



BHARAT
Financial Inclusion Ltd
Prayaas se pragati

(Formerly known as 'SKS Microfinance Limited')

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Corporate Identity Number: L65999MH2003PLC250504

Registered Office: Unit No. 410, Madhava, Bandra-Kurla Complex
Bandra (East), Mumbai - 400 051, Maharashtra, India T: +91 22 2659 2375

July 11, 2017

The General Manager
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001

The Vice President, Listing Department
National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex,
Bandra (East),
Mumbai 400 051

Dear Sir/Madam,

Sub: Submission of Annual Report

Pursuant to Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform that the Members of the Company have adopted the Annual Report, inter alia, audited financial statements for the year ended March 31, 2017, together with reports of Auditors and Directors thereon, at the 14th Annual General Meeting held on July 7, 2017, as per the provisions of the Companies Act, 2013.

A copy of the Annual Report as adopted by the Members of the Company is enclosed.

We request you to take the above on record and acknowledge receipt.

Thanking you,

Yours faithfully,

**For Bharat Financial Inclusion Limited
(Formerly known as 'SKS Microfinance Limited')**

**Rajendra Patil
Executive Vice President - Legal & Company Secretary**



Encl: As above



Driven by
Technology.

Driving
Value Creation.



BHARAT
Financial Inclusion Ltd
Prayaas se pragati



Annual Report 2016-17
Bharat Financial Inclusion Limited
(Formerly known as 'SKS Microfinance Limited')

At BFIL, we are positioned as an engine of inclusive growth in India. We operate in the country's hinterlands, offering credit support to women who have either limited or no access to formal banking channel. With an inclusive, safe and sound financial system, we remain committed to play a key role in furthering financial inclusion.

At Bharat Financial Inclusion Limited (BFIL), we are a technology and innovation driven private micro-finance company. New technology adoption is a key part of our business model, making us resilient, operationally efficient and customer satisfaction driven. Technology also allows us to speedily expand our geographic presence, broaden our customer base, improve our delivery capabilities, and install an extensive and efficient delivery channel. It is our competitive armour for making us a more enduring business and for stimulating greater financial inclusion.

Today, we offer loans at the lowest interest rate amongst India's private micro-finance institutions (MFIs). We continue to pioneer change within the industry by building cutting-edge infrastructure, and in FY2017, took a groundbreaking move towards Paperless and Cashless disbursements. We set a new benchmark in customer service at the grassroots level, to the great pleasure of millions of customers.

During the year, we introduced instant cashless loan disbursement on the strength of increasing

penetration of Aadhaar-linked bank accounts. In another pioneering industry move, we reduced the turnaround time for loan processing dramatically from 7 days to an instant – becoming India's most-efficient MFI offering the quickest and most seamless integration of the loan approval process.

Over the last four years, we have demonstrated sustainable and solid growth. We registered 46% CAGR growth in our AUM, led primarily by increase in our borrower base by 20% CAGR.

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BOARD OF DIRECTORS



Mr. P.H. Ravikumar
Non-Executive Chairman and
Independent Director



Mr. M.R. Rao
Managing Director and CEO



Mr. Ashish Lakhapal
Additional Director



Mr. S. Balachandran
Independent Director



**Mr. Geoffrey Tanner
Woolley**
Independent Director



Mr. K.G. Alai
Nominee Director - SIDBI



Dr. Punita Kumar-Sinha
Independent Director



Mr. R.M. Malla
Independent Director

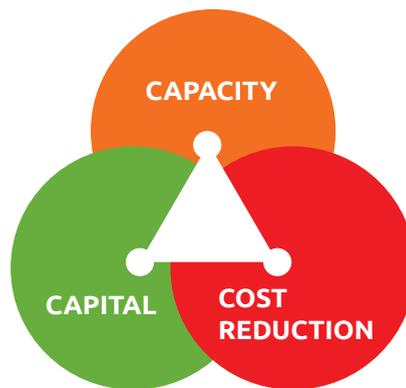


Dr. Tarun Khanna
Independent Director

AT A GLANCE



Our Key Focus Areas



We, Bharat Financial Inclusion Limited (formerly 'SKS Microfinance Limited'), are the second largest microfinance company in India with a gross loan portfolio of ₹ 9,150 Crore* and a membership base of 6.7 million*. We provide loans at the lowest lending rate of sub 20% among private sector MFIs. We offer loans for income generating activities at the doorstep of low-income women borrowers.

*Excluding Andhra Pradesh and Telangana

Being rural focused, we are primarily engaged in providing microfinance for income-generating activities to low-income households at their doorstep. In addition to our core business of providing micro credit, we also use our distribution channel to provide certain financial products and services to our members. With a good presence in the rural areas of India, we follow a streamlined and scalable, village-centric, group-lending business model, relying on a form of social collateral, to provide unsecured loans.

Our Mission

Our mission is to provide financial services to the economically weaker sections.

Our Vision

Our vision is to serve 50 million households across India and other parts of the world and also create a commercial microfinance model that delivers high value to our customers.

Right Focus – Customer First

Our products, processes and people are all focused on creating the highest value for the customer. This includes being respectful to customers, understanding the needs of customers and being transparent with customers.

Right Means – Ethics Always

We follow ethical practices in all our relationships at all times, including following the law both in letter and spirit. This includes not offering bribes, not paying or taking commissions, or any other short-cuts.

Right Way – Consistent Quality

We have standardised processes as this will enable us to reach out to the most customers cost effectively. We will foster innovation but in a way that ensures consistent quality.

1,399
Branches across India

322 DISTRICTS
Diversified Presence in India
(Excluding Andhra Pradesh and Telangana)

6.7 MILLION
Total Members
(Excluding Andhra Pradesh and Telangana)

79%
Rural Customer Base

₹ 66,707 CRORE
Cumulative Disbursement

75%
Cashless Disbursement
(For the period April 1 to April 24, 2017)

₹ 9,150 CRORE
Gross Loan Portfolio

33.5%
Capital Adequacy Ratio

₹ 2,447 CRORE
Networth

OUR WINNING STRATEGY

We are well placed to capture a significant share of the micro credit demand in India. Our vast geographical presence, experienced management, efficient operating metrics, a comfortable capital position and optimal utilisation of existing infrastructure are enabling us to grow at a healthy stride.

COMPETITIVE STRENGTHS OF BFIL

UNIQUE
OPERATING
MODEL



100%
Group Lending
to Women



79%
Rural Customer
Base

PAN-INDIA
PRESENCE AND
EXTENSIVE
DISTRIBUTION
NETWORK



322
Districts
(Excluding Andhra Pradesh and Telangana)



6.7
Million Customers
(Excluding Andhra Pradesh and Telangana)

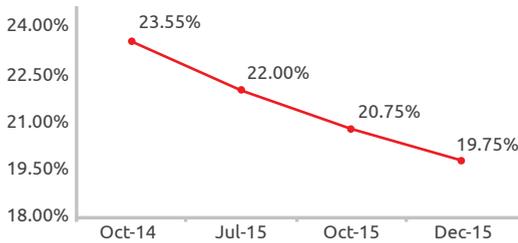
LOWEST
COST
LENDER

19.75%
Lowest interest rate among global
private sector MFIs

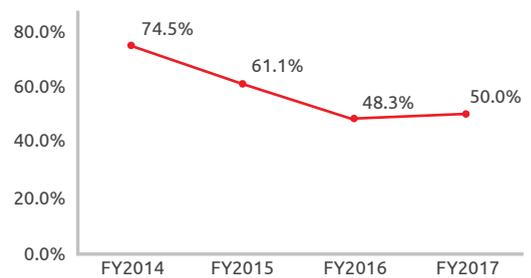
EXTERNAL
ENDORSEMENTS

Code of Conduct C1
Corporate Governance rating at CGR2
Highest safety short-term rating at A1+
One of the top 25 Winners of Aon Best Employer
Award India in 2016, by Aon Hewitt-India
Rated as one of the India's best companies to work
for 2016 by Great Places to work institute India

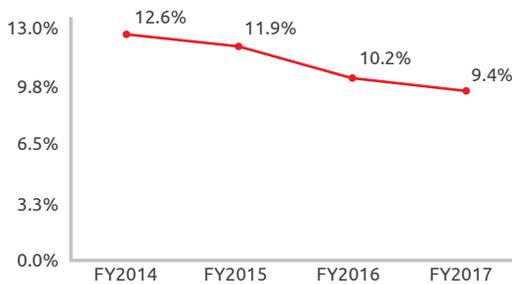
LOWEST LENDING RATE



COST TO INCOME RATIO



MARGINAL COST OF BORROWING*



*On & Off Balance sheet Loans including Processing Fee

TECHNOLOGY UPGRADATION

- Mobile/digital/cashless transactions
- Biometric authentication
- Equipped loan officers with tablets
- Refractoring of inhouse lending system
- All branch connectivity with daily data receipt

OUR DIFFERENTIATORS

1 Most efficient and lowest cost MFI lender

3 79% Rural Customer Base

2 Pan India presence with balanced geographic exposure

4 Sufficient capital adequacy and sufficient liquidity

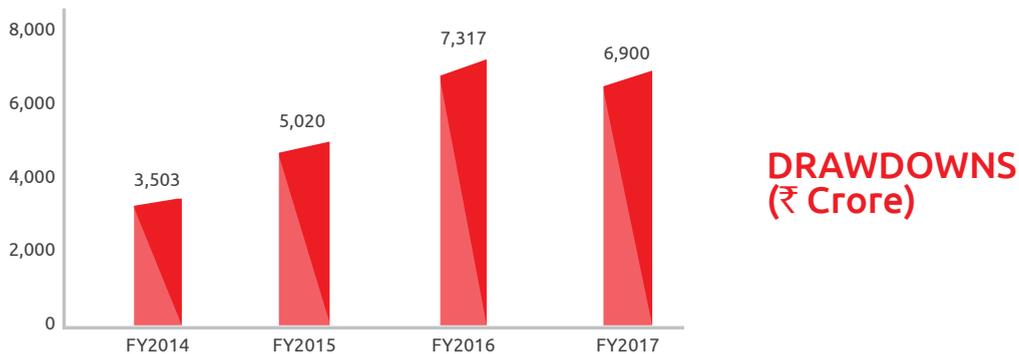
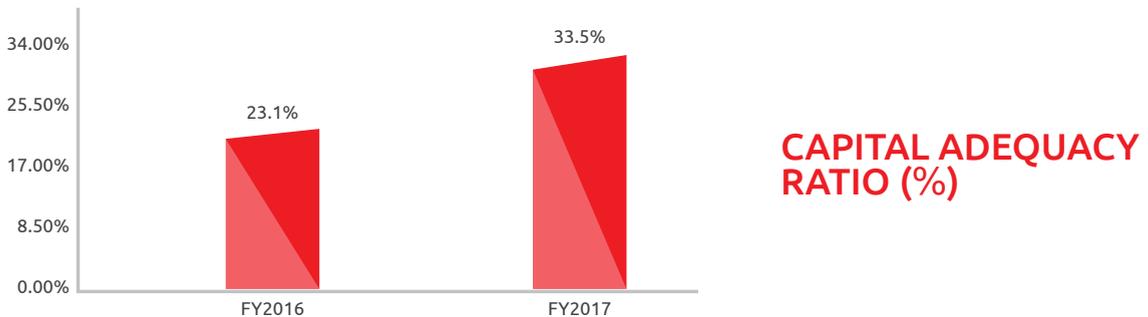
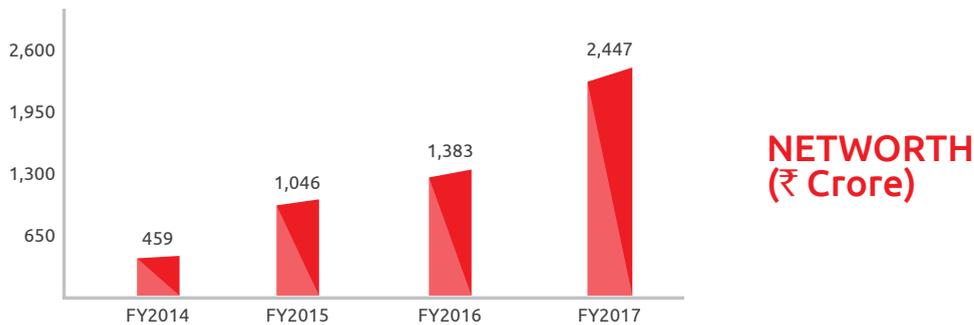
OUR INDIA PRESENCE

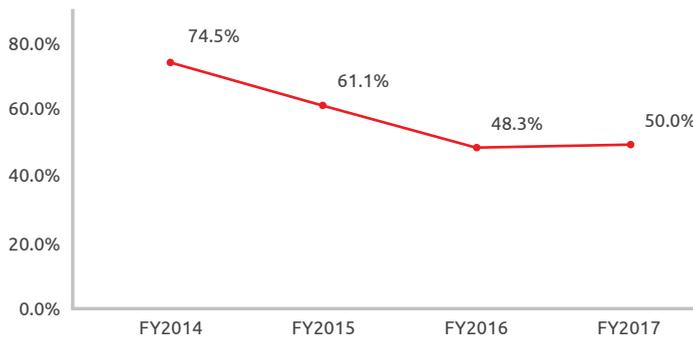
We have a pan-India presence with operations in 16 states and a distribution network of 1,399 branches, enabling us to lend across the country. A well-developed distribution network in rural India makes us capable of offering a variety of financial products in “difficult to reach” areas.



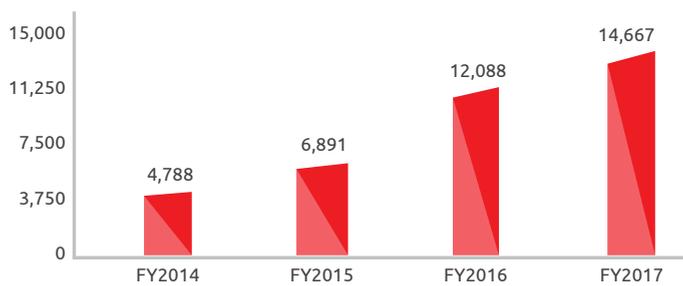
HOW WE PERFORMED IN FY2017

Our revenues have grown at a CAGR of 48.8% during FY14 to FY17. In the financial year under review, we reported a net profit of ₹ 290 Crore. Our networth stands at ₹ 2,446.7 Crore, while our Capital Adequacy Ratio is 33.5%.

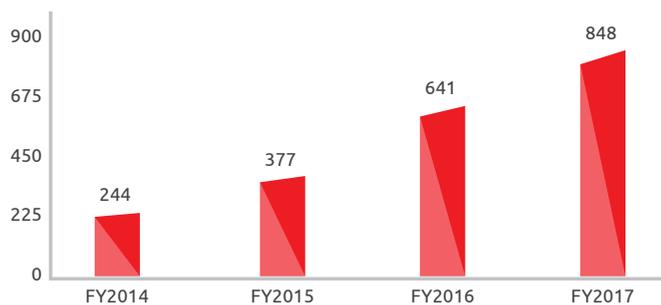




**COST TO
INCOME RATIO (%)**

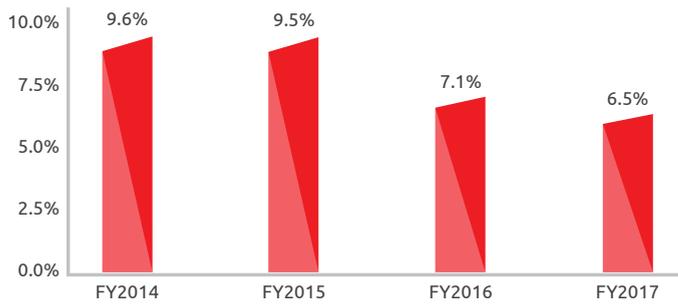


**DISBURSEMENTS
(₹ Crore)**

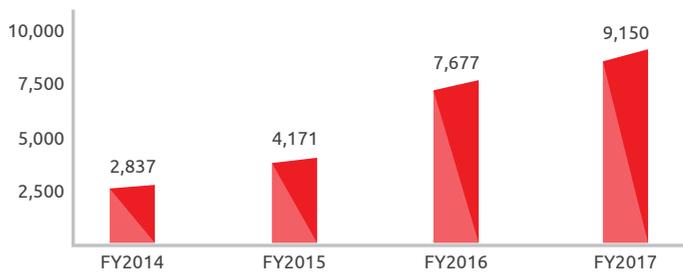


**NET INTEREST
INCOME
(₹ Crore)**

HOW WE PERFORMED IN FY2017 (CONTD.)

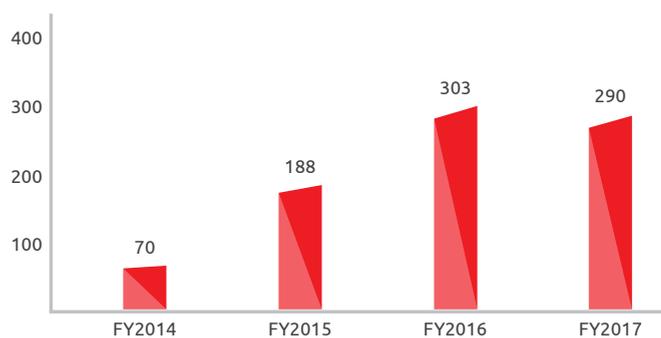


**OPEX TO GROSS
LOAN PORTFOLIO
(%)**

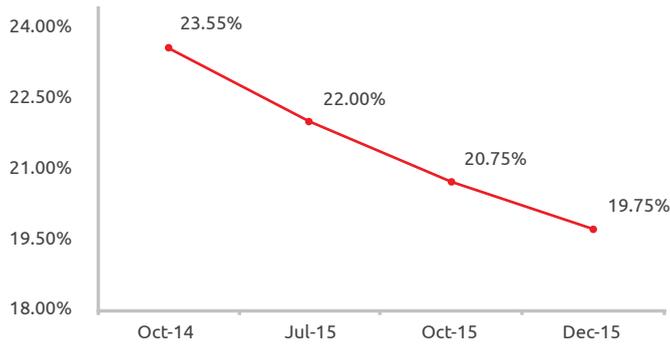


**GROSS LOAN
PORTFOLIO
(₹ Crore)**

(Excluding Andhra Pradesh and Telangana)

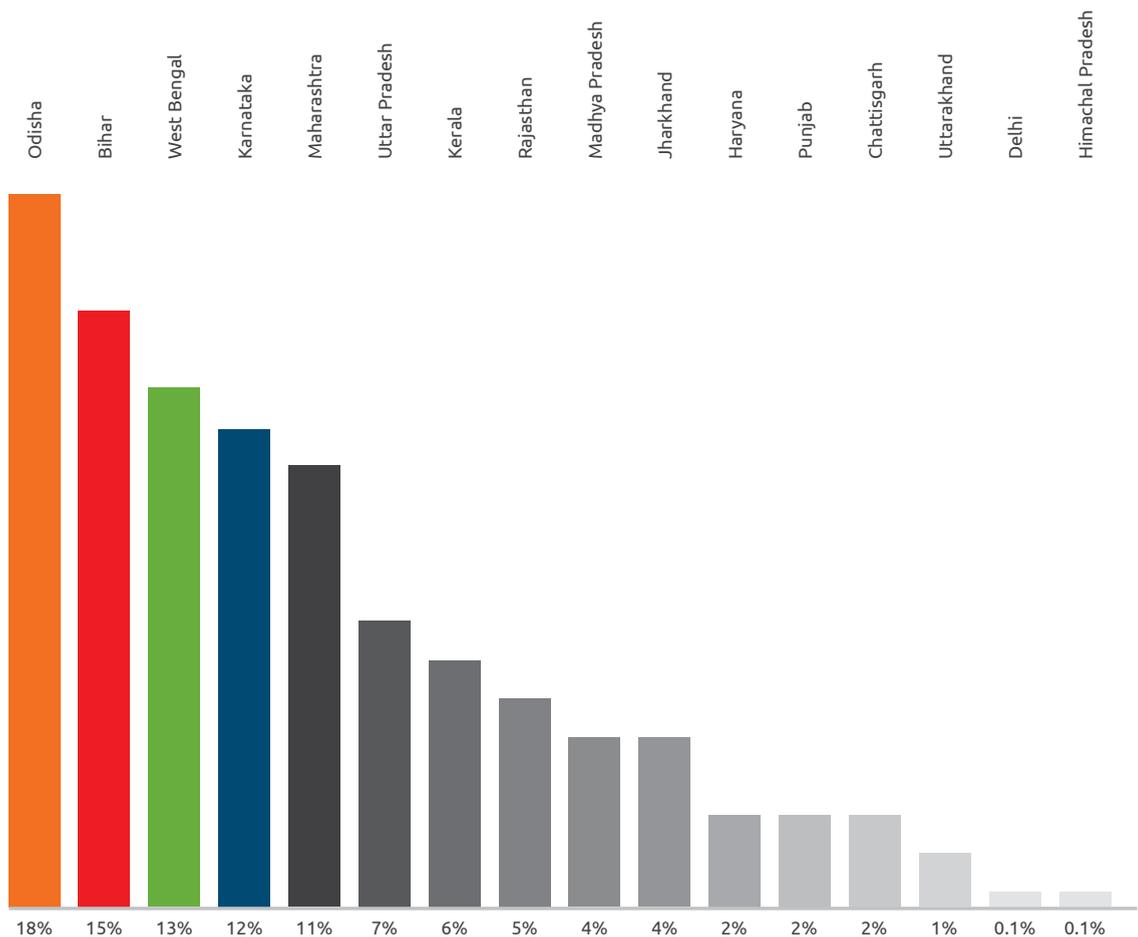


**PROFIT AFTER TAX
(₹ Crore)**



**REDUCING
INTEREST RATES**

STATE-WISE GROSS LOAN PORTFOLIO* (%)
*As on March 31, 2017



INNOVATING ON TECHNOLOGY TO FAST-TRACK WORK EFFICIENCY, RE-ENGINEER INTERNAL PROCESSES



KEY STEPS
FOR
CASHLESS
DISBURSAL



We are an innovation driven MFI, leveraging process excellence and enabling technology solutions to create an inclusive and sustainable ecosystem. Technology makes us resilient. It enables us to improve our delivery capabilities, expand our presence and install an efficient delivery channel.

During the year, we moved our processes into Presenceless, Paperless and Cashless mode, setting a new benchmark of customer service at the grassroot level. Acting as trail blazers in India's MFI space, we introduced the use of Aadhaar based e-KYC for instant loan approvals and cashless disbursements into customers' bank accounts. By implementing e-KYC, we also began the process of presenceless validation of our customers' credentials through Aadhaar to authenticate borrowers' identity with an Aadhaar number and a biometric device.

Adopting this new technology into our banking system has dramatically reduced the turnaround time for processing loans to an instant – instead of one week (7 days). This makes us India's most-efficient MFI, offering the quickest and most seamless integration of the loan approval process. This is also helping us save back-office time, improve staff productivity and increase customer addition.

WIN-WIN FOR ALL

The e-KYC initiative is aimed to boost our operational efficiencies, enhance customer satisfaction and reduce the risk of fake customers. Hence, in addition, we are becoming more efficient by eliminating the overall use of cash, while also saving time by avoiding the cash counting process.

Furthermore, the move reduces Cash-in-Transit risk significantly, and enables branch staff

to spend their time more productively, further reducing our operational cost. This move will make the job of a Sangam Manager or Loan Officer easier, empowering them to save approximately one day of work. Customers also save on work hours spent on applying for loans. The initiative is benefiting over 6 million women beneficiaries.

ROLL-OUT PROCESS

Going cashless was always a part of our strategy. We embarked on the initiative to disburse the loan amount directly to borrowers' bank accounts during the fourth quarter of FY17. Of the total disbursement of ₹ 1,645.45 Crore during FY17, 26% of the loans were cashless. We have also been working on finding the right process for cashless collections and have found NPCI based Aadhaar Enabled Payment Systems (AEPS) suitable. This allows us to enable local Kirana Stores (Small Grocery Stores) as "Rural Distribution & Service Points" to enable access to Banking and bill payment services within 500 metres of our clients' residence. A dedicated project team has been working for piloting the concept as well as overseeing the smooth full scale rollout. With this, we are moving in sync with the Pradhan Mantri MUDRA Yojana's objective to augur an inclusive and sustainable entrepreneurial ecosystem for the economically weaker sections.

23.48 LAKH
Bank accounts sourced through UID

15.20 LAKH
Additional NEFT accounts started

Benefits of Aadhaar based Loan Disbursal

e-KYC	<ul style="list-style-type: none"> - Immediate member authentication - Alleviate risk of fake customer addition
Instant Credit Bureau Check	<ul style="list-style-type: none"> - Instant approval - Reduced loan processing TAT - Increased Business Volume
E-Signature	<ul style="list-style-type: none"> - Digitised loan application - Saves centre meeting time - Step Forward to Paperless
Cashless disbursement	<ul style="list-style-type: none"> - Minimise risk of theft and robbery - Minimise the risk of high volume cash carrying transactions - Savings in treasury cost

GROWTH DRIVEN BY HEALTHY CLIENT ADDITION AND EFFICIENT OPERATING METRICS



KEY DRIVERS TO
OUR EARNINGS
GROWTH

20%*

Growth in Client Addition
*CAGR over last 4 years (FY13 to FY17)

50.0%

Cost to Income Ratio

At BFIL, our business momentum is largely supported by an all-inclusive improvement in our operating efficiency. We measure, monitor and strive to improve our key ratios to sustain our success. Our focus on reducing our turnaround time and enhancing customer retention is gradually lowering our operating cost, while simultaneously improving our service quality.

At BFIL, we demonstrated sustainable and solid growth over the last three years. We strived to ensure continuous improvement in our operating metrics to gain a competitive threshold in the marketplace. Our coherent focus on maintaining our operating efficiency also made our turnaround time dip significantly.

In FY17, our gross loan portfolio grew by 19.2% to ₹ 9,150 Crore, with 15% increase in number of borrowers. The Cost-to-Income Ratio has been contained at 50%. Since FY14, our overall portfolio recorded a CAGR of 46%, primarily led by a 20% growth in borrower base followed by 14% growth in ticket size and with 7% impact due to change in duration of loans.

OFFERING COMPETITIVE RATES

Offering loans at sub 20% was an endeavour which we embarked upon as a part of our medium-term strategy. We achieved our target in FY16. Today, we offer JLG loans to our

customers at 19.75% which is the lowest interest rate charged by a private NBFC-MFI for microfinance loans.

SUSTAINED GROWTH

During the year, we disbursed ₹ 14,667 Crore, a significant increase in disbursements from last year. Our Gross Loan Portfolio, as on March 31, 2017 stood at ₹ 9,150 Crore. We see this increasing 50% during FY18, given the solid credit demand from the target segment.

ON A STEADY CURVE

	Increase in Number of Borrowers (%)	Increase in Ticket Size (%)	AUM Growth (%)
FY14	26%	4%	41%
FY15	12%	6%	47%
FY16	27%	22%	84%
FY17	15%	24%	19%
CAGR*	20%	14%	46%

*CAGR over last 4 years

6.5%

Operating Expense to Gross Loan Portfolio

9.4%

Marginal Cost of Borrowing*

*On & Off Balance Sheet loans, including processing fee

MOST COMPETITIVE INTEREST RATES AMONG PRIVATE SECTOR MFIs



With a cumulative disbursement of ₹ 66,707 Crore of loans, we are the lowest cost lenders in the private NBFC-MFI space. As we continue to lend at 19.75% interest rate on income generating loans, we are the only private sector micro lender offering loans at sub-20% interest rates.

During FY17, we rolled out the pilot for instant verification of KYCs for clients through tabs – e-KYC. We also introduced instant credit bureau verification of clients, and finally, reached a state of cashless disbursements. Today, we do e-KYC authentication for all our clients. Of the total disbursements between April 1 to April 24, 2017, 75% of the disbursement was directed to bank accounts of our customers.

Our all-encompassing focus on operational efficiency, low borrowing cost, improved productivity and increased technology adoption allows us to offer loans at lower interest rates. This enables us to serve more than 6.7 million low-income women borrowers.

UNSWERVING CUSTOMER FOCUS

With a desire to pass on the benefits of cost optimisation to our customers, we intend to leverage more opportunities to further reduce interest rates for our borrowers. We remain focused on reducing borrowing costs and also have access to dedicated refinance lines at concessional rates from MUDRA.

GROWTH DRIVERS FOR LOW COST FINANCING



- Low marginal cost of borrowing



- Productivity and efficiency



- Technology initiatives



- AUM growth

19.75%

Interest rate on Income Generating loans

6.7 MILLION

Low-income women borrowers benefitted

EMBEDDING GLOBALLY BENCHMARKED CLIENT PROTECTION PRACTICES



OUR CLIENT PROTECTION PRINCIPLES AT WORK

DO's

Visit the member's house or place of work for a valid reason

Educate members about sharing of their information with credit bureau

Always use a language that increases your respect

Educate members about our Toll-Free number 1800-300-10000

Always provide products to members depending on their repayment capacity

DONT's

Don't be harsh while educating members about joint liability

Don't use bad words or react, even if the other person uses such words

When you visit a member do not sit on chairs or accept any beverage

Never try to make repeated telephone calls to any member/ center leader or call at odd hours

Do not push products to members

We are one of the largest Microfinance companies in India with a Gross Loan Portfolio of ₹ 9,150 Crore serving more than 6.7 million low-income women borrowers. We are one of the first few MFIs to implement adequate global standards in Client Protection Principles as well as industry Code of Conduct (COCA) standards through our operations, product offerings and treatment of customers.

As a responsible lender, we are committed to embed client protection standards in everything we do. We are constantly looking for ways to improve our customer protection and grievance redressal.

Our Client Protection Practices and customer grievance redressal mechanism are aligned with industry COCA standards for which we have received the rating C1. A large unmet credit demand in the microfinance sector, a low competitive intensity, supportive regulations and a strong balance sheet and best in-class operating metrics help us secure a competitive edge in the industry.

OUR IMPROVED PROCESSES

We monitor our processes and systems closely, ensuring that we adhere to all regulatory compliances to industry code of conduct. Our extensive Voice of Customer program enables us to be in touch with our clients to understand their changing needs and ascertain satisfaction levels.

Focus is on several important aspects, including deep customer connect, optimum ticket-size, right pricing, strengthening of KYC, digitally enhanced processes and speedy disbursements.

Client protection practices and customer grievance redressal mechanisms are now the guiding principles for design, development and implementation of all the processes and policies. We have conducted several Client Protection awareness programs for our members and employees pan-India. Client Protection Practices are ingrained deep into all our processes, policies and culture.

KEY ELEMENTS UNDER CLIENT PROTECTION

- **Strengthening privacy of its client data:**
Ensuring that clients data is kept confidential at all levels, and shared only with government agencies, government appointed agencies, or on approval of the concerned member.
- **Transparent and responsible pricing of loans:**
Pricing of the products are well explained to members, and done within the regulatory framework of RBI. At 19.75% interest rate per annum, BFIL becomes the cheapest loan providing MFI.
- **Timely redressal of queries and grievances of its members:**
BFIL has a well-defined, fully automated Complaint Grievance Redressal

Mechanism (CGRM) for ensuring timely responses. Our inbound call centre serviced nearly 800,000 calls with best-in-class abandon rate of less than 1%, while our outbound calling VOC program connected us to the views of more than 500,000 clients during the year.

- **Avoidance of over-indebtedness and multiple borrowing among its borrowers:**
Adherence of strict KYC policy and Credit Bureau and automated systems ensures seamless implementation with controls, thereby avoiding over-indebtedness and 'multiple borrowing' among our borrowers.
- **Establishing appropriate collection practices by employees:**
Design and implementation of collection practices are undertaken, in alignment with the RBI and SRO guidelines and regulatory frameworks.

MANAGEMENT DISCUSSION & ANALYSIS

The Company intends to expand its involvement in other financial products and services to the extent consistent with its mission, client-focus and commercial viability.



OVERVIEW

Bharat Financial Inclusion Limited (Formerly known as SKS Microfinance Limited) ('BFIL' or the 'Company') is the second largest NBFC-MFI in India by Gross Loan Portfolio (as per MFIN March 2017 Report) and the first MFI to be publicly listed in India. The Company is

primarily engaged in providing microfinance to low income households in India. The Company focuses its operations in 16 states (excluding Andhra Pradesh and Telangana) in India, through 1,399 branches and 14,755 employees, as on March 31, 2017.



The core business of the Company is providing small value loans and certain other basic financial services to its Members (Individuals from low income households who are clients of the Company are classified as “Members” and Members whose loans

are outstanding are classified as “Borrowers”). These individuals often have no, or very limited, access to loans from institutional sources of financing. The Company believes that non-institutional sources typically charge very high rates of interest. The Company aims

to bridge this gap by providing financial services at the doorstep of its Members. These Members are predominantly located in rural areas in India, and the Company extends loans to them mainly for use in small businesses or for other income-generating activities and not for personal consumption.

In its core business, the Company follows a village-centric, group-lending model to provide unsecured loans to its Members. This model relies on a form of ‘social collateral’, and ensures credit discipline through peer support within the group. The Company believes this model makes its Members prudent in conducting their financial affairs and prompt in repaying their loans. Failure by an individual Borrower to make timely loan repayments will prevent other Members in the group from being able to borrow from the Company in future. Therefore, the group will use peer support to encourage the delinquent Borrower to make timely repayments or will often make a repayment on behalf of a defaulting Borrower, effectively providing an informal joint guarantee on the Borrower’s loan.

In addition to its core business of providing micro-credit, the Company uses its distribution channel to provide certain other financial products and services that its Members may need. The Company offers loans for the purchase of products which help its borrowers to enhance their productivity such as mobile phones, solar

lamps, sewing machines and bicycles, among other products. The Company also operates a number of pilot programs that may gradually convert into separate business verticals or operate through subsidiaries, subject to satisfactory results of pilot programs and receipt of regulatory approvals. The existing pilot programs primarily relate to giving loans to its Members for the purchase of certain additional productivity-enhancing products such as water purifiers, mixer-grinders and for the purchase of two-wheelers. The Company intends to expand its involvement in these other financial products and services to the extent

consistent with its mission, client-focus and commercial viability.

In 2005, the Company registered with and has since been regulated by the Reserve Bank of India (RBI) as a Non-Deposit Taking Non-Banking Financial Company (NBFC-ND). In 2009, the Company became a public limited Company. The Company completed its Initial Public Offering (IPO) and its equity shares were listed on Bombay Stock Exchange and the National Stock Exchange of India in August 2010. In November 2013, the RBI re-classified the Company as an NBFC-MFI permitting it to carry

on the business of a Non-Banking Financial Company - Micro Finance Institution, a separate category of Non-Deposit Taking Non-Banking Financial Companies engaged in microfinance activities.

For FY17, the Company's total revenue and profit after tax was ₹ 1,727.9 Crore and ₹ 289.7 Crore, respectively. As on March 2017, the Company had 67.0 lakh Members including 53.2 lakh Borrowers with a Gross Loan Portfolio of ₹ 9,149.6 Crore and 1,399 branches. The Company charges the lowest interest rate at 19.75% among all private sector NBFC-MFIs.

