of service tax and sales-tax on account of a dispute are as follows:

Name of the Statute	Nature of dues	Period of dispute	Amount Due ₹ In mil	Amount paid under protest ₹ in mil	Forum where it is pending
Finance Act, 1944	Service Tax	2001-2008	4.48 (including penalty of 2.24)	1.48	Additional Commissioner of Service tax Commissioner
Kerala Value Tax Act, 2005	VAT	2010-11	6.97 (including interest of 0.77)	2.07	Deputy Commissioner (Appeals)
Kerala Value Tax Act, 2005	VAT	2011-12	14.37 (including interest of 1.28)	5.75	Deputy Commissioner (Appeals)
AP Value Tax Act, 2005	VAT	2011-12	5.60 (including penalty of 1.12)	2.80	Appellate Deputy Commissioner (Appeals)

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks, financial institutions or debenture holders.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the Company has created security or charge in respect of debentures issued.
- (xx) We have verified that the end use of money raised by public issue of non-convertible redeemable debenture is as disclosed in note 39 to the financial statements.
- (xxi) *As more fully discussed in Note 37 to the financial statements and as informed by the management, we report that, during the year there have been certain instances of fraud on the Company by employees and others, where gold loan related misappropriations / cash embezzlements have occurred for amounts aggregating ₹ 127.66 million of which the Company has recovered ₹ 64.78 million. The Company has taken insurance cover for such losses and has filed insurance claims in this regard. Further, the Company is in the process of recovering these amounts from the employees and taking legal actions, where applicable. The Company has created provision aggregating to ₹ 52.97 million towards these losses based on its estimate.*

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W

per S Balasubrahmanyam

Partner

Membership Number: 053315

Place: Chennai

Date: May 15, 2014

(All amounts are in millions of Indian Rupees, unless otherwise stated)

BALANCE SHEET

AS AT MARCH 31, 2014

	Note No.	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	1,682.41	1,682.41
Reserves and surplus	4	23,235.32	22,746.73
		24,917.73	24,429.14
Non-current liabilities			
Long-term borrowings	5	14,546.36	13,611.62
Other long term liabilities	6	2,725.63	524.48
		17,271.99	14,136.10
Current liabilities			
Short-term borrowings	7	52,127.93	68,280.04
Trade Payables	8	363.40	416.33
Other current liabilities	8	12,707.74	19,247.14
Short-term provisions	9	995.03	769.71
		66,194.10	88,713.22
TOTAL		108,383.82	127,278.46
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10A	1,911.21	2,027.04
Intangible assets	10B	62.14	77.88
Capital work-in-progress		45.22	307.14
Non-current investments	11A	213.59	50.03
Deferred tax assets (net)	12	288.97	468.31
Long-term loans and advances	13	548.76	428.16
Other Non current assets	14	1,364.22	1,529.81
		4,434.11	4,888.37
Current assets			
Current investments	11B	7,906.04	6,925.70
Cash and bank balances	15	8,332.57	8,836.08
Short-term loans and advances	13	81,870.88	99,985.93
Other current assets	14	5,840.22	6,642.38
		103,949.71	122,390.09
TOTAL		108,383.82	127,278.46
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

For and on behalf of the Board of Directors

per S. Balasubrahmanyam
Partner
Membership no.: 053315

V. P. Nandakumar
Managing Director & CEO

I. Unnikrishnan
Executive Director & Dy. CEO

B. N. Raveendra Babu
Executive Director

Kapil Krishan
Chief Financial Officer

K. Rajesh Kumar
Company Secretary

Date : May 15, 2014
Place: Chennai

Date : May 15, 2014
Place: Valapad, Thrissur

(All amounts are in millions of Indian Rupees, unless otherwise stated)

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 2014

	Notes	Year ended March 31, 2014	Year ended March 31, 2013
INCOME			
Revenue from operations	16	21,004.28	22,595.92
Other income	17	113.65	73.61
Total revenue		21,117.93	22,669.53
EXPENSES			
Finance costs	18	10,266.01	11,894.86
Employee benefits expense	19	3,235.47	3,421.67
Other expenses	20	3,547.00	3,670.87
Depreciation and amortization expense	21	638.95	617.09
Total Expenses		17,687.43	19,604.49
Profit before tax		3,430.50	3,065.04
Tax expenses			
Current tax		991.05	1,260.04
Deferred tax		179.34	(279.32)
Total tax expense		1,170.39	980.72
Profit for the year		2,260.11	2,084.32
Earnings per equity share [nominal value of share ₹2/-]	22		
Basic earnings per share (₹/-)		2.69	2.48
Diluted earnings per share (₹/-)		2.69	2.48
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

For and on behalf of the Board of Directors

per S. Balasubrahmanyam
Partner
Membership no.: 053315

V. P. Nandakumar
Managing Director & CEO

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Chief Financial Officer

K. Rajesh Kumar
Company Secretary

Date : May 15, 2014
Place: Chennai

Date : May 15, 2014
Place: Valapad, Thrissur

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE: 1

1) Nature of operations

Manappuram Finance Limited ('MAFIL' or 'the Company') was incorporated on July 15, 1992 in Thrissur, Kerala. The Company is a Non Banking Finance Company ('NBFC'), which provides a wide range of fund based and fee based services including gold loans, money exchange facilities, etc. The Company currently operates through 3,293 branches spread across the country. The Company is a Systemically Important Non-Deposit taking NBFC.

2) Basis of preparation

The financial statements of the Company have been prepared in accordance with 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 the Companies Act, 1956, read with General Circular 8/2014 dated 4 April, 2014 issued by the Ministry of Corporate Affairs and the guidelines issued by the Reserve Bank of India as applicable to a non deposit accepting NBFC. The financial statements have been prepared under the historical cost convention and on an accrual basis except for interest and discounts on non performing assets which are recognised on realisation basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except for certain changes in estimates discussed in note 2.1(c) and note 38.

2.1) Statement of significant accounting policies

a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

b) Fixed assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use.

c) Depreciation

Depreciation is provided using straight line method at the following rates, which is management's estimate of the useful lives of the assets:

Nature of asset	Rate of depreciation followed
Computer equipment	33.33%
Furniture and fixtures excluding safes and strong rooms	20%-33.33%
Office equipment	33.33%
Buildings, vehicles, plant & machinery and furniture and fixtures (safes and strong rooms)	Rates prescribed under Schedule XIV of the Companies Act, 1956

During the year March 31, 2014, the Company had changed its estimated useful life of sign boards installed at the branches, which is capitalised under the block 'furnitures and fittings' from 5 years to 3 years. This change in estimated useful life has resulted in provision of additional depreciation by ₹ 42.05 for the year ended March 31, 2014 and the profit before tax of the Company for the year then ended was lower by the corresponding number.

d) Intangible assets – Computer software & licenses

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised on a straight line basis over the estimated useful economic life of 6 years.

The amortisation period and the amortisation method are reviewed at least at each financial year end.

e) 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, or when annual impairment testing for an asset is required, 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

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

f) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments in respect of non-cancellable leases are recognised as an expense in the statement of Profit and Loss on a straight-line basis over the lease term.

g) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Any inter class transfer should be with the approval of the board and as per RBI regulation.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Quoted current investments for each category is valued at cost or market value whichever is lower. Unquoted investments in the units of mutual fund in the nature of current investment are valued at the net asset value declared by the mutual fund in respect of each particular scheme.

Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

h) Revenues

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. In a situation where management believes that the recovery of interest is uncertain due to change in the price of the gold or otherwise, the Company recognises income on such loans only to the extent it is confident of recovering interest from its customers through sale of underlying security or otherwise.

Interest income on loans given is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. Such interests, where instalments are overdue in respect of non performing assets are recognised on realisation basis. Any such income recognised and remaining unrealised after the instalments become overdue with respect to non performing assets is reversed.

Revenues from fee-based activities are recognised as and when services are rendered.

Interest on deposits is recognised on a time proportion

basis taking into account the amount outstanding and the rate applicable.

i) Employee benefits

i. Retirement benefit in the form of Provident Fund is a defined contribution scheme. The Company has no obligation payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for the service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as the liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

ii. Gratuity liability under the Payment of Gratuity Act which is a defined benefit scheme is accrued and provided for on the basis of an actuarial valuation as per projected unit credit method made at the end of each financial year.

iii. Actuarial gains / losses are immediately taken to statement of profit and loss and are not deferred.

iv. Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the entire leave as a current liability in the balance sheet, considering the absence of unconditional right to defer its settlement.

v. Employee stock compensation cost - Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

j) Foreign currency transactions

(i) 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.

(ii) 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 and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) 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 recognised as income or as expenses in the year in which they arise.

k) Borrowing costs

Borrowing cost includes interest, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

l) Income Tax

Tax expense comprises 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. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised 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.

m) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split, if any.

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

n) Provisions

(i) A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

- (ii) Provision policy for gold loans and other loan portfolios Secured loans are classified / provided for, as per management's best estimates, subject to the minimum provision required as per Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as follows:

Classification of loans (Gold and other loans)

Asset Classification	Provisioning policy
Standard Assets	0.25%
Sub-standard assets	10%
Doubtful assets	100% of unsecured portion + 20 to 50% of secured portion.
Loss assets	100% provided / written off in books.

Other loans are classified/provided for, as per the management's best estimates, subject to the minimum provision required as per the Non – Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2007.

- o) Segment reporting**
The Company operates in the business of "Gold loan" and its operations are in India. Accordingly, no segment reporting is applicable.
- p) Cash and Cash Equivalents**
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.
- q) Ancillary borrowing costs**
Ancillary borrowings costs incurred for the issue of debentures and other long term borrowings are expensed over the tenure of the loan.

r) Securities issue expenses

Expenses incurred in connection with issue of shares are adjusted (net of tax effects, if any) against the securities premium account in accordance with Section 78 of the Companies Act, 1956.

Public issue expenses incurred in connection with issue of debentures are amortised over the term of debentures.

s) Insurance claims

Insurance claims are accrued for on the basis of claims admitted and/or to the extent there is no uncertainty in receiving the claims. The Company re-assesses the claims made at each reporting period for recoverability.

t) Surplus on auction of pledged gold

The Company has a policy of refund of any surplus that arises on auction of pledged gold which has been re-possessed by the Company in accordance with the terms of the agreement with the customers.

u) Contingent liabilities

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 as there is no indication of the uncertainties relating to any outflow.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at March 31, 2014	As at March 31, 2013
NOTE: 3		
Share Capital		
Authorized shares		
980,000,000 (March 31, 2013: 980,000,000) equity shares of ₹ 2/- each	1,960.00	1,960.00
4,00,00,000 (March 31, 2013: 4,00,00,000) redeemable preference shares of ₹100/- each	40.00	40.00
Issued, subscribed and fully paid-up shares		
841,207,136 (31 March 2013: 841,207,136) equity shares of ₹ 2/- each	1,682.41	1,682.41
Total issued, subscribed and fully paid-up share capital	1,682.41	1,682.41

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

	March 31, 2014		March 31, 2013	
	No. millions	Amount (in millions)	No. millions	Amount (in millions)
At the beginning of the year	841.20	1,682.41	841.15	1,682.31
Issued during the year - Bonus issue	-	-	-	-
Issued during the year - ESOP (refer note 23)	-	-	0.05	0.10
Outstanding at the end of the period	841.20	1,682.41	841.20	1,682.41

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 2/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March 2014, the amount of per share dividend recognized as distributions to equity shareholders was ₹1.8 per share (31 March 2013: ₹ 1.50/- per share).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Aggregate number of bonus shares issued, and shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	March 31, 2014 No. millions	March 31, 2013 No. millions
Equity shares allotted as fully paid bonus shares by capitalization of securities premium, general reserve and capital redemption reserve.	614.56	614.56

In addition, the Company has issued 11,213,880 equity shares (March 31, 2013: 11,213,880) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

d. Details of shareholders holding more than 5% shares in the Company (Equity shares of ₹ 2/- each fully paid)

	March 31, 2014		March 31, 2013	
	No. millions	% holding in the class	No. millions	% holding in the class
Mr.Nandakumar V P	217.41	25.85	217.41	25.85
Ms Sushama Nandakumar	48.00	5.71	48.00	5.71
Baring India Private Equity Fund III	79.36	9.43	55.54	6.60
Smallcap World Fund Inc	54.93	6.53	54.93	6.53
Hudson Equity Holdings Ltd	44.55	5.30	44.55	5.30

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at March 31, 2014	As at March 31, 2013
NOTE: 4		
Reserves and Surplus		
Securities premium account		
Balance as per the last financial statements	13,699.17	13,698.38
Add: additions on ESOPs exercised	-	0.79
Less: amounts utilized toward issue of fully paid bonus shares	-	-
Closing Balance	13,699.17	13,699.17
Statutory reserve		
Balance as per the last financial statements	2,615.86	2,199.00
Add: Transfer to Reserve fund as per RBI Act, 1934	452.02	416.86
Closing Balance	3,067.88	2,615.86
Debenture Redemption reserve		
Balance as per the last financial statements	1,493.66	2,208.10
Add: amount transferred from surplus balance in the statement of profit and loss (refer note 4 (b))	113.90	-
Less: Reversal of debenture redemption reserve	(1,493.66)	(714.44)
Closing Balance	113.90	1,493.66
General reserve		
Balance as per the last financial statements	2,165.41	1,242.54
Add: amount transferred from surplus balance in the statement of profit and loss	226.01	208.43
Add: amount transferred from debenture redemption reserve.	1,493.66	714.44
Closing Balance	3,885.08	2,165.41
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	2,772.63	2,780.11
Profit for the year	2,260.11	2,084.32
Less: Appropriations		
Transfer to debenture redemption reserve	113.90	-
Proposed final equity dividend (amount per share ₹ 0.45/(31 March 2013: Nil/-))	378.54	-
Interim dividend on equity shares	1,135.65	1,261.81
Tax on proposed equity dividend	64.33	-
Tax on interim dividend on equity shares	193.00	204.70
Transfer to Statutory reserve	452.02	416.86
Transfer to general reserve	226.01	208.43
Total appropriations	2,563.45	2,091.80
Net surplus in the statement of profit and loss	2,469.29	2,772.63
Total reserves and surplus	23,235.32	22,746.73

Notes:

- Pursuant to Section 117C of the Companies Act, 1956 and circular 04/2013, issued by Ministry of Corporate Affairs, the Company is required to transfer 25% of the value of the debentures issued through public issue as per the present SEBI (Issue and Listing of Debt Securities) Regulation, 2008 to Debenture Redemption Reserve (DRR) and no DRR is required in case of privately placed debenture. Also the Company is required before 30th day of April of each year to deposit or invest, as the case may be, a sum which shall not be less than 15% of the amount of its debenture issued through public issue maturing within one year from the balance sheet date.
- In respect of the debentures issued through public issue, the Company maintains DRR at higher of 25% of the value of such debentures due for redemption in the following financial year or 25% of the prorata amount calculated based on the weighted average maturity of the debentures issued through public issue outstanding at the balance sheet date. The Company has created DRR of ₹ 113.90 as at March 31, 2014. The Company subsequent to the year-end has deposited a sum of ₹ 68.34 (previous year ₹ 448.10) in the form of fixed deposits with scheduled banks, representing 15% of the debenture issued through public issue, which are due for redemption within one year from the balance sheet date.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
NOTE: 5				
Long-term borrowings				
Sub-ordinated debt (Unsecured)				
Subordinate debt from banks	1,500.00	1,500.00	-	-
Subordinate bonds from others	1,800.45	2,332.33	531.87	387.10
Debentures (Secured)				
Non-convertible Debentures - Private placement	4,855.51	5,442.09	3,381.62	6,360.94
Non-convertible Debentures - Public issue	1,544.39	-	455.61	2,987.32
Term loans				
Indian rupee loan from banks (secured)	4,832.39	3,176.92	5,762.23	5,000.00
Indian rupee loan from others (secured)	-	1,125.00	1,125.00	1,500.00
Indian rupee loan from others (Unsecured)	11.14	31.34	20.20	17.72
Vehicle loans (Secured)	2.48	3.94	3.37	4.21
	14,546.36	13,611.62	11,279.90	16,257.29
The above amount includes				
Secured borrowings	11,234.77	9,747.95	10,727.83	15,852.47
Unsecured borrowings	3,311.59	3,863.67	552.07	404.82
Amount disclosed under the head "other current liabilities" (note 8)	-	-	(11,279.90)	(16,257.29)
Net amount	14,546.36	13,611.62	-	-

A) Indian rupee loan from banks (secured)

Tenure (from the date of Balance Sheet)	Rate of Interest	Non current portion	Current Maturities
As at March 31, 2014			
Terms of repayment			
Due within 4-5 years	12.00%	84.62	30.77
Due within 1-2 years	12.75 -13.30%	4,747.77	529.17
Due within 1 year	12.30 -13.50%	-	5,202.29
TOTAL		4,832.39	5,762.23

These are secured by an exclusive charge by way of hypothecation of book debts pertaining to loans granted against gold and margin/cash collateral as per the agreement. Further, the loan has been guaranteed by the personal guarantee of Mr. V.P Nandakumar, Managing Director and CEO.

Tenure (from the date of Balance Sheet)	Rate of Interest	Non current portion	Current Maturities
As at March 31, 2013			
Terms of repayment			
Above 5 years	13.00%	176.92	-
Due within 1-2 years	12.30 -13.75 %	3,000.00	5,000.00
TOTAL		3,176.92	5,000.00

These are secured by an exclusive charge by way of hypothecation of book debts pertaining to loans granted against gold and margin/cash collateral as per the agreement. Further, the loan has been guaranteed by the personal guarantee of Mr. V.P Nandakumar, Managing Director and CEO.

B) Indian rupee loan from others (secured)

Tenure (from the date of Balance Sheet)	Rate of Interest	Non current portion	Current Maturities
As at March 31, 2014			
Terms of repayment			
Due within 1 year	13.50%	-	1,125.00
TOTAL		-	1,125.00

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

These are secured by an exclusive charge by way of hypothecation of book debts pertaining to loans granted against gold with a margin of 15%. Further, the loan has been guaranteed by the personal guarantee of Mr. V.P Nandakumar, Managing Director and CEO.

Tenure (from the date of Balance Sheet)	Rate of Interest	Non current portion	Current Maturities
As at March 31, 2013			
Terms of repayment			
Due within 1-2 years	12.30 -13.75 %	1,125.00	1,500.00
TOTAL		1,125.00	1,500.00

These are secured by an exclusive charge by way of hypothecation of book debts pertaining to loans granted against gold with a margin of 15%. Further, the loan has been guaranteed by the personal guarantee of Mr. V.P Nandakumar, Managing Director and CEO.

C) Indian rupee loan from others (Unsecured)

Tenure (from the date of Balance Sheet)	Rate of Interest	Non current portion	Current Maturities
As at March 31, 2014			
Terms of repayment			
Due within 1-2 years	12.30 -13.75 %	11.14	20.20
TOTAL		11.14	20.20

Tenure (from the date of Balance Sheet)	Rate of Interest	Non current portion	Current Maturities
As at March 31, 2013			
Terms of repayment			
Due within 2-3 years	12.30 -13.75 %	31.34	17.72
TOTAL		31.34	17.72

D) Vehicle loans (Secured loans)

Tenure (from the date of Balance Sheet)	Rate of Interest	Non current portion	Current Maturities
	< 10%	>= 10% < =12%	Total
	Amount	Amount	Amount
As at March 31, 2014			
Terms of repayment			
Due within 3-4 years	-	0.21	0.21
Due within 2-3 years	0.47	0.32	0.79
Due within 1-2 years	0.75	0.73	1.48
Due within 1 year	0.69	2.68	3.37
Grand Total	1.91	3.94	5.85
Non current portion			2.48
Current Maturities			3.37

The loans are secured by hypothecation of the respective vehicles against which the loan has been availed.

Tenure (from the date of Balance Sheet)	Rate of Interest	Non current portion	Current Maturities
	< 10%	>= 10% < =12%	Total
	Amount	Amount	Amount
As at March 31, 2013			
Terms of repayment			
Due within 2-3 years		1.26	1.26
Due within 1-2 years		2.68	2.68
Due within 1 year		4.21	4.21
Grand Total		8.15	8.15
Non current portion			3.94
Current Maturities			4.21

The loans are secured by hypothecation of the respective vehicles against which the loan has been availed.

Subordinate debt from banks as at March 31, 2014 aggregating ₹ 1,000 (March 31, 2013 ₹ 1,000) which carries an interest rate of 14.00% (floating - BR + 3.75%) is repayable at the end of five years and six months from the date of the loan viz. December 13, 2010, and ₹ 500 as at March 31, 2014, (₹ 500 as at March 31, 2013) which carries an interest rate of 13.55% (floating - BR + 3.30%) is repayable at the end of five years and six months from the date of the loan viz. January 28, 2012.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE 5 (Contd.)

Subordinate bonds from others:

Subordinate bonds have a face value of ₹ 1,000/- each. Details of rate of interest and maturity pattern from the date of the balance sheet is as under:

Redeemable at par within	As at March 31, 2014							
	Rate of interest							
	< 12%		≥ 12% < 14%		≥ 14% ≤ 15%		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Due above 5 years	7,270	7.27	33,450	33.45	18,314	18.31	59,034	59.03
Due within 4-5 years	-	-	-	-	4,965	4.97	4,965	4.97
Due within 3-4 years	-	-	139,795	139.79	214,184	214.18	353,979	353.97
Due within 2-3 years	-	-	531,843	531.84	275,466	275.47	807,309	807.31
Due within 1-2 years	116,533	116.53	435,254	435.25	23,391	23.39	575,178	575.17
Due within 1 year	37,104	37.10	274,847	274.85	219,915	219.92	531,866	531.87
GRAND TOTAL	160,907	160.90	1,415,189	1,415.18	756,235	756.24	2,332,331	2,332.32
Non-current portion								1,800.45
Current maturities								531.87
TOTAL								2,332.32

Redeemable at par within	As at March 31, 2014							
	Rate of interest							
	< 12%		≥ 12% < 14%		≥ 14% ≤ 15%		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Due above 5 years	7,270	7.27	33,450	33.45	23,279	23.29	63,999	64.01
Due within 4-5 years	-	-	139,795	139.79	214,184	214.18	353,979	353.97
Due within 3-4 years	-	-	531,843	531.84	275,466	275.47	807,309	807.31
Due within 2-3 years	116,533	116.53	435,254	435.25	23,391	23.39	575,178	575.17
Due within 1-2 years	37,104	37.10	274,847	274.85	219,915	219.92	531,866	531.87
Due within 1 year	-	-	20,174	20.17	366,941	366.93	387,115	387.10
GRAND TOTAL	160,907	160.90	1,435,363	1,435.35	1,123,176	1,123.18	2,719,446	2,719.43
Non-current portion								2,332.33
Current maturities								387.10
TOTAL								2,719.43

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE 5 (Contd.) Debentures (Secured)

i) Private placement retail - Redeemable Non Convertible Debentures of ₹ 1,000/- each

Redeemable at par within	As at March 31, 2014									
	< 10%		>= 10% < 12%		>= 12% < 14%		>= 14% < 16%		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Terms of repayment										
Above 5 years	-	-	-	-	-	-	-	-	-	-
Due within 4-5 years	-	-	-	-	1,591,679	1,591.68	512,476	512.48	2,104,155	2,104.16
Due within 3-4 years	-	-	-	-	101,925	101.92	174,658	174.66	276,583	276.58
Due within 2-3 years	-	-	-	-	29,306	29.31	336	0.33	29,642	29.64
Due within 1-2 years	-	-	176	0.18	291,283	291.28	29,729	29.73	321,188	321.19
Due within 1 year	53	0.05	43,707	43.71	1,941,902	1,941.90	168,961	168.96	2,154,623	2,154.62
GRAND TOTAL	53	0.05	43,883	43.89	3,956,095	3,956.09	886,160	886.16	4,886,191	4,886.19
Non-current portion										2,731.57
Current maturities										2,154.62
TOTAL										4,886.19

Redeemable at par within	As at March 31, 2014									
	< 10%		>= 10% < 12%		>= 12% < 14%		>= 14% < 16%		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Terms of repayment										
Above 5 years	-	-	-	-	-	-	150,237	150.24	150,237	150.24
Due within 4-5 years	-	-	-	-	102,893	102.89	178,256	178.26	281,149	281.15
Due within 3-4 years	-	-	-	-	15,685	15.69	456	0.46	16,141	16.15
Due within 2-3 years	-	-	176	0.18	9,368	9.37	-	-	9,544	9.55
Due within 1-2 years	53	0.05	407	0.41	1,562,878	1,562.88	170,741	170.74	1,734,079	1,734.08
Due within 1 year	606	0.61	2,339	2.34	3,301,679	3,301.68	14,147	14.15	3,318,771	3,318.78
GRAND TOTAL	659	0.66	2,922	2.93	4,992,503	4,992.51	513,837	513.85	5,509,921	5,509.95
Non-current portion										2,191.17
Current maturities										3,318.78
TOTAL										5,509.95

Nature of Security

Secured by a floating charge on the book debts of the Company on gold and other unencumbered assets. The Company shall maintain 100% security cover on the outstanding balance of debenture with accrued interest any time.

Debentures are offered for a period of 366 days to 65 Months.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE 5 (Contd.)

ii) Private Placement Institutional- Issue of Redeemable Non-convertible Debentures of ₹ 100,000/- each - Terms of repayment

As at March 31, 2014						
Date of allotment	Number	Amount outstanding	Interest Rate	Redeemable at par on	Security	
17-Jun-11	400	40.00	12.50%	17-Jun-16	Secured by first pari passu charge on the receivable of the Company with minimum asset cover ratio of 1.10 times and immovable property*	
27-May-11	84	8.44	12.25%	27-May-16		
27-May-11	3,880	388.00	12.50%	27-May-16		
31-Mar-11	1,312	131.20	12.25%	31-Mar-16		
28-Mar-11	2,640	264.00	12.25%	28-Mar-16		
17-Jun-11	300	30.00	12.50%	17-Jun-15		
27-May-11	63	6.30	12.25%	27-May-15		
27-May-11	2,910	291.00	12.50%	27-May-15		
31-Mar-11	984	98.40	12.25%	31-Mar-15		
28-Mar-11	1,980	198.00	12.25%	28-Mar-15		
17-Jun-11	500	50.00	12.25%	17-Jun-14		
17-Jun-11	300	30.00	12.50%	17-Jun-14		
27-May-11	10	1.00	12.00%	27-May-14		
27-May-11	63	6.30	12.25%	27-May-14		
27-May-11	2,910	291.00	12.50%	27-May-14		
TOTAL	18,336	1,833.64				
Non-current portion		1,158.94				
Current maturities		674.70				
TOTAL		1,833.64				

As at March 31, 2013					
Date of allotment	Number	Amount outstanding	Interest Rate	Redeemable at par on	Security
17-Jun-11	400	40.00	12.50%	17-Jun-16	Secured by first pari passu charge on the receivable of the Company with minimum asset cover ratio of 1.10 times and immovable property*
27-May-11	84	8.40	12.25%	27-May-16	
27-May-11	3,880	388.00	12.50%	27-May-16	
31-Mar-11	1,312	131.20	12.25%	31-Mar-16	
28-Mar-11	2,640	264.00	12.25%	28-Mar-16	
17-Jun-11	300	30.00	12.50%	17-Jun-15	
27-May-11	63	6.30	12.25%	27-May-15	
27-May-11	2,910	291.00	12.50%	27-May-15	
31-Mar-11	984	98.40	12.25%	31-Mar-15	
28-Mar-11	1,980	198.00	12.25%	28-Mar-15	
17-Jun-11	500	50.00	12.25%	17-Jun-14	
17-Jun-11	300	30.00	12.50%	17-Jun-14	
27-May-11	10	1.00	12.00%	27-May-14	
27-May-11	63	6.30	12.25%	27-May-14	
27-May-11	2,910	290.98	12.50%	27-May-14	
31-Mar-11	984	98.40	12.25%	31-Mar-14	
28-Mar-11	1,000	100.00	12.00%	28-Mar-14	
28-Mar-11	1,980	198.00	12.25%	28-Mar-14	
17-Jun-11	500	50.00	12.25%	17-Jun-13	
27-May-11	10	0.99	12.00%	27-May-13	
TOTAL	22,810	2,280.97			
Non-current portion		1,833.58			
Current maturities		447.39			
TOTAL		2,280.97			

*Immovable property shall mean the commercial premises of the Company at Kole Kalyan, Santacruz (East) Mumbai

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

iii) Private Placement -Institutional issue of Redeemable Non-convertible Debentures of ₹ 1,000,000/- each -Terms of repayment

As at March 31, 2014					
Date of allotment	Number	Amount outstanding	Interest Rate	Redeemable at par on	Put and Call option
12-Mar-13	446	389.42	Zero coupon IRR 13.19%	21-Apr-14	None
12-Mar-13	127	105.88	Zero coupon IRR 13.19%	03-Sep-14	None
09-Jan-13	32	32.00	12.03%	09-Jan-15	None
20-Mar-13	25	25.00	12.02%	20-Mar-15	None
18-Feb-14	100	100.00	11.80%	04-May-15	None
20-Mar-13	16	16.00	12.02%	20-Mar-16	None
31-Dec-12	400	400.00	12.55%	31-Dec-17	None
09-Jan-13	116	116.00	12.55%	09-Jan-18	None
01-Feb-13	250	250.00	12.55%	01-Feb-18	None
20-Mar-13	1	1.00	12.02%	20-Mar-18	None
20-Mar-13	30	30.00	12.02%	20-Mar-23	None
09-Jan-13	52	52.00	12.02%	09-Jan-16	None
TOTAL	1,595	1,517.30			
Non-current portion		965.00			
Current maturities		552.30			
TOTAL		1,517.30			

As at March 31, 2013					
Date of allotment	Number	Amount outstanding	Interest Rate	Redeemable at par on	Put and Call option
19-Jan-12	80	80.00	13.00%	16-Apr-13	None
06-Sep-12	580	507.18	Zero coupon IRR 13%	11-Oct-13	None
20-Sep-12	545	476.58	Zero coupon IRR 13%	25-Oct-13	None
19-Oct-12	150	131.01	Zero coupon IRR 13.57%	13-Nov-13	None
25-Oct-12	250	250.00	13.00%	30-Oct-13	30-Apr-13
02-Nov-12	150	150.00	12.50%	07-Dec-13	None
05-Dec-12	250	250.00	13.86%	05-Mar-14	05 March, 2013 and every three months thereafter with reduced interest rate
31-Dec-12	400	400.00	12.55%	31-Dec-17	None
09-Jan-13	32	32.00	12.03%	09-Jan-15	None
09-Jan-13	52	52.00	12.03%	09-Jan-16	None
09-Jan-13	116	116.00	12.03%	09-Jan-18	None
01-Feb-13	250	250.00	12.55%	01-Feb-18	None
05-Feb-13	750	750.00	12.50%	10-Feb-14	None
12-Mar-13	446	389.42	Zero coupon IRR 13.19%	21-Apr-14	None
12-Mar-13	127	105.92	Zero coupon IRR 13.19%	03-Sep-14	None
20-Mar-13	25	25.00	12.02%	20-Mar-15	None
20-Mar-13	16	16.00	12.02%	20-Mar-16	None
20-Mar-13	1	1.00	12.02%	20-Mar-18	None
20-Mar-13	30	30.00	12.02%	20-Mar-23	None
TOTAL	4,250	4,012.11			
Non-current portion		1,417.34			
Current maturities		2,594.77			
TOTAL		4,012.11			

Nature of Security

Secured by present and future gold loan receivable of the Company with minimum asset cover ratio of 1.10 times.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

- iv) Public issue of Redeemable Non-convertible Debentures of ₹ 1,000/- each - Terms of repayment

As at March 31, 2014				
Date of allotment	Number	Amount	Interest Rate	Redeemable at par on
28-Jan-14	455,606	455.61	11.00%	04-Mar-15
28-Jan-14	142,857	142.86	11.50%	28-Jan-16
28-Jan-14	74,075	74.08	12.00%	28-Jan-16
28-Jan-14	289,339	289.34	12.00%	28-Jan-16
28-Jan-14	539,297	539.30	12.25%	28-Jan-17
28-Jan-14	95,713	95.71	12.50%	28-Jan-17
28-Jan-14	211,756	211.76	12.50%	28-Jan-17
28-Jan-14	4,919	4.92	11.50%	28-Jan-19
28-Jan-14	9,265	9.27	12.00%	28-Jan-19
28-Jan-14	1,875	1.88	12.00%	28-Jan-19
28-Jan-14	175,298	175.30	12.61%	28-Nov-19
TOTAL	2,000,000	2,000.00		
Non-current portion	1,544.39			
Current maturities	455.61			
TOTAL	2,000.00			

As at March 31, 2013				
Date of allotment	Number	Amount	Interest Rate	Redeemable at par on
08-Sep-11	2,201,384	2,201.38	12.20%	08-Sep-13
08-Sep-11	785,940	785.94	12.00%	08-Sep-13
TOTAL	2,987,324	2,987.32		
Non-current portion	-			
Current maturities	2,987.32			
TOTAL	2,987.32			

Nature of Security

Secured by mortgage of the immovable property of the Company and a charge on all book debts and other current assets as fully described in the debenture trust deed except those receivables specifically exclusively charged, on a first ranking pari passu basis with all other lenders to the Company holding pari passu charge over security.

The Company shall maintain an asset cover of at least 1.10 times of the outstanding amount of debenture, at all times, till the debentures are completely redeemed.

	As at March 31, 2014	As at March 31, 2013
NOTE: 6		
Other long term liabilities		
Interest accrued but not due on long term borrowings	541.55	320.23
Application money on redeemable non convertible debenture	2,000.00	-
Security deposits from employees	184.08	204.25
TOTAL	2,725.63	524.48

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Notes

	As at March 31, 2014	As at March 31, 2013
NOTE: 7		
Short-term borrowings		
Non convertible Debentures - Private placement to institution (Secured)	-	999.79
Cash credit / Overdraft facilities from banks (secured)	29,563.51	31,963.88
Working Capital demand loan from banks (secured)	21,781.92	33,359.83
Working Capital demand loan from others (secured)	750.00	1,250.00
Inter Corporate Deposit (unsecured)	32.50	-
Commercial Papers (unsecured)	-	706.54
	52,127.93	68,280.04
The above amount includes		
Secured borrowings	52,095.43	67,573.50
Unsecured borrowings	32.50	706.54
TOTAL	52,127.93	68,280.04

Non convertible Debentures - Private placement to institution (Secured)

As at March 31, 2014 - Nil

As at March 31, 2013					
Date of allotment	Number	Amount outstanding	Interest Rate	Redeemable at par on	Put and Call option
01-Mar-13	1,125.00	999.79	12.70%	24-Feb-14	17 May 2013 and every three months thereafter with reduced interest rate

Secured by present and future gold loan receivable of the Company with minimum asset cover ratio of 1.10 times.