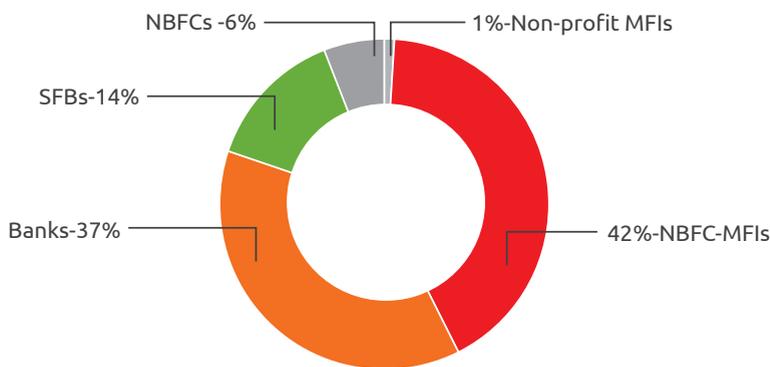


I. INDUSTRY STRUCTURE AND DEVELOPMENTS

THE MICROFINANCE INDUSTRY

According to MFIN report, the microfinance industry ("MFI") had a total loan portfolio of ₹ 1,06,916 Crore, as on March 31, 2017. NBFC-MFIs contributed 42% of the overall portfolio, while Banks (including BC Portfolio) had a 37% share.

Share of various lenders in loan amount outstanding (FY17)

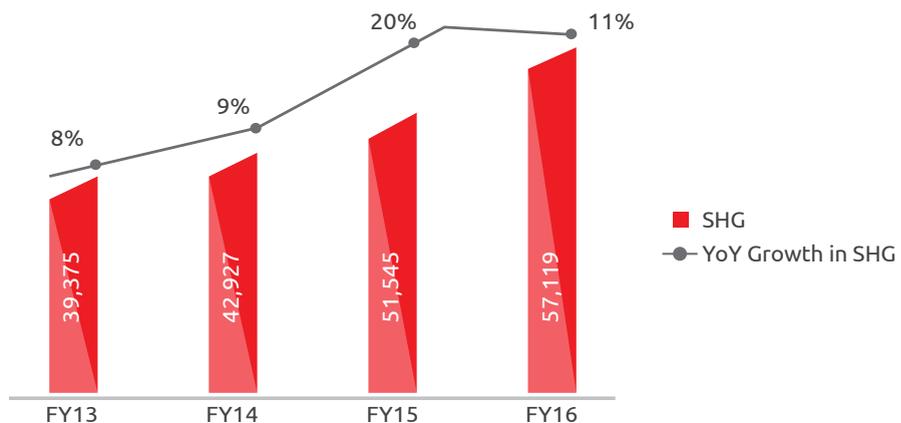


Source: MFIN Micrometer March 2017

PORTFOLIO GROWTH - SHG

During FY16, the SHG portfolio grew by 11% to ₹ 57,119 Crore from ₹ 51,545 Crore in FY15. Between FY13 and FY16, the SHG portfolio grew at a CAGR of 13%.

Gross Loan Portfolio (₹ in Crore)



Source: Status of Microfinance Reports 2013 to 2016

NBFC – MFI INDUSTRY

NBFC-MFI industry saw a modest growth in FY17 after two years of robust growth. During FY17, the industry disbursed loans worth ₹ 50,266 Crore, representing a 13% increase over the previous year. This resulted in a 25% growth in Gross Loan Portfolio (“GLP”) to ₹ 46,847 Crore. During the same period, the number of clients increased by 30% to 2.75 Crore, while the number of people employed by the industry grew by 49% to 86,440 and the number of branches rose by 31%. The average loan amount disbursed per account was ₹ 17,779.

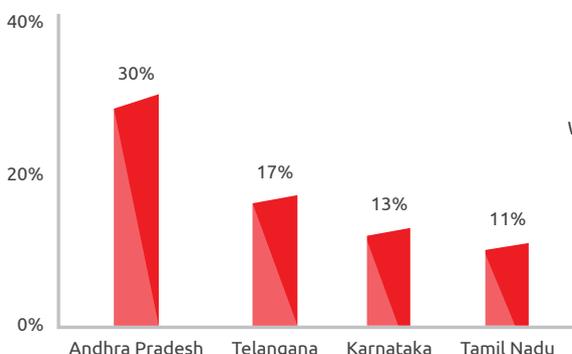
Particulars	FY17	FY16	% increase
Disbursements (₹ in Crore)	50,266	44,324	13%
Gross Loan Portfolio (₹ in Crore)	46,847	37,469	25%
No. of Clients (Crore)	2.75	2.12	30%
No. of Employees	86,440	58,038	49%
No. of Branches	9,012	6,867	31%

Source: MFIN Micrometer March 2017

GEOGRAPHICAL MIX – SHG v/s NBFC-MFI

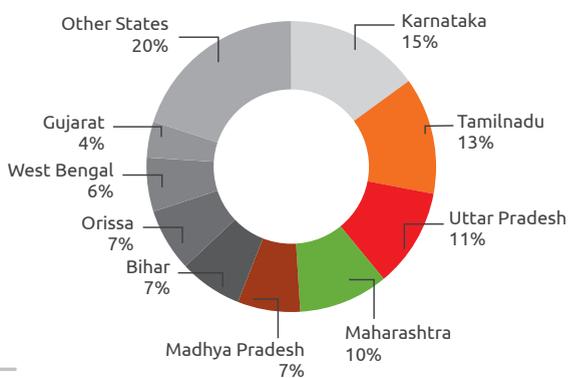
The SHG industry portfolio remains concentrated in the states of Andhra Pradesh, Telangana, Karnataka and Tamil Nadu, with a 71% share. The SHG exposure in these states is given in the graph below.

SHG Portfolio in Top 4 States



Source: NABARD - Status of Microfinance 2016

NBFC - MFI portfolio States



Source: MFIN Micrometer March 2017

NBFC-MFIs now cover 32 states/union territories of India. The coverage of these microfinance institutions is now geographically well dispersed with GLP in South at 31%, North at 27%, West at 24% and East at 18%. Karnataka has the largest NBFC-MFI exposure at 15% of GLP.

In terms of geographic spread, 57% of the NBFC-MFI industry portfolio is “Urban focussed”.

Source: MFIN Micrometer March 2017

During FY17, the industry disbursed loans worth ₹ 50,266 Crore, representing a 13% increase over the previous year. This resulted in a 25% growth in Gross Loan Portfolio ("GLP") to ₹ 46,847 Crore.

UPDATE ON DEMONETISATION

On November 8, 2016, the Government of India announced the withdrawal of legal tender status of ₹ 500 and ₹ 1000 denominations, which was around 86% of the total currency value in circulation. Consequently, the currency in circulation declined significantly from ₹ 17.88 lakh Crore as on November 11, 2016 to ₹ 8.98 lakh Crore, as on January 6, 2017. Since then, the currency in circulation has increased to ₹ 13.35 lakh Crore, as on March 31, 2017.

(Source: RBI)

According to Micrometer, during the quarter ending December 31, 2016, the NBFC-MFI industry saw a 35% decline in disbursements and a 2% decline in GLP, as compared to the quarter ending September 30, 2016.

(Source: MFIN Micrometer December 2016)

During the same period, BFIL saw a decline in disbursements from ₹ 1,188 Crore in October 2016 to ₹ 896 Crore in November 2016 (₹ 546 Crore from November 11, 2016), ₹ 898 Crore in December 2016 and ₹ 905 Crore in January 2017. Since then, disbursements have returned to pre-demonetisation levels increasing to ₹ 1,358 Crore in February 2017 and ₹ 1,639 Crore in March 2017.

Gross Collection Efficiency* for BFIL improved from 91% during the period between November 11, 2016 and November 30, 2016 to 95.5% in February 2017 to 96.6% in March 2017.

* Gross Collection Efficiency is calculated as (Collections during the period/ Dues for the period)

ASSET QUALITY OF NBFC-MFIS

Portfolio at Risk figure (PAR 30 days) for the NBFC-MFI industry increased to 14.15% as on March 31, 2017, from 0.40% as on March 31, 2016, while PAR figure (PAR 90 days) increased to 8.18% as on March 31, 2017 from 0.20% as on March 31, 2016. PAR figure (180 days) remained under 0.22% as on March 31, 2017.

(Source: MFIN Micrometer March 2017)

DEBT FUNDING TO NBFC-MFIS

During FY17, NBFC-MFIs received a total of ₹ 24,896 Crore in debt funding from banks and other financial institutions. Debt funding through securitisation of MFIs portfolio was at ₹ 4,041 Crore.

Source: MFIN Micrometer March 2017

NBFC-MFIS AND MARKET SHARE

As on March 31, 2017, top five (5) NBFC-MFIs accounted in aggregate for approximately 64% of the GLP (outside Andhra Pradesh and Telangana) of all

NBFC-MFIs. Top 2 MFIs were Janalakshmi Financial Services (GLP - ₹ 12,551 Crore) and BFIL (GLP - ₹ 9,150 Crore).

(Source: MFIN Micrometer March 2017)

OVERVIEW OF THE REGULATORY FRAMEWORK AND RECENT REGULATORY DEVELOPMENTS

The Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) – Directions, 2011 ("NBFC-MFI Directions") were issued in December 2011 by the Reserve Bank of India (RBI) pursuant to the Reserve Bank of India Act, 1934 ("RBI Act"). The NBFC-MFI directions apply to all Non-Deposit taking Non-Banking Financial Companies ("NBFCs") (other than companies registered under Section 25 of the Companies Act, 1956) that satisfy certain conditions.

The Company satisfies these conditions and was re-classified as a Non-Banking Financial Company - Micro Finance Institution ("NBFC-MFI") on November 18, 2013. As a result, the Company is required to comply with the applicable directions given in 'Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016'*. These directions include guidelines on qualifying assets criteria, asset classification and provisioning, pricing of credit, capital adequacy and fair practices.

* The NBFC-MFI directions have been repealed and replaced by "Non-Banking Financial Company-Systematically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016" dated September 1, 2016 (NBFC-SI Master Directions) and accordingly, all circulars and directions issued to NBFC-MFIs under NBFC-MFI directions have been consolidated and replaced by NBFC-SI Master Directions.

SPECIFIC DIRECTIONS APPLICABLE TO NBFC – MFI

Key guidelines are highlighted below:

NBFC – MFIs	Qualifying assets to constitute not less than 85% of its total assets (excluding cash and bank balances) At least 50% of loans for income generation activities
Qualifying assets criteria	
Annual Income of borrowers Household	Rural <= ₹ 1,00,000 Non-Rural <= ₹ 1,60,000
Ticket Size	<= ₹ 60,000 - 1st cycle <= ₹ 1,00,000 - subsequent cycle
Indebtedness	<= ₹ 1,00,000
Tenure	If Loan amount > ₹ 30,000, then >= 24 months
Collateral	Without collateral
Repayment frequency	Weekly, Fortnightly and Monthly
Pricing guidelines	
Interest Rate [^]	A. Margin cap - 10% above cost of borrowings B. Average base rate of top 5 commercial banks X 2.75 Lower of the A and B.
Processing Fee	<= 1% of the loan amount
Insurance Premium	Actual cost of insurance can be recovered from borrower and spouse Administrative charges can be recovered as per the Insurance Regulatory and Development Authority
Security deposit	No security deposit/ margin to be taken
Capital Adequacy	15%
Margin Cap	10% for MFIs with loan portfolio > Rs. 100 Crore

[^]W.E.F April 1, 2017 - Quarterly Margin Cap will be followed- Average interest rate on loans sanctioned during a quarter shouldn't exceed the Average borrowing cost during the preceding quarter plus margin cap.

Changes in Master Direction

On March 9, 2017, the RBI vide notification DNBR (PD) CC.No.086/03.10.001/2016-17 titled "Disbursal of loan amount in Cash" notified that the rules issued under Section 269SS and 269T of the Income Tax Act, 1961, would be applicable to all NBFCs with immediate effect. Currently, the relevant threshold under the Income Tax Act, 1961 is Rupees Twenty Thousand.

Priority Sector Lending (PSL)

Priority Sector funds have been a major contributor to the funding source for the overall MFI sector. Key guidelines for PSL are as follows:

S. no.	Sector	Category	Target for Banks %*
1.	Agriculture	Target	18%
	- Direct Agriculture	Sub-Target	~13.5%#
	- Direct Small & Marginal Farmers	Sub-Target	8% (with effect from Mar'17)
2.	Weaker	Target	10%
3.	Micro-enterprises	Target	7.5% (with effect from Mar'17)

* Target details given in the table are applicable to domestic scheduled commercial banks and foreign banks with 20 branches and above

As per RBI notification dated July 16, 2015, Banks are directed to ensure that overall direct lending to non-corporate farmers does not fall below the system wide average of last three years achievement. In an RBI notification dated September 1, 2016, the applicable system wide average figure for FY16-17 was notified as 11.70%. Banks should also continue to maintain all efforts to reach the level of 13.5% direct lending to beneficiaries

The guidelines envisage banks to monitor their PSL compliance every quarter (with effect from FY17) instead of annually, which will lead to a flow of PSL funds throughout the year, rather than being skewed towards financial year end.



The Company managed a loan portfolio of ₹ 683.9 Crore, as on March 31, 2017 under the Business Correspondent arrangement.

Company is required to comply with only Sections 9 and 16 of the AP MFI Act to carry on its business in the erstwhile undivided Andhra Pradesh. These provisions limit the amount of interest recoverable on loans to no more than the principal amount loaned, as well as prohibit coercive actions in connection with the conduct of microfinance business.

The Company complies with the interim orders of the Honourable Supreme Court by following the two provisions (9&16) of the AP MFI Act. Subsequent to the reorganisation of the State of Telangana, as per GO MS No. 45, Law(F), 1st June 2016, 'The Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Act, 2011. (AP Act 1 of 2011)' is adapted as 'The Telangana Micro Finance Institutions (Regulation of Money Lending) Act, 2011. (Act 1 of 2011)'.

MFI AS A BUSINESS CORRESPONDENT

The Reserve Bank of India permitted Non-Deposit Taking NBFCs to act as Business Correspondents for banks with effect from June 2014. The

CREDIT BUREAU REPORTING

As per the Microfinance India Social Performance Report 2014 (an ACCESS publication), CRIF High Mark Credit Information Services Private Limited and Equifax Credit Information Services Private Limited collect and collate data from MFIs and banks' lending directly to the client segment of MFIs. MFIs use credit bureau data for checking regulatory compliances.

In February 2015, the RBI mandated all NBFCs to become members of all credit bureaus, viz Credit Information Bureau (India) Limited (CIBIL), Equifax Credit Information Services Private Limited, Experian Credit Information Company of India Private Limited and CRIF High Mark Credit Information Services Private Limited.

BFIL, in addition to being a member of all the above-named credit bureaus, provides data to these bureaus with respect to

lending to its clients (including historical data) on a weekly and monthly basis.

ANDHRA PRADESH & TELANGANA – THE AP MFI ACT

In January 2011, the then Government of the erstwhile undivided Andhra Pradesh state enacted the Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Act, 2011 (the "AP MFI Act") to regulate the activities of the microfinance institutions in the undivided State of Andhra Pradesh. The AP MFI Act imposed significant restrictions on the business and operations of microfinance companies in the erstwhile undivided State of Andhra Pradesh, and several companies, including BFIL, challenged the validity of the AP MFI Act. The proceedings are pending before the Honourable Supreme Court of India, and, pursuant to the interim orders of the Honourable Supreme Court in March 2013, the

Company has an arrangement to act as Business Correspondent with a leading private sector bank and had a managed loan portfolio of ₹ 683.9 Crore, as on March 31, 2017, under the said arrangement.

GOVERNMENT'S PROMOTION ON FINANCIAL INCLUSION SCHEMES

Pradhan Mantri Jan Dhan Yojana (PMJDY)

The Pradhan Mantri Jan-Dhan Yojana (PMJDY) is a National Mission for Financial Inclusion to ensure access to financial services, namely, banking/savings and deposit accounts, remittance, credit, insurance and pension in an affordable manner. Accounts can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet. PMJDY accounts are being opened with zero balance.

These accounts can help the MFI industry to implement cashless disbursements directly to customer bank accounts and help MFIs reduce the related operating cost.

As on March 29, 2017, 28 Crore bank accounts have been opened under this scheme (Public Sector Banks opened 22.6 Crore accounts, Regional Rural Banks 4.6 Crore accounts, and Private Sector Banks opened 0.9 Crore accounts). The Balance per Jan Dhan Account has risen from ₹ 1,065 as on March 31, 2015 to ₹ 2,236 as on March 29, 2017.

Source: <http://www.pmjdy.gov.in/>

Micro Units Development & Refinance Agency Ltd. (Mudra)

The Government of India proposes to set up a Micro Units Development and Refinance Agency (MUDRA) Bank through a statutory enactment. Pending



the enactment it has been set up as a subsidiary of Small Industries Development Bank of India (SIDBI). MUDRA will be responsible for developing and refinancing all MFIs which are in the business of lending to micro/small business entities engaged in manufacturing, trading and service activities. MUDRA will not only help in increasing access to finance to the unbanked, but also bring down the cost of finance for the last-mile financiers and, in turn, to the micro/ small enterprises, most of which are in the informal sector.

The Secretary of the Department of Financial Services clarified in January 2016 that MUDRA will not be the regulator of NBFC-MFIs. NBFC-MFIs will continue to be under the supervision of RBI.

Source – Indian Express <http://indianexpress.com/article/business/business-others/mudra-not-to-regulate-micro-finance-institutions-govt/>

During FY17, the amount sanctioned under Prime Minister Mudra Yojana (PMMY) scheme was ₹ 1.81 lakh Crore and the amount disbursed was ₹ 1.75 lakh Crore.

(Source - MUDRA)

In Union Budget 2017-18, the lending target under Prime Minister Mudra Yojana has been set at ₹ 2.44 lakh Crore.

Source – India Budget 2016-17

II. OPPORTUNITIES AND STRENGTHS

The Microfinance industry has potential for sustainable growth, based on industry reports. According to MFIN Micrometer, during FY17,

the NBFC-MFI industry GLP grew by 25% YoY, while the disbursements grew by 13%. The industry grew by 102% in FY16. As on March 31, 2017, the NBFC-MFI industry served 2.75 Crore clients. GLP outstanding for MFI industry and SHG together was ₹ 1,64,035 Crore (GLP for SHG - ₹ 57,119 Crore as on March 31, 2016 and GLP for MFI ₹ 106,916 Crore, as on March 31, 2017).

Source –MFIN Micrometer March 2017; NABARD - Status of Microfinance 2016 MFI includes GLP of NBFC-MFI, SFB, Direct Bank lending including Managed loans, NBFCs and Non Profit MFIs

The financial inclusion schemes introduced by the government complement the existing MFI outreach.

The accounts opened through PMJDY can help the MFI industry to implement cashless disbursements directly to customer bank accounts and help MFIs reduce the related operating cost. Through the Pradhan Mantri's Mudra Yojana, MFIs will have access to low cost refinancing from MUDRA. NBFC-MFIs will continue to enjoy the following benefits:

- Generate Agri- Allied/ Priority Sector Lending for banks.
- Leverage their distribution network through Business Correspondent (BC) model to offer bank accounts and saving products to customers without CRR and SLR drag.

The Company is well placed to reap the benefits as an NBFC-MFI. With the increase in demand for microfinance, the Company believes that, with its operating strength and focus on 16 states (excluding AP and Telangana), it will be able to capture a significant share of the demand for micro credit in India. The Company believes the following competitive strengths

will enable it to better leverage the opportunities:

- **Market leadership:**

The Company is the second largest NBFC-MFI in India by Gross Loan Portfolio. The Company believes that its consistent position among the leading MFIs in the microfinance sector enhances its reputation and credibility with its members and its lenders. This enhanced reputation and credibility has numerous benefits, including the ability to secure capital at lower costs, recruit and retain skilled employees, optimise staff productivity, retain existing Borrowers and add new Members, and also expand into new regions and product areas.

- **Lowest cost lender:**

The Company has the lowest lending rate (19.75%) amongst the private sector NBFC-MFIs. The lending rate of the Company is lower by 1.5% - 4% (Source –MFIN Micrometer March 2017), compared to the lending rate of other major NBFC-MFIs in India. The low lending rate enables the Company to enhance the value proposition of its products by bringing down the cost to its Borrowers.

- **Expertise in the microfinance industry:**

The Company believes that its long-standing experience in the microfinance industry has given it a specialised understanding of the needs and behaviour of the borrowers and lenders in this industry, particularly in rural areas across India, the complexities of lending to these individuals and issues specific to the microfinance industry in India. The Company believes this expertise gives it a competitive advantage in the industry.

The Company has developed skills in training its members. The Company uses its knowledge of its members, including their culture, habits and education, to design customised financial products and pricing plans. Further, consultation and dialogue with regulators and policy-makers has provided the Company with an opportunity to understand their concerns, while growing its business in a prudent manner.

- **Stable financial condition:**

Although the Company's financial condition deteriorated in the aftermath of events in Andhra Pradesh and it incurred losses during FY12 and FY13, the Company believes it has maintained sufficient financial discipline as well as a relative degree of financial strength during challenging times. For instance, the Company satisfied all its debt repayment obligations even during the Andhra Pradesh microfinance situation, that is, in FY12 and FY13, and thereafter its revenues grew at a CAGR of 48.8% from FY13 to FY17. The Company reported a profit of ₹ 289.7 Crore for FY17, its fourth consecutive year of profit post the turnaround.

As on March 31, 2017 the Company's net worth was ₹ 2,446.7 Crore and its Debt to Equity ratio was 2.9. The Company's capital adequacy ratio was 33.5% of risk-weighted assets, as on March 31, 2017, which is well above the requirement of 15% of risk-weighted assets prescribed by the RBI under the specific directions applicable to NBFC-MFIs. The Company believes that these factors provide it with

a competitive advantage when borrowing funds for its operations.

In addition to traditional cash flow management techniques, the Company also manages its cash flows through an active asset and liability management strategy. The Company has structured its model to primarily borrow for a longer tenure while lending for a shorter tenure, and hence, the Company has a positive asset liability management structure. As on March 31, 2017, the average maturity of its arrear-free Gross Loan Portfolio as assets was 6.3 months, while the average maturity of its outstanding borrowings including principal amounts outstanding for securitisation transactions was 9.6 months. The Company believes this strategy allows it to better manage liquidity and meet the growing loan demands of an increasing membership, even if external borrowings and funding sources face temporary disruption.

- **Access to several sources of capital and cost-effective funding**

The Company constantly strives to diversify its sources of capital. During FY11, the Company raised ₹ 722.2 Crore through its IPO, followed by a Qualified Institutional Placement (QIP) and preferential allotment, raising a total of ₹ 263.5 Crore in FY13. The Company further raised ₹ 397.6 Crore in May 2014 and ₹ 750 Crore in September 2016 through QIP. Its incremental borrowings from banks and financial and other institutions, including net proceeds from securitisations between April 1, 2011 and March

31, 2017, were ₹ 27,099.7 Crore. As on March 31, 2017, the Company had an outstanding debt in principal amount of ₹ 7,125.1 Crore (₹ 8,575.3 Crore outstanding in principal amount including securitisation and assignment transactions) from more than 15 banks, financial and other institutions.

In FY17, the Company received sanctions for ₹ 8,022.0 Crore, as compared to ₹ 8,309.0 Crore during FY16. The Company availed funds of ₹ 6,900.2 Crore in FY17, as compared to ₹ 7,317.4 Crore in FY16. Funds availed in FY17 include ₹ 991.1 Crore through securitisation of portfolio loans, ₹ 739.2 Crore through direct assignment and ₹ 680.9 Crore through issuance of Commercial Papers (CPs).

Historically, the MFI sector has significantly relied on PSL funds from commercial banks. The Company believes that the cost of such funds is considerably lower than the cost of other bank funds. The Company is eligible to borrow PSL funds from banks as an NBFC-MFI.

The Company has been assigned a rating of "C1" for Code of Conduct Assessment by ICRA, which is the highest rating in that assessment. ICRA has also granted the Company a Corporate Governance Rating of "CGR2," the second highest available rating on a ten point scale, which implies a "high level" of assurance on the quality of corporate governance matters.

The Company has also obtained bank debt ratings for a funding exposure of

₹ 5,500 Crore as CARE 'A1+' (for its short-term facilities) and CARE 'A+' (for its long-term facilities). The Company also has a long-term NCD rating of 'A+' for Rs. 400 Crore and short-term (CP/ NCD) rating of 'A1+' for ₹ 200 Crore from CARE. The Company has also obtained long term debt rating of A+ and short-term debt rating of 'A1+' for a total sum of ₹ 750 Crore (subject to long term borrowing limit of ₹ 300 Crore) from ICRA.

The Company's securitised transactions during FY17 were provisionally rated by CARE at 'AA(SO)' and ICRA at 'AA(SO)'. ICRA upgraded ratings for 2(of total 4) transactions from 'AA(SO)' to 'AAA(SO)' and 'AA+(SO)' respectively. These ratings signify high degree of safety regarding timely servicing of financial obligations and low level of credit risk.

- **Streamlined and scalable operating model with effective use of technology:**

The Company recognises that establishing and growing a successful rural microfinance business in India involves the significant challenge of addressing a borrower base that is quite large and typically lives in remote locations. To address this challenge, the Company believes it has designed a streamlined and scalable model, and developed systems and solutions for the following three components, which the Company believes are required to effectively scale up its business:

- **Capital:**

Historically, the Company has successfully obtained a variety of funds required to finance its lending operations.

– Capacity:

With its pan-India presence and extensive distribution network, the Company believes it has the capacity to provide products and services to a large number of members.

– Cost reduction:

The Company believes it has implemented process-based systems and customised software that reduce the cost of conducting transactions across a widespread branch network and a substantial member base. To manage its operating expenses and to increase efficiency, the Company has deployed 'SKS Smart' (a significant upgrade to the earlier Portfolio Tracker), a customised and comprehensive software which simplifies data entry and targets to improve accuracy and efficiency of collections and fraud detection. The Company has provided all Loan Officers with TABs (handheld devices) to increase efficiency, data integrity and ease of operations.

The Company's business processes, from member acquisition to cash collections, have been standardised and documented. Its branch offices are similarly structured, allowing for quick roll-out of new branches. In addition, the terms and conditions of its loan products are generally uniform throughout India. Further, the Company has standardised its recruitment and training programmes and materials so that they are easily replicated across its entire organisation. This standardised approach also allows employees to efficiently move from one region to another, based on demand and growth requirements.

The Company has provided all Loan Officers with TABs (handheld devices) to increase efficiency, data integrity and ease of operations.



• **Pan-India presence and extensive distribution network:**

As on March 31, 2017, the Company had 67.0 lakh Members, including 53.2 lakh Borrowers (outside the states of Andhra Pradesh and Telangana) and 1,399 branches. The Company focuses its operations across 16 states in India. Further, as on March 31, 2017, the Company had 12,626 Branch Managers, Assistant Branch Managers and Sangam Managers and Sangam Managers, including Trainees, who comprise 85.6% of its total workforce. During FY17, each of its Sangam Managers managed 774 members on an average, in states other than Andhra Pradesh and Telangana. The Company believes that its presence throughout India and its distribution network in rural India results in significant competitive advantages, particularly in the following areas:

Distribution platform:

The Company's pan-India presence allows it to lend across the country and enables it to mitigate its exposure to local economic factors and disruptions resulting from political circumstances or natural disasters. Furthermore, its well-developed distribution network in rural India gives it the capability to offer a variety of financial products nationally in areas that the Company believes most companies do not currently reach.

Product pricing power:

The Company believes that its national presence and the ability to access a large member base gives it the leverage to negotiate favourable terms with institutions which would like to distribute their products



through its network. This, in turn, results in lower pricing for products distributed to its members.

For instance, the Company currently works with TNS Mobile India Private Limited for the financing of mobile phones; with D. Light Energy Private Limited and Green Light Planet India Private Limited for the financing of solar lamps; with Usha International Limited and Singer India Limited for financing of sewing machines; with Eureka Forbes Limited for financing of water purifiers; and with Hero Cycles Limited and T.I. Cycles of India for financing of bicycles. The Company

financed 4.0 lakh mobile phones and 6.2 lakh solar lamps during FY17. The Company has also partnered with HeroMotoCorp for financing of two-wheeler loans on a pilot basis.

• **Experienced management team and Board:**

The Company's Board comprises experienced bankers, investors, industry experts and management professionals. Out of a total of nine Directors on the Company's Board, six are Independent Directors. The Company believes that it has a strong Senior Management team under the able leadership of Mr. M. R. Rao, Managing Director and Chief Executive Officer. The Company's Senior Management team

has members who have significant experience in the microfinance and financial services industry. The team has developed the knowledge to identify and offer products and services that meet the needs of its members, while maintaining effective risk management and competitive margins. The Company's mid-level management personnel also have years of experience, in-depth industry knowledge and expertise.

III. BUSINESS STRATEGY

TARGET A LARGE SHARE OF INDUSTRY'S PORTFOLIO OUTSIDE THE STATES OF ANDHRA PRADESH AND TELANGANA

Given the huge gap in demand and supply in micro credit in India and that a large part of this gap is serviced by informal sources, including moneylenders, this represents an attractive business opportunity for NBFC-MFIs such as BFIL. The Company believes that, with its operating strength and focus on 16 states (excluding AP and Telangana), it will be able to capture a significant share of the demand for micro credit in India.

CONTINUE TO REMAIN RURAL FOCUSED, WHEN INDUSTRY IS MOVING TOWARDS URBAN

According to Micrometer, the MFI industry growth remained skewed towards Urban. Urban share of the total portfolio rose from 33% as on March 31, 2013 to 57%, as on March 31, 2017. BFIL, however, has remained rural focussed with 79% of the Company's portfolio being rural. The Company intends to continue building on this

competitive landscape and remain rural.

EMPHASIS ON CUSTOMER ACQUISITION

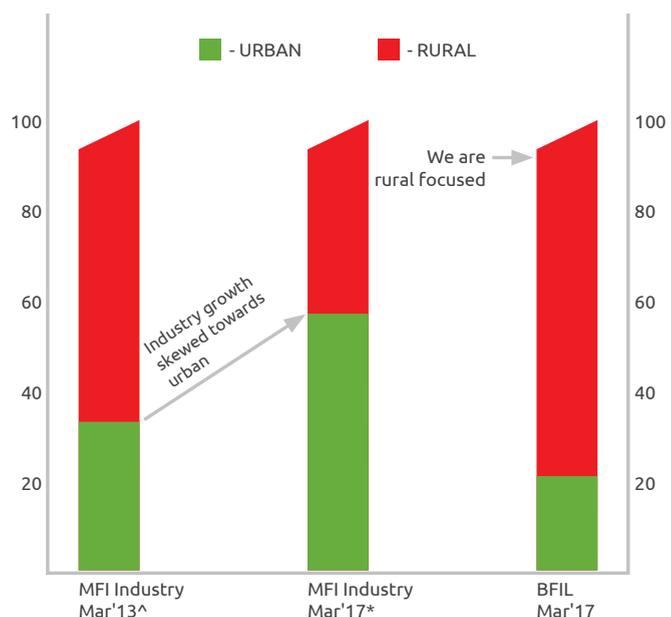
Client acquisition remains the key factor for the Company's growth. During the last 4 years, the number of borrowers grew at a CAGR of 20%. FY17 saw loan clients grow by 15% YoY at 53.2 lakhs.

The Company expects client acquisition to be the key driver to overall growth, going forward.

CONTINUE TO STRENGTHEN CLIENT PROTECTION INITIATIVES

The Company continues to implement several client protection initiatives. They have helped to ingrain the

EMPHASIS ON CUSTOMER ACQUISITION



Source - ^Sa-Dhan Report 2013, *MFIN Micrometer March 2017

client protection practices and customer grievance redressal mechanism, which are aligned with globally recognised benchmarks, deep in its processes, policies and culture. These two are now the guiding principles for design, development, and implementation of all the processes and policies. The Company has identified five elements for these initiatives:

- **Strengthening privacy of its client data:**
Ensuring that clients' data is kept confidential at all levels and shared only with government agencies, government appointed agencies, or on approval of the concerned member.
- **Transparent and responsible pricing of loans:**
Pricing of the products are well explained to members and done within the regulatory framework of RBI. At 19.75% interest rate, BFIL becomes the cheapest loan providing NBFC-MFI.



Strengthening privacy of its client data



Transparent and responsible pricing of loans



Timely redressal of queries and grievances of its members

- **Timely redressal of queries and grievances of its members:**

BFIL has a well-defined and fully automated Complaint Grievance Redressal Mechanism (CGRM) for ensuring timely redressal. It also proactively reaches out to members for their feedback on different products through "Voice of Customers" program.

- **Avoidance of over-indebtedness and multiple borrowing among its borrowers:**

Adherence of strict KYC policy and Credit Bureau and automated systems ensures the seamless implementation with controls, thereby avoiding over-indebtedness and multiple borrowing among the Company's Borrowers. The Company has launched e-KYC service for its clients to ensure customer authentication. Instant CB is done and members are informed about outcome of rejection. The Company



Avoidance of over-indebtedness and multiple borrowing among its borrowers



Establishing appropriate collection practices by its employees

follows a more stringent 2 lender norms while approving a loan.

- **Establishing appropriate collection practices by its employees:**

Design and Implementation of collection practices, in alignment with the RBI and SRO guidelines and regulatory frameworks.

The Company has been conducting Client Protection awareness programmes for its members and employees pan-India in major vernacular languages with greater focus in the last four years. The Client Protection Programme of the Company has been certified by Smart Campaign, USA. In FY17, more than 90% of the Members as well as staff were trained on various CPP modules. The Company has also voluntarily adopted a ceiling of 3% Return on Assets (RoA) from its micro credit business.

During FY17, the Company's well-established inbound toll-free member helpline successfully serviced 867,089 customer calls (an increase of 46% over FY16). Inbound calls have doubled over the previous year, indicating growing awareness amongst customers about the Helpline. Effective CGR processes have ensured that 99.3% of these calls were closed within the defined turnaround time (TAT). Turnaround times and CGR performance is regularly reviewed by Mr. Verghese Jacob who has been appointed as an independent Ombudsman since January 1, 2012. The Company has also established a dedicated follow-up team and quality

team which ensures timely closure and quality call monitoring. Due to timely closure, the Company received Zero Ombudsman calls for 7 months.

The Company has also proactively reached out to its customers through Voice of Customer programme to identify their needs and collect their feedback on existing products. More than 100,000 customers were surveyed under different surveys, across different geographies. Areas of assessment include need assessment, satisfaction with existing products and process, perception of BFIL and competitor analysis. Customer satisfaction across products is above 98% which is an indicator of right products being offered by BFIL. Majority of the Members perceived BFIL as "Financial support" followed by "Best MFI". Need assessment study was conducted, which enables BFIL to explore new opportunities for providing new products to its clients.

REDUCE TURNAROUND TIME FOR DISBURSEMENT THROUGH e-KYCS

With the emphasis on going paperless, the Company adopted Aadhaar-based biometric identification (e-KYC) of clients. This enabled instant credit bureau verification and reduced turnaround time for loan disbursements. The Company has further moved towards e-sign and instant disbursement.

The Company believes e-KYC helps in mitigating the risk of fake borrowers, in addition

to immediate member authentication.

MOVE TOWARDS CASHLESS DISBURSEMENTS

The Company enabled all its Sangam Managers with TABs which was the first step towards going paperless followed by Cashless. During the Quarter ending March 31, 2017, the Company disbursed 17% of loan amount directly to the bank accounts of the clients. The Company disbursed 25% of loan amount in March 2017 and 75% of loan amount in April 2017 directly to clients' bank accounts.

BRING DOWN THE COST TO NBFC-MFI BORROWERS

The Company has reduced the interest rates it charges on loans, with the objective of bringing down the cost to its borrowers. With diversification of funding sources and further reduction in cost of borrowing, the Company reduced the interest rate on its income-generating loans to 19.75% effective from December 7, 2015, making the Company's interest rate the lowest among private sector NBFC-MFIs. The Company has been successful in achieving its intended strategy of lowering the interest rate charged to its borrowers to sub-20%. The Company intends to leverage opportunities in future to further reduce the interest rates to NBFC-MFI borrowers.