Cash credit / Overdraft facilities from banks and Working Capital demand loan from banks (secured)

Particulars	March 31, 2014	March 31, 2013
Secured by hypothecation of specific/pari passu assets covered and Margin/cash collateral under hypothecation agreements. The loans have been guaranteed by personal guarantee of Mr. V.P Nandakumar, Managing Director & CEO	51,345.43	65,323.71
TOTAL	51,345.43	65,323.71

Working Capital demand loan from others (secured)

Particulars	March 31, 2014	March 31, 2013
Secured by hypothecation of specific/paripassu assets covered and Margin/cash collateral under hypothecation agreements. The loans have been guaranteed by personal guarantee of Mr. V.P Nandakumar, Managing Director & CEO	750	1,250
TOTAL	750	1,250

Inter Corporate Deposit (unsecured) carry interest rate at 10.50% and the tenor is 3 months

Commercial papers carry interest rates of 10.7% to 13.00% and their tenor ranges from 60 days to 364 days.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at March 31, 2014	As at March 31, 2013
NOTE: 8		
Other current liabilities		
Trade Payables (A) (refer note 8 (A))	363.40	416.33
Current maturities of long-term borrowings (note 5)	11,279.90	16,257.29
Interest accrued but not due on borrowings	556.18	468.92
Statutory dues payable	99.32	205.29
Employee related payables	243.53	206.05
Debenture application money	-	509.72
Auction surplus	436.15	381.60
Investor Education and Protection Fund will be credited by following amounts (as and when due)		
Unclaimed matured Non convertible debenture	13.03	298.23
Unclaimed dividend	20.51	9.03
Unclaimed matured deposits	0.07	0.50
Unclaimed matured subordinate bonds	21.09	19.27
Interim dividend payable	-	863.69
Application money oversubscribed on redeemable non-convertible debenture due for refund and interest accrued thereon	8.15	-
Others	29.81	27.55
TOTAL (B)	12,707.74	19,247.14
TOTAL (A+B)	13,071.14	19,663.47

Note 8(A): There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2014 and March 31, 2013. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

	As at March 31, 2014	As at March 31, 2013
NOTE: 9		
Short term provisions		
Provision for employee benefits	9.11	-
Provision for gratuity	147.31	81.51
Provision for leave encashment	156.42	81.51
Other provisions	173.76	429.81
Provision for non performing loan portfolio	378.54	-
Proposed equity dividend	64.33	-
Provision for tax on proposed equity dividend	201.77	246.20
Provision for standard assets	20.21	12.19
Provision for litigation claim	838.61	688.20
	995.03	769.71

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

The table below gives information about movement in provision for litigation claim .

	As at March 31, 2014	As at March 31, 2013
At the beginning of the year	12.19	-
Arising during the year	8.02	12.19
Utilized during the year	-	-
Unused amounts reversed	-	-
At the end of the year	20.21	12.19
Current portion	20.21	12.19
Non-current portion	-	-

	Freehold Land	Building*	Office equipment*	Computer equipment	Furniture and Fittings**	Vehicle***	Plant & Machinery	Total
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NOTE: 10A

Tangible assets								
Cost								
At 1 April, 2012	72.53	100.00	333.02	643.13	1,730.45	30.35	41.08	2,950.56
Additions	10.55	26.56	47.14	188.81	193.92	4.15	3.19	474.32
Deletions	1.20	5.54	1.92	25.07	10.50	0.49	-	44.72
At 31 March, 2013	81.88	121.02	378.24	806.87	1,913.87	34.01	44.27	3,380.16
Cost								
At 1 April, 2013	81.88	121.02	378.24	806.87	1,913.87	34.01	44.27	3,380.16
Additions	-	145.73	97.84	140.32	123.47	2.82	3.05	513.23
Deletions/adjustment	0.70	-	6.50	60.98	8.58	0.98	4.97	82.71
At 31 March, 2014	81.18	266.75	469.58	886.21	2,028.76	35.85	42.35	3,810.68
Accumulated Depreciation								
At 1 April, 2012	-	2.47	80.74	313.51	383.62	5.49	1.01	786.84
Charge for the year	-	1.64	158.72	211.04	218.42	3.09	2.13	595.04
Deletions	-	0.17	1.14	22.61	4.43	0.41	-	28.76
At 31 March, 2013	-	3.94	238.32	501.94	597.61	8.17	3.14	1,353.12
Accumulated Depreciation								
At 1 April, 2013	-	3.94	238.32	501.94	597.61	8.17	3.14	1,353.12
Charge for the year	-	3.43	125.78	218.81	263.82	3.31	2.02	617.17
Disposals/adjustment	-	-	5.66	57.85	5.94	0.96	0.41	70.82
At 31 March, 2014	-	7.37	358.44	662.90	855.49	10.52	4.75	1,899.47
Net Block at 31 March, 2013	81.88	117.08	139.92	304.93	1,316.26	25.84	41.13	2,027.04
Net Block at 31 March, 2014	81.18	259.38	111.14	223.31	1,173.27	25.33	37.60	1,911.21

*Borrowing costs of ₹ Nil (March 31, 2013 ₹ 17.47) has been capitalized under capital work in progress for eligible assets

** Also, refer note 2.1(c) for change in estimate in useful lives of certain Furniture and Fittings.

*** Includes vehicles taken on finance lease/hire purchase- Gross block ₹ 20.52 as at March 31, 2014 (March 31, 2013 ₹ 20.79). Depreciation for the year ₹ 1.78 (March 31, 2013 ₹ 1.83) and Net block ₹ 15.46 as at March 31, 2014 (March 31, 2013 ₹ 16.84)

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	Computer Software
NOTE: 10B	
Intangible assets	
Cost	
At 1 April, 2012	114.40
Purchase	25.46
Deletions	4.37
At 31 March, 2013	135.49
Cost	
At 1 April, 2013	135.49
Purchase	7.35
Deletions	4.50
At 31 March, 2014	138.34
Amortization	
At 1 April, 2012	37.87
Charge for the year	22.05
Deletions	2.31
At 31 March, 2013	57.61
Amortization	
At 1 April, 2013	57.61
Charge for the year	21.78
Deletions	3.19
At 31 March, 2014	76.20
Net block	
At 31 March, 2013	77.88
At 31 March, 2014	62.14

	As at March 31, 2014	As at March 31, 2013
NOTE: 11A		
Non trade (Unquoted, valued at cost)		
50 (previous year: 50) Non Convertible Subordinate bonds of ₹ 1,000,000/- each fully paid in Dhanalaxmi Bank Limited	50.00	50.00
Investment in wholly owned subsidiary (Unquoted, valued at cost)		
11,100,000 (Previous year - Nil) equity share of ₹ 10/- each fully paid in Milestone Home Finance Company Private Limited	163.56	-
Investment in other companies (Unquoted, valued at cost)		
1,000 (Previous year - 1,000) equity share of ₹ 10/- each fully paid in The Catholic Syrian Bank Limited.	0.03	0.03
	213.59	50.03
Note :		
1. Aggregate amount of unquoted investments	213.59	50.03

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at March 31, 2014	As at March 31, 2013
NOTE: 11B		
Current Investments		
Mutual Fund (Unquoted, valued at net asset value)		
14,455,619.441 (Previous year 14,455,619.441) units of ₹ 29.8996/- (Previous year ₹ 27.6709/-) each in SBI Mutual Fund - SBI Magnum Income Fund - Regular plan-Growth	432.22	420.66
68,064.674 (Previous year Nil) units of ₹ 1,471.7663/- each in Baroda Pioneer Mutual Fund - Plan B Growth	100.17	-
Nil (Previous year - 965,614.49) units of ₹ 2,589.025 /- each in SBI Mutual Fund - SBI Magnum Insta Cash Fund- Direct Plan- Cash	-	2,502.59
Nil (Previous year - 309,066,464.74) units of ₹ 12.9422 /- each in Peerless Mutual Fund - Ultra Short term Fund - Direct Plan Growth	-	4,002.45
Certificate of Deposit (Unquoted, value at cost)		
5,000 (Previous year Nil) units of ₹ 100,000/- each in Allahabad Bank	491.70	-
15,000 (Previous year Nil) units of ₹ 100,000/- each in Andhra Bank	1,473.65	-
10,000 (Previous year Nil) units of ₹ 100,000/- each in IDBI Bank Ltd	982.29	-
10,000 (Previous year Nil) units of ₹ 100,000/- each in Indian Bank	981.16	-
20,000 (Previous year Nil) units of ₹ 100,000/- each in Oriental Bank of Commerce	1,968.42	-
15,000 (Previous year Nil) units of ₹ 100,000/- each in Union Bank of India	1,476.43	-
	7,906.04	6,925.70
Note :		
1. Aggregate amount of unquoted investments (Cost)	7,873.65	6,900.00

	As at March 31, 2014	As at March 31, 2013
NOTE: 12		
Deferred tax assets (net)		
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting.	-	-
Others	(34.00)	-
Gross deferred tax liability	(34.00)	-
Deferred tax asset		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting.	99.81	27.53
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	53.17	27.71
Provision for advances	163.12	258.94
Others	6.87	154.13
Gross deferred tax asset	322.97	468.31
Net deferred tax asset	288.97	468.31

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
NOTE: 13				
Loans and advances				
Portfolio Loan				
Secured, considered good				
- Gold	-	-	81,378.61	99,034.11
- Other loans	21.43	11.16	46.83	88.36
	21.43	11.16	81,425.44	99,122.47
Secured, considered doubtful#				
Gold	-	-	173.76	423.96
Other loans	-	-	-	4.66
Portfolio Loan				
Unsecured, considered good				
- Demand loan	-	-	10.07	-
Unsecured, considered doubtful#	-	-	-	1.19
Advances recoverable in cash or kind *				
Unsecured, considered good	-	-	180.17	268.94
Unsecured, considered doubtful	-	-	104.37	85.80
	-	-	284.54	354.74
Less: Provision for doubtful advances	-	-	(104.37)	(85.80)
			180.17	268.94
Deposits (Unsecured, considered good)				
Rental deposits	495.94	417.00	27.59	106.62
Other security deposits	31.39	-	11.64	17.42
	527.33	417.00	39.23	124.04
Service tax and other taxes recoverable, from Government (Unsecured, considered good)	-	-	42.21	40.67
TOTAL	548.76	428.16	81,870.88	99,985.93

* Advances recoverable in cash or kind includes dues from relative of directors and related parties

Provision for the same has been disclosed separately under note 9. Also refer note 32(a).

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
NOTE: 14				
Other assets				
Non-current bank deposits (note 15)	185.23	658.79	-	-
(A)	185.23	658.79	-	-
Interest accrued:				
Loan Portfolio (Secured, considered good)	-	-	5,611.46	6,452.68
Loan Portfolio (Secured, considered doubtful)	-	-	-	441.28
Fixed deposits and investment	0.20	9.54	96.17	83.63
Less : Provision for doubtful receivable	-	-	-	(441.28)
Advance tax Provisions for taxation (net of Provisions for taxation and tax deducted at source)	1,079.49	812.55	-	-
Gold Coin/Auctioned gold	-	-	-	2.12
Ancillary cost of arranging the borrowings	99.30	48.93	130.38	102.16
Others	-	-	2.21	1.79
(B)	1,178.99	871.02	5,840.22	6,642.38
Total (A + B)	1,364.22	1,529.81	5,840.22	6,642.38

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
NOTE: 15				
Cash and bank balances				
Cash and cash equivalents				
Balances with banks:				
On current accounts	-	-	2,635.80	3,800.22
Deposits with original maturity of less than three months	-	-	140.00	100.01
Cash on hand	-	-	1,221.67	1,700.11
On Escrow accounts				
Application money towards redeemable non-convertible debenture pending allotment			2,008.15	-
Unpaid matured deposit	-	-	0.22	0.50
Unpaid auction surplus deposit			443.60	-
On unpaid dividend account	-	-	20.52	872.73
	-	-	6,469.96	6,473.57
Other bank balances				
Other balance				
Deposits with original maturity for more than 3 months but less than 12 months*	-	-	1,578.94	34.56
Deposits with original maturity for more than 12 months*	185.23	658.79	283.67	2,327.95
	185.23	658.79	1,862.61	2,362.51
Amount disclosed under non-current assets (note 14)	185.23	658.79	-	-
	-	-	8,332.57	8,836.08

* Includes:

- a) Cash collateral deposits aggregating ₹ 1,790 (March 31, 2013 : ₹ 2,425.48) towards approved bank facilities;
b) Employee security deposits aggregating ₹ 183.93 (March 31, 2013 : ₹ 204.25) placed as fixed deposits with banks; and
c) Deposits aggregating to ₹ 21.36 (March 31, 2013 : ₹ 1.94) towards security deposit to various authority.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at March 31, 2014	As at March 31, 2013
NOTE: 16		
Revenue from operations		
Interest Income		
- Gold loans	20,527.49	22,126.66
- Bank and other deposits	229.53	323.81
- Property loans	0.14	-
- Other loans	2.07	14.94
Total Interest income (A)	20,759.23	22,465.41
Other operating revenue		
- Money transfer	38.67	31.01
- Net Gain on current investment	169.49	65.51
- Provisions no longer required written back	9.74	-
- Bad debts recovered	26.64	33.46
- Others	0.51	0.53
Total other operating revenue (B)	245.05	130.51
Revenue from operations (A+B)	21,004.28	22,595.92

	As at March 31, 2014	As at March 31, 2013
NOTE: 17		
Other Income		
Profit on sale of fixed assets (net)	4.82	2.01
Notice pay recovery	99.60	12.35
Other non-operating income (net of expenses directly attributable to such income of ₹ Nil (31 March 2013: ₹ Nil))	9.23	59.25
	113.65	73.61

	As at March 31, 2014	As at March 31, 2013
NOTE: 18		
Finance Cost		
Interest		
- on Debentures	1,772.20	1,715.34
- on Bank and other borrowings	7,474.56	8,747.22
- on Subordinate bonds and loans	596.70	606.00
- on Commercial papers	177.29	350.50
- Others	2.27	1.33
Other borrowing cost	242.99	474.47
	10,266.01	11,894.86

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	Year ended March 31, 2014	Year ended March 31, 2013
NOTE: 19		
Employee benefit expense		
Salaries, wages and bonus	2,948.27	3,088.23
Contribution to provident and other funds	280.16	308.57
Staff welfare expenses	7.04	24.87
	3,235.47	3,421.67

	Year ended March 31, 2014	Year ended March 31, 2013
NOTE: 20		
Other expenses		
Electricity	151.26	128.10
Rent	857.21	850.08
Rates and taxes	34.10	62.61
Insurance	31.78	39.28
Repairs and maintenance		
-Vehicles	4.47	4.35
-Others	53.46	30.10
Advertising and sales promotion	428.79	293.69
Travelling and conveyance	76.79	106.87
Communication costs	168.63	94.81
Printing and stationery	59.76	60.70
IT Support costs	283.59	228.34
Legal and professional fees	136.05	153.73
Security charges	714.83	709.69
Bad debts/advances written off	472.58	246.69
Provision for non performing assets, net of bad debts written off of ₹ 278 (Previous year - ₹ Nil)	21.95	133.64
Provision for doubtful advances and receivables	18.57	513.10
Provision for standard assets	(44.43)	5.97
Miscellaneous expenses	77.61	80.33
	3,547.00	3,670.87
Legal and professional charges include Payment to auditors:		
As auditor:		
Audit fee	2.90	2.75
Limited reviews	1.80	1.80
Certification fees	0.95	0.88
Other fees	-	0.65
Reimbursement of expenses	0.30	0.29
	5.95	6.37

	Year ended March 31, 2014	Year ended March 31, 2013
NOTE: 21		
Depreciation and amortization expense		
Depreciation	617.17	595.04
Amortization of intangible assets	21.78	22.05
	638.95	617.09

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	Year ended March 31, 2014	Year ended March 31, 2013
NOTE: 22		
Earnings per share (EPS)		
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Net profit for calculation of basic EPS	2,260.11	2,084.32
Weighted average number of equity shares in calculating basic EPS (Nos.)	841,207,136	841,173,459
Effect of dilution:		
Stock options granted under ESOP (Nos.)	-	70,104
Weighted average number of equity shares in calculating diluted EPS (Nos.)	841,207,136	841,243,563
Basic EPS (₹)	2.69	2.48
Diluted EPS (₹)	2.69	2.48

NOTE: 23

Employee Stock Option Scheme (ESOS), 2009

The details of the Employee Stock Option Scheme 2009 are as under:

Date of share holders' approval	August 17, 2009
Number of options approved	1,000,000
Date of grant	August 17, 2009
Number of options granted	829,500
Method of settlement	Equity
Graded Vesting	50% after one year from the date of grant i.e. August 16, 2010 and balance 50% after two years from the date of grant i.e August 16, 2011
Exercisable period	4 years from vesting date
Vesting conditions	On achievement of pre-determined performance parameters.

Subsequent to the share split and bonus issue in an earlier year, the number of options has been adjusted to 8,295,000 options and the exercise price has been adjusted to ₹ 33.12/- per share in accordance with the terms of the scheme. Further, subsequent to bonus issue in the earlier year, the exercise price has been adjusted to ₹ 16.56 per share.

The Company has adopted the (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities and Exchange Board of India, and has recorded a compensation expense using the intrinsic value method as set out in those guidelines. The summary of the movements in options is given below:

Particulars	March 31, 2014	March 31, 2013
Options outstanding, beginning of year	66,000	120,000
Options granted during the year	-	-
Increase on account of Bonus issue	-	-
Lapsed Options restored during the year	-	-
Options exercised during the year	-	(54,000)
Options lapsed during the year	(66,000)	-
Options outstanding, end of year	-	66,000
Options outstanding at the yearend comprise of :		
- Options eligible for exercise at year end	-	66,000
- Options not eligible for exercise at year end	-	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Particulars	March 31, 2014	March 31, 2013
Weighted average remaining contract life of options		5 month
weighted average market price at the exercise date		₹41.08/-
Exercise price of options outstanding at March 31, 2013 had an exercise price of ₹ 16.56/-		

The fair value of options estimated at the date of grant using the Black-Scholes method and the assumptions used are as under:

Particulars	Vesting I	Vesting II
	16-Aug-2010	16-Aug-2011
	50%	50%
Option fair value (pre-split and bonus at a face value of ₹ 10/- per share)	₹ 142.43/-	₹ 157.92/-
Risk-free interest rate	6.51%	6.53%
Expected life	3 years	4 Years
Expected volatility	67.11%	66.62%
Expected dividend yield	2.76%	2.76%
Share price on the date of grant (face value of ₹ 10/-)	₹ 331.15/-	₹ 331.15/-

The expected volatility of the stock has been determined based on historical volatility of the stock. The period over which volatility has been considered is the expected life of the option.