DIVERSIFICATION OF REVENUE STREAMS AND CROSS-SELLING OF PRODUCTS AND SERVICES

The Company has built a large distribution network in rural India. The Company believes it can leverage this network to

distribute financial and non-financial products of other institutions to its members at a cost lower than competition. Its network also allows such distributors to access a segment of the market to which many do not otherwise have access. While the Company continues to focus on its core business of providing micro credit services, it seeks to diversify into other businesses by scaling up certain pilot projects involving fee-based services, and will gradually convert them into separate business verticals or operate them through subsidiaries. Its objective in these other businesses is to focus on lending that will allow it to maintain repayment rates, increase member loyalty and also provide economic benefits to its members and their families. The Company believes that such other products and services may offer higher operating margins as compared to micro credit under the new regulatory framework and will help it increase its overall RoA. The Company's existing initiatives in relation to financial products and services other than micro credit include providing:

- Loans to its members for the purchase of mobile handsets in association with TNS Mobile India Private Limited; and solar lamps in association with D. Light Energy Private Limited and Green Light India Private Limited.
- Loans to its members to facilitate the purchase of sewing machines in association with Usha International Limited and Singer India Limited; bicycles in association with Hero

Cycles Limited and T.I. Cycles of India; water purifiers in association with Eureka Forbes Limited; and two-wheelers in association with Hero MotoCorp Limited.

Two-Wheeler Loans

The Company has launched a Two-wheeler loans pilot product for its members who have been with the Company for a minimum of two years. Loans range from ₹ 33,000 to ₹ 42,915. The Company plans to roll out Two-Wheeler loans on a larger scale in the subsequent financial year. As on March 31, 2017, two wheeler loans comprised 0.01% of the Company's outstanding loan portfolio.

Home Improvement Loans

The Company plans to foray into loans for home improvement. The loans will be provided for purposes such as repair of house, e.g. changing a thatched or asbestos roof to RCC, or make improvements such as building a toilet or adding an extra room.

ENHANCE OPERATING AND FINANCIAL LEVERAGE

The Company provides collateral-free credit to a majority of its members in their neighbourhood, and its Sangam Managers assist with the processes related to credit verification. While this helps its Borrowers save on travel costs, it results in high operating expenses for the Company, particularly personnel and administrative costs. Personnel costs accounted for 73.4% of its operating expenses during FY17.

The Company has embarked on cost-optimisation initiatives by improving its ratio of Borrowers per Sangam Manager, while realising the benefits of economies of scale. The



Borrowers per Sangam Manager ratio was 312 as on March 31, 2012 and has since improved to 615 as on March 31, 2017. In addition, the Company grew its loan portfolio in FY14 to FY17, without adding a significant number of new branches or incurring significant capital expenditure. There was a net reduction of approximately 200 branches during FY13, six branches during FY14 and net addition of 13 branches in FY15, 56 branches in FY16 and 75 branches in FY17. As on March 31, 2017, the Company had 1,399 branches. Its total headcount stands reduced from 16,194 as on March 31, 2012 to 8,932 as on March 31, 2014. With resumption of hiring, the headcount increased to 9,698 as on March 31, 2015, 11,991 as on March 31, 2016 and 14,755 as on March 31, 2017. To implement its growth strategy, though the Company plans to increase its headcount and open branches in certain areas, it will continue to focus on efficiencies to maintain and improve operating leverage.

Other factors where the Company continues to focus to optimise its cost structure include enhancing the productivity of employees, introducing technology for expedient reporting and re-engineering the internal processes. The results of cost optimisation are evident in the reduction in cost-to-income ratio from 74.5% in FY14 to 50.0% in FY17. The Company plans to bring down the cost-to-income ratio to 40% in the medium term.

The Company's debt to equity ratio was 2.9 as on March 31, 2017 as compared to 3.7 as on March 31, 2016. This reduction was primarily driven by equity infusion of ₹ 750 Crore through QIP keeping in mind the Company's growth for the next few years. With growth in its portfolio outside the states of Andhra Pradesh and Telangana, and increase in the availability of financing, the Company aims to maximise its operating and financial leverage.

INFORMATION TECHNOLOGY AS AN ENABLER

The year has been a breakthrough for the Company in the implementation of technology innovations coupled with Government backed Aadhaar platform thus continuing its leadership in adopting technology to build efficiency in its operational processes.

All the loan officers are equipped with TABs to perform their daily operations in an efficient manner and go paperless. The Company has rolled out biometric devices to all its loan officers for e-KYC authentication. The Company believes its technology initiatives have given an immense advantage to quickly transition towards cashless transactions and facilitate financial inclusion. The robust well-thought out technology framework implementation continues to keep the Company ahead of its peers in the industry.

The following are key technology implementations for the year:

- Shortened Loan approval process:**
 The loan approval process has been shortened through biometric e-KYC and instant credit bureau check enabling instant/same day loan disbursements. This has brought in delight in customer experience for BFIL clients.
- Introduction of E-Sign** in pilot Branches reduced the paper work for Sangam Manager.
- Robust systems** have been developed for capturing and validating Client's Bank Account details.

- Increased focus on Cashless transactions:**
 The Company has specifically focussed in minimising the handling of cash which has helped the Company in reducing the risk of cash handling and costs associated with float across the channels. Cashless transactions in NEFT, IMPS, AEPS based on Client's choice is automated with the deployment of Host to Host Service with Bank systems directly.
- Integration of multiple Insurers online** for enrolment of Clients and Spouse Insurance for Insuring and claim settlement has helped in reducing the time taken for Claim settlement significantly.
- Mobile application for Credit administration** has been developed for field team at the last mile.
- The Company has adopted Cloud technologies** which helps in bringing down the cost of the Data Center.

- Security** is one of the key areas the Company lays emphasis on. Multiple initiatives on strengthening the Information security and continuous monitoring have been put in place. The Company rolled out HRMS application self service module to the Branch users across the country.

IV. RISKS AND MANAGEMENT STRATEGIES

Risk is an integral part of the Company's business, and sound risk management is critical to the success of the organisation. As a financial intermediary, the Company is exposed to risks that are particular to its lending and the environment within which it operates. The Company has identified and implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the Company. The risk management process is continuously improved and



Shortened Loan approval process



Integration of multiple insurers online



Introduction to e-sign



Mobile application



Robust systems



Cloud technologies



Cashless transactions



Security

adapted to the changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis.

The Company has an elaborate process for risk management. This rests on the three pillars of Business Risk Assessment, Operational Controls Assessment and Policy Compliance Processes. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. These are discussed with both the Management and the Risk Management Committee. Some of the risks relate to competitive intensity and the changing legal

and regulatory environment. The Risk Management Committee of the Board reviews the risk management policies, in relation to various risks and regulatory compliance issues.

The Company identifies the following as key risks:

POLITICAL RISK

The Company recognises political risk as one of the major risks facing the industry and believes that political risk can be mitigated through responsible lending and fair pricing by way of:

- **Lowest cost lender –**
The Company charges the lowest interest rates among NBFC-MFIs to its Borrowers.
- **Voluntary Cap on RoA from core lending –**
The Company has voluntarily capped its returns from core lending at 3%.

- **Robust Customer grievance redressal (CGR) Mechanism with Independent Ombudsman.**
- **Calibrated Growth –**
The Company's growth strategy aims to meet the requirements of its Members and also address concerns of various stakeholders.

CONCENTRATION RISK

The Company aims to avoid unbalanced concentration in both its loan portfolio and borrowings. To mitigate the concentration risk, the Company has a well-defined geographic and borrower dependence norms.

Geographic concentration norms:

In order to mitigate the risk of external intervention, concentration in any particular



state, district or branch, as well as to manage non-payment risk, the Company has implemented the following limits:

(A) Disbursement Related Caps:

The disbursement limits stipulate each state to entail less than 15% of the total disbursements for the Company (except states of Karnataka and Odisha which have a 20% limit); each district to entail less than 3% of the total disbursements for the Company (except districts in states of Karnataka and Odisha which have a 4% limit); each branch to entail less than 1% of the total disbursements for the Company (except branches in states of Karnataka and Odisha which have a 1.25% limit); no disbursements to be made by branches that have an NPA of more than 1% or collection efficiency of less than 95%.

(B) Portfolio Outstanding Related Caps:

– Gross Loan Portfolio:

Each state to ensure that its Gross Loan Portfolio will not exceed 75% of the Company's net worth (except states of Karnataka, Odisha and Maharashtra which have a 100% limit); each district to maintain that its Gross Loan Portfolio will not exceed 5% of the Company's net worth (up to 5% of the operating districts may go up to 10% of the Company's net worth); each Branch to maintain that its Gross Loan Portfolio will not exceed 1% of the Company's net worth (up to 5% of the operating branches may go up to 2% of the Company's net worth).

– Loan Portfolio Outstanding:

Each state to ensure that its Gross Loan Portfolio will not exceed 15% of the Company's

total portfolio (except states of Karnataka and Odisha which have a 20% limit).

The caps are subject to tolerance of 10%.

Borrowing dependence norms:

In order to reduce dependence on a single Borrower, the Company has adopted a cap on borrowing from any single credit granter at 15%. The share of borrowing from top 3 banks reduced significantly from 61% in March 2013 to 24% in March 2017.

OPERATIONAL RISK

The core business of the Company is to provide collateral-free loans in rural areas, and consequently, requires enhanced operational risk management. To mitigate the operational risk, the Company adopts the following strategy.

Integrated cash management system:

- The Company's transactions with borrowers are predominantly in cash, making cash management an important element of the business. To reduce the potential risks of theft, fraud and mismanagement, the Company has been implementing an integrated cash management system since July 2009 which is operational in approximately 1,328 of its branches, as on March 31, 2017. The system utilises an Internet banking software platform that interfaces with various banks to provide the Company with real-time cash information for these branches and the loan activity therein.
- The Company believes this integrated system augments its management information

systems and facilitates its bank reconciliations, audits and cash flow management. The system also reduces errors.

• Product and process Design –

The Company adopts a standardised approach to product design and operational procedures at the branches and centers to enable predictability of transactions, as a risk mitigant.

• ISO Certified Internal audit –

The Company has adequate controls and processes in place with respect to its operations. The Internal Audit department acts as the third line of defence by monitoring adherence to controls and processes and provides inputs for strengthening risk management. The Internal Audit function has been certified with ISO 9001:2008.

LIQUIDITY RISK

The Company places significant importance on liquidity management and has a bias for liquidity, mainly to address the operational requirements and corporate commitments. Along with funding strategy and asset liability management, the Company has well defined liquidity metrics, including cash burn, optimal liquidity and liquidity cap test, to ensure sufficient liquidity in line with business requirements and aid risk mitigation.

V. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a well-established and strong internal controls with well-designed

systems, policies and procedures to maintain financial discipline. The Company's Internal Control Systems are commensurate with the nature of its business and the size and complexity of its operations. Based on the guidelines received on various issues of control from the Reserve Bank of India and the Government of India, the Company's Board of Directors and the Audit Committee of the Board are a part of the Internal Control System for better compliance at all levels.

The Internal Audit Department of the Company is an independent function which ensures, checks and evaluates operational risks, internal controls, internal financial controls, adherence of systems, policies and procedures by conducting inspection of branches/offices. These are routinely tested and cover all Branches, Regional Offices and the Head Office. Significant audit observations and follow-up actions, thereon, are reported to the Audit Committee.

The Audit Committee of the Board oversees the Internal Audit function of the Company. The Audit Committee reviews the adequacy and effectiveness of the Company's Internal Control System, including Internal Financial Controls and monitors the implementation of audit recommendations, including those related to strengthening of the Company's risk management policies and systems. The Audit Committee

30.8%
YoY Rise in
Revenue in FY17

During FY17, the Company reported a profit after tax of ₹ 289.7 Crore. It registered a growth of 19.2% in its loan portfolio (outside the states of Andhra Pradesh and Telangana).

monitors compliance with inspection and audit reports of the Reserve Bank of India, other regulators and statutory auditors.

VI. FY17 - UPDATE OPERATIONAL AND FINANCIAL HIGHLIGHTS

During FY17, the Company reported a profit after tax of ₹ 289.7 Crore, as compared to a profit of ₹ 303.0 Crore in FY16. The Company posted a loss of ₹ 234.9 Crore for the quarter ending March 31, 2017 due to higher provisioning of ₹ 334.6 Crore.

Revenue increased by 30.8% during FY17. The Company obtained incremental

drawdowns (including securitisation) of ₹ 6,900.2 Crore in FY17, a decrease of 5.7% compared to FY16. Disbursements were higher in FY17 and the Company registered a growth of 19.2% in the loan portfolio in states other than Andhra Pradesh and Telangana during FY17 – from ₹ 7,676.9 Crore as on March 31, 2016 to ₹ 9,149.6 Crore as on March 31, 2017. Gross Loan Portfolio in states other than Andhra Pradesh and Telangana increased at a CAGR of 47.3%, from ₹ 1,320.0 Crore as on March 31, 2012 to ₹ 9,149.6 Crore as on March 31, 2017. Further, average loan recovery rates in states other than Andhra Pradesh and Telangana were at 97.1% in FY17.



OPERATIONAL PERFORMANCE

Operational Highlights	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
No. of branches	1,261	1,255	1,268	1,324	1,399
No. of districts	298	294	314	323	322
No. of employees	10,809	8,932	9,698	11,991	14,755
No. of members (in lakh)	50.2	57.8	64.0	69.7	67.0
Disbursements for the year (₹ in Crore)	3,319.5	4,787.6	6,890.8	12,087.8	14,666.9
Gross Loan Portfolio (₹ in Crore)*	2,359.0	3,112.8	4,184.5	7,688.0	9,149.6

*Includes securitised, assigned and managed loan portfolio

Financial Highlights	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
Incremental borrowings* (₹ in Crore)	3,149	3,703	5,561	8,309	8,022
Total revenue (₹ in Crore)	352.6	544.8	803.1	1,320.7	1,727.9
Profit after tax (₹ in Crore)	(297.1)	69.9	187.7	303.0	289.7
Total assets (₹ in Crore)	2,511.5	2,497.2	4,698.7	7,153.7	10,417.6
Return on average asset^	(11.7)%	2.3%	4.3%	4.2%	0.8%~
Return on average equity	(74.4)%	16.7%	21.6%	25.1%	3.9%~

*Amount of sanctions received from banks and financial institutions

^ Assets include securitised, assigned and managed loan portfolio

~ Return exclude MAT Credit

FINANCIAL PERFORMANCE (Comparison of FY17 with FY16)

Particulars	FY17		FY16		Increase / Decrease
	₹ in Crore	Percent to Revenue	₹ in Crore	Percent to Revenue	
Income from operations	1,553.1	89.9%	1,169.1	88.5%	32.8%
Other income	174.8	10.1%	151.5	11.5%	15.4%
Gross revenue	1,727.9	100.0%	1,320.7	100.0%	30.8%
Employee benefit expenses	406.2	23.5%	292.4	22.1%	38.9%
Finance costs	622.5	36.0%	484.6	36.7%	28.5%
Other expenses	134.3	7.8%	102.8	7.8%	30.6%
Depreciation and amortisation	12.8	0.7%	8.4	0.6%	52.7%
Provisions and write-offs	359.4	20.8%	38.6	2.9%	830.0%
Total expenditure	1,535.1	88.8%	926.8	70.2%	65.6%
Profit before tax	192.8	11.2%	393.9	29.8%	(51.0)%
Tax expense	(96.9)	(5.6)%	90.9	6.9%	(206.5)%
Profit after tax	289.7	16.8%	303.0	22.9%	(4.4)%

Income from operations

Income from operations increased by 32.8%, from ₹ 1,169.1 Crore in FY16 to ₹ 1,553.1 Crore in FY17. This growth is primarily due to an increase in average (quarterly) Gross Loan Portfolio by 51.3% from ₹ 5,670.4 Crore in FY16 to ₹ 8,577.0 Crore in FY17. The opening and closing Gross Loan Portfolio for FY17 were ₹ 7,688.0 Crore (as on March 31,

2016) and ₹ 9,149.6 Crore (as on March 31, 2017), respectively.

Other income

Other income increased by 15.4%, from ₹ 151.5 Crore in FY16 to ₹ 174.8 Crore in FY17. The increase in other income was primarily due to an increase in the Company's other fee income. Other fee income relates to fees for acting as

business correspondent with regard to managed loans and fee received from strategic alliance partners for financing their products, such as mobile phones, solar lamps, sewing machine, and bicycle, among others.

Financial expenses

The Company's financial expenses represent 40.5% of

the total expenses for FY17. Financial expenses increased by 28.5% from ₹ 484.6 Crore in FY16 to ₹ 622.5 Crore in FY17. This was due to an increase in average (quarterly) borrowings by 43.0% from ₹ 4,203.2 Crore in FY16 to ₹ 6,009.5 Crore in FY17.

Employee benefit expenses

Employee benefit expenses consist of salaries and other employee benefits. Employee benefit expenses increased by 38.9% from ₹ 292.4 Crore in FY16 to ₹ 406.2 Crore in FY17, due to annual increments. The number of employees increased from 11,991 as on March 31, 2016 to 14,755 as on March 31, 2017.

Other expenses

Other expenses represented 8.8% of the total expenses for FY17 and increased by 30.6% from ₹ 102.8 Crore in FY16 to ₹ 134.3 Crore in FY17. This increase was primarily due to an increase in travelling and conveyance expenses.

Depreciation and amortisation

Depreciation and amortisation increased by 52.7%, from ₹ 8.4 Crore in FY16 to ₹ 12.8 Crore in FY17. This increase was primarily on account of net additions of fixed and intangible assets of ₹ 20.4 Crore during FY17.

Provisions and write-offs

Provisions and write-offs represented 23.4% of the total expenses for FY17 and increased by ₹ 320.7 Crore, from ₹ 38.6 Crore in FY16 to ₹ 359.4 Crore in FY17. This is due to an NPA provision of ₹ 299.4 Crore made towards its Joint Liability Group (JLG) loan portfolio, as per Company's provision policy.

FUND RAISING

In FY17, the Company raised ₹ 750 Crore in September 2016 through QIP. The Company



received sanctions for ₹ 8,022.0 Crore, as compared to ₹ 8,309.0 Crore during FY16. The Company raised funds worth ₹ 6,900.2 Crore in FY17, as compared to ₹ 7,317.4 Crore in FY16. Funds raised in FY17 include ₹ 991.1 Crore through securitisation of portfolio loans, ₹ 739.2 Crore through assignment and ₹ 680.9 through issuance of Commercial Papers (CPs).

The Company's debt funding sources are broad based and, as on March 31, 2017, its total outstanding borrowings and funds from securitisation/assignment of loans from public sector banks, domestic private banks, foreign banks, and financial and other institutions were 40.7%, 32.3%, 9.9% and 17.1%, respectively, of its total borrowed funds and funds from securitisation/assignment of loans. As on March 31, 2016, its total outstanding borrowings and funds from securitisation/assignment of loans from public

sector banks, domestic private banks, foreign banks, and financial institutions and other institutions were 38.2%, 42.3%, 6.1% and 13.4%, respectively, of its total borrowed funds and funds from securitisation/assignment of loans. The Company's weighted average cost of borrowings including processing fees (on B/S daily average) reduced to 10.9% in FY17 from 12.0% in FY16.

The Company meets the requirements of PSL guidelines and regularly accesses bank financing that qualifies as Priority Sector Lending (PSL). On July 7, 2016, RBI revised PSL norms for all the scheduled commercial banks (excluding regional rural banks). The scope of PSL has been expanded to include new segments for lending such as medium enterprises, social infrastructure and renewable energy. PSL norms have been detailed earlier in this section. The PSL guidelines also specify that,

going forward, the monitoring on compliance for banks on Priority Sector targets will be done on a more frequent basis, that is, quarterly (instead of yearly). Banks will have to publish the information of their Priority Sector advances on both quarterly as well as annual basis. With the quarterly compliance on PSL reporting for banks, the seasonality in funding may reduce and ensure credit flow to the MFI sector on a regular basis throughout the year.

VII. HUMAN RESOURCES MANAGEMENT

The Company always banks on the contributions of its field employees in embarking on a new growth journey. During FY17, the Company continued to show signs of positivity and growth, providing the Management an appetite for enhancing potential and driving growth and development of its people. Building efficiencies and process excellence were the key focus areas for the period, with equal investments in Talent Engagement, Talent Management and Leadership Development.

The Company continued to conduct various learning programs for enhancing potential and providing growth opportunity to its people. Continuing the thrust on developing and grooming of internal leadership among middle-level managers, a series of programmes were initiated. 'GOAL' is a 30-hour program on Business Communication, which provides an opportunity to internal leadership among middle-level managers to learn business language 'English' through an instructor-led training delivery model. To enhance the data analysis

skill, special programs were conducted on MS Office and deserving employees were certified.

The Company continues to pay special attention to new joiners at the field level to ensure that entry-level employees feel "welcomed" in the organisation in the right way and in the right spirit through a program called 'WELCOME – One Day Induction'. As part of building process capabilities for field staff, the Company provided 10,94,056 man-hours of technical training in seven vernacular languages.

The Company has been chosen along with 24 other companies as Aon Best Employers India 2016. The Aon Emerging Best Employers India 2016 study is done in partnership with BusinessWorld and Bloomberg TV India. The Company is also recognised as one of the India's top 50 Companies to work for - 2016 in a study conducted by Great Place to Work Institute (GPTW) in association with The Economic Times.

As part of HR Automation, self-manager services were extended to field staff and leadership team at the field level were enabled with automated dashboards for better man management through HRIS (Human Resources Information System) – SPARK. Processes related payroll were automated which helped the Company enhance efficiencies in payroll management. The Company continues to monitor field HR reports through DAMS – Disciplinary Actions Management system and HR connect.

To support its growing business, the Company hired Business leaders from the banking industry to head various regional offices. The Company

also started hiring talent from various Rural Management Colleges and trained them to create a talent pool for future leadership positions. The Company has provided internal growth opportunities to consistently well performing employees.

During FY17, there was a net addition of 55% manpower at various levels. As on March 31, 2017, the overall employee strength of the Company was 14,755. The human resource distribution shows that the number of field employees in branch offices were 12,626 (86%) and the number of Head Office and Regional Office staff were 2,129 (14%). Voluntary attrition rate during FY17 was 32%.

Cautionary Statement

This document contains statements about expected future events, financial and operating results of the Company, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of Bharat Financial Inclusion Limited's Annual Report, FY2017.

DIRECTORS' REPORT

Dear Members,

Your Board of Directors (the "Board") takes pleasure in presenting the Fourteenth Annual Report of Bharat Financial Inclusion Limited (formerly known as "SKS Microfinance Limited") (the "Company") together with the audited financial statements for the year ended March 31, 2017.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The financial performance of the Company is summarized below:

	Q1FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY 2017	FY 2016	Change (%)
Total revenue (₹ in crore)	414.1	449.6	454.9	409.3	1727.9	1320.7	30.8
Less: Total expenditure (₹ in crore)	275.1	303.7	312.1	644.2	1535.1	926.8	65.6
Profit Before Tax (₹ in crore)	139.1	145.9	142.8	(234.9)	192.8	393.9	-51
Profit After Tax (₹ in crore)	235.9	145.9	142.8	(234.9)	289.7	303.0	-4.4
Earnings Per Share (EPS) (₹)	18.52	11.41	10.36	(17.03)	21.8	23.9	-8.7
Diluted EPS (₹)	18.29	11.26	10.26	(17.03)	21.6	23.6	-8.6

The operational highlights of the Company are summarized below:

Year ended March 31	2017	2016	Change (%)
Number of branches	1,399	1,324	5.7
Number of members (in lakh)*	67.0	69.7	(3.9)
Number of employees	14,775	11,991	23.1
Amount disbursed (₹ in crore)	14,666.9	12,087.8	21.3
Gross loan portfolio (₹ in crore)	9,149.6	7,688.0	19.0
Gross loan portfolio* (₹ in crore)	9,149.6	7,676.9	19.2

*outside Andhra Pradesh and Telangana

The Government of India demonetized ₹ 500 and ₹ 1000 bank notes effective November 9, 2016. This step was taken with a view to curb financing of terrorism through the proceeds of Fake Indian Currency Notes (FICN) and the use of such funds for subversive activities such as espionage, smuggling of arms, drugs and other contrabands into India and to eliminate menace of black money. However, this has severely affected the growth and collection of all MFIs (including the Company).

As per the Company's provisioning policy for portfolio loans, the Company was constrained to make NPA provision of ₹ 308.40 crore (in addition to the standard provision of ₹ 71.8 crore) and consequently the Company had posted a loss of ₹ 234.9 crore for the fourth quarter of FY17. As a consequence of this, though the Company posted a profit after tax ('PAT') of ₹ 381.8 for the half year ended September 30, 2016, the PAT of the Company for the financial year has reduced to ₹ 289.7 as compared to a PAT of ₹ 303.0 crore for FY16.

CAPITAL INFUSION

During the year under review, the Company successfully completed its fund raising through Qualified Institutional Placement ('QIP') of equity shares in the month of September 2016 resulting in a capital infusion of ₹ 749.99 crore. The Company has issued 97,40,259 equity shares at price of ₹ 770 per share. The QIP was oversubscribed multiple times.

RESOURCE MOBILISATION

During the year under review, the Company continue to diversify the sources of funds and raised a sum of ₹ 6,900.2 crore by way of short-term, long-term loans and commercial papers, which was 5.7% lower as compared to ₹ 7,317.4 crore raised during FY16 but 45.8% higher as compared to ₹ 5,019.9 crore during FY15.

The net worth of the Company as on March 31, 2017 was ₹ 2,446.7 crore and capital adequacy as on March 31, 2017 was 33.5%, well in excess of the mandated 15%.

The Company's cost of borrowings reduced to 10.6% in FY17 as compared to 11.6% for FY16. This reduction was mainly driven by sustained turnaround and diversification of sources of funding. In line with the Company's policy of passing on the cost advantages accruing from economies of scale, operational efficiency and reduction in the cost of borrowing to its borrowers, the rate of interest charged by the Company is the lowest rate among the private sector Non-Banking Financial Company - Micro Finance Institutions ('NBFC-MFIs') on its core Income Generating Loans ('IGL').

BUSINESS OVERVIEW

As of March 31, 2017, the Company had 67.0 lakh Members including 53.2 lakh Borrowers spread across 1,266 branches (All branches in states other than Andhra Pradesh and Telangana) in India, with a gross loan portfolio of ₹ 9,149.6 crore as compared to ₹ 7,676.9 crore in FY16.

Please refer Management Discussion and Analysis Report for more information on the Company's Business Overview.

DIVIDEND

In order to conserve resources the Directors have not recommended any dividend for the year under review.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Changes in the composition of the Board of Directors

During the year under review, Mr. Sumir Chadha and Mr. Paresh D. Patel ceased to be Directors of the Company effective from May 4, 2016 and July 21, 2016 respectively.

The Board wishes to place on record its appreciation for the valuable contribution of Mr. Sumir Chadha and Mr. Paresh D. Patel in the sustained growth of the Company during their tenure as Directors of the Company.

The Board, based on the recommendation of the Nomination and Remuneration Committee, appointed Mr. Ashish Lakhanpal as an Additional Director of the Company with effect from May 24, 2017.

A proposal to appoint Mr. Ashish Lakhanpal as a Director liable to retire by rotation, is being included in the Notice of the ensuing AGM to seek your approval.

Directors Retiring by Rotation

To comply with the provisions of Section 152 of the Companies Act, 2013 ('CA 2013') Mr. M.R. Rao, Managing Director & CEO shall retire by rotation at the ensuing AGM, being eligible, offered for reappointment.

DIRECTORS' REPORT (CONTD.)

Declaration of Independence

The Company has received declarations from all Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under Section 149(6) of the CA 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations").

Key Managerial Personnel

As on date Mr. M.R. Rao, Managing Director & CEO, Mr. K. V Rao, Chief Operating Officer, Mr. Ashish Damani, Chief Financial Officer and Mr. Rajendra Patil, Company Secretary of the Company are the Key Managerial Personnel ("KMP") of the Company. During the year under review, Mr. S. Dilli Raj, President, has resigned from the services of the Company on September 21, 2016 and was relieved from the services of the Company effective October 28, 2016

Details of Subsidiary, Associate and Joint Venture of the Company:

The Company doesn't have any subsidiary, associate and joint venture.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 134(3)(c) of the CA 2013 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

1. in the preparation of the accounts for the year ended March 31, 2017, the applicable accounting standards have been followed and there are no material departures from the same;
2. the Directors had selected such accounting policies and applied them consistently, and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017 and of the profit of the Company for the year under review;
3. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the CA 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the Directors had prepared annual accounts of the Company on a 'going concern' basis;
5. the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
6. the Directors had devised proper systems to ensure compliance with the provision of all applicable laws and that such systems were adequate and operating effectively.

POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND REMUNERATION POLICY

Policy for Selection and Appointment of Directors

In compliance with the provisions of the CA 2013 and SEBI LODR Regulations, the Board, on the recommendation of the Nomination and Remuneration Committee ("NRC"), approved the Policy for Selection and Appointment of Directors.

The aforesaid Policy provides a framework to ensure that suitable and efficient succession plans are in place for appointment of Directors on the Board so as to maintain an appropriate balance of skills and experience within the Board. The Policy also provides for selection criteria for appointment of directors,

viz. educational and professional background, general understanding of the Company's business dynamics, global business and social perspective, personal achievements, Board diversity and payment of remuneration to the directors of the Company.

NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS

The details of the meetings of the Board of Directors of the Company held during the year are mentioned in the Corporate Governance Report which is provided separately in this Annual Report.

AUDITORS

(a) Statutory Auditors

The existing Statutory Auditors, S. R. Batliboi & Co. LLP, Chartered Accountants, were appointed at the Eleventh Annual General Meeting for a period of three years until the conclusion of the Fourteenth Annual General Meeting.

In view of the mandatory requirement for rotation of auditors upon completion of 10 years of association with a company, in terms of Section 139 of the CA 2013, S. R. Batliboi & Co. LLP, Chartered Accountants, will retire as the Company's Auditors at the conclusion of the ensuing Fourteenth Annual General Meeting. It is proposed to appoint BSR & Associates LLP, Chartered Accountants (FRN : 116231W / W-100024) as the new Statutory Auditors of the Company. BSR & Associates LLP, Chartered Accountants are proposed to be appointed for a period of five continuous years i.e. from the conclusion of Fourteenth Annual General Meeting till the conclusion of Nineteenth Annual General Meeting of the Company.

BSR & Associates LLP, Chartered Accountants have informed the Company that their appointment, if made, would be within the limits prescribed under Section 141 of the CA 2013 and have also confirmed that they have subjected themselves to the peer review process of the Institute of Chartered Accountants of India ('ICAI') and hold valid certificates issued by the Peer Review Board of the ICAI. BSR & Associates LLP have also furnished a declaration in terms of Section 141 of the CA 2013 that they are eligible to be appointed as auditors and that they have not incurred any disqualification under the CA 2013.

The Board recommends appointment of BSR & Associates LLP, Chartered Accountants as Statutory Auditors of the Company from the conclusion of Fourteenth Annual General Meeting up to the conclusion of Nineteenth Annual General Meeting of the Company, subject to ratification at every Annual General Meeting.

The Board of Directors places on record its appreciation for the services rendered by S. R. Batliboi & Co. LLP, Chartered Accountants as the Statutory Auditors of the Company.

Members' attention is drawn to a Resolution proposing the appointment of BSR & Associates LLP, Chartered Accountants as the new Statutory Auditors of the Company which is included in the Notice convening the Fourteenth Annual General Meeting.

DIRECTORS' REPORT (CONTD.)

(b) Secretarial Auditor and Secretarial Audit Report

Pursuant to Section 204 of the CA 2013, the Company had appointed BS & Company, Company Secretaries LLP, as its Secretarial Auditors to conduct the secretarial audit of the Company for FY17. The Report of secretarial auditor for FY17 is annexed herewith as Annexure - I to Directors' Report.

There are no qualifications, reservation or adverse remark made by the Statutory Auditor and Secretarial Auditor in their reports, save and except disclaimer made by them in discharge of their professional obligation.

DETAILS OF FRAUDS REPORTED BY THE STATUTORY AUDITORS

During the year under review, the Statutory Auditors of the Company have not reported any fraud as required under Section 143(12) of the CA 2013.

PARTICULARS OF LOANS OR GUARANTEES OR INVESTMENTS

Pursuant to the clarification dated February 13, 2015 issued by the Ministry of Corporate Affairs and Section 186(11) of the CA 2013, the provision of Section 134 (3)(g) of the CA 2013 requiring disclosure of particulars of the loans given, investments made or guarantees given or securities provided is not applicable to the Company.

RELATED PARTY TRANSACTIONS

All transactions entered into with Related Parties as defined under the CA 2013 and SEBI LODR Regulations during the year under review were in the ordinary course of business and at an arm's length pricing basis and do not attract the provisions of Section 188 of the CA 2013. The details of the transactions with related parties, if any, are placed before the Audit Committee from time to time.

Details of the related party transactions, which are exempted according to a proviso to Section 188 of the CA 2013, during FY17 are disclosed in Note 27 of the financial statements.

The policy on Related Party Transactions, as approved by the Board, is displayed on the website of the Company at <http://www.bfil.co.in/wp-content/themes/sks/public/downloads/SKS-Related%20Party%20Transaction%20Policy-Version%201-October%2029%202014.pdf>

TRANSFER TO RESERVES

During the year the Company has transferred an amount of ₹ 57.94 crore to Statutory Reserve as required (20% of Profit after tax) under Section 45-IC of RBI Act, 1934.

MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments affecting the financial position of the Company, which has occurred between the end of the financial year of the Company i.e. March 31, 2017 and the date of the Directors' Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO UNDER SECTION 134(3)(M) OF THE CA 2013

The provisions of Section 134(3) (m) of the CA 2013 relating to conservation of energy and technology absorption do not apply to the Company. The Company has, however, used information technology extensively in its operations.

During the year under review, the Company's earning and outgo in foreign exchange earning was Nil and ₹ 1.9 crore respectively. In connection with the foreign exchange outgo, you are also advised to refer Note 32 of the financial statements.

ANNUAL EVALUATION OF THE BOARD

A statement on formal evaluation of the Board is mentioned in the Corporate Governance Report which is provided separately in this Annual Report.

RISK MANAGEMENT POLICY

The Board of the Company has adopted the Risk Management Policy based on the recommendation of the Risk Management Committee in order to assess, monitor and manage risk throughout the Company.

Risk is an integral part of the Company's business, and sound risk management is critical to the success of the organization.

Detailed information on risk management is provided in the Management Discussion and Analysis Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In compliance with Section 135 of the CA 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has established the Corporate Social Responsibility Committee (CSR Committee) in the year 2014 and the composition and function thereof are mentioned in the Corporate Governance Report.

The Board adopted the CSR Policy, formulated and recommended by the CSR Committee, and the same is available on the Company's website.

During FY17, the Company has pursued four (4) CSR Projects viz. Drishti, Animal Wellness Camps, Sanjeevani and Mental Health awareness programme, details thereof are given in the Report on Corporate Social Responsibility Activities which is annexed herewith as Annexure - II to the Directors' Report.

DEPOSITS

During the year under review, the Company has not accepted any deposit from the public.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY OPERATIONS IN FUTURE

There are no significant material orders passed by the Regulators, Courts or Tribunals which would impact the going concern status of the Company and its future operations.

INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

The Company has a policy against sexual harassment and a formal process for dealing with complaints of harassment or discrimination. The Company seeks to ensure that all such complaints are resolved within defined timelines. During FY17, the Company has received ten complaints, of these seven complaints have been resolved and three complaint were pending as on March 31, 2017. The Company has conducted 20 workshops/ awareness programs on prevention of sexual harassment.

DIRECTORS' REPORT (CONTD.)