Pro-forma Disclosures for ESOS 2009

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had the compensation cost for ESOS 2009 been recognized based on the fair value at the date of grant in accordance with Black-Scholes method, the amounts of the Company's net profit and earnings per share would have been as follows:

Particulars	Profit after tax	Basic EPS (₹)	Diluted EPS (₹)
Year ended March 31, 2014			
- Amounts as reported	2,260.11	2.69	2.69
- Amounts as per pro-forma	2,260.11	2.69	2.69

Particulars	Profit after tax	Basic EPS (₹)	Diluted EPS (₹)
Year ended March 31, 2013			
- Amounts as reported	2,084.32	2.48	2.48
- Amounts as per pro-forma	2,084.32	2.48	2.48

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE 24

Related party transactions with whom transactions have taken place during the year

Particulars	Subsidiary Company		Associates / Enterprises owned or significantly influenced by key management personnel or their relatives		Key Management Personnel		Relatives of key management personnel	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Debentures and Subordinate Bond issued during the year							0.67	0.19
Mrs. Shelly Ekalavyan							0.67	0.19
Debentures and Subordinate Bond redeemed during the year							0.69	1.49
Mrs. Sathyalekshmi							-	0.04
Mrs. Meenakshy Amma							-	1.04
Mrs. Geeta Ravi							-	0.29
Mrs. Rajalakshmi Raveendra Babu							0.10	-
Ms. Biji Babu							0.40	-
Mrs. Shelly Ekalavyan							0.19	0.12
Equity contribution	40.00							
Milestone Home Finance Company Private Limited	40.00							
Interest expense							0.58	0.17
Mrs. Sathyalekshmi							0.14	-
Mrs. Rajalakshmi Raveendra Babu							0.29	-
Ms. Biji Babu							0.06	-
Mrs. Geeta Ravi							-	0.02
Mrs. Meenakshy Amma							-	0.14
Mrs. Shelly Ekalavyan							0.09	0.01
Commission to Directors					16.90	8.20		
Mr. V.P.Nandakumar					10.50	5.10		
Mr. I Unnikrishnan					3.50	1.70		
Mr. Raveendra Babu					2.90	1.40		
Remuneration to Directors					51.75	48.31		
Mr. V.P.Nandakumar					33.60	31.67		
Mr. I Unnikrishnan					10.08	9.24		
Mr. Raveendra Babu					8.07	7.40		
Donation made			33.44	18.75				
Manappuram Foundations			33.44	18.75				
Rent Paid			1.03	-	0.43	0.87	0.22	0.19
Mr. V.P.Nandakumar			-	-	0.43	0.87	-	-
Mr. Suhas Nandan			-	-			0.11	0.09
Mrs Sumitha Nandakumar			-	-			0.11	0.10
Manappuram Agro farms			1.03	-				
Rent Received			0.07	0.08				
Manappuram Jewellers Limited			0.07	0.07				

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Particulars	Subsidiary Company		Associates / Enterprises owned or significantly influenced by key management personnel or their relatives		Key Management Personnel		Relatives of key management personnel	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Manappuram Insurance Brokers Private Limited			-	0.01				
Purchase of assets			-	31.54	-	3.65		
Mr. V.P.Nandakumar			-	-	-	3.65		
Maben Nidhi Limited			-	31.36				
Manappuram Jewellers Limited			-	0.18				
Sale of assets			-	8.57				
Manappuram Jewellers Limited			-	0.29				
Manappuram Asset Finance Limited			-	5.99				
Manappuram Foundation			-	0.04				
Maben Nidhi Limited			-	2.16				
Manappuram Healthcare Limited			-	0.09				
Rent advance refunded by			-	15.74		0.24		
Mr. V. P Nandakumar						0.24		
Manappuram Jewellers Limited			-	15.42				
Manappuram Asset Finance Limited			-	0.10				
Manappuram Insurance Brokers Private Limited			-	0.02				
Manappuram Agro firms			-	0.10				
Manappuram Travels			-	0.10				
Rent Advance Received			0.16	-				
Manappuram Jewellers Limited			0.16	-				
Balance outstanding as at the year end:								
Investment in Subsidiary company	163.56							
Milestone Home Finance Company Private Limited	163.56							
Amounts payable (net) to related parties					16.90	8.20	4.15	4.38
Mr. V.P.Nandakumar					10.50	5.10	-	-
Mr. I Unnikrishnan					3.50	1.70	-	-
Mr. Raveendra Babu					2.90	1.40	-	-
Mrs. Rajalakshmi Raveendra Babu							1.98	2.08
Ms. Biji Babu							0.40	0.81
Mrs. Sathyalakshmy							1.10	1.08
Mrs. Shelly Ekalavyan							0.67	0.41

Note:

Related parties have been identified on the basis of the declaration received by the management and other records available.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Names of related parties

Relationship	Name of the party
Subsidiary company	Milestone Home Finance Company Private Limited
Associates / Enterprises owned or significantly influenced by key management personnel or their relatives	Maben Nidhi Limited Manappuram Chits (India) Limited Manappuram Asset Finance Limited Manappuram Finance (sole proprietorship) Manappuram Insurance Brokers Private Limited Manappuram Jewellers Limited Manappuram Healthcare Limited Manappuram Foundations (charitable trust) Manappuram Chits India Manappuram Agro farms Manappuram Chit Funds Company Private Limited Manappuram Chits Company (Karnataka) Private Limited Manappuram Travels
Key Management Personnel	Mr. V P Nandakumar- Managing Director & CEO Mr. I Unnikrishnan - Executive Director & Deputy CEO Mr. B.N Raveendra Babu- Executive Director
Relatives of key management personnel	Mrs. Sushama Nandakumar (wife of Mr. V P Nandakumar) Mr. Sooraj Nandan (son of Mr. V P Nandakumar) Mrs Sumitha Nandakumar (daughter of Mr. V P Nandakumar) Mr. Suhas Nandan (son of Mr. V P Nandakumar) Mrs. Jyothi Prasannan (sister of Mr. V P Nandakumar) Mrs.Meenakshy Amma (mother of Mr. I Unnikrishnan) Mrs. Sathyalakshmi (wife of Mr. I Unnikrishnan) Ms. Biji Babu (daughter of Mr. B.N Raveendra Babu) Mrs. Shelly Ekalavyan (sister of Mr. V P Nandakumar) Mrs. Rajalakshmi Raveendra Babu (wife of Mr. B.N Raveendra Babu)

NOTE 25:

Employment benefits disclosures:

The amounts of Provident fund contribution charged to the statement of Profit and loss during the year aggregates to ₹ 160.80 for March 31, 2014 (March 31, 2013 ₹ 173.20)

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with Life Insurance Corporation of India and Kotak Life Insurance.

The following tables summaries the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity plan.

Statement of Profit and Loss

Net employee benefit expense recognised in the employee cost

	March 31, 2014	March 31, 2013
Current service cost	47.55	44.89
Interest cost on benefit obligation	8.53	6.51
Expected return on plan assets	(9.62)	(7.39)
Net actuarial (gain)/loss recognized in the year	(9.33)	(7.33)
Net (benefit) / expense	37.13	36.68
Actual return on plan assets	8.60	8.46

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Balance sheet

Reconciliation of present value of the obligation and the fair value of plan assets:

	March 31, 2014	March 31, 2013
Defined benefit obligation	(151.07)	(107.98)
Fair value of plan assets	141.96	110.34
Asset/(liability) recognized in the balance sheet	(9.11)	2.36
Experience adjustments on plan liabilities (Gain) / Loss	0.45	(8.57)
Experience adjustments on plan assets Gain / (Loss)	(1.02)	1.07

	March 31, 2012	March 31, 2011
Defined benefit obligation	(75.65)	(51.91)
Fair value of plan assets	81.72	37.09
Asset/(liability) recognized in the balance sheet	6.07	(14.82)
Experience adjustments on plan liabilities (Gain) / Loss	(26.07)	14.90
Experience adjustments on plan assets Gain / (Loss)	0.42	0.15

There are no experience adjustments for the year ended March 31, 2010.

Changes in the present value of the defined benefit obligation are as follows:

	March 31, 2014	March 31, 2013
Opening defined benefit obligation	107.98	75.65
Interest cost	8.53	6.51
Current service cost	47.55	44.89
Benefits paid	(2.64)	(12.81)
Actuarial loss / (gain) on obligation	(10.35)	(6.26)
Closing defined benefit obligation	151.07	107.98

Changes in the fair value of plan assets are as follows:

	March 31, 2014	March 31, 2013
Opening fair value of plan assets	110.34	81.71
Expected return	9.62	7.39
Contributions by employer	25.66	32.98
Benefits paid	(2.64)	(12.81)
Actuarial gains / (losses)	(1.02)	1.07
Closing fair value of plan assets	141.96	110.34
Expected contribution to fund to be made in the next year	30.00	30.00

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	March 31, 2014	March 31, 2013
	%	%
Discount rate	8.9%	7.9%
Attrition rate	15%	15%
Expected rate of return on assets	8.5%	8.5%

The fund is administered by Life Insurance Corporation of India ("LIC") and Kotak Life Insurance. The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

NOTE 26:

Commitments

- (i) Estimated amount of contracts remaining to be executed on capital account, net of advances is ₹ 4.32 as at March 31, 2014 (March 31, 2013 - ₹ 51.59).
- (ii) The Company has entered into an agreement for outsourcing of Information Technology support in April 2011 for a period of 10 years with an annual expense of ₹ 270.

NOTE 27:

Contingent liabilities

(a) Applicability of Kerala Money Lenders' Act

The Company has challenged in the Hon'ble Supreme Court the order of Hon'ble Kerala High Court upholding the applicability of Kerala Money Lenders Act to NBFCs. The Hon'ble Supreme Court has directed that a status quo on the matter shall be maintained and the matter is currently pending with the Hon'ble Supreme Court. The Company has taken legal opinion on the matter and based on such opinion the management is confident of a favourable outcome. Pending the resolution of the same, no adjustments have been made in the financial statements for the required license fee and Security deposits.

(b) Show cause notice from Reserve Bank of India

The Company has received a show cause notice from the Reserve Bank of India on May 7, 2012 with certain observations made pursuant to their inspection of books and records of the Company. The Company has submitted a detailed reply on May 21, 2012 to the Reserve Bank of India .

NOTE: 28

Additional disclosures as required by circular no DNBS(PD).CC.No.125/03.05.002/2008-2009 dated August 1, 2008 issued by the Reserve Bank of India:

a) Capital to Risk Assets Ratio

Particulars	March 31, 2014	March 31, 2013
CRAR (%)	27.68	22.67
CRAR - Tier I Capital (%)	26.69	20.59
CRAR - Tier II Capital (%)	0.99	2.08

b) Exposure to real estate sector

The Company does not have any significant direct exposure towards real estate sector.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

c) Asset liability management

Maturity pattern of certain items of assets and liabilities as at March 31, 2014

Liabilities	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 month upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Borrowings from banks	3,450.82	6,585.35	4,118.40	7,550.69	35,402.40	4,778.53	53.86	-	61,940.05
Market borrowings #	375.39	0.37	37.69	1,130.80	386.82	13.42	0.20	-	1,944.69
Assets @	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 month upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Advances (net)	16,285.67	7,434.55	5,971.69	14,156.70	37,760.66	21.43	-	-	81,630.70
Investments	7,473.82	-	-	432.22	-	50.00	163.59	-	8,119.63

Represents working capital demand loans from others, Inter Corporate Deposits and commercial papers under Note 7 and vehicle loans under Note 5

Maturity pattern of certain items of assets and liabilities as at March 31, 2013

Liabilities	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 month upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Borrowings from banks	7,092.66	6,553.04	5,473.65	10,502.12	40,705.58	3,061.54	61.54	23.07	73,473.20
Market borrowings #	620.89	0.35	949.46	547.08	1,360.69	1,149.14	11.14	-	4,638.75
Assets @	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 month upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Advances (net)	11,930.40	9,666.20	7,529.40	21,786.80	48,645.98	-	-	-	99,558.78
Investments	6,503.53	-	1.50	-	420.70	-	-	50.00	6,975.73

Represents working capital demand loans from others and commercial papers under Note 7 and vehicle loans under Note 5

These disclosures are given only for certain items of assets and liabilities from the Balance sheet as required by the above circular and is not a complete depiction of the asset liability maturity position of the Company as at March 31, 2014 and March 31, 2013.

@ The asset maturity pattern are based on expected collections pattern of the Company based on past experience.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE 29:

Lease Disclosures

Operating Lease :

Office premises are obtained on operating lease which are cancellable in nature. Operating lease payments are recognized as an expense in the statement of profit and loss.

Finance Leases:

The Company has finance leases for vehicles. These leases are non-cancellable and has no escalation clause. Future minimum lease payments (MLP) under finance leases together with the present value of the net MLP are as follows:

Particulars	March 31, 2014	March 31, 2013
Total minimum lease payments at the year end	6.45	9.04
Less: amount representing finance charges	0.60	0.89
Present value of minimum lease payments	5.85	8.15
Lease payments for the year	5.04	5.20
Minimum lease Payments:		
Not less than one year [Present value ₹ 2.48 as on March 31, 2014 (₹ 4.21 as on March 31, 2013)]	3.75	4.76
Later than one year but not later than five years [Present value ₹ 3.37 as on March 31, 2014 (₹ 3.94 as on March 31, 2013)]	2.70	4.28

NOTE 30:

Cash collateral deposits

Deposit with Banks includes Cash collateral deposits aggregating ₹ 1,790.00 (March 31, 2013 ₹ 2,425.48) towards approved facilities. Bank / institution wise breakup of the same is as under :

Bank/Financial institution	March 31, 2014	March 31, 2013
Andhra Bank	250.00	250.00
Central Bank	175.00	175.00
Dhanlaxmi Bank Ltd	-	50.46
The Federal Bank Ltd	40.00	50.00
HDFC Bank Ltd	-	125.79
Indian Overseas Bank	275.00	275.00
Jammu and Kashmir Bank Ltd	200.00	325.00
Karur Vysya Bank Ltd	25.00	25.00
Kotak Mahindra Bank Ltd	-	41.73
South Indian Bank Ltd	180.00	180.00
State Bank of India	420.00	420.00
State Bank of Mauritius Ltd	-	40.00
State Bank of Mysore	-	50.00
UCO Bank	-	65.00
United Bank of India	125.00	250.00
Vijaya Bank	100.00	100.00
Yes Bank Ltd	-	2.50
	1,790.00	2,425.48

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE 31(A):

Gold and other loan portfolio classification and provision for non performing assets (As per RBI Prudential Norms)

Particulars	Gross Loan Outstanding		Provision For Assets		Net Loan Outstanding	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Secured Loans						
A) Gold Loan						
Standard Asset	80,556.12	98,292.92	201.57	246.03	80,354.55	98,046.89
Sub Standard Asset	887.22	805.11	88.72	80.51	798.50	724.60
Doubtful Asset	31.31	92.91	7.32	76.33	23.99	16.58
Loss Asset	77.72	267.13	77.72	267.13	-	-
TOTAL - A	81,552.37	99,458.07	375.33	670.00	81,177.04	98,788.07
B) Other Loans						
Standard Asset	68.24	69.88	0.17	0.17	68.07	69.71
Sub Standard Asset	0.02	23.82	-	2.38	0.02	21.44
Doubtful Asset	-	10.48	-	2.27	-	8.21
Loss Asset	-	-	-	-	-	-
TOTAL - B	68.26	104.18	0.17	4.82	68.09	99.36
TOTAL (A+B)	81,620.63	99,562.25	375.50	674.82	81,245.13	98,887.43
Unsecured Loans						
A) Other Loans						
Standard Asset	10.07	-	0.03	-	10.04	-
Sub Standard Asset	-	-	-	-	-	-
Doubtful Asset	-	1.19	-	1.19	-	-
Loss Asset	-	-	-	-	-	-
TOTAL	10.07	1.19	0.03	1.19	10.04	-

NOTE 31(B):

Provision for diminution in value of investments

Particulars	March 31, 2014	March 31, 2013
Provision for diminution in value of investments	-	-

NOTE: 32

Additional disclosures as required by circular no DNBS.CC.PD.No.265/03.10.01/2011-2012 dated March 21, 2012 issued by the Reserve Bank of India: Deposit with Banks includes Cash collaterals deposits aggregating ₹ 1,790.00 (March 31, 2013 ₹ 2,425.48) towards approved facilities. Bank /institution wise breakup of the same is as under:

Bank/Financial institution	March 31, 2014	March 31, 2013
Total Gold loan portfolio	81,552.37	99,458.07
Total Assets	108,383.82	127,278.46
Gold loan portfolio as a percentage age of total assets	75%	78%

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE: 33

Additional disclosures as required by circular no DNBS.CC.PD.No.356/03.10.01/2013-2014 dated September 16, 2013 issued by the Reserve Bank of India:

S.No	Number of Loan Accounts	Principal Amount outstanding at the dates of auctions (A)	Interest Amount outstanding at the dates of auctions (B)	Total (A+B)	Value fetched
1	566,116	22,872.71	8,469.80	31,342.51	26,100.19

Note:

No sister concerns participated in the auctions during the year ended March 31, 2014

NOTE: 34

Expenditure in foreign currency

Particulars	March 31, 2014	March 31, 2013
Total Gold loan portfolio	1.90	0.82
Total Assets	0.47	-
	2.37	0.82

NOTE: 35

Value of imports on C.I.F basis

Particulars	March 31, 2014	March 31, 2013
Capital goods	-	24.74
	-	24.74

NOTE: 36

Under Recovery of Interest Income

The Company disbursed some gold loans on which the total amount receivable including principal and accumulated interest have exceeded the value of the underlying security. As of March 31, 2014, the Company has not recognized interest income aggregating to ₹ 881.71 (March 31, 2013 ₹ 2,842.50) and has made a provision for doubtful debts to the extent of ₹ Nil (March 31, 2013 ₹ 514.35) relating to the said gold loans as a prudent measure.