INTERNAL FINANCIAL CONTROLS

The Company has adequate internal controls and processes in place with respect to its operations, which provide reasonable assurance regarding the reliability of the preparation of financial statements and financial reporting as also functioning of other operations. These controls and processes are driven through various policies and procedures.

Detailed information on Internal Financial Controls is provided in the Management Discussion and Analysis Report.

VIGIL MECHANISM

The Company has adopted the Whistle-blower Policy, and details of the same are explained in the Corporate Governance Report. The Policy is also available on the Company's website.

PARTICULARS OF EMPLOYEES

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of Section 197(12) of the CA 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, have been annexed herewith as Annexure – III to the Directors' Report.

The statement containing particulars of employees as required under Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in a separate annexure forming part of the Directors' Report. In terms of Section 136 of the CA 2013, the Directors' Report and the Accounts are being sent to the Members excluding the aforesaid annexure and the same is open for inspection at the Registered Office of the Company. A copy of the statement may be obtained by the Members, by writing to the Company Secretary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for the year under review is presented separately in this Annual Report.

CORPORATE GOVERNANCE

The Company has adopted best corporate practices, and is committed to conducting its business in accordance with the applicable laws, rules and regulations. The Company follows the highest standards of business ethics. A report on Corporate Governance (forming part of Directors' Report) is provided separately in this Annual Report. During the year under review, the Company was assigned a Corporate Governance Rating of CGR2 by ICRA Limited which implies that in ICRA's opinion, the company has adopted and follows such practices, conventions and codes as would provide its financial stakeholders a high level of assurance on the quality of corporate governance. The Compliance Certificate from BS & Company, Company Secretaries LLP regarding compliance of conditions of corporate governance under the SEBI LODR Regulations is annexed to the Corporate Governance Report.

BUSINESS RESPONSIBILITY REPORT

The Business Responsibility Report for the year under review has been annexed as Annexure - IV to the Directors' Report.

EMPLOYEE STOCK OPTION PLAN (ESOP) AND EMPLOYEE SHARE PURCHASE SCHEME (ESPS)

Presently, stock options have been granted or shares have been issued under the following scheme/plans

- A. SKS Microfinance Employee Share Purchase Scheme 2007 ("ESPS 2007")
- B. SKS Microfinance Employee Stock Option Plan 2008 (Independent Directors) ("ESOP 2008 (ID)")
- C. SKS Microfinance Employee Stock Option Plan 2008 ("ESOP 2008")
- D. SKS Microfinance Employee Stock Option Plan 2009 ("ESOP 2009")
- E. SKS Microfinance Employee Stock Option Plan 2010 ("ESOP 2010")
- F. SKS Microfinance Employee Stock Option Plan 2011 ("ESOP 2011")

The disclosures with respect to each of the above-mentioned scheme/plans, as required by the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, is displayed at Company's website <http://www.bfil.co.in/>.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 134 (3)(a) and Section 92 (3) of the CA 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as at March 31, 2017 in form MGT 9 has been annexed as Annexure - V to the Directors' Report.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their deep and sincere gratitude to the Sangam Members for their confidence and patronage, as well as to the Reserve Bank of India, the Government of India and Regulatory Authorities for their cooperation, support and guidance. Your Directors would like to express a profound sense of appreciation for the commitment shown by the employees in supporting the Company in its endeavor of becoming one of the leading microfinance institutions of the country. Your Directors would also like to express their gratitude to the members, bankers and other stakeholders for their trust and support.

For and on behalf of the Board of Directors

Sd/-
P.H. Ravikumar
Non-Executive Chairman
DIN No.: 00280010

Sd/-
M.R. Rao
Managing Director & CEO
DIN No.: 03276291

Date: June 8, 2017

ANNEXURE I

TO DIRECTORS' REPORT

FORM NO. MR-3

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

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

To,
The Members,
Bharat Financial Inclusion Limited
(Formerly known as SKS Microfinance Limited)

We were appointed by the Board of Directors of Bharat Financial Inclusion Limited ("the Company") to conduct the Secretarial Audit for the financial year ended March 31, 2017.

We have conducted the Secretarial audit in respect of compliance with applicable statutory provisions and the adherence to good corporate practices by the Company. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other documents/records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended March 31, 2017, according to the provisions of:

- (i) The Companies Act, 2013 ("the Act") and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) The Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992:-
 - (a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - (b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

- (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Act and dealing with client;

The Company has identified Master Direction and guidelines issued by the Reserve Bank of India as applicable to NBFCs–ND- SI (Microfinance Institutions) dated September 1st, 2016 as specifically applicable to the Company.

The Company has identified the following laws, Regulations, Guidelines, Rules, etc., as applicable to the Company:

1. The Employees' Provident Fund and Miscellaneous Provisions Act, 1952 & Employee's Provident Fund Schemes, 1952
2. The Employees' State Insurance Act, 1948 and Rules made thereunder
3. The Minimum Wages Act, 1948 and Rules made thereunder
4. The Payment of Wages Act, 1936 and Rules made thereunder
5. The Payment of Bonus Act, 1965 and Rules made thereunder
6. The Payment of Gratuity Act and Rules made thereunder
7. The Maternity Benefit Act, 1961
8. The Equal Remuneration Act, 1976
9. The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959
10. The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
11. Shops and Establishments Acts under various state legislations where the Company has offices.
12. The Contract Labour (Regulation and Abolition) Act, 1970 and rules made thereunder

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI).

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Director, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

ANNEXURE I TO DIRECTORS' REPORT (CONTD.)

Adequate notice was given to all directors to schedule the Board meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

During the period under review, resolutions were carried through majority. The minutes of the meetings held during the audit period did not reveal any dissenting member's view. As confirmed by the Management, there were no dissenting views expressed by any of the members on any business transacted at the meetings held during the period under review.

Based on the information, documents provided and the representations made by the Company, its officers during our audit process and also on review of the compliance reports submitted to the Board and taken on record by the Board of Directors of the Company periodically, in our opinion, there are adequate systems and processes exists in the Company to commensurate with the size and operations of the Company, to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

The compliance by the Company of the applicable financial laws like direct and indirect tax laws and maintenance of financial records and books of accounts has not been reviewed by us since the same have been subject to review by statutory auditors and other professionals.

We further report that during the audit period the Company:

- a. Has changed its name from SKS Microfinance Limited to Bharat Financial Inclusion Limited.
- b. Has increased its Authorised Share Capital from ₹ 155 Crores to ₹ 170 Crores.
- c. Has enhanced the borrowing powers of the Board from ₹ 9,000 Crores to ₹ 12,500 Crores under Section 180(1)(c) of the Companies Act, 2013.
- d. Has renewed the power of the Board with respect to Creation of Charges on the Company's movable and immovable properties to secure borrowings.
- e. Has raised ₹ 750 Crores from Qualified Institutional Buyers (QIB) by issue and allotment of 97,40,259 Equity shares of face value of ₹ 10/- (Rupees Ten only) each at ₹ 770 per share including a premium of ₹ 760/- per share on private placement basis.

For BS & Company Company Secretaries LLP

Sd/-
K.V.S. Subramanyam
FCS No.: 5400
C P No.: 4815

Date: April 25, 2017
Place: Hyderabad

Note: This report is to be read with our letter of even date which is annexed as 'Annexure' and forms an integral part of this report

ANNEXURE

To,
The Members,
Bharat Financial Inclusion Limited
(Formerly known as SKS Microfinance Limited)

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the Management of the Company. Our responsibility is to express as opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of applicable laws, rules and regulations etc.
5. The compliance of the provisions of Companies Act, 2013 and other applicable laws, Rules, Regulations, secretarial standards issued by ICSI is the responsibility of the Management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.
7. We further report that, based on the information provided by the Company, its officers, authorized representatives during the conduct of the audit and also on the review of quarterly compliance report by the respective departmental heads/ Company Secretary/ Managing Director taken on record by the Board of the Company, in our opinion adequate systems and process and control mechanism exist in the Company to monitor compliance with applicable general laws like labour laws & Environment laws and Data protection policy.
8. We further report that the compliance by the Company of applicable fiscal laws like Direct & Indirect tax laws have not been reviewed in this audit since the same has been subject to review by the statutory financial audit and other designated professionals.

For BS & Company Company Secretaries LLP

Sd/-
K.V.S. Subramanyam
FCS No.: 5400
C P No.: 4815

Date: April 25, 2017
Place: Hyderabad

ANNEXURE II TO DIRECTORS' REPORT

REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES IN FY17

CORPORATE SOCIAL RESPONSIBILITY

In compliance with Section 135 of the CA 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Board had constituted the Corporate Social Responsibility Committee ("CSR Committee") in the year 2014.

The Board adopted the CSR Policy, formulated and recommended by the CSR Committee, and the same is available on the Company's website.

During FY17, the Company has pursued four (4) CSR Projects in the states of Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Telangana, Uttar Pradesh and West Bengal. CSR activities carried out by the Company are detailed below:

Drishti is a program through which Company jointly with HelpAge India, Operations Eye Sight India and Royal Commonwealth Society for the Blind (Sight Savers) to organize eye screening camps to identify cataract affected people and conduct free cataract operations in the states of Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Telangana, Uttar Pradesh and West Bengal.

Animal Wellness Camps is a treatment cum awareness program through which the Company in collaboration with JK Trust Gram Vikas Yojana and Animal Husbandry Department of Odisha State Government, conducted animal welfare camps in rural areas of Odisha with the objective to provide primary and emergency veterinary services to the animals.

Sanjeevani is a holistic cattle care management program to reach out to all the cattle farmers in the state of Jharkhand, providing emergency veterinary services including preventive and nutritional services. Cattle health related services extended to farmers is aimed at enabling farmers to adopt dairy as a main source of income with increase in milk productivity both in terms of quality and quantity. This project is seen as an effective tool on long term basis which is sustainable and results in social and economic welfare of the farmers.

Mental Health is an awareness program in partnership with MEHAC Foundation (Mental Health Care and Research Foundation) in the district of Ernakulum, Kerala. MEHAC Foundation collaborates with the National Health Mission (NHM) in providing training to doctors, nurses, ASHA volunteers, and community volunteers of NHM towards educating and addressing mental health care needs of the community. The project involves creating mental health awareness and collecting data to identify and quantify individuals requiring mental health care. This project would help de-stigmatize mental illness and contribute to overall welfare of the community.

The disclosure of the contents of the CSR policy pursuant to Section 134(3)(o) of CA 2013 and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014, are as follows:

S. No.	Particulars	Remarks
1.	A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.	Please refer to the overview of programmes undertaken by the Company, as mentioned above. The CSR policy is available on the web link : http://www.bfil.co.in/wp-content/themes/sks/public/downloads/SKS-CSR%20Policy%20-%20Version%201%20-%20dated%20October%20292014.pdf
2.	The Composition of the CSR Committee.	Mr. Geoffrey Tanner Woolley (Chairman); Mr. M.R. Rao; Dr. Punita Kumar-Sinha; and Dr. Tarun Khanna.
3.	Average net profit of the company for last three financial years.	₹ 155.96 crore
4.	Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)	₹ 3.1 crore
5.	Details of CSR sanctioned (by Board of the company) & spent during the financial year: a) Total amount to be spent for the financial year; b) Amount unspent, if any c) Manner in which the amount spent during the financial year is detailed below	a) ₹ 4.75 Cr b) ₹ 0.09 Cr c) Details given below in Table A
6.	In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.	Not Applicable

TABLE A

1	2	3	4	5	6	7	8	
S. No.	CSR Project or Activity Identified	Sector in which the Project is covered	Projects or programs (1) Local area or others (2) Specify the State and District where projects or programs were undertaken.	Amount Outlay (Budget) Project or Program wise (₹ in crore)	Amount spent on the Projects or Programs Sub Heads: (1) Direct Expenditure on Projects or Programs (₹ in crore)	Amount spent on the Projects or Programs Sub Heads: (2) Overheads (₹ in crore)	Cumulative Expenditure upto the reporting period i.e. FY 2016- 2017 (₹ in crore)	Amount Spent Direct or through Implementing Agency
1.	Drishti	Clause (i) Promoting preventive health care	Bihar- Samastipur Vaishali, Jehanabad, Arwal, Nalanda, Begusarai, Lakhisarai and Patna Chhattisgarh – Raipur	3.20	3.20	0.00	3.20*	HelpAge India, Operation Eye Sight India and Sightsavers (Royal Commonwealth Society for the Blind)

ANNEXURE II

TO DIRECTORS' REPORT (CONTD.)

1	2	3	4	5	6	7	8	
S. No.	CSR Project or Activity Identified	Sector in which the Project is covered	Projects or programs (1) Local area or others (2) Specify the State and District where projects or programs were undertaken.	Amount Outlay (Budget) Project or Program wise (₹ in crore)	Amount spent on the Projects or Programs Sub Heads: (1) Direct Expenditure on Projects or Programs (₹ in crore)	Amount spent on the Projects or Programs Sub Heads: (2) Overheads (₹ in crore)	Cumulative Expenditure upto the reporting period i.e. FY 2016- 2017 (₹ in crore)	Amount Spent Direct or through Implementing Agency
			Madhya Pradesh - Bhopal, Vidisha, Raisen, Narsinghpur, Sagar, Sehore, Ujjain, Shajapur, Hoshangabad Uttar Pradesh - Fatehpur, Jalaun, Kanpur nagar, Kanpur Dehat, Unnao, Kannauj, Farrukkabad, Raibareliy Jharkhand – Hazaribagh Karnataka- Bidar Kerala - Ernakulam, Aleppey, Kottayam, Idukki, Palakkad, Malappuram, Trissur & Kannur Maharashtra - Nashik, Latur, Dhule, Jalgaon, Aurangabad, Ahmadnagar, Palghar, Nanded Odisha- Angul, Balangir, Balasore, Baragarh, Bhadrak, Cuttack, Dhenkanal, Ganjam, Jagatsinghpur, Jajpur, Jharsuguda, Kandhamal, Kendrapada, Keonjhar, Khorda, Mayurbhanj, Rayagada, Nayagarh, Puri, Sambalpur					

1	2	3	4	5	6	7	8	
S. No.	CSR Project or Activity Identified	Sector in which the Project is covered	Projects or programs (1) Local area or others (2) Specify the State and District where projects or programs were undertaken.	Amount Outlay (Budget) Project or Program wise (₹ in crore)	Amount spent on the Projects or Programs Sub Heads: (1) Direct Expenditure on Projects or Programs (₹ in crore)	Amount spent on the Projects or Programs Sub Heads: (2) Overheads (₹ in crore)	Cumulative Expenditure upto the reporting period i.e. FY 2016- 2017 (₹ in crore)	Amount Spent Direct or through Implementing Agency
			West Bengal- Jalpaiguri, Alipurduar, Coochbehar, Uttar Dinajpur Andhra Pradesh - Krishna, Guntur, Khammam, Nellore, Prakasam, Telangana - Warangal					
2.	Animal Wellness Camps	Clause (iv) Animal Welfare	Odisha – Cuttack, Ganjam and Bargarh	0.10	0.10	0	0.10	Spent directly and through JK Trust Gram Vikas Yojana
3.	Sanjeevani	Clause (iv) Animal Welfare	Jharkhand – Ranchi, Ramgarh, Hazaribagh, Loherdaga, Khunti, Koderma, Giridih, Chatra	1.20	1.12	0.08	1.20	Spent Directly
4.	Mental Health	Clause (i) Promoting preventive health care	Kerala – Ernakulum	0.25	0.03	0.01	0.04	MEHAC Foundation
Total				4.75	4.45	0.09	4.54	

*An expenditure of ₹ 0.12 Crore (Drishti Project) related to FY16 was paid during FY17, making the total CSR expenditure during FY17 to ₹ 4.66 Crore.

RESPONSIBILITY STATEMENT

The Responsibility Statement of the CSR Committee of the Board of Directors of the Company has been reproduced below:

The implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and policy of the Company.

June 8, 2017

Sd/-
M.R. Rao
Managing Director and CEO
DIN No.: 03276291

Sd/-
Geoffrey Tanner Woolley
Chairman, Corporate
Social Responsibility Committee
DIN No.: 00306749

ANNEXURE III TO DIRECTORS' REPORT

The ratio of the remuneration of each Director to the median employee's remuneration and such other details in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

S. No.	Requirements	Disclosure
i.	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year	Mr. P.H. Ravikumar 27 : 1 Mr. S. Balachandran 28 : 1 Mr. Geoffrey Tanner Woolley 23 : 1 Mr. Kartik Gopal Alai# 3 : 1 Mr. M.R. Rao 179 : 1 Dr. Punita Kumar-Sinha 23 : 1 Mr. R.M. Malla 5 : 1 Dr. Tarun Khanna 21 : 1
ii.	The percentage increase in remuneration of each director*, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Mr. M.R. Rao, MD & CEO 25% Mr. Ashish Damani, Chief Financial Officer 25% Mr. Rajendra Patil, Company Secretary 20%
iii.	The percentage increase in the median remuneration of employees in the financial year	The percentage increase in the median remuneration of employees in the financial year is around 5%.
iv.	The number of permanent employees on the rolls of the Company	14,139 (Permanent employees: 13,924 and Probationary employees: 215)
v.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	The average percentage increase made in the salaries of total employees other than the Key Managerial Personnel is around 17.77%, while the average increase in the remuneration of the Key Managerial Personnel is the range of 20% to 32%.
vi.	Affirmation that the remuneration is as per the remuneration policy of the Company	Yes

Remuneration was paid to SIDBI

*the details of percentage increase in remuneration of each director are provided in the Corporate Governance Report .

For and on behalf of the Board of Directors

Sd/-
P.H. Ravikumar
Non-Executive Chairman
DIN No.: 00280010

Sd/-
M.R. Rao
Managing Director & CEO
DIN No.: 03276291

Date: June 8, 2017

ANNEXURE IV TO DIRECTORS' REPORT

BUSINESS RESPONSIBILITY REPORT

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. Corporate Identity Number (CIN) of the Company	L65999MH2003PLC250504
2. Name of the Company	Bharat Financial Inclusion Limited (Formerly known as 'SKS Microfinance Limited')
3. Registered address	Registered Office: Unit No. 410, Madhava, Bandra-Kurla Complex, Bandra East, Mumbai – 400 051, Maharashtra, India
4. Website	www.bfil.co.in
5. E-mail id	info@bfil.co.in
6. Financial Year reported	2016-17
7. Sector(s) that the Company is engaged in (industrial activity code-wise)	Financial Services (Microfinance)
8. List three key products/services that the Company manufactures/provides (as in balance sheet)	Microfinance Services i.e., providing loans for income generation activities to economically weaker sections.
9. Total number of locations where business activity is undertaken by the Company	
i. Number of International Locations (Provide details of major 5)	Nil
ii. Number of National Locations	Branches : 1399 Registered Office : 1 Head Office : 1 Regional Offices : 26
10. Markets served by the Company – Local/ State/ National/ International/	National

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. Paid up Capital (INR)	137.98 Crore
2. Total Turnover (INR)	1727.90 Crore
3. Total profit after taxes (INR)	289.69 Crore
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	The Company has spent an amount of ₹ 4.66 Crore during FY 17 which constitutes 2.99% of average profit of 2013-14 to 2015-16.
5. List of activities in which expenditure in 4 above has been incurred	Refer Report on CSR activities forming part of Directors' Report

ANNEXURE IV

TO DIRECTORS' REPORT (CONTD.)

SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies?	The Company does not have any subsidiary
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Not Applicable
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	No

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

a) Details of the Director/Director responsible for implementation of the BR policy/policies	
DIN Number	03276291
Name	Mr. M.R. Rao
Designation	Managing Director & CEO
b) Details of the BR head	
1. DIN Number	03276291
2. Name	Mr. M.R. Rao
3. Designation	Managing Director & CEO
4. Telephone number	040-44526000
5. e-mail id	info@bfil.co.in

2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility. These briefly are as under:

P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
P3	Businesses should promote the wellbeing of all employees
P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.
P5	Businesses should respect and promote human rights.
P6	Business should respect, protect, and make efforts to restore the environment.
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
P8	Businesses should support inclusive growth and equitable development.
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner.

S. No.	Questions	Business Ethics	Product Responsibility	Wellbeing of employees	Stakeholders engagement	Human rights	Environment	Public Policy	CSR	Customer Relations
		P	P	P	P	P	P	P	P	P
		1	2	3	4	5	6	7	8	9
1.	Do you have a policy/policies for	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national/ international standards? If yes, specify? (50 words)	N	N	N	N	N	N	N	N	N
	The spirit and intent of the Company's Code of Conduct, Fair Practices Code and other Codes/ Policies are prepared in compliance with applicable laws /rules /guidelines. In addition, they reflect the vision and mission of the Company of providing financial services to the economically weaker sections that create a commercial microfinance model that delivers high value to our customers.									
4.	Has the policy being approved by the Board? Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	www.bfil.co.in								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the company have in-house structure to implement the policy/ policies	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

ANNEXURE IV

TO DIRECTORS' REPORT (CONTD.)

3. Governance related to BR

<ul style="list-style-type: none"> Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year 	Quarterly
<ul style="list-style-type: none"> Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? 	Yes. There is no separate a BR or a Sustainability Report. However, the Business Plan constitutes the Company's Sustainability Report which is reflected in the Quarterly / Annual Report of the Company and available at http://www.bfil.co.in/reporting/

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1 - Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs / Others?	Yes.
2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.	<ol style="list-style-type: none"> Please refer note 42 (t) of financial statement for customer complaints redressal status. Please refer Corporate Governance Report for investor complaints redressal status.

Principle 2 - Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.	Microfinance Services i.e. providing loans for Income Generation activities to economically weaker section.
2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):	Not applicable
<ol style="list-style-type: none"> Reduction during sourcing/ production/ distribution achieved since the previous year throughout the value chain? Reduction during usage by consumers (energy, water) has been achieved since the previous year? 	

3. Does the company have procedures in place for sustainable sourcing (including transportation)?	Yes. The Company has policy on raising borrowings from different sources to optimise mix at the lowest cost of funds.
i. If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so	
4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?	Yes, wherever possible.
If yes, what steps have been taken to improve their capacity and capability of local and small vendors?	
5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%).	Yes, wherever possible
Also, provide details thereof, in about 50 words or so.	

Principle 3 - Businesses should promote the well-being of all employees

1. Please indicate the Total number of employees.	14,139 (Permanent Employees: 13,924 and Probationary employees : 215)
2. Please indicate the Total number of employees hired on temporary/ contractual/ casual basis	616 (Trainees)
3. Please indicate the Number of permanent women employees.	435
4. Please indicate the Number of permanent employees with disabilities	Nil
5. Do you have an employee association that is recognized by management?	No
6. What percentage of your permanent employees is members of this recognized employee association?	Not applicable
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year	

ANNEXURE IV

TO DIRECTORS' REPORT (CONTD.)

S. No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
1.	Child Labour/ forced labour/ involuntary labour	0	0
2.	Sexual harassment	10	3
3.	Discriminatory employment	0	0

8. What percentage of your under mentioned employees were given safety & skill up gradation training in the last year?	Certain selected employees of the Company at Registered Office, Head Office, Regional Offices and Branches have been given fire & other safety training and first-aid training.
<ul style="list-style-type: none"> - Permanent Employees - Permanent Women Employees - Casual/Temporary/Contractual Employees - Employees with Disabilities 	

Principle 4 - Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

1. Has the company mapped its internal and external stakeholders? Yes/ No	Yes
2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders	Yes
3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.	The Company is engaged in providing financial products at the lowest cost to rural women belonging to weaker section of society to enable them to start economic activity and generate income for their family.

Principle 5 - Businesses should respect and promote human rights

1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?	The Company's policy on Codes of Conduct apply to staff, borrowers and vendors.
2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?	<ol style="list-style-type: none"> 1. Please refer note 42 (t) of financial statement for customer complaints redressal status. 2. Please refer Corporate Governance Report for investor complaints redressal status

Principle 6 - Business should respect, protect, and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the company or extends to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ others.	Not applicable
2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc	Not applicable
3. Does the company identify and assess potential environmental risks? Y/N	Not applicable
4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?	Not applicable
5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.	Not applicable
6. Are the Emissions/ Waste generated by the company within the permissible limits given by CPCB/ SPCB for the financial year being reported?	Not applicable
7. Number of show cause/ legal notices received from CPCB/ SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.	Not applicable

Principle 7 - Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:	The Company is a member of the following associations: 1. Microfinance Institutions Network (MFIN) 2. Sa-Dhan
2. Have you advocated/ lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)	MFIN and Sa-Dhan do MFI industry advocacy and are part of policy making related to MFI Industry.

ANNEXURE IV

TO DIRECTORS' REPORT (CONTD.)

Principle 8 - Businesses should support inclusive growth and equitable development

1. Does the company have specified programmes/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.	The Company focusses on responsible business practices with community centric interventions. The thrust areas are sustainable livelihood – especially skill development and employability training, education and health care, all of which constitute the Human Development Index – a quality of life indicator.
2. Are the programmes/ projects undertaken through in-house team/ own foundation/ external NGO/ government structures/ any other organization?	The Company collaborates with Government bodies, NGOs and donor agencies to implement community initiatives in the thematic areas of livelihoods, health, education, environment and ethnicity. Through employee volunteerism it also utilises in-house resource persons in areas like skill development, etc. The entire gamut of CSR activities are implemented through the following delivery arms: HelpAge India, Operations Eye Sight India and Royal Commonwealth Society for the Blind (Sight Savers), JK Trust Gram Vikas Yojana and MEHAC Foundation.
3. Have you done any impact assessment of your initiative?	Yes
4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.	Please refer to Report on CSR Activities for details.
5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so	Please refer to Report on CSR Activities for details.

Principle 9 - Businesses should engage with and provide value to their customers and consumers in a responsible manner

1. What percentage of customer complaints/ consumer cases are pending as on the end of financial year.	<p>1. Please refer note 42 (t) of financial statement for customer complaints redressal status.</p> <p>2. Please refer Corporate Governance Report for investor complaints redressal status</p>
2. Does the company display product information on the product label, over and above what is mandated as per local laws?	Yes. As per Fair Practices code, the Company is required to display interest being charged and other practices being adopted by the Company in lending loans to its Borrowers.
Yes/No/N.A./Remarks(additional information)	

<p>3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so</p>	<p>A public interest litigation has been filed against State of Maharashtra & Others (including five MFIs, one of which is the Company) before the Hon'ble High Court at Bombay, alleging certain unfair trade practices followed by MFIs such charging excessive rate of interest and adopting coercive recovery practice against the customers.</p> <p>The Company has been following the best client protection principles and conducting its business activities in compliance with the applicable regulations. The Company is not involved in any of the alleged unfair trade practices and is in the process of submitting an appropriate reply to the Court.</p>
<p>4. Did your company carry out any consumer survey/ consumer satisfaction trends?</p>	<p>Yes. This is done periodically.</p>

For and on behalf of the Board of Directors

Sd/-
P.H. Ravikumar
 Non-Executive Chairman
 DIN No.: 00280010

Sd/-
M.R. Rao
 Managing Director & CEO
 DIN No.: 03276291

Date: June 8, 2017

ANNEXURE V

TO DIRECTORS' REPORT

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended March 31, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i. CIN	L65999MH2003PLC250504
ii. Registration Date	September 22, 2003
iii. Name of the Company	Bharat Financial Inclusion Limited (formerly known as 'SKS Microfinance Limited')
iv. Category/ Sub-Category of the Company	Non-Banking Finance Company – Microfinance Institution (NBFC-MFI)
v. Address of the Registered Office and contact details	Registered Office: Unit No. 410, Madhava, Bandra-Kurla Complex, Bandra East, Mumbai – 400 051, Maharashtra, India Email: complianceofficer@bfil.co.in; Website: www.bfil.co.in; Phone 022-26592375 / 040-44526000 Fax No. 022-26592375 / 040-44526001
vi. Whether listed company	Yes
vii. Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Computershare Private Limited Unit: Bharat Financial Inclusion Limited (formerly known as 'SKS Microfinance Limited') Karvy Selenium Tower B, Plot 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad - 500 032 Email: support@karvy.com; Website: www.karvycomputershare.com; Phone 040-23312454 Fax No. 040-23311968

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the Company shall be stated:-

S. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Microfinance Services	64990	89.9%
		Other financial service activities	

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

S. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
- Not Applicable -					

IV. SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

1. Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year (April 1, 2016)				No. of Shares held at the end of the year (March 31, 2017) #				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual / HUF	-	-	-	-	-	-	-	-	-
b) Central Government	-	-	-	-	-	-	-	-	-
c) State Government(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks/ Financial Institutions	-	-	-	-	-	-	-	-	-
f) Any Other....	-	-	-	-	-	-	-	-	-
Sub-total (A) (1):-	-	-	-	-	-	-	-	-	-
(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	3377333	-	3377333	2.65%	2290219	-	2290219	1.66%	-0.99%
d) Banks/ FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A) (2):-	3377333	-	3377333	2.65%	2290219	-	2290219	1.66%	-0.99
Total shareholding of Promoter (A) = (A(1)+A(2))	3377333	-	3377333	2.65%	2290219	-	2290219	1.66%	
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds	15269226	-	15269226	11.99%	10762690	-	10762690	7.80%	-4.19%
b) Venture Capital Funds	-	-	-	-	-	-	-	-	-
c) Alternate Investment Funds	-	-	-	-	13000	-	13000	0.01%	0.01%
d) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
e) Foreign Portfolio Investors	72155113	-	72155113	56.68%	89641228	-	89641228	64.97%	8.29%
f) Financial Institutions / Banks	1553807	-	1553807	1.22%	1635518	-	1635518	1.19%	-0.13%
g) Insurance companies	-	-	-	-	-	-	999998	0.72%	0.72%
h) Provident Funds / Pension Funds	-	-	-	-	-	-	-	-	-
i) Foreign Bodies corporate	9114004	-	9114004	7.16%	5766509	-	5766509	4.18%	-2.98%
j) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	98092150	-	98092150	77.05%	108818943	-	108818943	78.86%	1.81%

ANNEXURE V

TO DIRECTORS' REPORT (CONTD.)

Category of Shareholders	No. of Shares held at the beginning of the year (April 1, 2016)				No. of Shares held at the end of the year (March 31, 2017) #				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Central Government / State Government(s) / President of India	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	-	-	-	-	-	-	-	-	-
3. Non-Institutions									
a) Individuals									
i) Individual shareholders holding nominal share capital up to ₹ 2 lakh	8067648	225380 ⁵	8293028	6.51%	8003972	117392	8121364	5.89%	-0.62%
ii) Individual shareholders holding nominal share capital in excess of ₹ 2 lakh	3397625	120692	3518317	2.76%	4375228	75384	4450612	3.23%	0.47%
b) NBFCs Registered with RBI	4130	-	-	0.00%	42842	-	42842	0.03%	0.03%
c) Employee Trusts	-	-	-	-	-	-	-	-	-
d) Overseas Depositories (Holding DRs) (Balancing figure)	-	-	-	-	-	-	-	-	-
e) Others (specify)									
1. Trusts	5000	-	5000	0.00%	22203	-	22203	0.02%	0.02%
2. Resident Directors	26666	187500	214166	0.17%	41666	187500	229166	0.17%	0.00%
3. Non-resident Director	74080	-	74080	0.06%	34000	-	34000	0.02%	-0.04%
4. Non-resident Indians	1187973	4238866	5426839	4.26%	4562280	-	4562280	3.31%	-0.95%
5. Clearing Members	1214725	-	1214725	0.95%	3797120	-	3797120	2.75%	1.80%
6. Bodies Corporate	7074677	-	7074677	5.56%	5353498	-	5353498	3.88%	-1.68%
7. Non Resident Non Repatriable	-	-	-	-	242054	-	242054	0.18%	0.18%
8. Foreign Nationals	-	-	-	-	336	-	336	0.00%	0.00%
Sub-total (B)(3):-	21052524	4772438	25824962	20.28%	26475199	380276	26855475	19.46%	-0.82%
Total Public Shareholding (B) = (B)(1) + (B)(2) + (B)(3)	119144674	4772438	123917112	97.33%	135294142	380276	135674418	98.33%	1.00%
C. Employee Benefit Trust (under SEBI (Share based Employee Benefit) Regulations 2014)	-	16661	16661	0.01%	-	16661	16661	0.01%	0.00%
Grand Total (A+B+C)	122522007	4789099	127311106	100.00%	137584361	396937	137981298	100.00%	

⁵ Includes 31,815 equity shares allotted by the Company under various ESOP Plans to employees on March 25, 2016 which were in physical form.

Company issued 929933 equity shares under various ESOP Plans to employees and 9740259 equity shares under QIP Issue during FY17.

(ii) Shareholding of Promoters

S. No.	Shareholder's Name	Shareholding at the beginning of the year (April 1, 2016)			Shareholding at the end of the Year (March 31, 2017)			% Change in Shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ of the encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/ of the encumbered to total shares	
1	WestBridge Ventures II LLC	Nil	Nil	- Nil -	-	-	-	Nil
2	Kismet Microfinance	3377333	2.65%	- Nil -	2290219	1.66%	- Nil -	-0.09%
3	Kumaon Investment Holdings	Nil	Nil	- Nil -	-	-	-	Nil

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

S. No.	Shareholder's Name	Shareholding at the beginning of the year (As on April 1, 2016)		Date#	Increase(+)/ Decrease(-) In shareholding	Reason	Cumulative shareholding during the year (01.04.2016 – 31.3.2017)	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
1	WestBridge Ventures II LLC (Formerly Sequoia Capital India II, LLC)	Nil	Nil	-	Nil	-	Nil	Nil
2	Kismet Microfinance	3377333	2.65%	08/04/2016 15/04/2016 22/04/2016 20/05/2016 03/06/2016 10/06/2016 30/06/2016 15/07/2016 22/07/2016 29/07/2016 09/09/2016 30/09/2016 07/10/2016 21/10/2016	(-)166724 (-)243519 (-)186584 (-)34756 (-)5645 (-)68640 (-)44354 (-)27338 (-)13902 (-)55611 (-)15108 (-)105956 (-)39659 (-)79318	Transfer	2290219	1.66%
3	Kumaon Investment Holdings [FII Sub Account with HSBC Bank (Mauritius) Limited]	Nil	Nil	-	Nil	-	Nil	Nil

Date of transfer has been considered as the date on which the beneficiary position was provided by the Depositories to the Company.

ANNEXURE V

TO DIRECTORS' REPORT (CONTD.)

(iv) Shareholding Pattern of Top Ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

S. No.	Shareholder's Name	Shareholding at the beginning of the year (As on April 1, 2016)		Date#	Increase(+)/ Decrease(-) In shareholding	Reason	Cumulative shareholding during the year (01.04.2016 – 31.3.2017)		
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company	
1	MORGAN STANLEY ASIA (SINGAPORE) PTE.	5560823	4.37%	08/04/2016	(-)33209	Transfer	1609045	1.17%	
				15/04/2016	(-)61500				
				22/04/2016	(-)239202				
				29/04/2016	(-)1479				
				06/05/2016	(-)93287				
				20/05/2016	(-)27390				
				27/05/2016	(-)25465				
				03/06/2016	(-)362094				
				10/06/2016	(-)468257				
				17/06/2016	(-)8244				
				24/06/2016	(-)44585				
				30/06/2016	(-)151700				
				01/07/2016	(-)15753				
				08/07/2016	(-)31171				
				15/07/2016	(-)547355				
				22/07/2016	(-)11274				
				29/07/2016	(+)416715				
				05/08/2016	(-)141772				
				12/08/2016	(-)79111				
				19/08/2016	(-)114490				
				26/08/2016	(-)24340				
				16/09/2016	(-)85652				
				23/09/2016	(-)25821				
				30/09/2016	(-)100452				
				07/10/2016	(-)89591				
				21/10/2016	(-)245084				
				28/10/2016	(-)66962				
				04/11/2016	(-)50520				
				11/11/2016	(-)24615				
				18/11/2016	(-)209075				
				25/11/2016	(-)24144				
				02/12/2016	(-)101496				
				09/12/2016	(-)94438				
				16/12/2016	(-)160083				
				23/12/2016	(-)178552				
				30/12/2016	(+)249830				
				13/01/2017	(-)100000				
				20/01/2017	(-)2658				
				03/02/2017	(-)67298				
				10/02/2017	(+)13221				
				24/02/2017	(-)15397				
				03/03/2017	(-)75544				
				10/03/2017	(-)126171				
				17/03/2017	(-)78783				
				24/03/2017	(-)13444				
				31/03/2017	(-)214086				

S. No.	Shareholder's Name	Shareholding at the beginning of the year (As on April 1, 2016)		Date#	Increase(+)/ Decrease(-) In shareholding	Reason	Cumulative shareholding during the year (01.04.2016 – 31.3.2017)	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
2.	AMANSA HOLDINGS PRIVATE LIMITED	5400000	4.24	-	Nil	-	5400000	3.91
3.	SANDSTONE INVESTMENT PARTNERS I	5159502	4.05	02/09/2016 09/09/2016 16/09/2016 23/09/2016 30/09/2016	(-)100000 (-)717000 (-)51581 (-)300000 (-)1643804	Transfer	2347117	1.70
4.	MAX LIFE INSURANCE CO LTD* A/C PARTICIPATING FUND	4549968	3.57	08/04/2016 08/04/2016 15/04/2016 06/05/2016 13/05/2016 20/05/2016 27/05/2016 03/06/2016 10/06/2016 17/06/2016 01/07/2016 08/07/2016 08/07/2016 15/07/2016 22/07/2016 05/08/2016 12/08/2016 26/08/2016 02/09/2016 09/09/2016 16/09/2016 23/09/2016 30/09/2016 07/10/2016 14/10/2016 21/10/2016 25/11/2016 23/12/2016 30/12/2016 24/03/2017	(+)109668 (-)264507 (-)433318 (-)163016 (-)21978 (-)946585 (-)276405 (-)35303 (-)262917 (-)376568 (+)82524 (+)30000 (-)10000 (+)26144 (-)24837 (-)156000 (-)8 (-)227791 (-)27400 (-)39836 (-)1568 (-)29344 (-)995472 (-)107635 (-)65919 (-)67000 (+)1200 (-)800 (-)957 (-)264340	Transfer	Nil	Nil

* Multiple folios consolidated on basis of PAN

ANNEXURE V

TO DIRECTORS' REPORT (CONTD.)

S. No.	Shareholder's Name	Shareholding at the beginning of the year (As on April 1, 2016)		Date#	Increase(+)/Decrease(-) In shareholding	Reason	Cumulative shareholding during the year (01.04.2016 – 31.3.2017)	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
5.	IDFC TAX ADVANTAGE (ELSS) FUND*	4300500	3.38	29/04/2016	(-)56000	Transfer	3004000	2.18
				06/05/2016	(-)14000			
				20/05/2016	(-)577000			
				03/06/2016	(-)100000			
				10/06/2016	(-)19116			
				15/07/2016	(-)10656			
				29/07/2016	(-)200000			
				26/08/2016	(+)3000			
				02/09/2016	(-)100000			
				09/09/2016	(+)1300			
				30/09/2016	(+)9000			
				21/10/2016	(+)2000			
				28/10/2016	(+)4300			
				04/11/2016	(+)306000			
				11/11/2016	(-)5000			
				18/11/2016	(-)229000			
				02/12/2016	(+)201000			
				16/12/2016	(+)22000			
				16/12/2016	(-)50000			
				23/12/2016	(+)114000			
				30/12/2016	(+)162000			
				06/01/2017	(-)361000			
				13/01/2017	(-)382728			
20/01/2017	(-)280000							
27/01/2017	(-)63000							
03/02/2017	(-)257000							
10/02/2017	(+)176000							
10/02/2017	(-)24000							
17/02/2017	(+)142000							
03/03/2017	(+)98000							
03/03/2017	(-)15000							
10/03/2017	(+)171000							
24/03/2017	(-)124000							
31/03/2017	(+)79000							
6.	VINOD KHOSLA	4238866	3.33	17/06/2016	(-)442717	Transfer	2861389	2.08
				24/06/2016	(+)539614			
				24/06/2016	(-)822557			
				30/06/2017	(-)95765			
				20/01/2017	(-)556052			
7.	TREE LINE ASIA MASTER FUND (SINGAPORE) PTE LTD *	3850000	3.02	-	Nil	-	3850000	2.79

* Multiple folios consolidated on basis of PAN

S. No.	Shareholder's Name	Shareholding at the beginning of the year (As on April 1, 2016)		Date#	Increase(+)/ Decrease(-) In shareholding	Reason	Cumulative shareholding during the year (01.04.2016 – 31.3.2017)	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
8.	INDUS INDIA FUND (MAURITIUS) LIMITED	3575583	2.81	08/04/2016	(+)20769	Transfer	Nil	Nil
				22/04/2016	(+)81641			
				06/05/2016	(-)240723			
				03/06/2016	(-)44151			
				24/06/2016	(-)13753			
				08/07/2016	(-)74709			
				15/07/2016	(-)209111			
				05/08/2016	(+)177801			
				12/08/2016	(+)12267			
				19/08/2016	(+)41151			
				02/09/2016	(-)5133			
				07/10/2016	(+)400328 [§]			
				14/10/2016	(-)50000			
				11/11/2016	(-)53929			
				18/11/2016	(+)316223			
				25/11/2016	(-)489063			
				02/12/2016	(-)260584			
				09/12/2016	(-)649401			
				23/12/2016	(-)106114			
				30/12/2016	(-)296879			
06/01/2017	(+)181018							
13/01/2017	(+)130000							
03/02/2017	(-)957057							
03/03/2017	(-)245787							
10/03/2017	(-)416768							
24/03/2017	(-)62201							
31/03/2017	(-)761418							
9.	BARON EMERGING MARKETS FUND	3000000	2.36	29/04/2016	(+)100000	Transfer	Nil	Nil
				13/05/2016	(+)250000			
				10/06/2016	(+)150000			
				07/10/2016	(+)272097 [§]			
				14/10/2016	(-)172000			
				21/10/2016	(-)150000			
				28/10/2016	(-)210638			
				04/11/2016	(-)389362			
				18/11/2016	(-)91642			
				23/12/2016	(-)1122443			
				30/12/2016	(-)446783			
				06/01/2017	(-)600000			
				13/01/2017	(-)589229			

[§]43280 equity shares allotted under QIP Issue - September, 2016.

[§]272097 equity shares allotted under QIP Issue - September, 2016.

ANNEXURE V

TO DIRECTORS' REPORT (CONTD.)

S. No.	Shareholder's Name	Shareholding at the beginning of the year (As on April 1, 2016)		Date#	Increase(+)/ Decrease(-) In shareholding	Reason	Cumulative shareholding during the year (01.04.2016 – 31.3.2017)	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
10.	BIRLA SUN LIFE TRUSTEE COMPANY PRIVATE LIMITED*	2750764	2.16	15/04/2016	(+874	Transfer	1808131	1.31
				13/05/2016	(-)182500			
				20/05/2016	(-)120750			
				27/05/2016	(-)166771			
				30/06/2016	(-)80000			
				08/07/2016	(-)250178			
				15/07/2016	(-)75000			
				22/07/2016	(-)77300			
				29/07/2016	(-)162700			
				05/08/2016	(-)222500			
				12/08/2016	(+)149000			
				26/08/2016	(+)155000			
				26/08/2016	(-)75000			
				09/09/2016	(+)325000			
				07/10/2016	(+)298029 [§]			
				14/10/2016	(+)131000			
				14/10/2016	(-)119			
				04/11/2016	(+)20000			
				11/11/2016	(+)44481			
				18/11/2016	(+)17000			
				18/11/2016	(-)16000			
				02/12/2016	(+)33000			
				09/12/2016	(+)59460			
				16/12/2016	(+)205000			
				30/12/2016	(+)85000			
				30/12/2016	(-)49000			
				06/01/2017	(+)149000			
				27/01/2017	(-)555000			
				03/02/2017	(-)299460			
				10/02/2017	(+)56000			
				17/02/2017	(-)210900			
				03/03/2017	(-)125190			
				10/03/2017	(-)90000			
				17/03/2017	(+)19000			
				31/03/2017	(+)69000			
				31/03/2017	(-)109			

Date of transfer has been considered as the date on which the beneficiary position was provided by the Depositories to the Company.

* Multiple folios consolidated on basis of PAN

§ 298029 equity shares allotted under QIP Issue - September, 2016.

(v) Shareholding of Directors and Key Managerial Personnel:

S. No.	Director's / KMP name	Category of Directors/ KMP	Shareholding at the beginning of the year (As on April 1, 2016)		Date#	Increase(+) / Decrease(-) In shareholding	Reason	Cumulative shareholding during the year (01.04.2016 – 31.3.2017)	
			No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
1	P.H. Ravikumar	Independent Director	20000	0.01%	11.04.2016 12.04.2016 16.06.2016 27.07.2016 31.08.2016	(-) 12000 (-) 2000 +20000 -21000 +30000	Transfer Transfer Allotment Transfer Allotment	35000	0.023%
2.	Geoffrey Tanner Woolley	Independent Director	19000	0.01%	12.04.2016 22.11.2016 12.12.2016	(-)18000 (+)33000 (-)33000	Transfer Allotment Transfer	1000	0.00%
3.	M.R. Rao	Managing Director & CEO	194166	0.15%	Nil	Nil	Nil	194166	0.15%
4.	Kartik Gopal Alai	Nominee Director (SIDBI)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
5.	Punita Kumar-Sinha	Independent Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
6.	Paresh Patel	Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
7.	Rajendra Mohan Malla	Independent Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
8.	S. Balachandran	Independent Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
9.	Sumir Chadha	Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
10.	Tarun Khanna	Independent Director	55080	0.04%	22.11.2016 12.12.2016 15.12.2016	(+)33000 (-)19080 (-)36000	Allotment Transfer Transfer	33000	0.023%
11.	S. Dilli Raj	President	65166	0.05%	Nil	Nil	Nil	65166	0.05%
12	K.V. Rao	Chief Operating Officer	25892	0.02%	07.04.2016 16.06.2016 14.10.2016	(-) 2000 (+) 8000 (+)38783	Transfer Allotment Allotment	70675	0.05%
13.	Ashish Damani	Chief Financial Officer	28976	0.02%	24.06.2016 27.06.2016 16.06.2016 14.10.2016	(-)2200 (-)9800 (+) 8260 (+) 34350	Transfer Transfer Allotment Allotment	59586	0.04%
14.	Rajendra Patil	Company Secretary	Nil	Nil	Nil	Nil	Nil	Nil	Nil

ANNEXURE V

TO DIRECTORS' REPORT (CONTD.)

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/ accrued but not due for payment

S. No.	Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
1.	Indebtedness at the beginning of the financial year				
	i) Principal Amount	48,262,742,480	3,034,095,212	-	51,296,837,692
	ii) Interest due but not paid	-	-	-	-
	iii) Interest accrued but not due	368,196,935	9,381,245	-	377,578,180
	Total (i+ii+iii)	48,630,939,415	3,043,476,457	-	51,674,415,872
2.	Change in Indebtedness during the financial year				
	• Addition (Only principal)	56,157,720,484	19,169,659,765	-	75,327,380,249
	• Reduction (Only principal)	40,422,732,693	14,950,677,045	-	55,373,409,738
	Net Change	15,734,987,790	4,218,982,720	-	19,953,970,510
	Indebtedness at the end of the financial year				
	i) Principal Amount	63,997,730,270	7,253,077,932	-	71,250,808,202
	ii) Interest due but not paid	-	-	-	-
	iii) Interest accrued but not due	369,924,280	2,404,662	-	372,328,942
	Total (i+ii+iii)	64,367,654,550	7,255,482,594	-	71,623,137,144

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(₹ in lakhs)

S. No.	Particulars of Remuneration	Name of Managing Director
		M.R. Rao
1.	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	209.47
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	15.62
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-
2.	Stock Options*	292,500
3.	Sweat Equity	-
4.	Commission - as % of profit - others, specify...	-
5.	Others, please specify	
	a) Bonus	120.00
	b) Contribution to PF	14.47
	c) Leave encashment	5.43
	Total (A)	364.99
	Ceiling as per the CA 2013	2596.20

* Mr. M.R. Rao holds 194166 equity shares allotted prior to FY17 and 292500 Stock Options granted prior to FY17

B. Remuneration to other Directors

							(₹ in lakhs)
A	Name of the Independent Director	P.H. Ravikumar	Geoffrey Tanner Woolley	S. Balachandran	Tarun Khanna	Punita Kumar Sinha	Rajender Mohan Malla
1.	Fee for attending Board/ committee meetings	14.85	7.50	17.05	3.50	7.30	10.00
2.	Commission	40.00	40.00	40.00	40.00	40.00	-
3.	Others, please specify	-	-	-	-	-	-
	Total	54.85	47.50	57.05	43.50	47.30	10.00
	Total (A)						260.20
B	Name of Non-executive Director						Kartik Gopal Alai [#]
1.	Fee for attending Board/ committee meetings						7.00
2.	Commission						-
3.	Others, please specify						-
	Total						7.00
	Total (B)						7.0
	TOTAL (A)+(B)						267.20
	Total Managerial Remuneration including Managing Director						632.19
	Overall Ceiling as per the CA 2013						5711.63

[#] Remuneration was paid to SIDBI

*During the year no remuneration was paid to Mr. Sumir Chadha and Mr. Paresh D. Patel who resigned on May 4, 2016 and July 21, 2016 respectively.

ANNEXURE V

TO DIRECTORS' REPORT (CONTD.)

C. Remuneration to Key Managerial Personnel other than MD/ Manager/ WTD

(₹ in lakhs)

S. No. Particulars of Remuneration	Key Managerial Personnel				Total
	S. Dilli Raj, President*	K.V. Rao, Chief Operating Officer	Ashish Damani, Chief Financial Officer	Rajendra Patil, Company Secretary	
1. Gross salary					
a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	105.81	72.50	53.44	55.02	286.76
b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	15.38	6.32	5.72	27.43
c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-	-
2. Stock Options [§]	-	87,750	87,750	34,000	-
3. Sweat Equity	-	-	-	-	-
4. Commission	-	-	-	-	-
- as % of profit					
- others, specify					
5. Others, please specify					
- Bonus	120.00	25.95	18.76	13.91	178.64
- Contribution to PF	6.80	5.65	3.84	3.90	20.19
- Leave encashment	0.00	0.00	1.66	1.26	2.93
Total	232.61	119.48	84.02	79.83	515.95

* Ceased to be an employee & KMP of the Company w.e.f. October 28, 2016

§ Stock Options granted during FY17

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give details)
A. Company					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
B. Directors					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
C. Other Officers in Default					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

For and on behalf of the Board of Directors

Sd/-
P.H. Ravikumar
 Non-Executive Chairman
 DIN No.: 00280010

Sd/-
M.R. Rao
 Managing Director & CEO
 DIN No.: 03276291

Date: June 8, 2017

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Code of Governance

Bharat Financial Inclusion Limited (formerly known as "SKS Microfinance Limited") ("the Company") follows the highest standards of governance principles, given the profile of customers that the Company works with. This approach has helped the Company weathering the turbulent times that the MFI sector has faced over the last few years. This approach has also demonstrated that the vulnerability to a financial crisis is reduced through acceptance of the Company's approach by other stakeholders in the ecosystem in which the Company operates. It has also ensured sustained access to capital and debt markets on a continuing basis. The Company is committed to strengthen this approach through adoption of 'best in class' philosophy, systems and processes in the realm of governance.

In India, corporate governance standards for listed companies are also mandated under the Companies Act, 2013 ("CA 2013") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"). In addition to the above, corporate governance standards for Non-Banking Finance Companies are also prescribed by Reserve Bank of India. To align corporate governance standards with the provisions of CA 2013, SEBI through notifications dated May 25, 2016, May 27, 2016 and January 4, 2017 had revised the SEBI LODR Regulations and mandated listed companies to comply with the same.

The Company has always believed in implementing corporate governance guidelines and practices that go beyond meeting the letter of the law and has comprehensively adopted practices mandated in CA 2013 and SEBI LODR Regulations to fulfil its responsibility towards the stakeholders. These guidelines ensure that the Board of Directors ("the Board") will have the necessary authority to review and evaluate the operations when required. Further, these guidelines allow the Board to make decisions that are independent of the Management.

This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders Information, reports the Company's compliance with Regulation 34 and 53 of SEBI LODR Regulations.

Board of Directors

Composition and category of the Directors

As on March 31, 2017, the Company's Board comprised of eight (8) Directors, including six (6) Independent Directors. The Chairman of the Board is a Non-Executive and Independent Director. The composition of the Board is in conformity with Regulation 17 of SEBI LODR Regulations, which stipulates that the board should have an optimum combination of executive and non-executive directors with at least one (1) woman director and at least fifty per cent (50%) of the board should consist of non-executive directors. It further stipulates that if the chairperson of the board is a non-executive and non-promoter Director then at least one-third of the board should comprise of independent directors.

During the year under review, the Board met five (5) times on May 4, 2016, July 21, 2016, October 28, 2016, January 24, 2017 and March 24, 2017. The time gap between any two meetings was less than four months.

The names of the members of the Board, their status, their attendance at the Board Meetings and the last Annual General Meeting ("AGM"), number of other Directorships and Committee membership(s)/ chairmanship(s) of each Director are as under:

S No.	Name of Director	Category of Directors	No. of meetings held in FY17	No. of meetings attended (including through electronic mode) in FY17	Whether attended last AGM	No. of other Directorships held in other public companies	No. of other Board Committee Memberships	No. of Chairmanships of other Board Committees
1.	Mr. P.H. Ravikumar	Non-executive Chairman & Independent Director	5	5	Yes	8	3	2
2.	Mr. S. Balachandran	Independent Director	5	5	Yes	1	-	1
3.	Mr. Geoffrey Tanner Woolley	Independent Director	5	5	Yes	-	-	-
4.	Mr. K.G. Alai	Nominee Director (SIDBI)	5	5	Yes	-	-	-
5.	Mr.M.R. Rao	Managing Director & CEO	5	5	Yes	-	-	-
6.	Mr. Paresh D. Patel ¹	Director	1	1	N.A	-	-	-
7.	Dr. Punita Kumar-Sinha	Independent Director	5	5	Yes	9	4	2
8.	Mr. R.M. Malla	Independent Director	5	5	Yes	5	2	-
9.	Mr. Sumir Chadha ¹	Director	-	-	-	-	-	-
10.	Dr. Tarun Khanna	Independent Director	5	4	Yes	-	-	-

Notes:

1. Mr.Sumir Chadha and Mr. Paresh D. Patel resigned from the office of Director w.e.f May 4, 2016 and July 21, 2016 respectively.
2. None of the Directors of the Company were members in more than ten (10) committees or acted as Chairperson of more than five (5) committees across all public limited companies in which they were Directors. For the purpose of reckoning the limit, Chairmanship/ membership of the Audit Committee and the Stakeholders' Relationship Committee alone have been considered;
3. None of the Directors held directorships in more than ten (10) public limited companies;
4. None of the Directors is related to any Director or is a member of an extended family;
5. None of the employees of the Company is related to any of the Directors;
6. None of the Directors has any business relationship with the Company;
7. None of the Directors has received any loans or advances from the Company during the year.

REPORT ON CORPORATE GOVERNANCE (CONTD.)

No. of Shares and convertible instruments held by the Non-Executive Directors

Details of shares or convertible instruments of the Company held by the Non-Executive Directors as on March 31, 2017 are given below:

S. No.	Director's name	No. of stock options	No. of equity shares
1.	Mr. P.H. Ravikumar	50000	35000
2.	Mr. Geoffrey Tanner Woolley	134000	1000
3.	Dr. Tarun Khanna	134000	33000

Familiarization programme

The Board has been apprised/ familiarized about the business performance, product and processes, business model, nature of the industry in which the Company operates, roles and responsibilities of the Board Members under the applicable laws, etc., on a periodic basis and the details of such familiarization programmes are available at <http://www.bfil.co.in/wp-content/themes/sks/public/downloads/Familirisation%20Programme.pdf>

All new Directors inducted into the Board are introduced to the Company through appropriate orientation sessions. Presentations are made by senior management officers to provide an overview of the Company's operations and to familiarize the new Directors with the operations. They are also introduced to the organization's culture, services, constitution, Board procedures, matters reserved for the Board and risk management strategy.

The Company also facilitates the continual education requirements of its Directors. Support is provided for Independent Directors, if they choose to attend professional educational programmes in the areas of Board/ corporate governance.

Information Supplied to the Board

The Board has complete access to all relevant information of the Company. The quantum and quality of information supplied by the management to the Board goes well beyond the minimum requirement stipulated in Regulation 17 (7) of SEBI LODR Regulations. All information, except critical unpublished price sensitive information (which is circulated at a shorter notice than the period prescribed under Secretarial Standard on Meetings of the Board of Directors), is given to the Directors well in advance of the Board and the Committee meetings.

The Board works closely with the Executive Management Team to constantly review the evolving operating environment and strategies best suited to enhance the Company's performance and periodically reviews compliance reports of all laws applicable to the Company as well as steps taken by the Company to rectify instances of non-compliance, if any.

Code of Conduct

The Board has laid down a Code of Conduct for all the Board Members and Senior Management of the Company. The Code of Conduct is available on the website of the Company at <http://www.bfil.co.in/code-of-conduct/>. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Chief Executive Officer ("CEO") to this effect is enclosed at the end of this report.

Committees of the Board

The Board has constituted committees to delegate particular matters that require greater and more focused attention in the affairs of the Company.

All decisions pertaining to the constitution of committees, appointment of members and fixing of terms of reference for committee members is taken by the Board. Details on the role and composition of these committees, including the number of meetings held during the financial year and the related attendance, are provided below:

a) Audit Committee

The Audit Committee comprises of four (4) members including three (3) Independent Directors:

During the year, Mr. R.M. Malla was appointed as Member and Chairman of the Committee effective May 4, 2016 and July 21, 2016 respectively. The composition of the Committee is given in the Table A.

The Audit Committee oversees the financial reporting process and reviews, with the Management, the financial statements to ensure that the same are correct and credible. The Audit Committee has the ultimate authority and responsibility to select and evaluate the Independent Auditors in accordance with the law. The Audit Committee also reviews performance of the Statutory Auditors, the Internal Auditors, adequacy of the internal control system and Whistle-blower mechanism.

The Audit Committee charter is available on the website of the Company at <http://www.bfil.co.in/charter-of-committees/>

During the year under review, the Audit Committee met five (5) times on May 4, 2016, July 20, 2016, October 28, 2016, December 9, 2016 and January 23, 2017. The time gap between any two meetings was less than four months. During the year of review, there were no instances where the Board of Directors of the company didnot accept the recommendation of Audit Committee. The details of the attendance of the Directors at the Audit Committee meetings are given below:

Table A
Attendance record of the Audit Committee-

Name of the Member	Position	Status	No. of Meetings held	No. of Meetings Attended
Mr. R.M. Malla	Independent Director	Chairman (from July 21, 2016)	4	4
Mr. S. Balachandran	Independent Director	Member	5	5
Mr. K.G. Alai	Nominee Director (SIDBI)	Member	5	4
Mr. P.H. Ravikumar	Independent Director	Member (Chairman up to July 20, 2016)	5	5

The Chief Financial Officer, who is responsible for the finance function, the Head of Internal Audit and the representative of the Statutory Auditors, are regularly invited to attend meetings of the Audit Committee. Mr. Rajendra Patil, Company Secretary & Compliance Officer, acts as the Secretary to the Audit Committee.

All members of the Audit Committee have accounting and financial management expertise. The Chairman of the Audit Committee was present at the Company's Thirteenth Annual General Meeting of the Company held on July 21, 2016 to answer queries of the shareholders.

REPORT ON CORPORATE GOVERNANCE (CONTD.)

b) Asset Liability Management Committee

The Asset Liability Management Committee ("ALM Committee") comprises of four (4) members including three (3) Independent Directors.

During the year, Mr. R.M. Malla was appointed as Member of the Committee effective May 4, 2016. The composition of the Committee is given in the Table B.

The functions of the ALM Committee include addressing concerns regarding asset liability mismatches, interest rate risk exposure, and achieving optimal return on capital employed while maintaining acceptable levels of risk including and relating to liquidity, market and operational aspects and adhering to the relevant policies and regulations.

The ALM Committee charter is available on the website of the Company at <http://www.bfil.co.in/charter-of-committees/>

During the year under review, the ALM Committee met four (4) times on July 20, 2016, December 9, 2016, January 23, 2017 and February 2, 2017. The details of the attendance of the Directors at the ALM Committee meetings are given below:

TABLE – B
Attendance record of the ALM Committee

Name of the Member	Position	Status	No. of Meetings held	No. of Meetings Attended
Mr. S. Balachandran	Independent Director	Chairman	4	4
Mr. M.R. Rao	Managing Director & CEO	Member	4	4
Mr. P.H. Ravikumar	Independent Director	Member	4	3
Mr. R.M. Malla	Independent Director	Member	4	4

c) Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee ("CSR Committee") comprises of four (4) members including three (3) Independent Directors. The composition of the Committee is given in the Table C.

The functions of the CSR Committee include formulation and monitoring of CSR Policy, recommending CSR Projects and budgets thereof, review of CSR initiatives undertaken/ to be undertaken by the Company and to do such other things as directed by the Board and in compliance with the applicable laws.

The CSR Committee charter and the CSR policy of the Company are available on the website of the Company: <http://www.bfil.co.in/charter-of-committees/>

During the year under review, the CSR Committee met three (3) times on May 4, 2016, October 28, 2016 and January 24, 2017. The details of the attendance of the Directors at the CSR Committee meetings are given below:

TABLE – C
Attendance record of the CSR Committee

Name of the Member	Position	Status	No. of Meetings held	No. of Meetings Attended
Mr. Geoffrey Tanner Woolley	Independent Director	Chairman	3	3
Mr. M.R. Rao	Managing Director & CEO	Member	3	2
Dr. Punita Kumar-Sinha	Independent Director	Member	3	3
Dr. Tarun Khanna	Independent Director	Member	3	1

d) Nomination and Remuneration Committee

The Nomination and Remuneration Committee (“NRC Committee”) currently comprises of four (4) members who are Independent Directors. The composition of the Committee is given in the Table D.

Mr. Sumir Chadha and Mr. Paresh D. Patel have resigned as a director of the Committee w.e.f May 4, 2016 and July 21, 2016 respectively and consequently ceased as member of the Committee.

The NRC Committee charter is available on the website of the Company <http://www.bfil.co.in/charter-of-committees/>

During the year under review, the NRC Committee met three (3) times on May 4, 2016, July 21, 2016 and October 28, 2016. The details of the attendance of the Directors at the NRC Committee meetings are given below:

TABLE – D
Attendance record of the NRC Committee

Name of the Member	Position	Status	No. of Meetings held	No. of Meetings Attended
Mr. S. Balachandran	Independent Director	Chairman	3	3
Mr. Geoffrey Tanner Woolley	Independent Director	Member	3	3
Dr. Punita Kumar-Sinha	Independent Director	Member	3	3
Dr. Tarun Khanna	Independent Director	Member	3	2
Mr. Paresh D. Patel	Director	Member	1	1
Mr. Sumir Chadha	Director	Member	1	0

Performance evaluation of Board Members

CA 2013 and SEBI LODR Regulations stipulates the performance evaluation of the Directors including Chairperson, Board and its Committees. Further, SEBI vide its circular dated January 5, 2017 issued a guidance note on Board Evaluation for listed companies. The Company has devised a process and criteria for the performance evaluation which has been recommended by the NRC Committee and approved by the Board.

REPORT ON CORPORATE GOVERNANCE (CONTD.)

The evaluations for the Directors and the Board are done through separate structured questionnaires, one each for Independent and Non-Executive Directors, Managing Director & CEO, Board and the Committees of the Board in line with the aforesaid SEBI circular.

A separate exercise was carried out to evaluate the performance of all Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution; knowledge, skill and understanding of the areas which are relevant to them in their capacity as members of the Board; independence of judgement; safeguarding the interest of the Company, etc. The performance of the Managing Director & CEO was evaluated on additional parameters such as strategy formulation and execution; financial performance; leadership; knowledge of the product, etc. The performance evaluation of each Independent Director was carried out by the entire Board, excluding the Independent Director concerned. The performance evaluation of the Non-Executive Directors was carried out by the Independent Directors.

Remuneration Policy

The NRC Committee determines and recommends to the Board the compensation payable to the Directors. The NRC Committee reckons the performance of the team, the manner in which the sector is performing and the prevailing and emerging levels of compensation while submitting to the Board their views. All Board-level compensation is approved by the shareholders and disclosed separately in the financial statements.

Remuneration for the Managing Director and CEO and other senior executives consists of a fixed component and a variable component. The NRC Committee conducts an annual appraisal of the performance of the Managing Director and CEO and other senior executives based on a performance-related matrix. The annual compensation of the senior executives is approved by the NRC Committee. It also recommends the annual compensation of the Managing Director and CEO, which is approved by the Board.

The Managing Director and CEO of the Company is entitled to an annual variable pay each fiscal year, which is subject to the achievement of certain fiscal year milestones by the Company, as determined by the Board.

The compensation payable to the Independent Directors is as decided by the Board, the sum of which does not exceed 1% of the net profits for the year, calculated as per the provisions of the CA 2013. The performance of the Independent Directors is reviewed by the Board on an annual basis.

Remuneration paid to Mr. M.R. Rao, Managing Director & CEO

(₹ in lakhs)

	FY17	FY16
Salary and Perquisites	230.52	180.07
Contribution to Provident and Other Funds	14.47	11.60
Performance Linked Incentive	120.00	94.50
Total	364.99	286.17

Remuneration to Non-Executive Directors including Independent Directors*(₹ in lakhs)*

Name of the Director	FY17			FY16			
	Sitting Fees	Commission [§]	Total	Sitting Fees	Commission [§]	Total	% Increase
Mr. P.H. Ravikumar	14.85	36.00	50.85	14.45	40.00	54.45	-6.61
Mr. S. Balachandran	17.05	36.00	53.05	16.95	40.00	56.95	-6.84
Mr. Geoffrey Tanner Woolley	7.50	36.00	43.50	8.50	40.00	48.50	-10.30
Mr. K.G. Alai*	7.00	-	7.00	1.50	-	1.50	+78.57
Dr. Punita Kumar-Sinha	7.30	36.00	43.30	6.00	40.00	46.00	-5.86
Mr. R.M. Malla [#]	10.00	36.00	46.00	-	-	-	N.A.
Dr. Tarun Khanna	3.50	36.00	39.50	2.00	40.00	42.00	-5.95

[§] Commission for FY16 was paid in FY17 & Commission for FY17 will be paid in FY18. Commission was paid to Independent Directors based on the tenure of their association with the Company.

* Appointed as SIDBI Nominee Director w.e.f October 30, 2015 and the remuneration was paid to SIDBI.

[#] Appointed as Director w.e.f March 11, 2016

During FY17, the Company has not advanced loans to any of its Directors.

e) Risk Management Committee

The Company follows well-established and detailed risk assessment and minimization procedures. The Company especially focuses on improving its sensitivity to the assessment of risks and improving methods of computation of risk weights. The risk assessment and mitigation procedures are reviewed by the Board periodically. The Company's risk management framework is discussed in detail in the chapter on Management Discussion and Analysis.

The Risk Management Committee ("RM Committee") comprises of four (4) members including three (3) Independent Directors.

During the year, Mr. R.M. Malla was appointed as Member of the Committee effective May 4, 2016. The composition of the Committee is given in the Table E.

The functions of the RM Committee include monitoring and reviewing risk management plan, operational risk, information technology risk, integrity risk, etc., and taking strategic actions in mitigating risk associated with the business.

The RM Committee charter is available on the website of the Company <http://www.bfil.co.in/charter-of-committees/>.

During the year under review, the RM Committee met three (3) times on July 20, 2016, December 9, 2016 and January 23, 2017. The details of the attendance of the Directors at the RM Committee meetings are given below:

REPORT ON CORPORATE GOVERNANCE (CONTD.)

TABLE - E
Attendance record of the RM Committee

Name of the Member	Position	Status	No. of Meetings held	No. of Meetings Attended
Mr. P.H. Ravikumar	Independent Director	Chairman	3	3
Mr. S. Balachandran	Independent Director	Member	3	3
Mr. M.R. Rao	Managing Director & CEO	Member	3	3
Mr. R.M. Malla	Independent Director	Member	3	3

f) Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee ("SRC Committee") comprises of four (4) members, who are all Independent Directors.

During the year, Mr R.M. Malla was appointed as Member of the SRC Committee effective May 4, 2016. The composition of the SRC Committee is given in the Table F.

The functions and powers of the SRC Committee include review and resolution of grievances of shareholders, debenture holders and other security holders; dealing with all aspects relating to the issue and allotment of shares, debentures and other securities; approve sub-division, consolidation, transfer and issue of duplicate share/ debenture certificate.

The SRC Committee charter is available on the website of the Company <http://www.bfil.co.in/charter-of-committees/>.

During the year under review, the SRC Committee met twice (2) on May 4, 2016 and December 9, 2016. Details of the attendance are given below:

TABLE - F
Attendance record of the SRC Committee

Name of the Member	Position	Status	No. of Meetings held	No. of Meetings Attended
Mr. P.H. Ravikumar	Independent Director	Chairman	2	2
Mr. S. Balachandran	Independent Director	Member	2	2
Mr. Geoffrey Tanner Woolley	Independent Director	Member	2	1
Mr. R.M. Malla (w.e.f. May 4, 2016)	Independent Director	Member	1	0

Mr. Rajendra Patil, EVP-Legal & Company Secretary is the Compliance Officer of the Company and acts as the Secretary to the SRC Committee.

Nature of complaints received and attended to during FY17

Details of queries and grievances received and attended to by the Company during FY17 are given below:

Nature of Complaint	Pending as on April 1, 2016	Received during 2016-17	Answered during 2016-17	Pending as on March 31, 2017
1. Transfer / Transmission / Duplicate	Nil	Nil	Nil	Nil
2. Non-receipt of Dividend	Nil	2	2	Nil
3. Dematerialization / Rematerialization of shares	Nil	Nil	Nil	Nil
4. Complaints received from:				
- Securities and Exchange Board of India/Scores	Nil	1	1	Nil
- Stock Exchanges	Nil	Nil	Nil	Nil
- Registrar of Companies/ Ministry of Corporate Affairs:	Nil	Nil	Nil	Nil
- Company & Registrar (Non receipt of Annual Report and Change / correction of address)	Nil	63	63	Nil
5 Legal	Nil	Nil	Nil	Nil

In addition to the aforesaid Committees, the Board has constituted two (2) non-mandatory Committees to oversee specific operational activities, namely the ESOP Allotment Committee and the Finance Committee.

GENERAL BODY MEETINGS

Details of location and time, where last three Annual General Meetings held are given below:

Financial Year	Category	Location of the meeting	Date	Time
2015-2016	AGM	Rangswar Auditorium, Y.B.Chavan Centre, General Jagannath Bhosle Marg, Mumbai - 400 021, Maharashtra	July 21, 2016	2.30 p.m.
2014-15	AGM	Y.B. Chavan Auditorium, General Jagannath Bhosle Marg, Mumbai - 400 021, Maharashtra	September 23, 2015	11.00 a.m.
2013-14	AGM	Y.B. Chavan Auditorium, General Jagannath Bhosle Marg, Mumbai - 400 021, Maharashtra	September 29, 2014	11.00 a.m.