NOTE: 37

During the year there have been certain instances of fraud on the Company by employees and others, where gold loan related misappropriations / cash embezzlements have occurred for amounts aggregating an amount of ₹127.66 (March 31, 2013 ₹ 56.34) of which the Company has recovered ₹ 64.78 (March 31, 2013 ₹ 41.73). The Company has taken insurance cover for such losses and has filed

insurance claims in this regard. Further, the Company is in the process of recovering these amounts from the employees and taking legal actions, where applicable. The Company has created provision aggregating ₹ 52.97 (March 31, 2013 ₹ 14.61) towards these losses based on its estimate.

NOTE 38

During the year ended March 31, 2014, the Company has decided to consider average market price of gold that existed during the 90 days period ending on the reporting date instead of average market price of gold that prevailed subsequent to the balance sheet date till the date of approval of the financial statements and also decided to include loans which have completed six months tenure as against loans which have completed twelve months tenure for the estimation of expected recoverability of interest income. Had the Company followed the previous practice, the profit before tax for the year ended March 31, 2014 would have been higher by ₹ 39.43.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE: 39

Utilisation of proceeds of public issue.

During the current year, the Company has raised ₹ 4,000 (including ₹ 2,000 representing application money towards redeemable non-convertible debenture pending allotment) by way of public issue of Secured Non Convertible Debentures (public issue) to be utilised to meet its various financing activities including lending and investment and towards business operations including Capital expenditure and

working capital requirements. As at March 31, 2014, the Company has utilised the entire proceeds of the public issue, net of issue expenses in accordance with the objects stated in the offer document.

NOTE: 40

Previous year figures

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

As per our report of even date

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W

per **S. Balasubrahmanyam**
Partner
Membership no.: 053315

Date : May 15, 2014
Place: Chennai

For and on behalf of the Board of Directors

V. P. Nandakumar
Managing Director & CEO

Date : May 15, 2014
Place: Valapad, Thrissur

I. Unnikrishnan
Executive Director & Dy. CEO

Kapil Krishan
Chief Financial Officer

B. N. Raveendra Babu
Executive Director

K. Rajesh Kumar
Company Secretary

(All amounts are in millions of Indian Rupees, unless otherwise stated)

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2014

	March 31, 2014	March 31, 2013
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	3,430.50	3,065.04
Depreciation and amortization	638.95	617.09
(Profit)/loss on sale of fixed assets	(4.82)	(2.01)
Net gain on sale of current investments	(169.49)	(65.51)
Interest Income	(229.53)	(323.81)
Interest Expense	10,020.75	11,419.06
Provision for standard assets	(44.43)	5.97
Bad debts/advances written off/provision for non performing assets and provision for doubtful advances	513.10	822.22
Provision for Litigation claim	9.69	12.19
Operating profit before working capital changes	14,164.72	15,550.24
Movements in working capital :		
Increase/(decrease) in trade payable	(48.96)	45.77
Increase/(decrease) in other current liabilities and provisions	(1,840.23)	(234.74)
Decrease / (increase) in long-term loans and advances	(120.60)	94.86
Decrease / (increase) in short-term loans and advances	17,606.52	(4,192.66)
Decrease / (increase) in other current assets	751.61	3,303.92
Increase / (decrease) in Other long term liabilities	(20.17)	181.94
Cash generated from / (used in) operations	30,492.89	14,749.33
Direct taxes paid (net of refunds)	(1,257.99)	(2,128.22)
Net cash flow from/ (used in) operating activities (A)	29,234.90	12,621.11
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets, including CWIP	(258.66)	(662.88)
Proceeds from sale of fixed assets	9.48	20.03
Purchase of current investments	(7,473.65)	(6,900.00)
Purchase of non current investments	(163.56)	(50.00)
Sale of current investments	6,662.80	2,122.20
Sale of non current investments	-	100.00
Redemption/ maturity of bank deposits (having original maturity of more than three months)	3,562.24	4,182.74
Investments in bank deposits (having original maturity of more than three months)	(2,588.78)	(2,872.29)
Interest received	239.05	351.42
Net cash flow from/ (used in) investing activities (B)	(11.08)	(3,708.78)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of equity share capital	-	0.89
Proceeds from Institutional debentures (long term)	100.00	3,936.36
Repayment of Institutional debentures (long term)	(3,042.14)	(2,842.90)
Proceeds from issuance of public debentures	2,000.00	-
Repayment of Public debentures	(2,987.32)	(1,428.87)
Proceeds from Institutional debentures (short term)	-	999.79
Repayment of Institutional debentures (short term)	(999.79)	(500.00)
Proceeds from Retail Debenture	2,730.40	6,001.73
Repayment of Retail Debenture	(3,354.16)	(4,481.18)
Proceeds from inter corporate deposits	112.50	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

CASH FLOW STATEMENT (CONTD.)

FOR THE YEAR ENDED MARCH 31, 2014

	March 31, 2014	March 31, 2013
Repayment of inter corporate deposits	(80.00)	-
Application money received for issue of redeemable non-convertible debenture	2,008.15	-
Proceeds from commercial paper	19,755.65	27,593.84
Repayment of commercial paper	(20,462.19)	(29,208.25)
Proceed from Vechile Loan	2.13	1.40
Repayment of Vechile Loan	(4.43)	(5.22)
Repayment of Deposits	-	(0.12)
Proceeds from subordinated Debt	-	85.57
Repayment of Subordinate Debt	(387.11)	(134.74)
Proceed from Term loan from Bank	57,110.00	9,738.98
Repayment of Term Loan from Banks	(66,270.21)	(1,000.00)
Proceeds from Borrowings from others	750.00	1,250.00
Repayment of Borrowings from others	(2,767.72)	(3,820.83)
Proceeds / (Repayment) in working capital bank borrowings (net)	(2,400.37)	(348.12)
Interest Expense paid	(9,712.17)	(11,205.40)
Dividends paid	(1,135.65)	(1,234.67)
Tax on dividend paid	(193.00)	(341.14)
Net cash flow from/ (used in) in financing activities (C)	(29,227.43)	(6,942.88)
Net increase/(decrease) in cash and cash equivalents (A + B + C)	(3.61)	1,969.45
Cash and cash equivalents at the beginning of the year	6,473.57	4,504.12
Cash and cash equivalents at the end of the year	6,469.96	6,473.57
Components of cash and cash equivalents		
Cash on hand	1,221.67	1,700.11
With banks		
- in current account	2,635.80	3,800.22
- in deposit account	140.00	100.01
- in escrow account*		
NCD public issue application money	2,008.15	-
Unpaid matured deposit account	0.22	0.50
Unpaid auction surplus deposit	443.60	-
Unpaid dividend account	20.52	872.73
Total cash and cash equivalents (note 15)	6,469.96	6,473.57

*The Company can utilize these balances only towards settlement of the respective unpaid dividend, unpaid matured deposits and unpaid matured debenture liabilities.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

For and on behalf of the Board of Directors

per S. Balasubrahmanyam
Partner
Membership no.: 053315

V. P. Nandakumar
Managing Director & CEO

I. Unnikrishnan
Executive Director & Dy. CEO

B. N. Raveendra Babu
Executive Director

Kapil Krishan
Chief Financial Officer

K. Rajesh Kumar
Company Secretary

Date : May 15, 2014
Place: Chennai

Date : May 15, 2014
Place: Valapad, Thrissur

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Schedule to the Balance Sheet of a non deposit taking non-banking financial company

(as required in terms of paragraph 13 of Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

(₹ in lakhs)

SI No	Particulars	Amount Outstanding	Amount Overdue
Liabilities side :			
(1)	Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:		
(a)	Debentures : Secured	10,807.26	
	: Unsecured (other than falling within the meaning of public deposits*)	-	
(b)	Deferred Credits	-	
(c)	Term Loans	11,818.64	
(d)	Inter-corporate loans and borrowing	32.55	
(e)	Commercial Paper	-	
(f)	Other Loans:		
	Subordinate bond	4,298.04	
	Bank	51,345.43	
	Others	2,750.00	

(₹ in lakhs)

SI No	Particulars	Amount Outstanding
Assets side :		
(2)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :	
(a)	Secured	86,856.79
(b)	Unsecured	798.98
(3)	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 Asset	-
(iii)	Other loans counting towards AFC activities	-
(a)	Loans where assets have been repossessed	-
(b)	Loans other than (a) above	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Schedule to the Balance Sheet of a non deposit taking non-banking financial company

(as required in terms of paragraph 13 of Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

(₹ in lakhs)

SI No	Particulars	Amount Outstanding
(4)	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	-
2	Unquoted :	
	(i) Shares : (a) Equity	-
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of mutual funds	532.39
	(iv) Government Securities	-
	(v) Others	7,469.82
	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	-
2	Unquoted :	
	(i) Shares : (a) Equity	163.59
	(b) Preference	-
	(ii) Debentures and Bonds	50.00
	(iii) Units of mutual funds	-
	(iv) Government Securities	-
	(v) Others	-

(5) Borrower group-wise classification of assets financed as in (3) and (4) above :

Please see Note 2 below

Category	Amount net of provisions		
	Secured	Unsecured	TOTAL
1. Related Parties **			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2. Other than related parties	86,856.79	798.98	87,655.77
TOTAL	86,856.79	798.98	87,655.77

** As per Accounting Standard of ICAI (please see Note 3)

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Schedule to the Balance Sheet of a non deposit taking non-banking financial company

(as required in terms of paragraph 13 of Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

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

Please see note 3 below

Category	Market Value Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties **		
(a) Subsidiaries	163.56	163.56
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2. Other than related parties	8,052.24	8,052.24
TOTAL	8,215.80	8,215.80

(7) Other Information :

	Amount outstanding
(i) Gross Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	996.27
(ii) Net Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	822.51
Assets acquired in satisfaction of debt	-

Notes:

- As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (5) above.

For and on behalf of the Board of Directors

V. P. Nandakumar
Managing Director & CEO

I. Unnikrishnan
Executive Director & Dy. CEO

B. N. Raveendra Babu
Executive Director

Kapil Krishan
Chief Financial Officer

K. Rajesh Kumar
Company Secretary

Date : May 15, 2014
Place: Valapad, Thrissur

(All amounts are in millions of Indian Rupees, unless otherwise stated)

STATEMENT UNDER SECTION 212

OF COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Particulars	M/s Milestone Home Finance Company Private Limited
Date from which they became subsidiary	12th March 2014
Financial year of the subsidiary ended on	31.03.2014
Shares of the subsidiary held by M/s Manappuram Finance Limited on the above dates	
1. Number of shares	11,100,000
2. Face value	₹ 10/-
3. Extent of holding	100%
Net aggregate Profit/ (Loss) for the current year (in ₹)	₹ 3,073,833 /-
Net aggregate amounts of the profits or losses of the subsidiary so far it concerns the members of the holding company and is dealt with in the accounts of holding company :	
1. for the financial year of the subsidiary	
2. for the previous financial years of the subsidiary since it became its subsidiary	
Net aggregate amounts of the profits or losses of the subsidiary so far it concerns the members of the holding company and is not dealt with in the accounts of holding company :	
1. for the financial year of the subsidiary	
2. for the previous financial years of the subsidiary since it became its subsidiary	

Financial Informations of wholly owned subsidiary Milestone Home Finance Company Pvt. Ltd.

Sr. Nos.	Particulars	Amount (₹)
1	Capital	111,000,000.00
2	Reserves	4,291,247.00
3	Total Assets	116,392,295.00
4	Total Liabilities	116,392,295.00
5	Investments	-
6	Turnover/Total Income	5,568,275.00
7	Profit Before Taxation	4,777,868.00
8	Provision for Taxation	1,704,035.00
9	Profit After Taxation	3,073,833.00
10	Proposed Dividend	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

INDEPENDENT AUDITORS' REPORT

To

The Members of

Manappuram Finance Limited

We have audited the accompanying consolidated financial statements of Manappuram Finance Limited ("the Company") and its subsidiary, which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in

accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

We did not audit total assets of ₹ 116.39 million as at March 31, 2014, total revenues of ₹ 0.34 million and net cash inflows amounting to

₹ 39.49 million for the year then ended, included in the accompanying consolidated financial statements in respect of the subsidiary, whose financial statements and other financial information have been audited by other auditors and whose report has been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiary is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W

per S Balasubrahmanyam

Place: Chennai

Partner

Date: May 15, 2014

Membership Number: 053315

(All amounts are in millions of Indian Rupees, unless otherwise stated)

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2014

	Note No.	As at March 31, 2014
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	3	1,682.41
Reserves and surplus	4	23,235.02
		24,917.43
Non-current liabilities		
Long-term borrowings	5	14,546.36
Other long term liabilities	6	2,725.63
		17,271.99
Current liabilities		
Short-term borrowings	7	52,127.93
Trade Payables	8	363.43
Other current liabilities	8	12,707.74
Short-term provisions	9	996.10
		66,195.20
TOTAL		108,384.62
ASSETS		
Non-current assets		
Fixed assets		
Tangible assets	10A	1,911.21
Intangible assets	10B	62.14
Capital work-in-progress		45.22
Goodwill on consolidation	33	47.97
Non-current investments	11A	50.03
Deferred tax assets (net)	12	288.97
Long-term loans and advances	13	548.76
Other Non current assets	14	1,364.22
		4,318.52
Current assets		
Current investments	11B	7,906.04
Cash and bank balances	15	8,444.68
Short-term loans and advances	13	81,870.98
Other current assets	14	5,844.40
		104,066.10
TOTAL		108,384.62
Summary of significant accounting policies	2.1	

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W

For and on behalf of the Board of Directors

per **S. Balasubrahmanyam**
Partner
Membership no.: 053315

V. P. Nandakumar
Managing Director & CEO

I. Unnikrishnan
Executive Director & Dy. CEO

B. N. Raveendra Babu
Executive Director

Kapil Krishan
Chief Financial Officer

K. Rajesh Kumar
Company Secretary

Date : May 15, 2014
Place: Chennai

Date : May 15, 2014
Place: Valapad, Thrissur

(All amounts are in millions of Indian Rupees, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 2014

	Notes	Year ended March 31, 2014
INCOME		
Revenue from operations	16	21,004.62
Other income	17	113.65
Total revenue		21,118.27
EXPENSES		
Finance costs	18	10,266.01
Employee benefits expense	19	3,235.47
Other expenses	20	3,547.59
Depreciation and amortization expense	21	638.95
Total Expenses		17,688.02
Profit before tax		3,430.25
Tax expenses		
Current tax		991.10
Deferred tax		179.34
Total tax expense		1,170.44
Profit for the year		2,259.81
Earnings per equity share [nominal value of share ₹ 2/-]	22	
Basic earnings per share (₹/-)		2.69
Diluted earnings per share (₹/-)		2.69
Summary of significant accounting policies	2.1	

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

per S. Balasubrahmanyam
Partner
Membership no.: 053315

Date : May 15, 2014
Place: Chennai

V. P. Nandakumar
Managing Director & CEO

Date : May 15, 2014
Place: Valapad, Thrissur

For and on behalf of the Board of Directors

I. Unnikrishnan
Executive Director & Dy. CEO

Kapil Krishan
Chief Financial Officer

B. N. Raveendra Babu
Executive Director

K. Rajesh Kumar
Company Secretary

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE: 1

1) Nature of operations

Manappuram Finance Limited ('MAFIL' or 'the Company') was incorporated on July 15, 1992 in Thrissur, Kerala. The Company is a Non Banking Finance Company ('NBFC'), which provides a wide range of fund based and fee based services including gold loans, money exchange facilities, etc. The Company currently operates through 3,293 branches spread across the country. The Company is a Systemically Important Non-Deposit taking NBFC.

The Company has one subsidiary, Milestone Home Finance Company Private Limited ('Milestone') which has been incorporated in India. The Company along with the Subsidiary is collectively referred to as "Group".

Milestone, a wholly owned subsidiary of the Company, was incorporated in the year 2010. Milestone is a housing finance company registered with National Housing Bank under the provision of National Housing Bank Act, 1987. The Company acquired 100% share capital of Milestone on March 12, 2014.

The Consolidated Financial Statements ('the CFS') relate to the Group. The CFS has been prepared in accordance with (AS-21) "Consolidated Financial Statements", notified by the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs.

The subsidiary companies considered in these consolidated financial statements are:

Name of the Company	Relationship	Country of Incorporation	Proportion of ownership interest
Milestone Home Finance Company Private Limited	Subsidiary	India	100%

2) Basis of preparation

a) The CFS of the Group has been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The management has prepared these CFS to comply in all material respects with the accounting standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs, the guidelines issued by the Reserve Bank of India as applicable to a non deposit accepting NBFC and the guidelines issued by the National Housing Board (NHB) as applicable to a non deposit accepting NBFC. The CFS has been prepared under the historical cost convention and on an accrual basis except for interest and discounts on non-performing assets which are recognised on realisation basis. The accounting policies have been consistently applied by the Group

and are consistent with those used in the previous year, except for certain change in estimates discussed in note 2.1(c) and note 32.

- b) The CFS of the Group has been prepared based on a line-by-line consolidation of the Balance Sheet, as at March 31, 2014 and Statement of profit and loss and cash flows of the Company and its Subsidiary for the year ended March 31, 2014.
- c) The financial statements of the Subsidiary used for consolidation are drawn for the same reporting period as that of the Company i.e. year ended March 31, 2014.
- d) All material inter-company transactions and balances between the entities have been eliminated in the CFS.
- e) The CFS has been prepared using uniform accounting policies, except stated otherwise, for similar transactions and are presented to the extent possible, in the same manner as the Company's standalone financial statements.