REPORT ON CORPORATE GOVERNANCE (CONTD.)

The following business items were approved by Special Resolution in the last three AGMs, and were passed with the requisite majority:

FY16: Thirteenth Annual General Meeting

1. Infusion of Capital

FY15: Twelfth Annual General Meeting

1. Revision in the commission payable to the Independent Directors of the Company; and
2. Issue and allotment of Non-Convertible Debentures and other debt securities on private placement basis

FY14: Eleventh Annual General Meeting

1. Revision in the commission payable to the Independent Directors; and
2. Adoption of new Articles of Association of the Company containing regulations in conformity with the Companies Act, 2013.

Postal Ballot

During the year,

- a) Special resolutions as proposed in the Postal Ballot notice dated June 14, 2016 were passed on July 21, 2016 with requisite majority, for the following purposes:

1. Enhancement of Borrowing Limits to ₹ 12,500 Crore under Section 180(1)(a) of CA 2013:

Voting Pattern :

Particulars	Number of Members voted	Number of votes cast in favour of the resolution	Percentage of votes
Total Number of Valid Votes received	529	7,08,53,930	-
Votes in favour of the Resolution	510	7,04,96,881	99.50
Votes against the Resolution	19	3,57,049	0.50

2. Creation of charge on the Company's moveable and immoveable properties to secure borrowings under Section 180(1) (a) and (c) of CA 2013:

Voting Pattern :

Particulars	Number of Members voted	Number of votes cast in favour of the resolution	Percentage of votes
Total Number of Valid Votes received	524	7,05,23,308	-
Votes in favour of the Resolution	503	7,01,66,269	99.49
Votes against the Resolution	21	3,57,039	0.51

3. Issue and allotment of Non- Convertible Debentures and/or other debt securities on private placement basis under Section 42 and 71 of CA 2013:

Voting Pattern :

Particulars	Number of Members voted	Number of votes cast in favour of the resolution	Percentage of votes
Total Number of Valid Votes received	527	7,08,53,609	-
Votes in favour of the Resolution	489	6,42,32,242	90.65
Votes against the Resolution	6	66,21,367	9.35

- b) Special resolutions as proposed in the Postal Ballot notice dated May 4, 2016 were passed on June 6, 2016 with requisite majority, for the following purpose:

Approval for change of Company's existing name, "SKS Microfinance Limited" to "Bharat Financial Inclusion Limited" and consequent alterations in the Memorandum of Association and Articles of Association of the Company.

Voting Pattern :

Particulars	Number of Members voted	Number of votes cast in favour of the resolution	Percentage of votes
Total Number of Valid Votes received	601	6,67,50,255	-
Votes in favour of the Resolution	574	6,67,43,390	99.99
Votes against the Resolution	30	6,865	0.01

Mr.K.V.S.Subramanyam, Company Secretary, Partner of M/s Ravi & Subramanyam, Company Secretaries acted as the Scrutinisers for the aforesaid Postal Ballot Process conducted during the year.

Means of Communication with Shareholders

All important information relating to the Company and its performance, including financial results and shareholding pattern, are posted on the website of the Company: www.bfil.co.in. The website also displays all official press releases and presentation to analysts made by the Company.

The quarterly, half yearly and annual results of the Company's performance are published in leading newspapers like The Financial Express (English) and Loksatta (Marathi).

REPORT ON CORPORATE GOVERNANCE (CONTD.)

General Shareholder Information

i. Annual General Meeting

Date: July 7, 2017

Day: Friday

Time: 2:30 p.m.

Venue: Y.B. Chavan Auditorium,
General Jagannath Bhosle Marg,
Mumbai - 400 021, Maharashtra

ii. Financial Calendar

Financial year: April 1 to March 31

For the year ended March 31, 2017, results were announced on:

- July 21, 2016: First quarter
- October 28, 2016 : Half yearly
- January 24, 2017 : Third quarter
- May 1, 2017: Fourth quarter and annual

For the year ending March 31, 2018, results will be announced by

- On or before August 14, 2017: First quarter
- On or before November 14, 2017: Half yearly
- On or before February 14, 2018: Third quarter
- On or before May 30, 2018: Fourth quarter and annual

iii. Dividend Payment Date : The Company has not declared any Dividend for FY 17.

iv. Dates of Book Closure

The dates of book closure are from July 1, 2017 to July 7, 2017 inclusive of both days.

v. Name and address of each Stock Exchange(s) at which the Company's securities are listed and a confirmation about payment of annual listing fee to each of such stock exchange(s)

At present, the equity shares of the Company are listed on:

1. BSE Limited ("BSE")
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
2. The National Stock Exchange of India Limited ("NSE").
Exchange Plaza, Bandra-Kurla Complex
Bandra (East), Mumbai – 400 051

The annual listing fees for FY17 to BSE and NSE has been paid.

vi. Stock Exchange codes

Name of the Stock Exchange	Stock Code
The National Stock Exchange of India Limited, Mumbai	BHARATFIN
BSE Limited, Mumbai	533228

vii. Market Price Data & Performance in comparison to broad-based indices High, lows and volumes of the Company's shares for FY17 at BSE and NSE

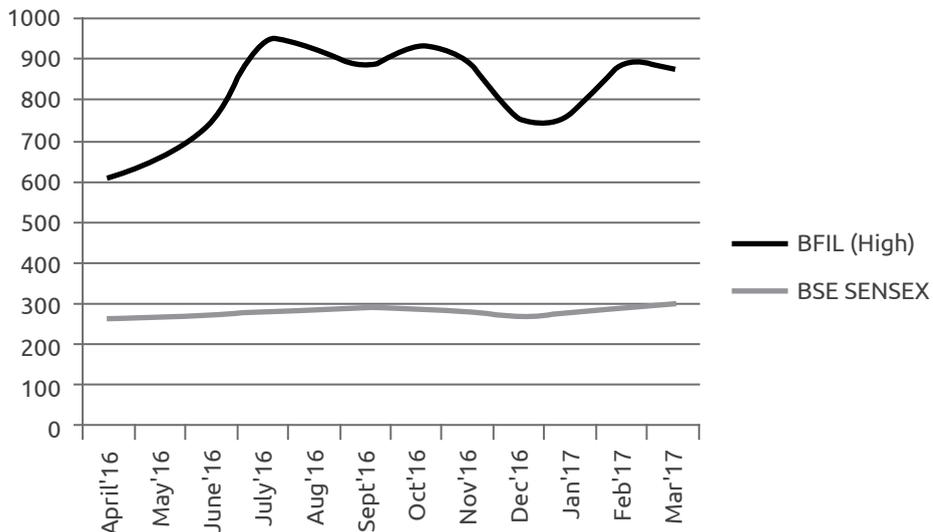
Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
April 2016	610	523.40	2685212	610	522.55	25706786
May 2016	658.20	579	4975452	658	577.75	37031241
June 2016	746	633.35	3991200	745.90	631	29381725
July 2016	938.75	732.05	4404277	939	731.95	40254361
Aug 2016	925.25	732.90	5775888	925.95	733	51351039
Sept 2016	882.90	722.05	4771367	882.70	721.40	37062127
Oct 2016	930.50	854	2466060	930	852.95	22981281
Nov 2016	895	591.60	6068352	894.70	591	60880928
Dec 2016	754.20	465.40	14265414	756	465.10	128909725
Jan 2017	765	589.80	11943191	764.80	589	84936704
Feb 2017	884.75	731.45	8032368	884.85	731.55	62361626
March 2017	876	754.25	12502913	876.80	753.95	136954406

Note: High and low are in Rupees per traded share

Volumes is the total monthly volume of trade in number of Company's shares

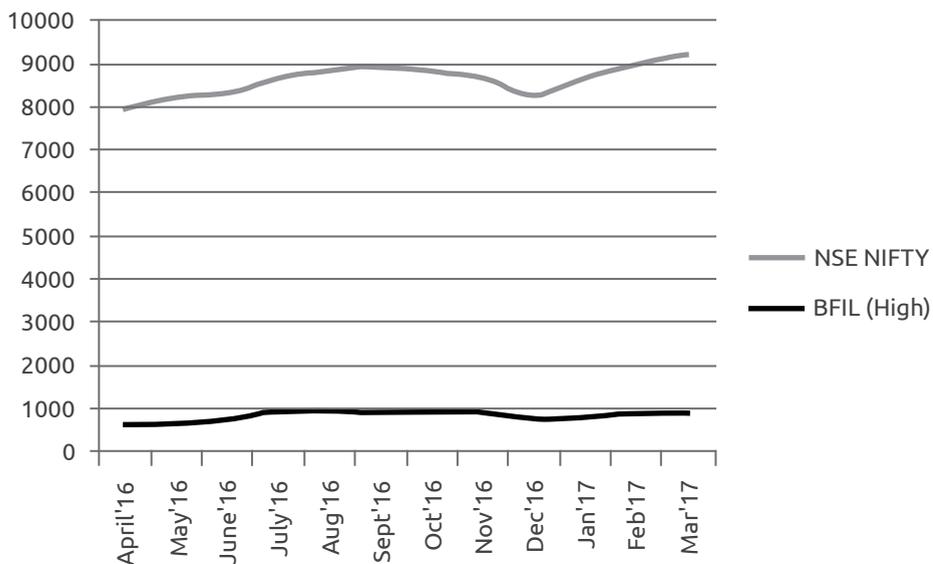
REPORT ON CORPORATE GOVERNANCE (CONTD.)

Company's Share Performance on BSE versus BSE Sensex



Note: The BSE Sensex have been indexed to 100

Company's Share Performance on NSE versus Nifty



viii. Registrar & Share Transfer Agents

The Company has appointed Karvy Computershare Private Limited ("Karvy") as its Registrar and Transfer Agent. All share transfers and related operations are conducted by Karvy, which is registered with the SEBI.

Karvy Computershare Private Limited
(Unit : Bharat Financial Inclusion Limited)
(formerly known as SKS Microfinance Limited)
Karvy Selenium Tower B, Plot 31-32,
Gachibowli Financial District, Nanakramguda,
Hyderabad 500 032.
Email: einward.ris@karvy.com
Phone No: 040-67162222
Fax No: 040-23001153

ix. Share Transfer System

The Company has constituted a Stakeholder's Relationship Committee for redressing shareholder and investor complaints.

x. Distribution of shareholding as on March 31, 2017

Category	No of Cases	% of Cases	Total Shares	Amount	% of Amount
upto 1 - 5000	60209	94.64	3800971	38009710	2.75
5001 - 10000	1478	2.32	1131598	11315980	0.82
10001 - 20000	734	1.15	1110188	11101880	0.80
20001 - 30000	256	0.40	649594	6495940	0.47
30001 - 40000	132	0.20	474090	4740900	0.34
40001 - 50000	126	0.19	592064	5920640	0.42
50001 - 100000	169	0.26	1238946	12389460	0.89
100001 & ABOVE	511	0.80	128983847	1289838470	93.47
TOTAL	63615	100	137981298	1379812980	100

xi. Dematerialization of Shares and liquidity

As at March 31, 2017, 99.71% shares of the Company were held in dematerialized form.

xii. Outstanding GDRs/ ADRs/ Warrants/ Options or any Convertible instruments, conversion date and likely impact on equity

Nil

xiii. Commodity price risk or foreign exchange risk and hedging activities: - N.A**xiv. Branch Offices**

The Company has 1399 branches as on March 31, 2017 across India.

REPORT ON CORPORATE GOVERNANCE (CONTD.)

xv. Plant Locations: N.A

xvi. Address for correspondence

Shareholders/ Investors may write to the Company Secretary at the following address:

The Company Secretary
Bharat Financial Inclusion Limited
(formerly known as "SKS Microfinance Limited")
Registered Office Address:
Unit No. 410, 'Madhava', Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051.

Email: complianceofficer@bfil.co.in
Phone No: 022-26592375,040-4452 6000
Fax No: 022-2659 2375/040-4452 6001

In addition to the aforesaid, Debentureholders may write to the Debenture Trustee at the following address:

IDBI Trusteeship Services Limited
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate,
Mumbai 400 001

Email: itsl@idbitrustee.co.in
Phone No: +91 22 4080 7000
Fax No: +91 22 6631 1776
Investor Grievance Email: response@idbitrustee.com

Other Disclosures

Materially significant related party transactions

No materially significant related party transactions that may have potential conflict with the interests of the Company at large were reported during FY17.

Details of non-compliance by the Company

The Company has complied with all the requirements of regulatory authorities. No penalties/ strictures were imposed on the Company by the stock exchanges or the SEBI or any statutory authority on any matter relating to the capital market during the last three years.

Whistle-blower mechanism

The Company has adopted the Whistle-blower Policy pursuant to which employees of the Company can raise their concerns relating to malpractices, inappropriate use of funds or any other activity or event which is against the interest of the Company. Further, the mechanism adopted by the Company encourages the employees to report genuine concerns or grievances, and provides for adequate safeguards against victimization of employees who avail of such a mechanism and also provides for direct access to the Chairperson of the Audit Committee, in exceptional cases.

Code of Conduct for prevention of insider trading

In compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015 on prevention of insider trading, the Company has adopted a revised Code of Conduct for prevention of Insider Trading to regulate, monitor and report trading; and preserve confidentiality of unpublished price sensitive information to prevent misuse of such information by its employees and other connected persons. The Code of Conduct lays down guidelines which advise them on procedures to be followed and disclosures to be made while dealing with shares of the Company, and cautioning them of the consequences of violations.

Details of compliance with mandatory requirements

The Company is fully compliant with the applicable mandatory requirements of Regulation 34 of SEBI LODR Regulations.

Adoption of non-mandatory requirements

Although it is not mandatory, the Board has appointed separate persons for the post of Chairman of the Board [Non-Executive (Independent) Director] and Managing Director and CEO; and the Internal Auditor reports directly to the Audit Committee.

Weblink where policy on dealing with related party transactions

The policy on Related Party Transactions, as approved by the Board, is displayed on the website of the Company at <http://www.bfil.co.in/wp-content/themes/sks/public/downloads/SKS-Related%20Party%20Transaction%20Policy-Version%201-October%2029%202014.pdf>

Commodity Price Risks and Commodity Hedging Activities : N.A**Compliance certificate regarding compliance of conditions of corporate governance**

As required by Schedule V (E) to SEBI LODR Regulations, the auditors' certificate on corporate governance is enclosed as Annexure to this report.

Disclosures of the compliance with corporate governance requirements specified in regulation 17 to 27 and Regulation 46 (2) (b) to (i) of SEBI LODR Regulations

Particulars	Regulation Number	Compliance status
(Yes/ No/ NA)		
Board composition	17(1)	Yes
Meeting of Board of directors	17(2)	Yes
Review of Compliance Reports	17(3)	Yes
Plans for orderly succession for appointments	17(4)	Yes
Code of Conduct	17(5)	Yes
Fees/compensation	17(6)	Yes
Minimum Information	17(7)	Yes
Compliance Certificate	17(8)	Yes
Risk Assessment & Management	17(9)	Yes

REPORT ON CORPORATE GOVERNANCE (CONTD.)

Particulars	Regulation Number	Compliance status
Performance Evaluation of Independent Directors	17(10)	Yes
Composition of Audit Committee	18(1)	Yes
Meeting of Audit Committee	18(2)	Yes
Composition of Nomination & Remuneration Committee	19(1) & (2)	Yes
Composition of Stakeholder Relationship Committee	20(1) & (2)	Yes
Composition and role of risk management committee	21(1),(2),(3),(4)	Yes
Vigil Mechanism	22	Yes
Policy for related party transaction	23(1),(5),(6),(7) & (8)	Yes
Prior or Omnibus approval of Audit Committee for all related party transactions	23(2), (3)	N.A.
Approval for material related party transactions	23(4)	N.A.
Composition of Board of Directors of unlisted material Subsidiary	24(1)	N.A.
Other Corporate Governance requirements with respect to subsidiary of listed entity	24(2),(3),(4),(5) & (6)	N.A.
Maximum Directorship & Tenure	25(1) & (2)	Yes
Meeting of independent directors	25(3) & (4)	Yes
Familiarization of independent directors	25(7)	Yes
Memberships in Committees	26(1)	Yes
Affirmation with compliance to code of conduct from members of Board of Directors and Senior management personnel	26(3)	Yes
Disclosure of Shareholding by Non-Executive Directors	26(4)	Yes
Policy with respect to Obligations of directors and senior management	26(2) & 26(5)	Yes
Other corporate governance requirements	27	Yes
Website	46 (b) to (i)	Yes

CEO Certification on Code Of Conduct

I, M.R. Rao, Managing Director and CEO of Bharat Financial Inclusion Limited (Formerly known as 'SKS Microfinance Limited'), hereby certify that all the Board Members and Senior Managerial Personnel (Core Management Team) have affirmed compliance with the Code of Conduct of the Company laid down by the Board of Directors, for the year ended March 31, 2017.

Sd/-

M.R. Rao

Managing Director and CEO

CERTIFICATE OF CORPORATE GOVERNANCE

Under Regulation 34(3) read with Schedule V (E) of the Securities and Exchange Board of India
(Listing Obligations and Disclosure Requirements) Regulations, 2015

To,
The Members,
Bharat Financial Inclusion Limited
(Formerly known as SKS Microfinance Limited)
Mumbai

We have examined all the relevant records of Bharat Financial Inclusion Limited (Formerly known as SKS Microfinance Limited) (the Company) for the purpose of certifying the compliance of the conditions of Corporate Governance as stipulated under Regulation 17 to 27, Clauses (b) to (i) of sub-regulation (2) of Regulation 46 and para C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the period commencing from 1st April, 2016 and ended on 31st March, 2017. We have obtained all the information and explanations which are to the best of our knowledge and belief were necessary for the purpose of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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 under Regulation 17 to 27, Clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and para C, D and E of Schedule V for the period commencing from 1st April, 2016 and ended on 31st March, 2017.

This Certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

For BS & Company Company Secretaries LLP
(formerly BS & Company Company Secretaries)

Date: 28.04.2017
Place: Hyderabad

Sd/-
Dafthardar Soumya
Designated Partner
ACS No. 29312
C P No.: 13199

INDEPENDENT AUDITOR'S REPORT

To the Members of Bharat Financial Inclusion Limited (formerly "SKS Microfinance Limited")

Report on the Financial Statements

We have audited the accompanying financial statements of Bharat Financial Inclusion Limited (formerly known as SKS Microfinance Limited) ("the Company"), which comprise the Balance Sheet as at March 31, 2017, 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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2017, its profit, and its 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, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The 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 aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016;
 - (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 2 to this report;
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 38 to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
 - iv. The Company has provided disclosures in Note 40 (a) in the financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 9, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including those in Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the management. However, as stated in Note 40 (a) in the financial statements and as represented to us by the Management, the Company has received amount aggregating ₹ 95.60 crores from transactions which are not permitted.

For S.R. BATLIBOI & CO. LLP
ICAI Firm's Registration Number: 301003E/E300005
Chartered Accountants

Sd/-
per Shrawan Jalan
Partner
Membership Number: 102102
Mumbai
May 1, 2017

INDEPENDENT AUDITOR'S REPORT (CONTD.)

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Bharat Financial Inclusion Limited (formerly "SKS Microfinance Limited")

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given by the management, there are no immovable properties included in fixed assets of the Company and accordingly the requirements under clause 3(i)(c) of the Order are not applicable to the Company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company and hence not commented upon.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii)(a), (b) and (c) 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 are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the products/services of the Company
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, 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.

- (b) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amount under dispute (₹)	Amount paid (₹)*	Period to which its relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	16,918,466	-	Assessment Year 2010-11	The Deputy Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	8,117,274	8,117,274	Assessment Year 2012-13	Income Tax Appellate Tribunal
Chapter V of the Finance Act, 1994** #	Service Tax	777,874,850	44,574,205	Financial years 2006-07 to 2014-15	Customs Excise and Service Tax Appellate Tribunal

* Excluding interest and penalty, as applicable **The Company has paid this amount under protest

Includes an order received from service tax authorities against which the Company intends to file an appeal

-
- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowings to a financial institution or bank or dues to debenture holders.
- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer or further public offer, hence not commented upon.
- Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no material fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197, read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has complied with provisions of section 42 of the Companies Act, 2013 in respect of the private placement of shares during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.
- (xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

For S.R. BATLIBOI & CO. LLP
ICAI Firm's Registration Number: 301003E/E30000
Chartered Accountants

Sd/-
per Shrawan Jalan
Partner
Membership Number: 102102
Mumbai
May 1, 2017

INDEPENDENT AUDITOR'S REPORT (CONTD.)

Annexure referred to in paragraph 2 (f) under the heading "Report on other legal and regulatory requirements" of our report of even date

Report on Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

To the Members of Bharat Financial Inclusion Limited (formerly "SKS Microfinance Limited") We have audited the internal financial controls over financial reporting of Bharat Financial Inclusion Limited (formerly known as SKS Microfinance Limited) ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance

with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. BATLIBOI & CO. LLP
ICAI Firm's Registration Number: 301003E/E30000
Chartered Accountants

Sd/-

per Shrawan Jalan

Partner

Membership Number: 102102

Mumbai

May 1, 2017

BALANCE SHEET

AS AT MARCH 31, 2017

(Amount in ₹ unless otherwise stated)

	Notes	31-Mar-17	31-Mar-16
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	3	1,379,812,980	1,273,111,060
Reserves and surplus	4	23,087,596,963	12,556,839,779
		24,467,409,943	13,829,950,839
Share application money pending allotment	5	-	24,546
NON-CURRENT LIABILITIES			
Long-term borrowings	6	22,085,440,678	21,687,374,496
Other Long-term liabilities	9	75,747,359	149,974,157
Long-term provisions	7	2,712,006,934	241,778,503
		24,873,194,971	22,079,127,156
CURRENT LIABILITIES			
Short-term borrowings	8	11,237,187,201	6,443,173,705
Other current liabilities	9	42,080,069,450	28,457,060,283
Short-term provisions	7	1,517,764,035	727,675,468
		54,835,020,686	35,627,909,456
TOTAL		104,175,625,600	71,537,011,997
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	169,559,208	114,164,875
Intangible assets	11	49,457,497	36,147,887
Intangible assets under development		1,760,000	14,215,576
Non-current investments	12	2,000,000	2,000,000
Deferred tax assets	13	-	-
Long-term loans and advances	14	14,416,937,518	4,135,391,693
Other non-current assets	15	682,750,737	1,886,385,361
		15,322,464,960	6,188,305,392
CURRENT ASSETS			
Trade receivables	16	109,263,741	63,682,166
Cash and bank balances	17	28,063,684,572	17,662,827,632
Short-term loans and advances	14	59,854,321,879	46,080,225,445
Other current assets	15	825,890,448	1,541,971,362
		88,853,160,640	65,348,706,605
TOTAL		104,175,625,600	71,537,011,997
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 & CO. LLP
ICAI Firm registration number : 301003E/E300005
Chartered Accountants

sd/-
per Shrawan Jalan
Partner
Membership No.102102

For and on behalf of the Board of Directors of
Bharat Financial Inclusion Limited
(Formerly known as 'SKS Microfinance Limited')

sd/-
P.H. Ravikumar
Non-Executive Chairman

sd/-
M.R.Rao
Managing Director and
Chief Executive Officer

sd/-
Ashish Damani
Chief Financial Officer

sd/-
Rajendra Patil
Company Secretary

Date: May 1, 2017
Place: Mumbai

Place: Hyderabad

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 2017

(Amount in ₹ unless otherwise stated)

	Notes	31-Mar-17	31-Mar-16
Income			
Revenue from operations	18	15,530,750,637	11,691,340,741
Other income	19	1,748,297,186	1,515,387,250
Total revenue (I)		17,279,047,823	13,206,727,991
Expenses			
Employee benefit expenses	20	4,061,601,407	2,923,691,210
Finance costs	21	6,224,613,499	4,845,734,781
Other expenses	22	1,343,209,259	1,028,320,971
Depreciation and amortization expenses	23	127,714,322	83,643,995
Provisions and write-offs	24	3,593,530,741	386,414,751
Total expenses (II)		15,350,669,228	9,267,805,708
Profit before tax (III)=(I)-(II)		1,928,378,595	3,938,922,283
Tax expenses			
Current tax (Minimum Alternate Tax)		1,094,306,076	909,107,324
Minimum Alternate Tax credit entitlement		(2,062,829,787)	-
Total tax expense (IV)		(968,523,711)	909,107,324
Profit after tax (III)-(IV)		2,896,902,306	3,029,814,959
Earnings per equity share [Nominal value of share ₹ 10 (March 31, 2016: ₹ 10)]	25		
Basic (Computed on the basis of total profit for the year)		21.82	23.90
Diluted (Computed on the basis of total profit for the year)		21.56	23.58
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 & CO. LLP
ICAI Firm registration number : 301003E/E300005
Chartered Accountants

sd/-
per Shrawan Jalan
Partner
Membership No.102102

For and on behalf of the Board of Directors of
Bharat Financial Inclusion Limited
(Formerly known as 'SKS Microfinance Limited')

sd/-
P.H. Ravikumar
Non-Executive Chairman

sd/-
M.R.Rao
Managing Director and
Chief Executive Officer

sd/-
Ashish Damani
Chief Financial Officer

sd/-
Rajendra Patil
Company Secretary

Date: May 1, 2017
Place: Mumbai

Place: Hyderabad

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2017

(Amount in ₹ unless otherwise stated)

	31-Mar-17	31-Mar-16
Cash flow from operating activities		
Profit before tax	1,928,378,595	3,938,922,283
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortization	127,714,322	83,643,995
Provision for employee benefits	72,503,362	66,929,670
(Profit) / loss on sale of fixed assets	(911,102)	(770,575)
Stock option expenditure	193,075,333	110,277,578
Contingent provision against standard assets	197,272,856	193,565,814
Provision for non-performing assets	2,405,261,999	11,779,202
Portfolio loans and other balances written off	86,719,013	63,790,855
Provision and loss on securitized / managed portfolio	904,276,873	117,278,880
Other provisions and write offs	61,091,281	46,610,003
Operating profit before working capital changes	5,975,382,532	4,632,027,705
Movements in working capital :		
Increase / (decrease) in other current liabilities	(1,529,065,469)	2,296,379,913
Decrease / (increase) in trade receivables	(45,581,575)	(29,512,668)
Decrease / (increase) in loans and advances	(22,132,121,976)	(20,722,045,769)
Decrease / (increase) in other current assets	716,080,914	(896,830,862)
Decrease / (increase) in other non-current assets	93,021,547	(101,308,676)
Decrease / (increase) in margin money deposit (net)	(847,584,642)	(599,304,704)
Cash generated from / (used in) operations	(17,769,868,669)	(15,420,595,061)
Direct taxes paid (net of refunds)	(1,101,178,822)	(927,191,189)
Net cash flow from / (used in) operating activities (A)	(18,871,047,491)	(16,347,786,250)
Cash flows from investing activities		
Purchase of property, plant and equipments, including capital work in progress and capital advances	(191,934,467)	(148,670,507)
Proceeds from sale of property, plant and equipments	4,213,751	1,333,938
Net cash flow from / (used in) investing activities (B)	(187,720,716)	(147,336,569)

(Amount in ₹ unless otherwise stated)

	31-Mar-17	31-Mar-16
Cash flows from financing activities		
Proceeds from issuance of equity share capital (including share application money)	7,720,521,644	225,259,548
Share issue expenses	(173,064,725)	-
Long-term borrowings (net) (including non-convertible debentures)	15,159,957,013	18,151,571,060
Short-term borrowings (net) (including commercial paper)	4,794,013,496	346,897,230
Net cash flow from / (used in) financing activities (C)	27,501,427,428	18,723,727,838
Net increase / (decrease) in cash and cash equivalents (A + B + C)	8,442,659,221	2,228,605,019
Cash and cash equivalents at the beginning of the year	16,603,243,146	14,374,638,127
Cash and cash equivalents at the end of the year (refer note 17)	25,045,902,367	16,603,243,146
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 & CO. LLP
ICAI Firm registration number : 301003E/E300005
Chartered Accountants

Sd/-
per Shrawan Jalan
Partner
Membership No.102102

Date: May 1, 2017
Place: Mumbai

**For and on behalf of the Board of Directors of
Bharat Financial Inclusion Limited
(Formerly known as 'SKS Microfinance Limited')**

Sd/-
P.H. Ravikumar
Non-Executive Chairman

Sd/-
Ashish Damani
Chief Financial Officer

Place: Hyderabad

Sd/-
M.R.Rao
Managing Director and
Chief Executive Officer

Sd/-
Rajendra Patil
Company Secretary

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

1. Corporate information

Bharat Financial Inclusion Limited (Formerly known as 'SKS Microfinance Limited') ('the Company') is a public company domiciled in India and incorporated under the provision of the Companies Act, 1956. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and has got classified as a Non-Banking Financial Company – Micro Finance Institution ('NBFC-MFI') with effect from November 18, 2013. Its shares are listed on two stock exchanges in India.

The Company is engaged primarily in providing micro finance services to women in the rural areas of India who are enrolled as members and organised as Joint Liability Groups ('JLG'). The Company has its focus operation spread across 16 states.

In addition to the core business of providing micro-credit, the Company uses its distribution channel to provide other financial products and services to the members. Programs in this regard primarily relate to providing of loans to the members for the purchase of certain productivity-enhancing products such as mobile handsets, solar lamps, bicycle, sewing machines etc.

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 section 133 of the Companies Act, 2013 ('the Act'), read together with rule 7 of the Companies (Accounts) Rules, 2014, Companies (Accounting Standards) Amendment Rules, 2016 and the provisions of the RBI applicable as per Master Directions - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued vide Notification No. DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016, as amended from time to time ('the NBFC Master Directions, 2016'). The financial statements have been prepared on an accrual basis and under the historical cost convention except as detailed in note 2.1 (b).

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.1. Summary 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. Revenue recognition

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

- i. Interest income on loans given is recognised under the internal rate of return method. Income or any other charges on non-performing asset is recognised only when realised and any such income recognised before the asset became non-performing and remaining unrealised is reversed.

- ii. Interest income on deposits with banks is recognised on a time proportion accrual basis taking into account the amount outstanding and the interest rate applicable.
- iii. Loan processing fees are amortised over the tenure of the loan on straight-line basis.
- iv. Profit / premium arising at the time of securitisation / assignment of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognised in the statement of profit and loss net of any losses when redeemed in cash. Interest retained under assignment of loan receivables is recognised on realisation basis over the life of the underlying loan portfolio.
- v. All other income is recognised on an accrual basis.

c. Property, plant and equipment

All Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price and directly attributable cost of bringing the asset to its working condition for the intended use.

d. Intangible assets

Computer software costs are capitalised and amortised using the written down value method at a rate of 40% per annum.

e. Depreciation

Depreciation on tangible fixed assets is provided on the written down value method using the rates arrived at based on useful life of the assets prescribed under Schedule II of the Companies Act, 2013 which is also as per the useful life of the assets estimated by the management.

f. Impairment of Property, plant and equipment 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 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 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.

g. Leases (where the Company is the lessee)

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

h. Investments

Investments which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried in the financial statement at lower of cost and fair value determined on an individual investment basis. 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. On disposal of an investment, the difference between the carrying amount and net disposal proceeds are charged or credited to the statement of profit and loss.

i. Borrowing costs

Borrowing cost includes interest and other costs incurred in connection with the arrangement of borrowings. All borrowing costs are expensed in the period they occur.

j. Foreign currency transactions

- i. All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transaction.
- ii. Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.
- iii. Exchange differences arising on the settlement of monetary items or on the restatement of 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. Retirement and other employee benefits

- i. Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service.
- ii. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains and losses for defined benefit plans are recognised in full in the period in which they occur in the statement of profit and loss.
- iii. 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 leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date.
- 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.
- v. The Company recognizes termination benefit as a liability and an expense when the Company has a present obligation as a result of past event, it is probable that an

outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

l. Income taxes

- i. 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss.
- ii. 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 using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss.
- iii. Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.
- iv. The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of 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.
- v. Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the MAT Credit Entitlement asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

m. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as fraction of an equity share to the extent that they were entitled to participate in dividends related to a fully paid equity share during the reporting year.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

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

n. Provisions

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

o. 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.

p. Cash and cash equivalents

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

q. Share based payments

In case of stock option plan, measurement and disclosure of the employee share-based payment plans is done in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and 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 fair value method. Compensation expense is amortised over the vesting period of the option on the straight line basis.

r. Classification of loan portfolio

i. Portfolio loans are classified as follows:

Asset classification	Arrear period
Standard assets	Overdue for less than 8 weeks
Non-performing assets	
Sub-standard assets	Overdue for more than 8 weeks and upto 25 weeks
Loss assets	Overdue for more than 25 weeks

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

The above classification is in compliance with the NBFC Master Directions, 2016.

Loans and advances other than portfolio loans are classified as standard, sub-standard, doubtful and loss assets in accordance with the NBFC Master Directions, 2016.

s. Provisioning policy for Loan portfolio

- i. Provisioning policy for loan portfolio:

Asset Classification	Arrear period	Provisioning percentage
Standard assets	Overdue for less than 8 weeks	Refer note 1 and 2
Sub-standard assets	Overdue for more than 8 weeks and upto 25 weeks	50%
Loss assets	Overdue for more than 25 weeks	100% provision / Written off (Refer note (iv))

Note 1: The above mentioned provision for standard assets is linked to the Portfolio at Risk (PAR) as shown below:

Portfolio at Risk	Provisioning percentage (% of Standard Assets)
0 – 1%	0.35%
Above 1% to 1.5%	0.50%
Above 1.5% to 2%	0.75%
Above 2%	1.00%

Provision on standard assets has been made in line with the NBFC Master Directions, 2016.

Note 2: The overall provision for portfolio loans determined as per the above mentioned provisioning policy is subject to the provision prescribed in the NBFC Master Directions, 2016 for Non-Banking Financial Company – Micro Finance Institutions (NBFC-MFIs). These Directions require the total provision for portfolio loans to be higher of (a) 1% of the outstanding loan portfolio or (b) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more. Such additional provision created in order to comply provisioning policy as applicable to NBFC-MFI is classified and disclosed in the Balance Sheet alongwith the contingent provision for standard assets.

- ii. Loans and advances other than portfolio loans are provided for at the higher of management estimates and provision required as per the NBFC Master Directions, 2016.
- iii. Provision on securitised / managed portfolio is made as per the Company's provisioning policy for portfolio loans mentioned in (i) above net of losses, if any and subject to the maximum guarantee given in respect of these arrangements.
- iv. All overdue loans including loans where the tenure of the loan is completed and in the opinion of the management any amount is not recoverable, are fully provided for / written off.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

(Amount in ₹ unless otherwise stated)

3. Share capital	31-Mar-17	31-Mar-16
Authorized shares		
157,000,000 (March 31, 2016: 142,000,000) equity shares of ₹ 10/- each	1,570,000,000	1,420,000,000
13,000,000 (March 31, 2016: 13,000,000) preference shares of ₹ 10/- each	130,000,000	130,000,000
Issued, subscribed and fully paid-up shares		
137,981,298 (March 31, 2016: 127,311,106) equity shares of ₹ 10/- each fully paid up	1,379,812,980	1,273,111,060
Total issued, subscribed and fully paid-up share capital	1,379,812,980	1,273,111,060

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

Equity shares

	31-Mar-17		31-Mar-16	
	No. of Shares	₹	No. of Shares	₹
At the beginning of the year	127,311,106	1,273,111,060	126,292,493	1,262,924,930
Issued during the year - Stock options	929,933	9,299,330	1,018,613	10,186,130
Issued during the year - Qualified Institutional Placement	9,740,259	97,402,590	-	-
Outstanding at the end of the year	137,981,298	1,379,812,980	127,311,106	1,273,111,060

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. Dividend declared and paid would be in Indian rupees.

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 shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

The Company has issued 3,298,526 shares (March 31, 2016: 2,719,961) during the period of five years immediately preceding the reporting date on exercise of options granted under stock option plans wherein part consideration was received in the form of services rendered to the Company.

(d) Details of shareholders holding more than 5% shares in the Company

No Shareholder hold more than 5% Share in the Comapny as at March 31, 2017.

Equity shares of ₹ 10 each fully paid	As at March 31, 2017	
	No. of Shares	% holding in the class
Morgan Stanley Asia Mauritius Company Limited	9,306,333	6.74%

(e) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, refer note 30.

4. Reserves and surplus	31-Mar-17	31-Mar-16
Securities premium account		
Balance as per the last financial statements	19,418,354,240	19,093,074,377
Add: additions on Qualified Institutional Placement	7,402,596,840	-
Add: additions on stock option exercised (cash premium)	211,247,430	215,113,672
Add: transferred from stock options outstanding (non-cash premium)	96,730,886	110,166,191
Less: share issue expenses	(173,064,725)	-
Closing Balance	26,955,864,671	19,418,354,240
Employee stock options outstanding		
Balance as per the last financial statements	247,310,752	251,472,842
Add / (Less): stock option expenditure for the year	193,075,333	110,277,578
Less: amount transferred towards options expired unexercised	(4,125,130)	(4,273,477)
Less: transferred to securities premium on exercise of stock options	(96,730,886)	(110,166,191)
Closing Balance	339,530,069	247,310,752
Statutory reserve		
Balance as per the last financial statements	1,894,233,600	1,288,270,608
Add: amount transferred from surplus balance in the statement of profit and loss	579,380,461	605,962,992
Closing Balance	2,473,614,061	1,894,233,600
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	(9,003,058,813)	(11,431,184,257)
Add: amount transferred towards options expired unexercised	4,125,130	4,273,477
Add: Profit/ (Loss) for the year	2,896,902,306	3,029,814,959
Less: transferred to Statutory Reserve [@ 20% of profit after tax as required by section 45-IC of Reserve Bank of India Act, 1934]	(579,380,461)	(605,962,992)
Net surplus/ (deficit) in the statement of profit and loss	(6,681,411,838)	(9,003,058,813)
Total reserves and surplus	23,087,596,963	12,556,839,779
5. Share application money pending allotment	31-Mar-17	31-Mar-16
Share application money pending allotment on exercise of options	-	24,546
	-	24,546

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

(Amount in ₹ unless otherwise stated)

6. Long-term borrowings	Non-current portion		Current maturities	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Debentures				
1,000 (March 31, 2016 : 1,000), Series 1, 11.48% Secured, Redeemable, Non-Convertible Debentures of ₹ 1,000,000 each redeemable at par on March 30, 2018 (refer note 1 & 5 below)	-	-	1,000,000,000	1,000,000,000
1,000 (March 31, 2016 : 1,000), Series 2, 11.48% Secured, Redeemable, Non-Convertible Debentures of ₹ 1,000,000 each redeemable at par on March 30, 2018 (refer note 2 & 5 below)	-	1,000,000,000	1,000,000,000	-
1,000 (March 31, 2016 : 1,000), Series 3, 11.95% Secured, Redeemable, Non-Convertible Debentures of ₹ 1,000,000 each redeemable at par on May 15, 2018 (refer note 3 below)	-	1,000,000,000	1,000,000,000	-
1,000 (March 31, 2016 : 1,000), Series 4, 11.95% Secured, Redeemable, Non-Convertible Debentures of ₹ 1,000,000 each redeemable at par on May 15, 2018 (refer note 4 below)	-	1,000,000,000	1,000,000,000	-

(Amount in ₹ unless otherwise stated)

6. Long-term borrowings	Non-current portion		Current maturities	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Term loans				
Indian rupee loan from banks (secured)	18,679,535,925	15,883,564,972	30,765,989,841	20,504,557,886
Indian rupee loan from financial institutions (secured)	2,233,333,325	2,223,809,525	2,040,476,195	1,301,731,605
Indian rupee loan from non banking financial companies (secured)	1,172,571,428	579,999,999	1,121,714,286	360,000,000
	22,085,440,678	21,687,374,496	37,928,180,322	23,166,289,491
The above amount includes				
Secured borrowings	22,085,440,678	21,687,374,496	37,928,180,322	23,166,289,491
Amount disclosed under the head "other current liabilities" (note 9)	-	-	(37,928,180,322)	(23,166,289,491)
Net amount	22,085,440,678	21,687,374,496	-	-

Notes:

- The Series 1 non-convertible debentures were redeemed on April 28, 2017.
- The Series 2 non-convertible debentures were partially redeemed to the extent of 500 units on April 28, 2017. The remaining 500 Units are redeemable on October 31, 2017.
- The Series 3 non-convertible debentures have Put Option, which if exercised, shall be redeemed on May 15, 2017.
- The Series 4 non-convertible debentures have Put Option, which if exercised, shall be redeemed on August 15, 2017.
- Interest on the Series 1 and Series 2 non-convertible debentures at the fixed rate of 11.48% per annum compounded on a monthly basis equating to effective interest rate of 12.10% per annum payable on an annual basis.

Nature of security	31-Mar-17	31-Mar-16
a) Loans secured by hypothecation (exclusive charge) of portfolio loans	18,622,672,111	15,521,602,720
b) Loans secured by hypothecation (exclusive charge) of portfolio loans and margin money deposits	41,390,948,889	29,332,061,267
Total outstanding	60,013,621,000	44,853,663,987

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

6. Long-term borrowings (Contd.)

Terms of repayment of long term borrowings (term loans and non convertible debenture) as on March 31, 2017

(Amount in ₹ unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due between 3 to 4 Years		Total	
		No. of install-ments	Amount ₹	No. of install-ments	Amount ₹	No. of install-ments	Amount ₹	No. of install-ments	Amount ₹		
Monthly repayment schedule											
1-3 Yrs	8.51% - 9.00%	9	428,571,423	12	571,428,577	-	-	-	-	1,000,000,000	
	9.01% - 9.50%	12	125,000,004	5	52,083,327	-	-	-	-	177,083,331	
		12	142,857,142	-	-	-	-	-	-	142,857,142	
		12	300,000,000	-	-	-	-	-	-	300,000,000	
		9	375,000,003	12	500,000,004	3	124,999,993	-	-	1,000,000,000	
	9.51% - 10.00%	10	333,142,857	12	399,771,429	8	267,085,714	-	-	1,000,000,000	
		11	956,521,739	12	1,043,478,261	-	-	-	-	2,000,000,000	
		12	571,428,577	-	-	-	-	-	-	571,428,577	
		10	476,190,483	-	-	-	-	-	-	476,190,483	
		12	571,428,577	-	-	-	-	-	-	571,428,577	
		12	571,200,000	9	428,800,000	-	-	-	-	1,000,000,000	
		12	571,200,000	9	428,800,000	-	-	-	-	1,000,000,000	
		9	428,400,000	12	571,600,000	-	-	-	-	1,000,000,000	
		12	500,000,000	7	291,666,665	-	-	-	-	791,666,665	
		12	624,999,996	8	416,666,672	-	-	-	-	1,041,666,668	
	10.01%-10.50%	12	200,000,004	9	149,999,995	-	-	-	-	349,999,999	
		12	360,000,000	7	220,000,000	-	-	-	-	580,000,000	
		6	350,000,000	12	700,000,000	12	700,000,000	-	-	1,750,000,000	
		12	428,571,429	8	285,714,286	-	-	-	-	714,285,714	
		12	500,000,004	6	249,999,994	-	-	-	-	749,999,998	
		12	500,000,004	7	291,666,661	-	-	-	-	791,666,665	
		12	1,043,478,261	3	260,869,565	-	-	-	-	1,304,347,826	
		10.51% - 11.00%	12	87,500,000	1	7,291,667	-	-	-	-	94,791,667
			7	333,333,333	-	-	-	-	-	-	333,333,333
			10	416,666,662	-	-	-	-	-	-	416,666,662
	11		229,166,671	-	-	-	-	-	-	229,166,671	
	12		250,000,004	-	-	-	-	-	-	250,000,004	
	12		800,000,004	8	533,333,326	-	-	-	-	1,333,333,330	
	11.01% - 11.50%	7	52,500,000	-	-	-	-	-	-	52,500,000	
		6	166,666,667	-	-	-	-	-	-	166,666,667	
6		500,000,000	-	-	-	-	-	-	500,000,000		
5		652,173,913	-	-	-	-	-	-	652,173,913		
9		782,608,696	-	-	-	-	-	-	782,608,696		
11.51% - 12.00%	1	6,250,000	-	-	-	-	-	-	6,250,000		
	6	312,500,000	-	-	-	-	-	-	312,500,000		
	7	218,750,000	-	-	-	-	-	-	218,750,000		
12.51% - 13.00%	11	157,142,857	-	-	-	-	-	-	157,142,857		
	11	283,333,333	-	-	-	-	-	-	283,333,333		
	11	50,000,000	-	-	-	-	-	-	50,000,000		

(Amount in ₹ unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due between 3 to 4 Years		Total
		No. of installments	Amount ₹	No. of installments	Amount ₹	No. of installments	Amount ₹	No. of installments	Amount ₹	
Quarterly repayment schedule										
1-3 Yrs	8.51%-9.00%	4	428,571,428	1	107,142,858	-	-	-	-	535,714,286
		4	428,571,428	2	214,285,715	-	-	-	-	642,857,143
		3	500,000,000	3	500,000,000	-	-	-	-	1,000,000,000
	9.01% - 9.50%	4	100,000,000	4	100,000,000	4	100,000,000	-	-	300,000,000
		3	375,000,000	4	500,000,000	1	125,000,000	-	-	1,000,000,000
		4	325,000,000	4	325,000,000	-	-	-	-	650,000,000
		4	285,714,284	2	142,857,142	-	-	-	-	428,571,426
	9.51% - 10.00%	4	285,714,284	2	142,857,142	-	-	-	-	428,571,426
		4	500,000,000	4	500,000,000	-	-	-	-	1,000,000,000
		4	375,000,000	-	-	-	-	-	-	375,000,000
		4	375,000,000	2	187,500,000	-	-	-	-	562,500,000
		4	166,800,000	4	166,800,000	3	124,700,000	-	-	458,300,000
		4	700,000,000	2	350,000,000	-	-	-	-	1,050,000,000
		4	250,000,000	2	125,000,000	-	-	-	-	375,000,000
	10.01%-10.50%	4	571,428,572	3	428,571,428	-	-	-	-	1,000,000,000
		4	285,714,286	2	142,857,143	-	-	-	-	428,571,429
		4	800,000,000	4	800,000,000	2	400,000,000	-	-	2,000,000,000
		4	800,000,000	4	800,000,000	-	-	-	-	1,600,000,000
		3	250,000,000	4	333,333,333	4	333,333,333	1	8,33,33,333	1,000,000,000
		3	250,000,000	4	333,333,333	4	333,333,333	1	8,33,33,333	1,000,000,000
		4	360,000,000	-	-	-	-	-	-	360,000,000
	10.51% - 11.00%	4	60,000,000	-	-	-	-	-	-	60,000,000
		4	255,000,000	1	63,750,000	-	-	-	-	318,750,000
		4	857,142,856	2	428,571,430	-	-	-	-	1,285,714,286
		4	33,337,600	4	33,337,600	3	24,990,400	-	-	91,665,600
		4	8,334,400	4	8,334,400	3	6,247,600	-	-	22,916,400
		4	125,000,000	4	125,000,000	3	93,750,000	-	-	343,750,000
		4	200,000,000	3	150,000,000	-	-	-	-	350,000,000
		4	200,000,000	3	150,000,000	-	-	-	-	350,000,000
		4	500,000,000	4	500,000,000	-	-	-	-	1,000,000,000
		4	500,000,000	4	500,000,000	-	-	-	-	1,000,000,000
		4	100,000,000	-	-	-	-	-	-	100,000,000
		4	150,000,000	-	-	-	-	-	-	150,000,000
4		400,000,000	1	100,000,000	-	-	-	-	500,000,000	
4	333,333,333	4	333,333,333	3	250,000,000	-	-	916,666,667		
4	333,333,333	4	333,333,333	3	250,000,000	-	-	916,666,667		
4	727,272,760	4	727,272,670	-	-	-	-	1,454,545,430		
2	250,000,000	-	-	-	-	-	-	250,000,000		
4	200,000,000	-	-	-	-	-	-	200,000,000		
4	166,672,000	4	166,656,000	-	-	-	-	333,328,000		
4	125,000,000	-	-	-	-	-	-	125,000,000		
4	600,000,000	2	300,000,000	-	-	-	-	900,000,000		
4	400,000,000	2	200,000,000	-	-	-	-	600,000,000		
4	200,000,000	4	200,000,000	-	-	-	-	400,000,000		

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

(Amount in ₹ unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due between 3 to 4 Years		Total
		No. of installments	Amount ₹	No. of installments	Amount ₹	No. of installments	Amount ₹	No. of installments	Amount ₹	
1-3 Yrs	11.01% - 11.50%	4	333,600,000	3	249,400,000	-	-	-	-	583,000,000
		2	140,000,000	-	-	-	-	-	-	140,000,000
		2	20,000,000	-	-	-	-	-	-	20,000,000
		4	727,272,760	2	363,636,360	-	-	-	-	1,090,909,120
		2	57,142,857	-	-	-	-	-	-	57,142,857
		4	80,000,000	3	60,000,000	-	-	-	-	140,000,000
		4	120,000,000	3	90,000,000	-	-	-	-	210,000,000
		4	200,000,000	2	100,000,000	-	-	-	-	300,000,000
		1	125,000,000	-	-	-	-	-	-	125,000,000
	11.51% - 12.00%	2	166,500,000	-	-	-	-	-	-	166,500,000
		2	116,550,000	-	-	-	-	-	-	116,550,000
		2	49,950,000	-	-	-	-	-	-	49,950,000
		4	363,636,364	-	-	-	-	-	-	363,636,364
		3	61,214,265	-	-	-	-	-	-	61,214,265
		1	107,142,857	-	-	-	-	-	-	107,142,857
		4	100,000,000	-	-	-	-	-	-	100,000,000
	12.51% - 13.00%	4	200,000,000	-	-	-	-	-	-	200,000,000
		2	41,660,000	-	-	-	-	-	-	41,660,000
		3	124,988,000	-	-	-	-	-	124,988,000	
Bullet repayment schedule										
1-3 Yrs	11.51% - 12.00%	1	2,000,000,000	-	-	-	-	-	-	2,000,000,000
	12.01% - 12.50%	-	-	1	2,000,000,000	-	-	-	-	2,000,000,000
Total			35,928,180,310		20,785,333,649		3,133,440,374		166,666,667	60,013,621,000

6. Long-term borrowings (Contd.)

Terms of repayment of long term borrowings (term loans and non convertible debenture) as on March 31, 2016

(Amount in ₹ unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due between 3 to 4 Years		Total
		No. of installments	Amount ₹	No. of installments	Amount ₹	No. of installments	Amount ₹	No. of installments	Amount ₹	
Monthly repayment schedule										
1-3 Yrs	9.01% - 9.50%	9	107,142,858	12	142,857,142	-	-	-	-	250,000,000
		8	200,000,000	12	300,000,000	-	-	-	-	500,000,000
	9.51% - 10.00%	9	428,571,423	12	571,428,577	-	-	-	-	1,000,000,000
		11	523,809,517	10	476,190,483	-	-	-	-	1,000,000,000
		9	428,571,423	12	571,428,577	-	-	-	-	1,000,000,000
	10.51% - 11.00%	12	360,000,000	12	360,000,000	7	220,000,000	-	-	940,000,000
		11	80,208,333	12	87,500,000	1	7,291,667	-	-	175,000,000
		12	500,000,004	10	416,666,662	-	-	-	-	916,666,666
		12	249,999,996	11	229,166,671	-	-	-	-	479,166,667
		12	249,999,996	12	250,000,004	-	-	-	-	500,000,000
		12	571,428,564	7	333,333,342	-	-	-	-	904,761,906
	11.01% - 11.50%	10	666,666,670	12	800,000,004	8	533,333,344	-	-	2,000,000,018
		12	333,333,333	6	166,666,667	-	-	-	-	500,000,000
		2	285,714,286	-	-	-	-	-	-	285,714,286
		12	90,000,000	7	52,500,000	-	-	-	-	142,500,000
		12	1,000,000,000	6	500,000,000	-	-	-	-	1,500,000,000
	11.51% - 12.00%	6	288,000,000	-	-	-	-	-	-	288,000,000
		12	1,565,217,391	5	652,173,913	-	-	-	-	2,217,391,304
		12	1,043,478,261	9	782,608,696	-	-	-	-	1,826,086,957
		6	83,333,333	-	-	-	-	-	-	83,333,333
		6	83,333,333	-	-	-	-	-	-	83,333,333
		10	972,222,222	-	-	-	-	-	-	972,222,222
		12	625,000,000	6	312,500,000	-	-	-	-	937,500,000
		12	375,000,000	7	218,750,000	-	-	-	-	593,750,000
	12.51% - 13.00%	12	75,000,000	1	6,250,000	-	-	-	-	81,250,000
		12	136,363,636	-	-	-	-	-	-	136,363,636
		12	171,428,571	11	157,142,857	-	-	-	-	328,571,429
		12	309,090,909	11	283,333,333	-	-	-	-	592,424,242
		12	54,545,455	11	50,000,000	-	-	-	-	104,545,455
		2	13,333,333	-	-	-	-	-	-	13,333,333
2		33,333,333	-	-	-	-	-	-	33,333,333	

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

(Amount in ₹ unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due between 3 to 4 Years		Total
		No. of installments	Amount ₹	No. of installments	Amount ₹	No. of installments	Amount ₹	No. of installments	Amount ₹	
Quarterly repayment schedule										
	9.51% - 10.00%	4	375,000,000	4	375,000,000	-	-	-	-	750,000,000
	10.01% - 10.50%	4	360,000,000	4	360,000,000	-	-	-	-	720,000,000
		4	60,000,000	4	60,000,000	-	-	-	-	120,000,000
		2	100,000,000	4	200,000,000	4	200,000,000	-	-	500,000,000
	10.51% - 11.00%	4	500,000,000	2	250,000,000	-	-	-	-	750,000,000
		4	200,000,000	4	200,000,000	-	-	-	-	400,000,000
		3	545,454,570	4	727,272,760	4	727,272,670	-	-	2,000,000,000
		4	125,000,000	4	125,000,000	-	-	-	-	250,000,000
		2	100,000,000	4	200,000,000	4	200,000,000	-	-	500,000,000
		4	100,000,000	4	100,000,000	-	-	-	-	200,000,000
		4	150,000,000	4	150,000,000	-	-	-	-	300,000,000
		4	400,000,000	4	400,000,000	1	100,000,000	-	-	900,000,000
		4	166,672,000	4	166,672,000	4	166,656,000	-	-	500,000,000
	11.01% - 11.50%	4	727,272,760	4	727,272,760	2	363,636,290	-	-	1,818,181,810
		4	200,000,000	4	200,000,000	2	100,000,000	-	-	500,000,000
		4	333,600,000	4	333,600,000	3	249,400,000	-	-	916,600,000
		1	90,000,000	-	-	-	-	-	-	90,000,000
1-3 Yrs		1	10,000,000	-	-	-	-	-	-	10,000,000
		4	280,000,000	2	140,000,000	-	-	-	-	420,000,000
		4	40,000,000	2	20,000,000	-	-	-	-	60,000,000
		3	60,000,000	4	80,000,000	3	60,000,000	-	-	200,000,000
		3	90,000,000	4	120,000,000	3	90,000,000	-	-	300,000,000
		4	600,000,000	4	600,000,000	2	300,000,000	-	-	1,500,000,000
		4	400,000,000	4	400,000,000	2	200,000,000	-	-	1,000,000,000
	11.51% - 12.00%	4	114,285,714	2	57,142,857	-	-	-	-	171,428,571
		4	100,000,000	4	100,000,000	-	-	-	-	200,000,000
		3	321,428,571	-	-	-	-	-	-	321,428,571
		4	428,571,429	1	107,142,857	-	-	-	-	535,714,286
		4	166,667,234	-	-	-	-	-	-	166,667,234
		2	125,000,000	-	-	-	-	-	-	125,000,000
		4	500,000,000	1	125,000,000	-	-	-	-	625,000,000
		4	363,636,364	4	363,636,364	-	-	-	-	727,272,727
		4	200,000,000	4	200,000,000	-	-	-	-	400,000,000
		1	41,666,667	-	-	-	-	-	-	41,666,667

(Amount in ₹ unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due between 3 to 4 Years		Total
		No. of install-ments	Amount ₹	No. of install-ments	Amount ₹	No. of install-ments	Amount ₹	No. of install-ments	Amount ₹	
12.01% - 12.50%		1	71,428,571	-	-	-	-	-	-	71,428,571
		2	185,714,286	-	-	-	-	-	-	185,714,286
		2	42,857,143	-	-	-	-	-	-	42,857,143
		2	250,000,000	-	-	-	-	-	-	250,000,000
		3	187,500,000	-	-	-	-	-	-	187,500,000
		4	83,600,000	3	61,900,000	-	-	-	-	145,500,000
12.51% - 13.00%		4	166,672,000	3	124,988,000	-	-	-	-	291,660,000
		3	150,000,000	-	-	-	-	-	-	150,000,000
		4	333,400,000	2	166,500,000	-	-	-	-	499,900,000
		4	233,380,000	2	116,550,000	-	-	-	-	349,930,000
		4	100,020,000	2	49,950,000	-	-	-	-	149,970,000
		4	83,336,000	2	41,660,000	-	-	-	-	124,996,000
Bullet repayment schedule										
1-3 Yrs	11.51% - 12.00%	-	-	-	-	1	2,000,000,000	-	-	2,000,000,000
	12.01% - 12.50%	-	-	1	2,000,000,000	-	-	-	-	2,000,000,000
Total			22,166,289,491		17,169,784,526		5,517,589,971			44,853,663,987

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

(Amount in ₹ unless otherwise stated)

7. Provisions	Long-term		Short-term	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Provision for employee benefits				
Provision for gratuity (refer note 31)	199,158,531	148,801,718	-	-
Provision for leave benefits	-	-	84,724,031	62,577,482
	199,158,531	148,801,718	84,724,031	62,577,482
Other provisions				
Provision for taxation (Net of advance tax)	-	-	14,136,351	17,177,436
Contingent provision against standard assets (refer note 33)	77,979,918	38,145,942	596,809,669	439,370,789
Provision for non-performing assets (refer note 33)	2,427,241,215	21,979,216	-	-
Provision for securitised / managed portfolio (refer note 2.1 (s) (iii))	7,627,270	32,851,627	822,093,984	208,549,761
	2,512,848,403	92,976,785	1,433,040,004	665,097,986
	2,712,006,934	241,778,503	1,517,764,035	727,675,468

8. Short-term borrowings	31-Mar-17	31-Mar-16
Loan repayable on demand		
Cash credit from banks (secured)	783,793,873	1,326,219,834
Other loans and advances		
Indian rupee loan from banks (secured)	3,380,000,000	2,220,000,000
Indian rupee loan from non banking financial companies (secured)	-	-
Commercial paper (unsecured)	7,073,393,328	2,896,953,871
	11,237,187,201	6,443,173,705
The above amount includes		
Secured borrowings	3,984,109,268	3,409,078,493

Cash credit from banks is secured by hypothecation of portfolio loans and margin money deposit and is repayable on demand.

Indian rupee loan from banks are term loans secured by hypothecation of portfolio loans and margin money deposit.

Indian rupee loan from non banking financial companies are term loans secured by hypothecation of portfolio loans

9. Other liabilities	Long-term		Short-term	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Employee benefits payable	-	-	309,966,362	243,141,478
Payable towards securitisation/Assignment transactions	-	-	2,036,607,925	2,466,057,696
Expenses payable	-	-	127,400,331	92,882,955
Other payable	-	-	163,356,923	350,159,376
Other liabilities				
Current maturities of long-term borrowings (refer note 6)	-	-	37,928,180,322	23,166,289,491
Interest accrued but not due on borrowings	-	-	372,328,942	377,578,176
Statutory dues payable	-	-	50,083,512	36,752,930
Unrealised gain on securitisation transactions	3,435,359	93,713,824	404,485,740	1,143,667,746
Unamortised income				
Unamortised fee income	72,312,000	56,260,333	687,659,393	580,530,435
	75,747,359	149,974,157	42,080,069,450	28,457,060,283

(Amount in ₹ unless otherwise stated)

10. Property, Plant and Equipment	Furniture and fixtures	Computers	Office equipments	Vehicles	Total
Cost					
At April 1, 2015	117,902,597	208,243,685	56,386,093	1,848,517	384,380,892
Additions	7,046,041	107,040,247	15,585,861	-	129,672,149
Disposals	(1,713,768)	(7,588,251)	(6,990,721)	(261,551)	(16,554,291)
At March 31, 2016	123,234,870	307,695,681	64,981,233	1,586,966	497,498,750
Additions	25,784,334	128,049,373	15,143,215	2,040,298	171,017,220
Disposals	(13,776,731)	(33,964,983)	(3,548,101)	(319,642)	(51,609,457)
At March 31, 2017	135,242,473	401,780,071	76,576,347	3,307,622	616,906,513
Depreciation					
At April 1, 2015	103,316,739	182,886,878	44,151,183	203,980	330,558,780
Charge for the year	5,013,987	51,674,833	8,000,244	522,531	65,211,595
Disposals	(1,695,622)	(6,228,290)	(6,244,309)	(149,198)	(14,317,419)
At March 31, 2016	106,635,104	228,333,421	45,907,118	577,313	381,452,956

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

(Amount in ₹ unless otherwise stated)

10. Property, Plant and Equipment	Furniture and fixtures	Computers	Office equipments	Vehicles	Total
Charge for the year	8,616,603	86,924,960	11,297,759	811,773	107,651,095
Disposals	(11,889,710)	(29,525,170)	(3,201,512)	(160,694)	(44,777,086)
At March 31, 2017	103,361,997	285,733,211	54,003,365	1,228,392	444,326,965
Impairment loss					
At April 1, 2015	182,828	809,334	1,324,132	-	2,316,294
Reversal for the year	-	(23,983)	(411,392)	-	(435,375)
At March 31, 2016	182,828	785,351	912,740	-	1,880,919
Charge for the year	68,470	1,398,593	137,484	-	1,604,547
Reversal for the year	(4,965)	(401,081)	(59,080)	-	(465,126)
At March 31, 2017	246,333	1,782,863	991,144	-	3,020,340
Net Block					
At March 31, 2016	16,416,938	78,576,909	18,161,375	1,009,653	114,164,875
At March 31, 2017	31,634,143	114,263,997	21,581,838	2,079,230	169,559,208

All assets have been recognised at cost

11. Intangible assets	Computer software	Total
Gross block		
At April 1, 2015	209,746,101	209,746,101
Addition	16,560,358	16,560,358
At March 31, 2016	226,306,459	226,306,459
Addition	33,372,837	33,372,837
At March 31, 2017	259,679,296	259,679,296
Amortisation		
At April 1, 2015	171,726,173	171,726,173
Charge for the year	18,432,399	18,432,399
At March 31, 2016	190,158,572	190,158,572
Charge for the year	20,063,227	20,063,227
At March 31, 2017	210,221,799	210,221,799
Net block		
At March 31, 2016	36,147,887	36,147,887
At March 31, 2017	49,457,497	49,457,497

(Amount in ₹ unless otherwise stated)

12. Non-current investments	31-Mar-17	31-Mar-16
Non-trade investments (valued at cost)		
Investment in equity instruments (unquoted)		
200,000 (March 31, 2016 : 200,000) Equity shares of ₹ 10/- each fully paid-up in Alpha Micro Finance Consultants Private Limited	20,00,000	20,00,000
	20,00,000	20,00,000
Aggregate amount of unquoted investments	20,00,000	20,00,000

13. Deferred tax asset	31-Mar-17	31-Mar-16
Deferred tax asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	29,321,293	21,656,815
Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	15,522,982	15,274,439
Impact of accumulated tax losses and unabsorbed depreciation	1,394,061,242	3,260,003,277
Impact of provision for standard and non performing assets	1,374,869,109	268,434,517
Others	78,856	229,558
Deferred tax asset	2,813,853,482	3,565,598,606
Deferred tax asset recognised	-	-

(Amount in ₹ unless otherwise stated)

14. Loans and advances	Non-current		Current	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
A. Portfolio Loans				
Joint liability group loans				
Unsecured, considered good*	7,764,199,482	3,593,031,504	58,843,733,290	44,333,543,391
Unsecured, considered doubtful**	4,221,751,591	36,744,741	-	-
	11,985,951,073	3,629,776,245	58,843,733,290	44,333,543,391
Individual loans				
Secured, considered good*	1,482,149	-	3,628,230	201,185,956
Secured, considered doubtful**	-	4,025,434	-	-
	1,482,149	4,025,434	3,628,230	201,185,956
	11,987,433,222	3,633,801,679	58,847,361,520	44,534,729,347

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

(Amount in ₹ unless otherwise stated)

14. Loans and advances	Non-current		Current	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Joint liability group loans placed as collateral towards securitisation / assignment transaction (refer note 42 (d))				
Unsecured, considered good*	33,792,281	221,562,718	832,123,389	1,374,769,469
Unsecured, considered doubtful**	58,845,836	634,636	-	-
	92,638,117	222,197,354	832,123,389	1,374,769,469
(A)	12,080,071,339	3,855,999,033	59,679,484,909	45,909,498,816
B. Security deposits				
Unsecured, considered good	35,357,675	39,355,533	-	-
(B)	35,357,675	39,355,533	-	-
C. Advances recoverable in cash or kind				
Unsecured, considered good	51,713,229	51,728,988	118,873,382	129,258,640
Unsecured, considered doubtful	37,919,205	32,864,710	-	-
	89,632,434	84,593,698	118,873,382	129,258,640
Provision for doubtful advances	(37,919,205)	(32,864,710)	-	-
(C)	51,713,229	51,728,988	118,873,382	129,258,640

* Represents standard assets in accordance with Company's asset classification policy (refer note 2.1 (s) & 33)

** Represents non-performing assets in accordance with Company's asset classification policy (refer note 2.1 (s) & 33)

(Amount in ₹ unless otherwise stated)

14. Loans and advances	Non-current		Current	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
D. Other loans and advances (unsecured, considered good)				
Loans to SKS Microfinance Employees Benefit Trust (refer note 35)	21,362,356	27,444,750	-	-
Advance fringe benefit tax (net of provision)	937,183	937,183	-	-
Advance income tax (net of provision)	163,757,867	159,926,206	-	-
MAT credit entitlement	2,062,829,787			
Prepaid expenses	908,082	-	55,963,588	41,467,989
(D)	2,249,795,275	188,308,139	55,963,588	41,467,989
Total (A+B+C+D)	14,416,937,518	4,135,391,693	59,854,321,879	46,080,225,445

(Amount in ₹ unless otherwise stated)

15. Other assets	Non-current		Current	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Non-current bank balances (refer note 17)	645,704,827	1,756,317,904	-	-
Interest accrued but not due on portfolio loans	-	-	107,167,972	101,271,629
Interest accrued and due on portfolio loans	-	-	38,600,204	2,090,774
Interest accrued but not due on deposits placed with banks	33,610,551	36,353,633	217,431,858	85,017,383
Interest strip on securitisation transactions	3,435,359	93,713,824	404,485,740	1,143,667,759
Unbilled revenue	-	-	58,204,674	157,095,442
Others-unsecured, considered good	-	-	-	52,828,375
	682,750,737	1,886,385,361	825,890,448	1,541,971,362

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

16. Trade receivables	Current	
	31-Mar-17	31-Mar-16
Outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	109,263,741	62,606,085
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	1,076,081
	109,263,741	63,682,166

(Amount in ₹ unless otherwise stated)

17. Cash and bank balances	Non-current		Current	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Cash and cash equivalents				
Balances with banks				
On current accounts	-	-	8,015,383,461	4,118,461,204
Deposits with original maturity of less than three months	-	-	17,000,000,000	12,200,000,000
Cash on hand	-	-	30,518,906	284,781,942
	-	-	25,045,902,367	16,603,243,146
Other bank balances				
Margin money deposit (refer note (a) below)	645,704,827	1,756,317,904	3,017,782,205	1,059,584,486
	645,704,827	1,756,317,904	3,017,782,205	1,059,584,486
Amount disclosed under non-current assets (refer note 15)	(645,704,827)	(1,756,317,904)		
	-	-	28,063,684,572	17,662,827,632

Note (a): Represent margin money deposits placed to avail term loans from banks, financial institutions and placed as cash collateral in connection with securitisation / managed loans transactions.

(Amount in ₹ unless otherwise stated)

18. Revenue from operations	31-Mar-17	31-Mar-16
Interest income on portfolio loans	12,280,503,214	9,538,854,573
Excess interest spread on securitisation / income from assignment (refer note 2.1 (b) (iv) & 42 (d & f))	1,718,937,520	1,103,015,705
Other operating revenue		
Loan processing fees	1,241,609,242	725,778,792
Recovery against loans written off	39,853,303	146,897,792
Interest on margin money deposits*	249,847,358	176,793,879
	15,530,750,637	11,691,340,741

* Represents interest on margin money deposits placed to avail term loans from banks, financial institutions and on deposits placed as cash collateral in connection with securitisation / managed loans transactions.