2.1) Statement of significant accounting policies

a) Use of estimates

The preparation of CFS in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

b) Fixed assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use.

c) Depreciation

Depreciation is provided using straight line method at the following rates, which is management's estimate of the useful lives of the assets:

Nature of asset	Rate of depreciation followed
Computer equipment	33.33%
Furniture and fixtures excluding safes and strong rooms	20%-33.33%
Office equipment	33.33%
Buildings, vehicles, plant & machinery and furniture and fixtures (safes and strong rooms)	Rates prescribed under Schedule XIV of the Companies Act, 1956

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

During the year March 31, 2014, the Group had changed its estimated useful life of sign boards installed at the branches, which is capitalised under the block 'furnitures and fittings' from 5 years to 3 years. This change in estimated useful life has resulted in provision of additional depreciation by ₹ 42.05 for the year ended March 31, 2014 and the profit before tax of the CFS for the year then ended was lower by the corresponding number.

d) Intangible assets – Computer software & licenses

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised on a straight line basis over the estimated useful economic life of 6 years.

The amortisation period and the amortisation method are reviewed at least at each financial year end.

e) Impairment of tangible and intangible assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group 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.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

f) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments in respect of non-cancellable leases are recognised as an expense in the statement of Profit and Loss on a straight-line basis over the lease term.

g) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current

investments. All other investments are classified as long-term investments. Any inter class transfer should be with the approval of the board and as per RBI regulation.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Quoted current investments for each category is valued at cost or market value whichever is lower. Unquoted investments in the units of mutual fund in the nature of current investment are valued at the net asset value declared by the mutual fund in respect of each particular scheme.

Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

h) Revenues

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In a situation where management believes that the recovery of interest is uncertain due to change in the price of the gold or otherwise, the Group recognises income on such loans only to the extent it is confident of recovering interest from its customers through sale of underlying security or otherwise.

Interest income on loans given is recognised time proportion basis taking into account the amount outstanding and the rate applicable. Such interests, where installments are overdue in respect of non performing assets are recognised on realisation basis. Any such income recognised and remaining unrealised after the instalments become overdue with respect to non performing assets is reversed.

Revenues from fee-based activities are recognised as and when services are rendered.

Interest on deposits is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

i) Employee benefits

i. Retirement benefit in the form of Provident Fund is a defined contribution scheme. The Group has no obligation payable to the provident fund. The Group recognises contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for the service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as the liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

date, then excess is recognised as an asset to the extent the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

- ii. Gratuity liability under the Payment of Gratuity Act which is a defined benefit scheme is accrued and provided for on the basis of an actuarial valuation as per projected unit credit method made at the end of each financial year.
- iii. Actuarial gains / losses are immediately taken to statement of profit and loss and are not deferred.
- iv. Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the entire leave as a current liability in the balance sheet, considering the absence of unconditional right to defer its settlement.

- v. Employee stock compensation cost - Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Group measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

j) Foreign currency transactions

- (i) 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.
- (ii) 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 and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) 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 CFS, are recognised as income or as expenses in the year in which they arise.

k) Borrowing costs

Borrowing cost includes interest, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

l) Income Tax

Tax expense comprises 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. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognises unrecognised 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 Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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.

m) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split, if any.

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

n) Provisions

(i) A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management 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 management estimates.

(ii) Provision policy for gold loans and other loan portfolios

Secured loans are classified / provided for, as per management's best estimates, subject to the minimum provision required as per Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as follows:

Classification of loans (Gold and other loans)

Asset Classification	Provisioning policy
Standard Assets	0.25%
Sub-standard assets	10%
Doubtful assets	100% of unsecured portion + 20 to 50% of secured portion.
Loss assets	100% provided / written off in books.

Other loan are classified /provided for, as per the management's best estimates, subject to the minimum provision required as per the Non – Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2007.

o) Segment reporting

The Group operates in the business of "Gold loan" and its operations are in India. Accordingly, no segment reporting is applicable.

p) Cash and Cash Equivalents

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

q) Ancillary borrowing costs

Ancillary borrowings costs incurred for the issue of debentures and other long term borrowings are expensed over the tenure of the loan.

r) Securities issue expenses

Expenses incurred in connection with issue of shares are adjusted (net of tax effects, if any) against the securities premium account in accordance with Section 78 of the Companies Act, 1956.

Public issue expenses incurred in connection with issue of debentures are amortised over the term of the debenture.

s) Insurance claims

Insurance claims are accrued for on the basis of claims admitted and/or to the extent there is no uncertainty in receiving the claims. The Group re-assesses the claims made at each reporting period for recoverability.

t) Surplus on auction of pledged gold

The Company has a policy of refund of any surplus that arises on auction of pledged gold which has been re-possessed by the Company in accordance with the terms of the agreement with the customers.

u) Contingent liabilities

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 Group 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 Group does not recognise a contingent liability but discloses its existence in the CFS as there is no indication of the uncertainties relating to any outflow.

v) Goodwill on acquisition

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised in statement of profit loss.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at March 31, 2014
NOTE: 3	
Share Capital	
Authorized shares	
980,000,000 (March 31, 2013: 980,000,000) equity shares of ₹ 2/- each	1,960.00
4,00,00,000 (March 31, 2013: 4,00,00,000) redeemable preference shares of ₹100/- each	40.00
Issued, subscribed and fully paid-up shares	
841,207,136 (31 March 2013: 841,207,136) equity shares of ₹ 2/- each	1,682.41
Total issued, subscribed and fully paid-up share capital	1,682.41

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

	March 31, 2014	
	No. millions	Amount (in millions)
At the beginning of the year	841.20	1,682.41
Issued during the year - Bonus issue	-	-
Issued during the year - ESOP (refer note 23)	-	-
Outstanding at the end of the period	841.20	1,682.41

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 2/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March 2014, the amount of per share dividend recognized as distributions to equity shareholders was ₹1.8 per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Aggregate number of bonus shares issued, and shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	March 31, 2014 No. millions
Equity shares allotted as fully paid bonus shares by capitalization of securities premium, general reserve and capital redemption reserve.	614.56

In addition, the Company has issued 11,213,880 equity shares during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

d. Details of shareholders holding more than 5% shares in the Company (Equity shares of ₹ 2/- each fully paid)

	March 31, 2014	
	No. millions	% holding in the class
Mr.Nandakumar V P	217.41	25.85
Ms Sushama Nandakumar	48.00	5.71
Baring India Private Equity Fund III	79.36	9.43
Smallcap World Fund Inc	54.93	6.53
Hudson Equity Holdings Ltd	44.55	5.30

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at March 31, 2014
NOTE: 4	
Reserves and Surplus	
Securities premium account	
Balance as per the last financial statements	13,699.17
Add: additions on ESOPs exercised	-
Less: amounts utilized toward issue of fully paid bonus shares	-
Closing Balance	13,699.17
Statutory reserve	
Balance as per the last financial statements	2,615.86
Add: Transfer to Reserve fund as per RBI Act, 1934	452.02
Closing Balance	3,067.88
Debenture Redemption reserve	
Balance as per the last financial statements	1,493.66
Add: amount transferred from surplus balance in the statement of profit and loss (refer note 4 (b))	113.90
Less: Reversal of debenture redemption reserve	(1,493.66)
Closing Balance	113.90
General reserve	
Balance as per the last financial statements	2,165.41
Add: amount transferred from surplus balance in the statement of profit and loss	226.01
Add: amount transferred from debenture redemption reserve.	1,493.66
Closing Balance	3,885.08
Surplus/(deficit) in the statement of profit and loss	
Balance as per last financial statements	2,772.63
Profit for the year	2,259.81
Less: Appropriations	
Transfer to debenture redemption reserve	113.90
Proposed final equity dividend (amount per share ₹ 0.45/-(31 March 2013: Nil/-))	378.54
Interim dividend on equity shares	1,135.65
Tax on proposed equity dividend	64.33
Tax on interim dividend on equity shares	193.00
Transfer to Statutory reserve	452.02
Transfer to general reserve	226.01
Total appropriations	2,563.45
Net surplus in the statement of profit and loss	2,468.99
Total reserves and surplus	23,235.02

Notes:

- Pursuant to Section 117C of the Companies Act, 1956 and circular 04/2013, issued by Ministry of Corporate Affairs, the Company is required to transfer 25% of the value of the debentures issued through public issue as per the present SEBI (Issue and Listing of Debt Securities) Regulation, 2008 to Debenture Redemption Reserve (DRR) and no DRR is required in case of privately placed debenture. Also the Group is required before 30th day of April of each year to deposit or invest, as the case may be, a sum which shall not be less than 15% of the amount of its debenture issued through public issue maturing within one year from the balance sheet date.
- In respect of the debentures issued through public issue, the Company maintains DRR at higher of 25% of the value of such debentures due for redemption in the following financial year or 25% of the prorata amount calculated based on the weighted average maturity of the debentures issued through public issue outstanding at the balance sheet date. The Group has created DRR of Rs 113.90 as at March 31, 2014. The Group subsequent to the year-end has deposited a sum of ₹ 68.34 in the form of fixed deposits with scheduled banks, representing 15% of the debenture issued through public issue, which are due for redemption within one year from the balance sheet date.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	Non-current portion	Current maturities
	March 31, 2014	March 31, 2014
NOTE: 5		
Long-term borrowings		
Sub-ordinated debt (Unsecured)		
Subordinate debt from banks	1,500.00	-
Subordinate bonds from others	1,800.45	531.87
Debentures (Secured)		
Non-convertible Debentures - Private placement	4,855.51	3,381.62
Non-convertible Debentures - Public issue	1,544.39	455.61
Term loans		
Indian rupee loan from banks (secured)	4,832.39	5,762.23
Indian rupee loan from others (secured)	-	1,125.00
Indian rupee loan from others (Unsecured)	11.14	20.20
Vehicle loans (Secured)	2.48	3.37
	14,546.36	11,279.90
The above amount includes		
Secured borrowings	11,234.77	10,727.83
Unsecured borrowings	3,311.59	552.07
Amount disclosed under the head "other current liabilities" (note 8)	-	(11,279.90)
Net amount	14,546.36	-

A) Indian rupee loan from banks (secured)

Tenure (from the date of Balance Sheet)	Rate of Interest	Non current portion	Current Maturities
As at March 31, 2014			
Terms of repayment			
Due within 4-5 years	12.00%	115.39	30.77
Due within 1-2 years	12.75 -13.30%	4,717.00	529.17
Due within 1 year	12.30 -13.50%	-	5,202.29
TOTAL		4,832.39	5,762.23

These are secured by an exclusive charge by way of hypothecation of book debts pertaining to loans granted against gold and margin/cash collateral as per the agreement. Further, the loan has been guaranteed by the personal guarantee of Mr. V.P Nandakumar, Managing Director and CEO.

B) Indian rupee loan from others (secured)

Tenure (from the date of Balance Sheet)	Rate of Interest	Non current portion	Current Maturities
As at March 31, 2014			
Terms of repayment			
Due within 1 year	13.50%	-	1,125.00
TOTAL		-	1,125.00

These are secured by an exclusive charge by way of hypothecation of book debts pertaining to loans granted against gold with a margin of 15%. Further, the loan has been guaranteed by the personal guarantee of Mr. V.P Nandakumar, Managing Director, and CEO.

C) Indian rupee loan from others (Unsecured)

Tenure (from the date of Balance Sheet)	Rate of Interest	Non current portion	Current Maturities
As at March 31, 2014			
Terms of repayment			
Due within 1-2 years	12.30 -13.75 %	11.14	20.20
TOTAL		11.14	20.20

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

D) Vehicle loans (Secured loans)

Tenure (from the date of Balance Sheet)	Rate of Interest		
	< 10%	>= 10% < =12%	Total
	Amount	Amount	Amount
As at March 31, 2014			
Terms of repayment			
Due within 3-4 years	-	0.21	0.21
Due within 2-3 years	0.47	0.32	0.79
Due within 1-2 years	0.75	0.73	1.48
Due within 1 year	0.69	2.68	3.37
GRAND TOTAL	1.91	3.94	5.85
Non current portion			2.48
Current Maturities			3.37

The loans are secured by hypothecation of the respective vehicles against which the loan has been availed.

- E. Subordinate debt from banks as at March 31, 2014 aggregating ₹ 1,000 which carries an interest rate of 14.00% (floating - BR + 3.75%) and is repayable at the end of five years and six months from the date of the loan viz. December 13, 2010, and ₹ 500 as at March 31, 2014, which carries an interest rate of 13.55% (floating - BR + 3.30%) and is repayable at the end of five years and six months from the date of the loan viz. January 28, 2012.

NOTE 5 (Contd.)

Subordinate bonds from others:

Subordinate bonds have a face value of ₹ 1,000/- each. Details of rate of interest and maturity pattern from the date of the balance sheet is as under:

Redeemable at par within	As at March 31, 2014							
	Rate of interest							
	< 12%		>= 12% < 14%		> =14%<=15%		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Due above 5 years	7,270	7.27	33,450	33.45	18,314	18.31	59,034	59.03
Due within 4-5 years	-	-			4,965	4.97	4,965	4.97
Due within 3-4 years	-	-	139,795	139.79	214,184	214.18	353,979	353.97
Due within 2-3 years	-	-	531,843	531.84	275,466	275.47	807,309	807.31
Due within 1-2 years	116,533	116.53	435,254	435.25	23,391	23.39	575,178	575.17
Due within 1 year	37,104	37.10	274,847	274.85	219,915	219.92	531,866	531.87
GRAND TOTAL	160,907	160.90	1,415,189	1,415.18	756,235	756.24	2,332,331	2,332.32
Non-current portion								1,800.45
Current maturities								531.87
TOTAL								2,332.32

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE 5 (Contd.) Debtentures (Secured)

i) Private placement retail - Redeemable Non Convertible Debtentures of ₹ 1,000/- each

As at March 31, 2014										
Redeemable at par within	< 10%		>= 10% < 12%		>= 12% < 14%		>= 14% < 16%		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Terms of repayment										
Above 5 years	-	-	-	-	-	-	-	-	-	-
Due within 4-5 years	-	-	-	-	1,591,679	1,591.68	512,476	512.48	2,104,155	2,104.16
Due within 3-4 years	-	-	-	-	101,925	101.92	174,658	174.66	276,583	276.58
Due within 2-3 years	-	-	-	-	29,306	29.31	336	0.33	29,642	29.64
Due within 1-2 years	-	-	176	0.18	291,283	291.28	29,729	29.73	321,188	321.19
Due within 1 year	53	0.05	43,707	43.71	1,941,902	1,941.90	168,961	168.96	2,154,623	2,154.62
GRAND TOTAL	53	0.05	43,883	43.89	3,956,095	3,956.09	886,160	886.16	4,886,191	4,886.19
Non-current portion										2,731.57
Current maturities										2,154.62
TOTAL										4,886.19

Nature of Security

Secured by a floating charge on the book debts of the Company on gold and other unencumbered assets. The Company shall maintain 100% security cover on the outstanding balance of debenture with accrued interest any time.

Debtentures are offered for a period of 366 days to 65 Months.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE 5 (Contd.)

ii) Private Placement Institutional- Issue of Redeemable Non-convertible Debentures of ₹ 100,000/- each - Terms of repayment

As at March 31 2014					
Date of allotment	Number	Amount outstanding	Interest Rate	Redeemable at par on	Security
17-Jun-11	400	40.00	12.50%	17-Jun-16	Secured by first pari passu charge on the receivable of the Company with minimum asset cover ratio of 1.10 times and immovable property*
27-May-11	84	8.44	12.25%	27-May-16	
27-May-11	3,880	388.00	12.50%	27-May-16	
31-Mar-11	1,312	131.20	12.25%	31-Mar-16	
28-Mar-11	2,640	264.00	12.25%	28-Mar-16	
17-Jun-11	300	30.00	12.50%	17-Jun-15	
27-May-11	63	6.30	12.25%	27-May-15	
27-May-11	2,910	291.00	12.50%	27-May-15	
31-Mar-11	984	98.40	12.25%	31-Mar-15	
28-Mar-11	1,980	198.00	12.25%	28-Mar-15	
17-Jun-11	500	50.00	12.25%	17-Jun-14	
17-Jun-11	300	30.00	12.50%	17-Jun-14	
27-May-11	10	1.00	12.00%	27-May-14	
27-May-11	63	6.30	12.25%	27-May-14	
27-May-11	2,910	291.00	12.50%	27-May-14	
TOTAL	18,336	1,833.64			
Non-current portion		1,158.94			
Current maturities		674.70			
TOTAL		1,833.64			

*Immovable property shall mean the commercial premises of the Company at Kole Kalyan, Santacruz (East) Mumbai.

iii) Private Placement -Institutional issue of Redeemable Non-convertible Debentures of ₹ 1,000,000/- each - Terms of repayment

As at March 31 2014					
Date of allotment	Number	Amount outstanding	Interest Rate	Redeemable at par on	Put and Call option
12-Mar-13	446	389.42	Zero coupon IRR 13.19%	21-Apr-14	None
12-Mar-13	127	105.88	Zero coupon IRR 13.19	03-Sep-14	None
09-Jan-13	32	32.00	12.03%	09-Jan-15	None
20-Mar-13	25	25.00	12.02%	20-Mar-15	None
18-Feb-14	100	100.00	11.80%	04-May-15	None
20-Mar-13	16	16.00	12.02%	20-Mar-16	None
31-Dec-12	400	400.00	12.55%	31-Dec-17	None
09-Jan-13	116	116.00	12.55%	09-Jan-18	None
01-Feb-13	250	250.00	12.55%	01-Feb-18	None
20-Mar-13	1	1.00	12.02%	20-Mar-18	None
20-Mar-13	30	30.00	12.02%	20-Mar-23	None
09-Jan-13	52	52.00	12.02%	09-Jan-16	None
TOTAL	1,595	1,517.30			
Non-current portion		965.00			
Current maturities		552.30			
TOTAL		1,517.30			

Nature of Security

Secured by present and future gold loan receivable of the Company with minimum asset cover ratio of 1.10 times.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

iv) Private Placement -Institutional issue of Redeemable Non-convertible Debentures of ₹ 1,000,000/- each - Terms of repayment

As at March 31, 2014				
Date of allotment	Number	Amount	Interest Rate	Redeemable at par on
28-Jan-14	455,606	455.61	11.00%	04-Mar-15
28-Jan-14	142,857	142.86	11.50%	28-Jan-16
28-Jan-14	74,075	74.08	12.00%	28-Jan-16
28-Jan-14	289,339	289.34	12.00%	28-Jan-16
28-Jan-14	539,297	539.30	12.25%	28-Jan-17
28-Jan-14	95,713	95.71	12.50%	28-Jan-17
28-Jan-14	211,756	211.76	12.50%	28-Jan-17
28-Jan-14	4,919	4.92	11.50%	28-Jan-19
28-Jan-14	9,265	9.27	12.00%	28-Jan-19
28-Jan-14	1,875	1.88	12.00%	28-Jan-19
28-Jan-14	175,298	175.30	12.61%	28-Nov-19
TOTAL	2,000,000	2,000.00		
Non-current portion		1,544.39		
Current maturities		455.61		
TOTAL		2,000.00		

Nature of Security

Secured by mortgage of the immovable property of the Company and a charge on all book debts and other current assets as fully described in the debenture trust deed except those receivables specifically exclusively charged, on a first ranking pari passu basis with all other lenders to the Company holding pari passu charge over security.

The Company shall maintain an asset cover of at least 1.10 times of the outstanding amount of debenture, at all times, till the debentures are completely redeemed.

	As at March 31, 2014
NOTE: 6	
Other long term liabilities	
Interest accrued but not due on long term borrowings	541.55
Application money on redeemable non convertible debenture	2,000.00
Security deposits from employees	184.08
TOTAL	2,725.63

	As at March 31, 2014
NOTE: 7	
Short-term borrowings	
Cash credit / Overdraft facilities from banks (secured)	29,563.51
Working Capital demand loan from banks (secured)	21,781.92
Working Capital demand loan from others (secured)	750.00
Inter Corporate Deposit (unsecured)	32.50
Commercial Papers (unsecured)	-
	52,127.93
The above amount includes	
Secured borrowings	52,095.43
Unsecured borrowings	32.50
TOTAL	52,127.93

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Cash credit / Overdraft facilities from banks and Working Capital demand loan from banks (secured)

Particulars	March 31, 2014
Secured by hypothecation of specific/pari passu assets covered and Margin/cash collateral under hypothecation agreements. The loans have been guaranteed by personal guarantee of Mr. V.P Nandakumar, Managing Director & CEO	51,345.43
TOTAL	51,345.43

Working Capital demand loan from others (secured)

Particulars	March 31, 2014
Secured by hypothecation of specific/pari passu assets covered and Margin/cash collateral under hypothecation agreements. The loans have been guaranteed by personal guarantee of Mr. V.P Nandakumar, Managing Director & CEO	750
TOTAL	750

Inter Corporate Deposit (unsecured) carry interest rate at 10.50% and the tenor is 3 months

Commercial papers carry interest rates of 10.7% to 13.00% and their tenor ranges from 60 days to 364 days.

	As at March 31, 2014
NOTE: 8	
Other current liabilities	
Trade Payables (A) (refer note 8(A))	363.43
Current maturities of long-term borrowings (note 5)	11,279.90
Interest accrued but not due on borrowings	556.18
Statutory dues payable	99.32
Employee related payables	243.53
Debenture application money	-
Auction surplus	436.15
Investor Education and Protection Fund will be credited by following amounts (as and when due)	
Unclaimed matured Non convertible debenture	13.03
Unclaimed dividend	20.51
Unclaimed matured deposits	0.07
Unclaimed matured subordinate bonds	21.09
Interim dividend payable	-
Application money oversubscribed on redeemable non-convertible debenture due for refund and interest accrued thereon	8.15
Others	29.81
TOTAL (B)	12,707.74
TOTAL (A+B)	13,071.14

Note 8(A): There are no Micro and Small Enterprises, to whom the Group owes dues, which are outstanding for more than 45 days as at March 31, 2014. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Management.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at March 31, 2014
NOTE: 9	
Short term provisions	
Provision for employee benefits	
Provision for gratuity	9.11
Provision for leave encashment	147.31
Other provisions	156.42
Provision for non performing loan portfolio	173.76
Provisions for taxation (net of advance tax and tax deducted at source)	1.07
Proposed equity dividend	378.54
Provision for tax on proposed equity dividend	64.33
Provision for standard assets	201.77
Provision for litigation claim	20.21
	839.68
	996.10

The table below gives information about movement in provision for litigation claim.

	As at March 31, 2014
NOTE: 10	
Fixed assets	
At the beginning of the year	12.19
Arising during the year	8.02
Utilized during the year	-
Unused amounts reversed	-
At the end of the year	20.21
Current portion	20.21
Non-current portion	-

	Freehold Land	Building*	Office equipment*	Computer equipment	Furniture and Fittings**	Vehicle***	Plant & Machinery	Total
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NOTE: 10A								
Tangible assets								
Cost								
At 1 April 2013	81.88	121.02	378.24	806.87	1,913.87	34.01	44.27	3,380.16
Additions	-	145.73	97.84	140.32	123.47	2.82	3.05	513.23
Deletions/adjustment	0.70	-	6.50	60.98	8.58	0.98	4.97	82.71
At 31 March 2014	81.18	266.75	469.58	886.21	2,028.76	35.85	42.35	3,810.68
Accumulated Depreciation								
At 31 March 2013	-	3.94	238.32	501.94	597.61	8.17	3.14	1,353.12
Charge for the year	-	3.43	125.78	218.81	263.82	3.31	2.02	617.17
Disposals/adjustment	-	-	5.66	57.85	5.94	0.96	0.41	70.82
At 31 March 2014	-	7.37	358.44	662.90	855.49	10.52	4.75	1,899.47
Net Block at 31 March 2014	81.18	259.38	111.14	223.31	1,173.27	25.33	37.60	1,911.21

*Borrowing costs of ₹ Nil (March 31, 2013 ₹ 17.47) has been capitalized under capital work in progress for eligible assets

** Also, refer note 2.1(c) for change in estimate in useful lives of certain Furniture and Fittings.

*** Includes vehicles taken on finance lease/hire purchase- Gross block ₹ 20.52 as at March 31, 2014, Depreciation for the year ₹ 1.78 and Net block ₹ 15.46 as at March 31, 2014.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	Computer Software
NOTE: 10B	
Intangible assets	
Cost	
At 1 April 2013	135.49
Purchase	7.35
Deletions	4.50
At 31 March 2014	138.34
Amortization	
At 1 April 2013	57.61
Charge for the year	21.78
Deletions	3.19
At 31 March 2014	76.20
Net block	
At 31 March 2014	62.14

	As at March 31, 2014
NOTE: 11A	
Non trade (Unquoted, valued at cost)	
50 Non Convertible Subordinate bonds of ₹ 1,000,000/- each fully paid in Dhanalaxmi Bank Limited	50.00
Investment in wholly owned subsidiary (Unquoted, valued at cost)	-
11,100,000 equity share of ₹ 10/- each fully paid in Milestone Home Finance Company Pvt Ltd	
Investment in other companies (Unquoted, valued at cost)	0.03
1,000 equity share of ₹ 10/- each fully paid in The Catholic Syrian Bank Limited.	50.03
Note :	
1. Aggregate amount of unquoted investments	50.03

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at March 31, 2014
NOTE: 11B	
Current Investments	
Mutual Fund (Unquoted, valued at net asset value)	432.22
14,455,619.441 units of ₹ 29.8996/- each in SBI Mutual Fund - SBI Magnum Income Fund - Regular plan-Growth	100.17
68,064.674 units of ₹ 1,471.7663/- each in Baroda Pioneer Mutual Fund - Plan B Growth	
Certificate of Deposit (Unquoted, value at cost)	
5,000 units of ₹ 100,000/- each in Allahabad Bank	491.70
15,000 units of ₹ 100,000/- each in Andhra Bank	1,473.65
10,000 units of ₹ 100,000/- each in IDBI Bank Ltd	982.29
10,000 units of ₹ 100,000/- each in Indian Bank	981.16
20,000 units of ₹ 100,000/- each in Oriental Bank of Commerce	1,968.42
15,000 (Previous year Nil) units of ₹ 100,000/- each in Union Bank of India	1,476.43
	7,906.04
Note :	
1. Aggregate amount of unquoted investments (Cost)	7,873.65

	As at March 31, 2014
NOTE: 12	
Deferred tax assets (net)	
Deferred tax liability	
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting.	-
Others	(34.00)
Gross deferred tax liability	(34.00)
Deferred tax asset	
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting.	99.81
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	53.17
Provision for advances	163.12
Others	6.87
Gross deferred tax asset	322.97
Net deferred tax asset	288.97

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	Non-current	Current
	March 31, 2014	March 31, 2014
NOTE: 13		
Loans and advances		
Portfolio Loan		
Secured, considered good		
- Gold	-	81,378.61
- Other loans	21.43	46.83
	21.43	81,425.44
Secured, considered doubtful#		
Gold	-	173.76
Other loans	-	-
Portfolio Loan		
Unsecured, considered good		
- Demand loan	-	10.07
Unsecured, considered doubtful#	-	-
Advances recoverable in cash or kind *		
Unsecured, considered good	-	180.17
Unsecured, considered doubtful	-	104.37
	-	284.54
Less: Provision for doubtful advances	-	(104.37)
		180.17
Deposits (Unsecured, considered good)		
Rental deposits	495.94	27.59
Other security deposits	31.39	11.64
	527.33	39.23
Service tax and other taxes recoverable, from Government (Unsecured, considered good)	-	42.31
TOTAL	548.76	81,870.98
* Advances recoverable in cash or kind includes dues from relative of directors and related parties	-	-
# Provision for the same has been disclosed separately under note 9.		

	Non-current	Current
	March 31, 2014	March 31, 2014
NOTE: 14		
Other assets		
Non-current bank deposits (note 15)	185.23	-
(A)	185.23	-
Interest accrued on:		
Loan Portfolio (Secured, considered good)	-	5,611.46
Loan Portfolio (Secured, considered doubtful)	-	-
Fixed deposits and investment	0.20	100.35
Less : Provision for doubtful receivable	-	-
Advance tax Provisions for taxation (net of Provisions for taxation and tax deducted at source)	1,079.49	-
Ancillary cost of arranging the borrowings	99.30	130.38
Others	-	2.21
(B)	1,178.99	5,844.40
Total (A + B)	1,364.22	5,844.40

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	Non-current	Current
	March 31, 2014	March 31, 2014
NOTE: 15		
Cash and bank balances		
Cash and cash equivalents		
Balances with banks:		
On current accounts	-	2,675.31
Deposits with original maturity of less than three months	-	140.00
Cash on hand	-	1,221.67
On Escrow accounts		
Application money towards redeemable non-convertible debenture pending allotment		2,008.15
Unpaid matured deposit	-	0.22
Unpaid auction surplus deposit		443.60
On unpaid dividend account	-	20.52
	-	6,509.47
Other bank balances		
Other balance		
Deposits with original maturity for more than 3 months but less than 12 months*	-	1,651.54
Deposits with original maturity for more than 12 months*	185.23	283.67
	185.23	1,935.21
Amount disclosed under non-current assets (note 14)	185.23	-
	-	8,444.68

* Includes:

- a) Cash collateral deposits aggregating ₹ 1,790 towards approved bank facilities;
- b) Employee security deposits aggregating ₹ 183.93 placed as fixed deposits with banks; and
- c) Deposits aggregating to ₹ 21.36 towards security deposit to various authority.

	As at
	March 31, 2014
NOTE: 16	
Revenue from operations	
Interest Income	
- Gold loans	20,527.49
- Bank and other deposits	229.87
- Property loans	0.14
- Other loans	2.07
Total Interest income	20,759.57
Other operating revenue	
- Money transfer	38.67
- Net Gain on current investment	169.49
- Provisions no longer required written back	9.74
- Bad debts recovered	26.64
- Others	0.51
Total other operating revenue	245.05
Revenue from operations	21,004.62

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at March 31, 2014
NOTE: 17	
Other Income	
Profit on sale of fixed assets (net)	4.82
Notice pay recovery	99.60
Other non-operating income (net of expenses directly attributable to such income of ₹ Nil)	9.23
	113.65

	As at March 31, 2014
NOTE: 18	
Finance Cost	
Interest	
- on Debentures	1,772.20
- on Bank and other borrowings	7,474.56
- on Subordinate bonds and loans	596.70
- on Commercial papers	177.29
- Others	8.82
Other borrowing cost	236.44
	10,266.01

	Year ended March 31, 2014
NOTE: 19	
Employee benefit expense	
Salaries, wages and bonus	2,948.27
Contribution to provident and other funds	280.16
Staff welfare expenses	7.04
	3,235.47

	Year ended March 31, 2014
NOTE: 20	
Other expenses	
Electricity	151.26
Rent	857.21
Rates and taxes	34.10
Insurance	31.78
Repairs and maintenance	
-Vehicles	4.47
-Others	53.46
Advertising and sales promotion	428.79
Travelling and conveyance	76.79
Communication costs	168.63

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	Year ended March 31, 2014
Printing and stationery	59.76
IT Support costs	283.59
Legal and professional fees	136.57
Security charges	714.83
Bad debts/advances written off	472.58 -
Provision for non performing assets, net of bad debts written off of ₹ 278	21.95 -
Provision for doubtful advances and receivables	18.57 513.10
Provision for standard assets	(44.43)
Miscellaneous expenses	77.68
	3,547.59
Legal and professional charges include Payment to auditors:	
As auditor:	
Audit fee	2.90
Limited reviews	1.80
Certification fees	0.95
Other fees	-
Reimbursement of expenses	0.30
	5.95

	Year ended March 31, 2014
NOTE: 21	
Depreciation and amortization expense	
Depreciation	617.17
Amortization of intangible assets	21.78
	638.95

	Year ended March 31, 2014
NOTE: 22	
Earnings per share (EPS)	
The following reflects the profit and share data used in the basic and diluted EPS computations:	
Net profit for calculation of basic EPS	2,259.81
Weighted average number of equity shares in calculating basic EPS (Nos.)	841,207,136
Effect of dilution:	
Stock options granted under ESOP (Nos.)	-
Weighted average number of equity shares in calculating diluted EPS (Nos.)	841,207,136
Basic EPS (₹)	2.69
Diluted EPS (₹)	2.69

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Notes

NOTE: 23

Employee Stock Option Scheme (ESOS), 2009

The details of the Employee Stock Option Scheme 2009 are as under:

Date of share holders' approval	August 17, 2009
Number of options approved	1,000,0000
Date of grant	August 17, 2009
Number of options granted	829,500
Method of settlement	Equity
Graded Vesting	50% after one year from the date of grant i.e. August 16, 2010 and balance 50% after two years from the date of grant i.e August 16, 2011
Exercisable period	4 years from vesting date
Vesting conditions	On achievement of pre-determined performance parameters.

Subsequent to the share split and bonus issue in an earlier year, the number of options has been adjusted to 8,295,000 options and the exercise price has been adjusted to ₹ 33.12/- per share in accordance with the terms of the scheme. Further, subsequent to bonus issue in the earlier year, the exercise price has been adjusted to ₹ 16.56 per share.

The Company has adopted the (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities and Exchange Board of India, and has recorded a compensation expense using the intrinsic value method as set out in those guidelines. The summary of the movements in options is given below:

Particulars	March 31, 2014
Options outstanding, beginning of year	66,000
Options granted during the year	-
Increase on account of Bonus issue	-
Lapsed Options restored during the year	-
Options exercised during the year	-
Options lapsed during the year	(66,000)
Options outstanding, end of year	-
Options outstanding at the yearend comprise of :	
- Options eligible for exercise at year end	-
- Options not eligible for exercise at year end	-

Particulars	March 31, 2014
Weighted average remaining contract life of options	-
weighted average market price at the exercise date	-

The fair value of options estimated at the date of grant using the Black-Scholes method and the assumptions used are as under:

Particulars	Vesting I	Vesting II
	16-Aug-2010	16-Aug-2011
	50%	50%
Option fair value (pre-split and bonus at a face value of ₹ 10/- per share)	₹ 142.43/-	₹ 157.92/-
Risk-free interest rate	6.51%	6.53%
Expected life	3 years	4 Years
Expected volatility	67.11%	66.62%
Expected dividend yield	2.76%	2.76%
Share price on the date of grant (face value of ₹ 10/-)	₹ 331.15/-	₹ 331.15/-

The expected volatility of the stock has been determined based on historical volatility of the stock. The period over which volatility has been considered is the expected life of the option.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Pro-forma Disclosures for ESOS 2009

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had the compensation cost for ESOS 2009 been recognized based on the fair value at the date of grant in accordance with Black-Scholes method, the amounts of the Company's net profit and earnings per share would have been as follows:

Particulars	Profit after tax	Basic EPS (₹)	Diluted EPS (₹)
Year ended March 31, 2014			
- Amounts as reported	2,259.81	2.69	2.69
- Amounts as per pro-forma	2,259.81	2.69	2.69

NOTE 24

Related party transactions with whom transactions have taken place during the year

Particulars	Associates / Enterprises owned or significantly influenced by key management personnel or their relatives	Key Management Personnel	Relatives of key management personnel
	March 31, 2014	March 31, 2014	March 31, 2014
Debentures and Subordinate Bond issued during the year			0.67
Mrs. Shelly Ekalavyan			0.67
Debentures and Subordinate Bond redeemed during the year			0.69
Mrs. Rajalakshmi Raveendra Babu			0.10
Ms. Biji Babu			0.40
Mrs. Shelly Ekalavyan			0.19
Interest expense			0.58
Mrs. Sathyalakshmi			0.14
Mrs. Rajalakshmi Raveendra Babu			0.29
Ms. Biji Babu			0.06
Mrs. Shelly Ekalavyan			0.09
Commission to Directors		16.90	
Mr. V.P.Nandakumar		10.50	
Mr. I Unnikrishnan		3.50	
Mr. Raveendra Babu		2.90	
Remuneration to Directors		51.75	
Mr. V.P.Nandakumar		33.60	
Mr. I Unnikrishnan		10.08	
Mr. Raveendra Babu		8.07	
Donation made	33.44		
Manappuram Foundations	33.44		
Rental expense	1.03	0.43	0.22
Mr. V.P.Nandakumar	-	0.43	-
Mr. Suhas Nandan	-	-	0.11
Mrs Sumitha Nandakumar	-	-	0.11
Manappuram Agro farms	1.03		
Rental income	0.07		

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Particulars	Associates / Enterprises owned or significantly influenced by key management personnel or their relatives	Key Management Personnel	Relatives of key management personnel
	March 31, 2014	March 31, 2014	March 31, 2014
Manappuram Jewellers Limited	0.07		
Rent Advance Received	0.16		
Manappuram Jewellers Limited	0.16		
Balance outstanding as at the year end:			
Amounts payable (net) to related parties		16.90	4.15
Mr. V.P.Nandakumar		10.50	-
Mr. I Unnikrishnan		3.50	-
Mr. Raveendra Babu		2.90	-
Mrs. Rajalakshmi Raveendra Babu		-	1.98
Ms. Biji Babu		-	0.40
Mrs. Sathyalekshmy		-	1.10
Mrs. Shelly Ekalavyan		-	0.67

Note:

Related parties have been identified on the basis of the declaration received by the management and other records available.

Names of related parties	
Relationship	Name of the party
Associates / Enterprises owned or significantly influenced by key management personnel or their relatives	Manappuram Jewellers Limited
	Manappuram Foundations (charitable trust)
	Manappuram Agro farms
Key Management Personnel	Mr. V P Nandakumar- Managing Director & CEO
	Mr. I Unnikrishnan - Executive Director & Deputy CEO
	Mr. B.N Raveendra Babu- Executive Director
Relatives of key management personnel	Mrs. Sushama Nandakumar (wife of Mr. V P Nandakumar)
	Mr. Sooraj Nandan (son of Mr. V P Nandakumar)
	Mrs Sumitha Nandakumar (daughter of Mr. V P Nandakumar)
	Mr. Suhas Nandan (son of Mr. V P Nandakumar)
	Mrs. Jyothi Prasannan (sister of Mr. V P Nandakumar)
	Mrs.Meenakshy Amma (mother of Mr. I Unnikrishnan)
	Mrs. Sathyalekshmi (wife of Mr. I Unnikrishnan)
	Ms. Biji Babu (daughter of Mr. B.N Raveendra Babu)
	Mrs. Shelly Ekalavyan (sister of Mr. V P Nandakumar)
	Mrs. Rajalakshmi Raveendra Babu (wife of Mr. B.N Raveendra Babu)

NOTE: 25**Employment benefits disclosures:**

The amounts of Provident fund contribution charged to the statement of Profit and loss during the year aggregates to ₹ 160.80 for March 31, 2014.

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with Life Insurance Corporation of India and Kotak Life Insurance.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

The following tables summaries the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity plan.

Statement of Profit and Loss

Net employee benefit expense recognised in the employee cost

	March 31, 2014
Current service cost	47.55
Interest cost on benefit obligation	8.53
Expected return on plan assets	(9.62)
Net actuarial loss recognized in the year	(9.33)
Net (benefit) / expense	37.13
Actual return on plan assets	8.60

Balance sheet

Reconciliation of present value of the obligation and the fair value of plan assets:

	March 31, 2014
Defined benefit obligation	(151.07)
Fair value of plan assets	141.96
Asset/(liability) recognized in the balance sheet	(9.11)
Experience adjustments on plan liabilities (Gain) / Loss	0.45
Experience adjustments on plan assets Gain / (Loss)	(1.02)

Changes in the present value of the defined benefit obligation are as follows:

	March 31, 2014
Opening defined benefit obligation	107.98
Interest cost	8.53
Current service cost	47.55
Benefits paid	(2.64)
Actuarial loss / (gain) on obligation	(10.35)
Closing defined benefit obligation	151.07

Changes in the fair value of plan assets are as follows:

	March 31, 2014
Opening fair value of plan assets	110.34
Expected return	9.62
Contributions by employer	25.66
Benefits paid	(2.64)
Actuarial gains / (losses)	(1.02)
Closing fair value of plan assets	141.96
Expected contribution to fund to be made in the next year	30.00

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	March 31, 2014
	%
Discount rate	8.9%
Attrition rate	15%
Expected rate of return on assets	8.5%

The fund is administered by Life Insurance Corporation of India ("LIC") and Kotak Life Insurance. The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

NOTE: 26

Commitments

- (i) Estimated amount of contracts remaining to be executed on capital account, net of advances is ₹ 4.32 as at March 31, 2014.
- (ii) The Company has entered into an agreement for outsourcing of Information Technology support in April 2011 for a period of 10 years with an annual expense of ₹ 270.

NOTE: 27

Contingent liabilities

(a) Applicability of Kerala Money Lenders' Act

The Company has challenged in the Hon'ble Supreme Court the order of Hon'ble Kerala High Court upholding the applicability of Kerala Money Lenders Act to NBFCs. The Hon'ble Supreme Court has directed that a status quo on the matter shall be maintained and the matter is currently pending with the Hon'ble Supreme Court. The Company has taken legal opinion on the matter and based on such opinion the management is confident of a favourable outcome. Pending the resolution of the same, no adjustments have been made in the consolidated financial statements for the required license fee and Security deposits.

(b) Show cause notice from Reserve Bank of India

The Company has received a show cause notice from the Reserve Bank of India on May 7, 2012 with certain observations made pursuant to their inspection of books and records of the Company. The Company has submitted a detailed reply on May 21, 2012 to the Reserve Bank of India.

NOTE: 28

Lease Disclosures

Operating Lease :

Office premises are obtained on operating lease which are cancellable in nature. Operating lease payments are recognized as an expense in the statement of profit and loss.

Finance Leases:

The Company has finance leases for vehicles. These leases are non-cancellable and has no escalation clause. Future minimum lease payments (MLP) under finance leases together with the present value of the net MLP are as follows:

Particulars	March 31, 2014
Total minimum lease payments at the year end	6.45
Less: amount representing finance charges	0.60
Present value of minimum lease payments	5.85
Lease payments for the year	5.04
Minimum lease Payments:	
Not less than one year [Present value ₹ 2.48 as on March 31, 2014]	3.75
Later than one year but not later than five years[Present value ₹ 3.37 as on March 31, 2014]	2.70

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE: 29

Cash collateral deposits

Deposit with Banks includes Cash collaterals deposits aggregating ₹ 1,790.00 towards approved facilities. Bank /institution wise breakup of the same is as under :

Bank/Financial institution	March 31, 2014
Andhra Bank	250.00
Central Bank	175.00
Dhanlaxmi Bank Ltd	-
The Federal Bank Ltd	40.00
HDFC Bank Ltd	-
Indian Overseas Bank	275.00
Jammu and Kashmir Bank Ltd	200.00
Karur Vysya Bank Ltd	25.00
Kotak Mahindra Bank Ltd	-
South Indian Bank Ltd	180.00
State Bank of India	420.00
State Bank of Mauritius Ltd	-
State Bank of Mysore	-
UCO Bank	-
United Bank of India	125.00
Vijaya Bank	100.00
Yes Bank Ltd	-
	1,790.00

NOTE: 30

Under Recovery of Interest Income

The Company disbursed some gold loans on which the total amount receivable including principal and accumulated interest have exceeded the value of the underlying security. As of March 31, 2014, the Company has not recognized interest income aggregating to ₹ 881.71 as a prudent measure.

NOTE: 31

During the year there have been certain instances of fraud on the Company by employees and others, where gold loan related misappropriations / cash embezzlements have occurred for amounts aggregating an amount of ₹127.66 of which the Company has recovered ₹ 64.78. The Company has taken insurance cover for such losses and has filed insurance claims in this regard. Further, the Company is in the process of recovering these amounts from the employees and taking legal actions, where applicable. The Company has created provision aggregating ₹ 52.97 towards these losses based on its estimate.

NOTE: 32

During the year ended March 31, 2014, the Company has decided to consider average market price of gold that existed during the 90 days period ending on the reporting date instead of average market price of gold that prevailed subsequent to the balance sheet date till the date of approval of the financial statements and also decided to include loans which have completed six months tenure as against loans which have completed twelve months tenure for the estimation of expected recoverability of interest income. Had the Company followed the previous practice, the profit before tax for the year ended March 31, 2014 would have been higher by ₹ 39.43.

NOTE: 33

Goodwill on Consolidation

Goodwill on consolidation represents the excess purchase consideration paid over value of net assets of acquired subsidiary on the date of such acquisition. Such goodwill is tested for impairment annually or more frequently, if there are indicators for impairment. The Management does not foresee any risk of impairment on the carrying value of goodwill as at March 31, 2014.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Milestone a housing finance company registered with National Housing Bank under the provision of National Housing Bank Act, 1987, is a wholly owned subsidiary of the Company with effect from March 12, 2014. The total consideration for the acquisition including incidental cost of acquisition was ₹ 123.56. The excess purchase consideration paid over the net asset taken over to the extent of ₹ 75.59 has been recognised as goodwill. The subsidiary has accumulated profits of ₹ 4.29 as at March 31, 2014 and the statement of profit and loss for the year includes revenue of ₹ 5.57 million and net profit after tax of ₹ 3.07.

NOTE: 34

Acquisition of subsidiary

The Company has pursuant to share purchase agreement dated March 12, 2014 acquired 100% of the Equity share capital of Milestone Home Finance Company Private Limited ('Milestone') and also obtained majority control over the board of directors of Milestone. The effect of acquisition of this subsidiary on the consolidated financial position as at March 31, 2014 is as follows.

Particulars	March 31, 2014
Equity and liabilities	
Shareholders' funds	
Share capital	-
Reserves and surplus	(0.40)
Current liabilities	
Trade Payables	0.03
Short-term provisions	1.07
TOTAL	0.70
Assets	
Non-current assets	
Goodwill on consolidation	47.97
Non-current investments	(163.56)
Current assets	
Cash and bank balances	112.11
Other current assets	4.18
TOTAL	0.70
Total revenue from operations and other income considered in the consolidated financial statements	0.35
Loss considered in the consolidated financial statements	0.40

NOTE: 35

Previous year figures

The Group is required to prepare and present the CFS for the first time and accordingly, previous year comparative figures have not been presented.

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

For and on behalf of the Board of Directors

per S. Balasubrahmanyam
Partner
Membership no.: 053315

V. P. Nandakumar
Managing Director & CEO

I. Unnikrishnan
Executive Director & Dy. CEO

B. N. Raveendra Babu
Executive Director

Kapil Krishan
Chief Financial Officer

K. Rajesh Kumar
Company Secretary

Date : May 15, 2014
Place: Chennai

Date : May 15, 2014
Place: Valapad, Thrissur

(All amounts are in millions of Indian Rupees, unless otherwise stated)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2014

	March 31, 2014
A. CASH FLOW FROM OPERATING ACTIVITIES	
Net profit before taxation	3,430.25
Depreciation and amortization	638.95
(Profit)/loss on sale of fixed assets	(4.82)
Net gain on sale of current investments	(169.49)
Interest Income	(229.87)
Interest Expense	10,020.75
Provision for standard assets	(44.43)
Bad debts/advances written off / provision for non performing assets and provision for doubtful advances	513.10
Provision for Litigation claim	9.69
Operating profit before working capital changes	14,164.13
Movements in working capital :	
Increase/ (decrease) in trade payable	(48.93)
Increase/ (decrease) in other current liabilities and provisions	(1,841.23)
Decrease / (increase) in long-term loans and advances	(120.60)
Decrease / (increase) in short-term loans and advances	17,606.52
Decrease / (increase) in other current assets	757.33
Increase / (decrease) in Other long term liabilities	(20.17)
Cash generated from / (used in) operations	30,497.05
Direct taxes paid (net of refunds)	(1,256.97)
Net cash flow from/ (used in) operating activities (A)	29,240.08
B. CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets, including CWIP	(258.66)
Proceeds from sale of fixed assets	9.48
Purchase of current investments	(7,473.65)
Sale of current investments	6,662.80
Redemption/ maturity of bank deposits (having original maturity of more than three months)	3,489.64
Investments in bank deposits (having original maturity of more than three months)	(2,588.78)
Interest received	233.36
Acquisition of subsidiary	(123.56)
Net cash flow from/ (used in) investing activities (B)	(49.37)
C. CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Institutional debentures (long term)	100.00
Repayment of Institutional debentures (long term)	(3,042.14)
Proceeds from issuance of public debentures	2,000.00
Repayment of Public debentures	(2,987.32)
Repayment of Institutional debentures (short term)	(999.79)
Proceeds from Retail Debenture	2,730.40
Repayment of Retail Debenture	(3,354.16)
Application money received for issue of redeemable Non convertible Debentures	2,008.15
Proceeds from inter corporate deposits	112.50
Repayment of inter corporate deposits	(80.00)
Proceeds from commercial paper	19,755.65
Repayment of commercial paper	(20,462.19)

(All amounts are in millions of Indian Rupees, unless otherwise stated)

CONSOLIDATED CASH FLOW STATEMENT (CONTD.)

FOR THE YEAR ENDED MARCH 31, 2014

	March 31, 2014
Proceed from Vechile Loan	2.13
Repayment of Vechile Loan	(4.43)
Repayment of Subordinate Debt	(387.11)
Proceed from Term loan from Bank	57,110.00
Repayment of Term Loan from Banks	(66,270.21)
Proceeds from Borrowings from others	750.00
Repayment of Borrowings from others	(2,767.72)
Proceeds / (Repayment) in working capital bank borrowings (net)	(2,400.37)
Interest Expense paid	(9,712.17)
Dividends paid	(1,135.65)
Tax on dividend paid	(193.00)
Net cash flow from/ (used in) in financing activities (C)	(29,227.43)
Net increase/(decrease) in cash and cash equivalents (A + B + C)	(36.72)
Cash and cash equivalents at the beginning of the year	6,473.57
Add: Cash and cash equivalent acquired as part of subsidiary acquisition	72.62
Cash and cash equivalents at the end of the year	6,509.47
Components of cash and cash equivalents	
Cash on hand	1,221.67
With banks	
- in current account	2,675.31
- in deposit account	140.00
- in escrow account*	-
NCD public issue application money	2,008.15
Unpaid matured deposit account	0.22
Unpaid auction surplus deposit	443.60
Unpaid dividend account	20.52
Total cash and cash equivalents (note 15)	6,509.47

*The Company can utilize these balances only towards settlement of the respective unpaid dividend, unpaid matured deposits and unpaid matured debenture liabilities.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

For and on behalf of the Board of Directors

per S. Balasubrahmanyam
Partner
Membership no.: 053315

V. P. Nandakumar
Managing Director & CEO

I. Unnikrishnan
Executive Director & Dy. CEO

B. N. Raveendra Babu
Executive Director

Kapil Krishan
Chief Financial Officer

K. Rajesh Kumar
Company Secretary

Date : May 15, 2014
Place: Chennai

Date : May 15, 2014
Place: Valapad, Thrissur

CORPORATE INFORMATION

Registered office

V/470A (Old) W/638(New), Manappuram House
Valapad PO, Thrissur - 680 567, Kerala.
Phone No(s): 04873050100,108
Fax No: 04872399298
Email: cosecretary@manappuram.com
Website: www.manappuram.com

Company Registration No: 09-06623
CIN No: L65910KL1992PLC006623
RBI Registration No: 16.00029

Chairman

Mr. Jagdish Capoor

Managing Director & Chief Executive Officer

Mr. V.P.Nandakumar

Executive Director & Dy CEO

Mr. I.Unnikrishnan

Executive Director

Mr. B.N.Raveendra Babu

Board Members

Adv. V.R.Ramachandran

Mr. P.Manomohanan

Dr. V.M.Manoharan

Mr. Shailesh J Mehta

Mr. E.A.Kshirsagar

Mr. Rajiven.V.R

Mr. Pradeep Saxena

Company Secretary

Mr. Rajesh Kumar. K

Chief Financial Officer

Mr. Kapil Krishan

Chief General Manager

Mr. N. R. Bahuleyan

Registrar and Share Transfer Agents

M/s. SKDC Consultants Limited
Kanapathy Towers
3rd Floor, 1391/A-1,Sathy Road
Ganapathy PO, Coimbatore - 641 006
Ph. 0422 6549995, 0422 2539835
Email info@skdc-consultants.com

Statutory Auditors

M/s. S.R. Batliboi & Associates LLP
Chartered Accountants
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Share Listed At

Bombay Stock Exchange
Cochin Stock Exchange
Madras Stock Exchange
BSE Scrip Code 531213
ISIN- INE 522 D 01027

Bankers/Financial Institutions

Andhra Bank
IDBI Bank
Indian Overseas Bank
Jammu & Kashmir Bank
Kotak Mahindra Bank
Oriental Bank of Commerce
Ratnakar Bank
South Indian Bank
Syndicate Bank
Union Bank of India
United Bank of India
Axis Bank
Allahabad Bank
Corporation Bank
Dhanlaxmi Bank
Federal Bank
ICICI Bank
Karur Vysya Bank
Punjab National Bank
State Bank of India
UCO Bank
Vijaya Bank
Bank of India
Central Bank of India
Lakshmi Vilas Bank
SICOM Ltd
State Bank of Bikaner & Jaipur
SIDBI
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