(Amount in ₹ unless otherwise stated)

19. Other income	31-Mar-17	31-Mar-16
Interest on fixed deposits	597,992,308	385,805,444
Other fee income	1,146,835,905	1,119,770,406
Profit on sale of assets	911,102	770,575
Miscellaneous income	2,557,871	9,040,825
	1,748,297,186	1,515,387,250

20. Employee benefit expenses	31-Mar-17	31-Mar-16
Salaries and bonus / incentives	3,365,924,305	2,444,815,365
Leave benefits	44,357,839	28,564,487
Contribution to provident fund	135,639,108	87,930,813
Contribution to Employee State Insurance Corporation	50,548,068	33,757,294
Gratuity expenses (refer note 31)	83,889,178	89,093,298
Staff welfare expenses	188,167,576	131,725,068
Stock option expenditure	193,075,333	107,804,885
	4,061,601,407	2,923,691,210

21. Finance costs	31-Mar-17	31-Mar-16
Interest		
On term loans from banks	4,683,033,061	3,382,650,662
On term loans from financial institutions	368,376,411	264,183,013
On term loans from non banking financial companies	104,499,889	107,676,532
On bank overdraft facility	44,396,746	35,170,401
On debentures	480,352,406	452,264,137
On commercial paper	367,534,612	429,142,407
On shortfall in payment of advance income tax	1,680,440	-
Other finance costs	151,527,829	168,978,468
Bank charges	23,212,105	5,669,161
	6,224,613,499	4,845,734,781

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

(Amount in ₹ unless otherwise stated)

22. Other expenses	31-Mar-17	31-Mar-16
Rent	167,495,484	155,975,638
Rates and taxes	4,993,391	3,834,788
Insurance	24,950,357	18,201,595
Repairs and maintenance		
Plant and machinery	68,592,684	54,681,505
Others	97,218,488	84,214,194
Electricity charges	35,056,089	28,653,878
Travelling and conveyance	461,476,152	351,165,396
Communication expenses	78,999,577	69,393,949
Printing and stationery	97,594,128	56,012,758
Legal and professional fees	134,044,539	99,379,104
Directors' sitting fees	6,795,000	5,490,000
Directors stock option expenditure	-	2,472,693
Auditors' remuneration (refer note A below)	14,002,227	12,556,886
Other provisions and write off	61,091,281	46,610,003
CSR expenditure (refer note 41)	46,647,335	19,344,705
Miscellaneous expenses	44,252,527	20,333,879
	1,343,209,259	1,028,320,971

A. Payment to auditors	31-Mar-17	31-Mar-16
As auditor:		
Audit fee	7,850,000	7,845,000
Limited review / Half yearly audit	4,500,000	3,150,000
In other capacity:		
Other services (certification fees)	550,000	440,000
Reimbursement of expenses	1,102,227	1,121,886
	14,002,227	12,556,886

(Amount in ₹ unless otherwise stated)

23. Depreciation and amortisation expense	31-Mar-17	31-Mar-16
Depreciation of property, plant and equipment	107,651,095	65,211,596
Amortisation of intangible assets	20,063,227	18,432,399
	127,714,322	83,643,995

24. Provisions and write-offs	31-Mar-17	31-Mar-16
Contingent provision against standard assets (refer note 33)	197,272,856	193,565,814
Provision for non-performing assets (refer note 33)	2,405,261,999	11,779,202
Portfolio loans and other balances written off	86,719,013	63,790,855
Provision and loss on securitised / managed loan portfolio (refer note 2.1 (s) (iii))	904,276,873	117,278,880
	3,593,530,741	386,414,751

25. Earnings per share (EPS)	31-Mar-17	31-Mar-16
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Net Profit for calculation of basic EPS	2,896,902,306	3,029,814,959
Net Profit for calculation of diluted EPS	2,896,902,306	3,029,814,959

	No. of shares	No. of shares
Weighted average number of equity shares in calculating basic EPS	132,739,073	126,777,718
Effect of dilution:		
Stock options granted under ESOP	1,619,126	1,696,125
Weighted average number of equity shares in calculating diluted EPS	134,358,199	128,473,843

26. Segment information

The Company operates in a single business segment i.e. financing, which has similar risks and returns for the purpose of AS 17 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

27. Related parties

- a. Names of the related parties with whom transactions have been entered

Key Management Personnel	Mr. M. R. Rao, Managing Director and Chief Executive Officer
	Mr. S. Dilli Raj, President (Resigned w.e.f October 28, 2016)
	Mr. K.V. Rao, Chief Operating Officer
	Mr. Ashish Damani, Chief Financial Officer
	Mr. Rajendra Patil, Company Secretary

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

b. Related party transactions

Transactions during the year	31-Mar-17	31-Mar-16
Salary, incentives and perquisites		
– Mr. M. R. Rao	36,498,849	28,617,601
– Mr. S. Dilli Raj	23,260,785	23,484,106
– Mr. K.V. Rao	11,948,283	9,393,692
– Mr. Ashish Damani	8,402,406	6,691,740
– Mr. Rajendra Patil	7,983,153	6,519,607

Note: As the provisions for gratuity and leave benefits are made for the Company as a whole, the amounts pertaining to the Key Management Personnel are not specifically identified and hence are not included above.

28. Commitments not provided for

Particulars	March 31, 2017	March 31, 2016
Estimated amount of contracts remaining to be executed on capital account	3,787,389	5,589,424
Commitments related to loans sanctioned but undrawn	192,710,327	-

29. Contingent liabilities not provided for

Particulars	March 31, 2017	March 31, 2016
Credit enhancements provided by the Company towards securitisation (including cash collaterals, principal and interest subordination)	3,235,287,242	3,785,994,487
Performance security provided by the Company pursuant to business correspondent agreement	-	862,232,673
Tax on items disallowed by the Income Tax department not acknowledged as debt by the Company *	-	212,550

* Based on the expert opinion obtained by the Company, crystallisation of liability on these items is not considered probable.

30. Stock option scheme

The Company has provided various share-based payment schemes to its Directors and Employees. The plans in operation are Plan II (Other Independent Directors) and Plan III (Employees). The alphabet a, b, c, etc. represents different grants made under these plans. During the year ended March 31, 2017, the following series were in operation:

Particulars	Plan II (f)	Plan II (g)	Plan III (a)	Plan III (c)	Plan III (e)
Date of grant	Nov 23, 2011	Mar 12, 2013	Nov 3, 2009	Dec 15, 2009	May 4, 2010
Date of Board approval	Nov 23, 2011	Mar 12, 2013	July 29, 2009	Nov 4, 2009	May 4, 2010
Date of shareholder's approval	Jul 16, 2010	Dec 07, 2011	Sep 30, 2009	Dec 10, 2009	Dec 10, 2009
Number of options granted	300,000	400,000	514,750	568,000	6,000
Exercise price	₹ 109.95	₹ 150.00	₹ 300	₹ 300	₹ 300
Method of settlement	Equity	Equity	Equity	Equity	Equity
Vesting period	End of year 1 – 33% End of year 2 – 33% End of year 3 – 34%	End of year 1 – 33% End of year 2 – 33% End of year 3 – 34%	End of year 1 – 40% End of year 2 – 25% End of year 3 – 25% End of year 4 – 10%	20 % equally at the end of each year	20 % equally at the end of each year
Exercise period	36 months from the date of vesting	On or before Mar 11, 2018	60 months from the date of grant	72 months from the date of grant	72 months from the date of grant
Vesting conditions	Refer note 1	Refer note 1	Refer note 1	Refer note 1	Refer note 1
Name of the plan	ESOP 2010	ESOP 2011	ESOP 2009	ESOP 2009	ESOP 2009

Particulars	Plan III (f)	Plan III (g)	Plan III (h)	Plan III (i)	Plan III (j)
Date of grant	Sep 7, 2011	Mar 22, 2013	Aug 23, 2013	Oct 23, 2013	Feb 04, 2014
Date of Board approval	Sep 7, 2011	Mar 22, 2013	Aug 23, 2013	Oct 23, 2013	Feb 04, 2014
Date of shareholder's approval	Nov 8, 2008, Sep 30, 2009, July 16, 2010	Dec 07, 2011	Dec 07, 2011	Dec 07, 2011	Dec 07, 2011

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

Particulars	Plan III (f)	Plan III (g)	Plan III (h)	Plan III (i)	Plan III (j)
Number of options granted	1,486,329	119,112	15,760	11,564	58,000
Exercise price	₹ 229.40	₹ 150	₹ 113	₹ 160.45	₹ 174.95
Method of settlement	Equity	Equity	Equity	Equity	Equity
Vesting period	50 % equally at the end of each year	End of year 1 – 33% End of year 2 – 33% End of year 3 – 34%	25 % equally at the end of each year	25 % equally at the end of each year	25 % equally at the end of each year
Exercise period	36 months from the date of vesting	On or before Mar 21, 2018	On or before Aug 22, 2018	On or before Oct 22, 2018	On or before Feb 03, 2019
Vesting conditions	Refer note 1	Refer note 1	Refer note 1	Refer note 1	Refer note 1
Name of the plan	ESOP 2008 ESOP 2009 ESOP 2010	ESOP 2011	ESOP 2011	ESOP 2011	ESOP 2011

Particulars	Plan III (k)	Plan III (l)	Plan III (m)	Plan III (n)	Plan III (o)	Plan III (p)	Plan III (q)
Date of grant	April 28, 2014	August 16, 2014	October 29, 2014	January 30, 2015	May 04, 2015	July 22, 2015	October 30, 2015
Date of Board approval	April 28, 2014	August 16, 2014	October 29, 2014	January 30, 2015	May 04, 2015	July 22, 2015	October 30, 2015
Date of shareholder's approval	Dec 07, 2011	Nov 08, 2008	Dec 07, 2011				
Number of options granted	50,000	2,082,200	87,000	93,500	21,500	45,500	3,000
Exercise price	₹ 253.65	₹ 264.75	₹ 316.15	₹ 426.85	₹ 470.05	₹ 529.15	₹ 433.40
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Vesting period	25 % equally at the end of each year	End of year 1 – 33% End of year 2 – 33% End of year 3 – 34%	25 % equally at the end of each year	25 % equally at the end of each year	25 % equally at the end of each year	25 % equally at the end of each year	25 % equally at the end of each year

Particulars	Plan III (k)	Plan III (l)	Plan III (m)	Plan III (n)	Plan III (o)	Plan III (p)	Plan III (q)
Exercise period	On or before April 27, 2019	On or before August 15, 2018	On or before October 28, 2019	On or before January 29, 2020	On or before May 03, 2020	On or before July 21, 2020	On or before October 29, 2020
Vesting conditions	Refer note 1	Refer note 1	Refer note 1	Refer note 1	Refer note 1	Refer note 1	Refer note 1
Name of the plan	ESOP 2011	ESOP 2008	ESOP 2011	ESOP 2011	ESOP 2011	ESOP 2011	ESOP 2011

Particulars	Plan III (r)	Plan III (s)	Plan III (t)	Plan III (u)	Plan III (v)	Plan III (w)	Plan III (x)
Date of grant	February 04, 2016	February 13, 2016	May 04, 2016	July 21, 2016	October 28, 2016	October 28, 2016	January 24, 2017
Date of Board approval	February 04, 2016	February 13, 2016	May 04, 2016	July 21, 2016	October 28, 2016	October 28, 2016	January 24, 2017
Date of shareholder's approval	Dec 07, 2011	Sep 30, 2009, July 16, 2010	Dec 07, 2011				
Number of options granted	66,000	4,500	42,500	143,100	69,500	1,999,202	49,400
Exercise price	₹ 548.45	₹ 495.65	₹ 614.50	₹ 782.15	₹ 879.15	₹ 879.15	₹ 669.70
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Vesting period	25 % equally at the end of each year	25 % equally at the end of each year	25 % equally at the end of each year	25 % equally at the end of each year	25 % equally at the end of each year	End of year 1 – 33% End of year 2 – 33% End of year 3 – 34%	25 % equally at the end of each year
Exercise period	On or before February 03, 2021	On or before February 12, 2021	On or before May 03, 2021	On or before July 20, 2021	On or before October 27, 2021	On or before October 27, 2020	On or before January 23, 2022
Vesting conditions	Refer note 1	Refer note 1					
Name of the plan	ESOP 2011	ESOP 2009 ESOP 2010	ESOP 2011				

Note 1: Option holders are required to continue to hold the services being provided to the Company at the time of exercise of options.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

The details of all grants in operation during financial year 2016-17 have been summarised below:

Plan	Grant Date	Exercise Price	Outstanding at the beginning of the year	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding at the end of the year	Exercisable at the end of the year	Weighted average Remaining contractual life of options (in years)	Weighted average share price during the exercise period (in ₹) [^]
Plan II (f)	23-Nov-11	109.95	134,000	-	66,000	-	68,000	68,000	0.6	687.43
Plan II (g)	12-Mar-13	150.00	300,000	-	50,000	-	250,000	250,000	0.9	760.29
Plan III (a)	03-Nov-09	300.00	1,300	-	1,300	-	-	-	-	617.37
Plan III (c)	15-Dec-09	300.00	40,300	-	39,555	745	-	-	-	661.98
Plan III (e)	04-May-10	300.00	265	-	265	-	-	-	-	628.47
Plan III (f)	07-Sep-11	229.40	165,393	-	147,727	17,666	-	-	-	762.08
Plan III (g)	22-Mar-13	150.00	65,168	-	62,922	-	2,246	2,246	1.0	730.95
Plan III (h)	23-Aug-13	113.00	3,088	-	1,545	-	1,543	-	1.4	892.65
Plan III (i)	23-Oct-13	160.45	5,782	-	-	-	5,782	2,891	1.6	-
Plan III (j)	04-Feb-14	174.95	47,450	-	18,450	14,500	14,500	7,250	1.8	675.19
Plan III (k)	28-Apr-14	253.65	37,500	-	-	-	37,500	12,500	2.1	-
Plan III (l)	16-Aug-14	264.75	1,912,695	-	518,189	92,190	1,302,316	707,688	1.4	818.22
Plan III (m)	29-Oct-14	316.15	43,500	-	7,250	21,750	14,500	-	2.6	687.43
Plan III (n)	30-Jan-15	426.85	77,375	-	13,373	18,375	45,627	18,627	2.8	784.10
Plan III (o)	04-May-15	470.05	21,500	-	2,750	-	18,750	2,625	3.1	787.43
Plan III (p)	22-Jul-15	529.15	37,500	-	-	-	37,500	9,375	3.3	-
Plan III (q)	30-Oct-15	433.40	3,000	-	500	-	2,500	250	3.6	677.84
Plan III (r)	04-Feb-16	548.45	37,000	-	-	29,000	8,000	2,000	3.8	-
Plan III (s)	13-Feb-16	495.65	4,500	-	-	-	4,500	1,125	3.9	-
Plan III (t)	04-May-16	614.50	-	42,500	-	-	42,500	-	4.1	-
Plan III (u)	21-Jul-16	782.15	-	143,100	-	-	143,100	-	4.3	-
Plan III (v)	28-Oct-16	879.15	-	69,500	-	-	69,500	-	4.6	-
Plan III (w)	28-Oct-16	879.15	-	1,999,202	-	40,754	1,958,448	-	3.6	-
Plan III (x)	24-Jan-17	669.70	-	49,400	-	-	49,400	-	4.8	-
			2,937,316	2,303,702	929,826	234,980	4,076,212	1,084,577		-

Plan III (a) - Exercise period ending on November 2, 2015, extended upto May 2, 2016

Plan III (c) - Original exercise period ending on December 14, 2015, extended upto June 14, 2016

[^] Disclosure of weighted average share price during the exercise period is applicable only for plans where there has been an exercise of options in current financial year.

The details of all grants in operation during financial year 2015-16 have been summarised below:

Plan	Grant Date	Exercise Price	Outstanding at the beginning of the year	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding at the end of the year	Exercisable at the end of the year	Weighted average Remaining contractual life of options (in years)	Weighted average share price during the exercise period (in ₹)^
Plan II (b)	01-Feb-08	70.67	15,000	-	15,000	-	-	-	-	484.01
Plan II (c)	10-Nov-08	70.67	3,000	-	3,000	-	-	-	-	484.01
Plan II (d)	29-Jul-09	300.00	18,000	-	18,000	-	-	-	-	582.18
Plan II (e)	01-Feb-10	300.00	45,000	-	45,000	-	-	-	-	503.65
Plan II (f)	23-Nov-11	109.95	245,000	-	111,000	-	134,000	134,000	1.6	465.01
Plan II (g)	12-Mar-13	150.00	300,000	-	-	-	300,000	300,000	1.9	-
Plan III (a)	03-Nov-09	300.00	139,870	-	134,370	4,200	1,300	1,300	0.1	463.48
Plan III (b)	15-Dec-09	150.00	168,031	-	158,726	9,305	-	-	-	478.01
Plan III (c)	15-Dec-09	300.00	105,700	-	65,400	-	40,300	40,300	0.2	501.07
Plan III (d)	04-May-10	150.00	618	-	618	-	-	-	-	471.84
Plan III (e)	04-May-10	300.00	3,000	-	2,735	-	265	265	0.1	499.60
Plan III (f)	07-Sep-11	229.40	448,683	-	264,375	18,915	165,393	165,393	0.4	480.41
Plan III (g)	22-Mar-13	150.00	101,370	-	36,202	-	65,168	65,168	2.0	494.37
Plan III (h)	23-Aug-13	113.00	6,178	-	3,090	-	3,088	-	2.4	432.83
Plan III (i)	23-Oct-13	160.45	11,564	-	5,782	-	5,782	-	2.6	519.08
Plan III (j)	04-Feb-14	174.95	58,000	-	10,550	-	47,450	18,450	2.8	444.83
Plan III (k)	28-Apr-14	253.65	50,000	-	12,500	-	37,500	-	3.1	456.17
Plan III (l)	16-Aug-14	264.75	2,064,100	-	116,315	35,090	1,912,695	559,236	2.4	491.33
Plan III (m)	29-Oct-14	316.15	87,000	-	14,500	29,000	43,500	-	3.6	469.02
Plan III (n)	30-Jan-15	426.85	93,500	-	1,125	15,000	77,375	18,500	3.8	519.08
Plan III (o)	04-May-15	470.05	-	21,500	-	-	21,500	-	4.1	-
Plan III (p)	22-Jul-15	529.15	-	45,500	-	8,000	37,500	-	4.3	-
Plan III (q)	30-Oct-15	433.40	-	3,000	-	-	3,000	-	4.6	-
Plan III (r)	04-Feb-16	548.45	-	66,000	-	29,000	37,000	-	4.8	-
Plan III (s)	13-Feb-16	495.65	-	4,500	-	-	4,500	-	4.9	-
			3,963,614	140,500	1,018,288	148,510	2,937,316	1,302,612		

Plan III (a) - Exercise period ending on November 2, 2015, extended upto May 2, 2016

Plan III (c) - Original exercise period ending on December 14, 2015, extended upto June 14, 2016

Plan III (f) - Notice of exercise received for 107 options, however the allotment was pending as on March 31, 2016

^ Disclosure of weighted average share price during the exercise period is applicable only for plans where there has been an exercise of options in current financial year.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

Stock options granted during the year: The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

	Plan III (t)	Plan III (u)	Plan III (v)	Plan III (w)	Plan III (x)
Share price on the date of grant (₹)	614.50	782.15	879.15	879.15	669.70
Exercise price (₹)	614.50	782.15	879.15	879.15	669.70
Expected volatility (%)	44.48	43.17	40.28	40.28	47.33
Expected dividend rate (%)	0	0	0	0	0
Life of the options granted (years)	Vest 1 - 3.00 Vest 2 - 3.50 Vest 3 - 4.00 Vest 4 - 4.50	Vest 1 - 3.00 Vest 2 - 3.50 Vest 3 - 4.00 Vest 4 - 4.50	Vest 1 - 3.00 Vest 2 - 3.50 Vest 3 - 4.00 Vest 4 - 4.50	Vest 1 - 1.50 Vest 2 - 2.50 Vest 3 - 3.00	Vest 1 - 3.00 Vest 2 - 3.50 Vest 3 - 4.00 Vest 4 - 4.50
Risk-free interest rate (%)	Vest 1 - 7.43 Vest 2 - 7.49 Vest 3 - 7.55 Vest 4 - 7.59	Vest 1 - 7.07 Vest 2 - 7.13 Vest 3 - 7.19 Vest 4 - 7.24	Vest 1 - 6.71 Vest 2 - 6.76 Vest 3 - 6.80 Vest 4 - 6.83	Vest 1 - 6.65 Vest 2 - 6.66 Vest 3 - 6.76	Vest 1 - 6.42 Vest 2 - 6.47 Vest 3 - 6.55 Vest 4 - 6.60
Fair value of the option	Vest 1 -233.70 Vest 2 -254.24 Vest 3 -273.27 Vest 4 -290.95	Vest 1 -288.80 Vest 2 -314.36 Vest 3 -338.08 Vest 4 -360.26	Vest 1 -306.55 Vest 2 -334.16 Vest 3 -359.75 Vest 4 -383.68	Vest 1 -207.91 Vest 2 -276.73 Vest 3 -334.16	Vest 1 -258.07 Vest 2 -279.95 Vest 3 -300.43 Vest 4 -319.32
Weighted average fair value	263.04	325.37	346.04	273.54	289.44

The expected life of the stock option is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility for the one year period ended on the date of grant is indicative of future trends, which also may not necessarily be the actual outcome.

Effect of the share-based payment plans on the statement of profit and loss and on the financial position:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Directors stock option expenditure	-	2,472,693
Employees stock option expenditure	193,075,333	107,804,885
Subtotal	193,075,333	110,277,578
Total compensation cost pertaining to equity-settled employee share based payment	193,075,333	110,277,578

Particulars	As at March 31, 2017	As at March 31, 2016
Stock options outstanding (gross)	834,524,720	327,939,283
Deferred compensation cost outstanding	(494,994,651)	(80,628,531)
Stock options outstanding (net)	339,530,069	247,310,752

31. Retirement benefits

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of ₹ 1,000,000 as per The Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the Balance Sheet for the gratuity plan.

Statement of profit and loss

Net employees benefit expense (recognised in employees benefit expense):

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Current service cost	29,015,447	17,218,235
Interest cost on benefit obligation	15,718,286	9,494,099
Expected return on plan assets	(4,522,580)	(2,011,060)
Net actuarial (gain) / loss recognised in the year	43,678,025	64,392,024
Net employee benefit expense	83,889,178	89,093,298
Actual return on plan assets	5,360,897	4,158,694

Balance Sheet

Details of provision for gratuity:

Particulars	Gratuity	
	March 31, 2017	March 31, 2016
Defined benefit obligation	271,370,608	200,488,343
Fair value of plan assets	(72,212,077)	(51,686,625)
Plan liability	199,158,531	148,801,718

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

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

Particulars	Gratuity	
	March 31, 2017	March 31, 2016
Opening defined benefit obligation	200,488,343	118,085,811
Interest cost	15,718,286	9,494,049
Current service cost	29,015,447	17,218,235
Benefits paid	(18,466,321)	(10,849,460)
Actuarial (gains) / losses on obligation	44,614,853	66,539,658
Closing defined benefit obligation	271,370,608	200,488,343

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

Particulars	Gratuity	
	March 31, 2017	March 31, 2016
Opening fair value of plan assets	51,686,625	22,983,541
Expected return	4,522,580	2,011,060
Contributions by employer	33,532,365	35,393,850
Benefits paid	(18,466,321)	(10,849,460)
Actuarial gains / (losses)	936,828	2,147,634
Closing fair value of plan assets	72,212,077	51,686,625

The Company expects to contribute ₹ 37,300,000 (March 31, 2016: ₹ 27,800,000) to gratuity in the next year.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	Gratuity	
	March 31, 2017	March 31, 2016
Investment with insurer	100%	100%

The overall expected rate of return on assets is determined based on the average long term rate of return expected on investment of the fund during the estimated term of the obligations.

The principal assumptions used in determining gratuity:

Particulars	Gratuity	
	March 31, 2017	March 31, 2016
Discount rate	6.81%	7.84%
Expected rate of return on assets	8.35%	8.75%
Salary escalation rate per annum	12.5% for the first two years and 7% there after	12.5% for the first two years and 7% there after
Rates of leaving service	15%	15%

Amounts for the current and previous four years are as follows:

Particulars	Gratuity				
	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13
Defined benefit obligation	271,370,608	200,488,343	118,085,811	87,519,363	78,251,840
Plan assets	72,212,077	51,686,625	22,983,541	17,648,775	27,981,896
Surplus / (deficit)	(199,158,531)	(148,801,718)	(95,102,270)	(69,870,588)	(50,269,944)
Experience adjustments on plan liabilities	30,370,373	57,600,983	19,996,147	11,391	(14,046,486)
Experience adjustments on plan assets	936,828	2,147,634	8,825	(940,135)	(210,115)

32. Expenditure in foreign currency (on accrual basis)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Professional fees*	16,331,493	1,711,644
Travelling expenses	2,469,755	512,571
Membership and subscriptions	-	226,450
Total	18,801,248	2,450,665

*Professional fees include an amount of ₹ 13,826,493 (Previous year: ₹ Nil) towards consultancy services in connection with the Qualified Institutional Placement adjusted to securities premium account as per section 52 of the Companies Act, 2013. The expenditure in foreign currency does not include commission payable to three foreign directors (Previous year: ₹ 12,000,000) as the amount payable to individual directors shall be determined subsequently by the Board of Directors, in accordance with the shareholder resolution passed at 12th Annual General Meeting held on September 23, 2015. However, the total amount payable to all directors has been charged to the statement of profit and loss

33. Loan portfolio and provision for standard and non-performing assets as at March 31, 2017:

Asset classification	Portfolio loans outstanding (Gross)			Provision for standard and non-performing assets		Portfolio loans outstanding (Net)		
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2016	Provision made during the year	Provision written back during the year	As at March 31, 2017	As at March 31, 2017	As at March 31, 2016
Standard assets	67,478,958,822	49,724,093,038	477,516,731	197,272,854	-	674,789,588	66,804,169,234	49,246,576,307
Sub-standard assets	3,706,712,426	38,851,191	19,425,596	1,833,930,618	-	1,853,356,214	1,853,356,213	19,425,595
Loss assets	573,885,000	2,553,620	2,553,620	571,331,380	-	573,885,000	-	-
Total	71,759,556,248	49,765,497,849	499,495,947	2,602,534,852	-	3,102,030,802	68,657,525,447	49,266,001,902

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FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

Loan portfolio and provision for standard and non-performing assets as at March 31, 2016

Asset classification	Portfolio loans outstanding (Gross)		Provision for standard and non-performing assets			Portfolio loans outstanding (Net)		
	As at March 31, 2016	As at March 31, 2015	As at March 31, 2015	Provision made during the year	Provision written back during the year	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Standard assets	49,724,093,038	29,217,696,581	283,950,916	193,565,815	-	477,516,731	49,246,576,307	28,933,745,665
Sub-standard assets	38,851,191	22,260,955	9,912,761	9,512,835	-	19,425,596	19,425,595	12,348,194
Doubtful assets	-	1,436,267	287,253	-	(287,253)	-	-	1,149,014
Loss assets	2,553,620	-	-	2,553,620	-	2,553,620	-	-
Total	49,765,497,849	29,241,393,803	294,150,930	205,632,270	(287,253)	499,495,947	49,266,001,902	28,947,242,873

34. Leases (operating lease)

Office Premises:

Head office, registered office and branch office premises are obtained on operating lease. The branch office premises are generally rented on cancellable term ranging from twelve months to thirty six months with or without escalation clause, however none of the branch lease agreement carries non-cancellable lease periods. The registered office premise has been obtained on a lease term of thirty six months with an escalation clause of five percent after every twelve months. The rent agreement for head office premise has been renewed on a lease term of nine years with an escalation clause of five percent after every twelve months. There are no restrictions imposed by lease arrangements. There are no subleases. Lease payments during the year are charged to statement of profit and loss.

Descriptions	March 31, 2017	March 31, 2016
Operating lease expenses recognised in the statement of profit and loss	167,495,484	155,975,638
Minimum lease obligations		
Not later than one year	270,111	16,499,080
Later than one year but not later than five years	-	3,221,648

Vehicles:

The Company has taken certain vehicles on cancellable operating lease. Total lease expense under cancellable operating lease during the year was ₹ 27,686,441 (Previous year: ₹ 20,334,349)

35. The Company has given interest free collateral free loan to an employee benefit trust under the Employee Stock Purchase Scheme to provide financial assistance to its employees to purchase equity shares of the Company under such scheme. The loan is repayable by the trust under a back to back arrangement by the trust with the employees of the Company. The year-end balance for the total loan granted is ₹ 21,362,356 (March 31, 2016: ₹ 27,444,750)

36. In the financial years 2013-14, 2015-16 and 2016-17, the Company has received five demand orders from service tax authorities against the show-cause notices received in earlier years. The orders pertain to applicability of service tax on various items like income from asset assignment transactions, administration charges collected by the Company on distribution of insurance products to its borrowers, reimbursement of certain expenses from an insurance company, etc.

The amount of service tax demanded in two orders received in 2013-14 aggregated to ₹ 460,522,457 (plus penalty and interest, as applicable). The Company had filed appeals and stay petition against these demand orders with The Customs, Excise and Service Tax Appellate Tribunal ('CESTAT') and received a stay order in respect of one of the two orders amounting to ₹ 118,091,538 (plus penalty and interest, as applicable).

In the financial year 2015-16, the Company received a stay order from CESTAT for the demand raised in the previous year for ₹ 342,493,571 (plus penalty and interest, as applicable) against pre-deposit of ₹ 30,000,000. Further, the Company has received three orders on similar matters aggregating ₹ 276,831,601 (plus penalty and interest, as applicable). The Company has filed an appeal before the CESTAT against two orders and in process to file appeal in one matter received in financial year 2016-17.

Based on the merits of the cases, the Company and its tax advisors believe that its position is likely to be upheld in the appellate process for the above matters. Accordingly, no provision has been made for the amounts mentioned above as at March 31, 2017.

37. The Company has provided for minimum alternate tax ('MAT') liability of ₹ 1,094,306,076 for the year ended March 31, 2017 and recognised a corresponding MAT credit entitlement as an asset on the balance sheet. Unrecognised MAT credit of ₹ 968,523,711 as at March 31, 2016 has been recognised as an asset on the balance sheet during the quarter ended June 30, 2016.
38. The Company has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Company has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. Refer note 29 and 36 for further details.

39. Dues to micro, small and medium enterprises

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises.

For the year ended March 31, 2017, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

40. Details of Specified Bank Notes (SBN) held and transacted during the period from 8 November, 2016 to 30 December, 2016:

a)

(₹ in crore)

Particulars	SBNs	Other denomination Notes	Total
Closing cash in hand as on November 8, 2016	29.95	14.91	44.86
(+) Permitted receipts (refer Note 1 below)	13.32	2,168.33	2,181.65
(-) Permitted payments	(0.03)	(1,495.05)	(1,495.08)
(-) Amount deposited in Banks (refer Note 2 below)	(138.84)	(660.10)	(798.94)
Closing cash in hand as on December 30, 2016	-	28.09	28.09

Notes:

1. Represent collections in Specified Bank Notes made by the Company on behalf of a bank against loan obligations of the bank, pursuant to a Business Correspondent arrangement, of ₹ 13.22 crores from November 9, 2016 to November 11, 2016 and ₹ 0.03 crores on November 14, 2016. Such collections were remitted to the corresponding bank in the ordinary course of business.
2. In addition to the permitted receipts mentioned in the table above, ₹ 95.59 crores was received by the Company in Specified Bank Notes from its loan borrowers from November 9, 2016 to November 11, 2016 and ₹ 0.01 crores on November 14, 2016. These amounts were collected against the borrowers' regular loan obligations which had fallen due in the ordinary course of business and were deposited into bank accounts of the Company.

Such collections were made pending the outcome of the Company's representation to the Reserve Bank of India (RBI) on November 9, 2016 and November 11, 2016 seeking permission for collecting loan repayments from its borrowers in specified bank notes in view of the difficulties and operational challenges faced by NBFC-MFIs owing to the profile of their borrowers. In absence of any response from the RBI, the Company discontinued further collections in SBNs with effect from November 11, 2016 except ₹ 0.01 crores received on November 14, 2016.

- b) Amounts received by the Company from November 9, 2016 to November 14, 2016 represents collection towards existing loan obligations of around 28.6 lakh borrowers across 1,220 branches. The maximum amount so collected against the scheduled loan instalment from any single borrower is ₹ 1,635 (average of ₹ 575 per borrower against the scheduled loan instalment). Such collections have been made in the ordinary course of business from borrowers, in respect of whom the Company has obtained/maintained adequate record of their KYC documents (comprising identification and address proof) as prescribed by RBI and validated by independent credit bureau. The information mentioned in this note has been certified by the management of the Company and relied upon by the auditors.

41. Details of CSR expenses:*(₹ in crore)*

Particulars	March 31, 2017	March 31, 2016
a) Gross amount required to be spent by the Company during the year	3.12	-
b) Amount spent during the year on purposes other than construction/acquisition of any asset		
Paid	3.03	1.93
Yet to be paid	1.63	-
Total	4.66	1.93

42. Additional disclosures required by the RBI**a. Capital to Risk Assets Ratio ('CRAR'):**

Particulars	March 31, 2017	March 31, 2016
i) CRAR (%)	33.51%	23.07%
ii) CRAR – Tier I Capital (%)	33.04%	23.07%
iii) CRAR – Tier II Capital (%)	0.47%	0.00%
iv) Amount of subordinated debt raised as Tier-II capital	-	-
v) Amount raised by issue of Perpetual Debt Instruments	-	-

b. Investments:*(₹ in crore)*

Particulars	March 31, 2017	March 31, 2016
(1) Value of Investments		
(i) Gross Value of Investments		
(a) in India	0.20	0.20
(a) outside India,	-	-
(ii) Provisions for Depreciation		
(a) in India	-	-
(a) outside India	-	-
(iii) Net Value of Investments		
(a) in India	0.20	0.20
(a) outside India,	-	-

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / write-back of excess provisions during the year	-	-
(iv) Closing balance	-	-

c. Derivatives:

The Company has no transactions / exposure in derivatives in the current and previous year. The Company has no unhedged foreign currency exposure as on March 31, 2017 (March 31, 2016: Nil).

d. Disclosures relating to Securitisation:

During the year the Company has sold loans through securitization. The information on securitization activity of the Company as an originator is as shown below:

(₹ in crore)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Total number of loans securitised	476,781	1,488,135
Total book value of loans securitised	991.08	2,139.32
Total book value of loans securitised including loans placed as collateral	1,075.86	2,319.92
Sale consideration received for loans securitised	991.08	2,139.32
Excess interest spread recognised in the statement of profit and loss	140.45	86.83

(₹ in crore)

Particulars	As at March 31, 2017	As at March 31, 2016
Credit enhancements provided and outstanding (Gross):		
Interest subordination	40.79	123.74
Principal subordination	144.64	157.92
Cash collateral	202.49	114.14

(₹ in crore)

Sr. No	Particulars	March 31, 2017	March 31, 2016
1.	No. of SPVs sponsored by the NBFC for securitisation transactions during the year	4	7
2.	Total amount of securitised assets as per the books of the SPVs sponsored by the NBFC as on the date of balance sheet:	823.38	1,885.96
3.	Total amount of exposures retained to comply with minimum retention requirement ('MRR') as on the date of balance sheet:		
	a) Off balance sheet exposures		
	- First loss	-	-
	- Others	-	-
	b) On balance sheet exposures		
	- First loss	144.64	157.92
	- Others	-	-
4.	Amount of exposures to other than MRR:		
	a) Off-balance sheet exposures		
	i) Exposure to own securitisations		
	- First loss	-	-
	- Others	-	-
	ii) Exposure to third party securitisations		
	- First loss	-	-
	- Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	- First loss	243.28	237.88
	- Others	-	-
	ii) Exposure to third party securitisations		
	-First loss	-	-
	-Others	-	-

e. Details of financial assets sold to securitisation / reconstruction company for asset reconstruction:

The Company has not sold financial assets to Securitisation / Reconstruction companies for asset reconstruction in the current and previous year.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

f. Details of assignment transactions undertaken:

Particulars	March 31, 2017	March 31, 2016
No. of accounts	565,929	395,710
Aggregate value (net of provision) of accounts sold	739.19	481.23
Aggregate consideration	739.19	481.23
Additional consideration realised in respect of accounts transferred in earlier years	-	-
Aggregate gain or loss over net book value	-	-

g. Details of non-performing financial assets purchased / sold:

The Company has not purchased / sold non-performing financial assets in the current and previous year.

h. Asset Liability Management:

Maturity pattern of certain Assets and Liabilities as on March 31, 2017:

(₹ in crore)

Particulars	Upto 30/31 days	Over 1 months upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total
Deposits	-	-	-	-	-	-	-	-	-
Advances *	756.97	809.48	711.68	1,659.40	2,042.12	1,009.47	185.34	9.94	7,184.40
Investments	-	-	-	-	-	-	-	0.20	0.20
Borrowings	492.55	323.17	428.82	1,536.67	2,135.33	2,191.88	16.67	-	7,125.08
Foreign currency assets	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-

Maturity pattern of certain Assets and Liabilities as on March 31, 2016:

(₹ in crore)

Particulars	Upto 30/31 days	Over 1 months upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total
Deposits	-	-	-	-	-	-	-	-	-
Advances *	571.02	562.56	515.27	1,343.49	1,611.36	408.86	1.91	4.90	5,019.37
Investments	-	-	-	-	-	-	-	0.20	0.20
Borrowings	336.07	120.33	282.99	809.30	1,312.26	2,268.74	-	-	5,129.69
Foreign currency assets	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-

* net of provisions on NPA

i. Exposures:

The Company has no exposure to the real estate sector and capital market directly or indirectly in the current and previous year.

j. Details of financing of parent company products:

This disclosure is not applicable as the Company does not have any holding / parent company.

k. Unsecured Advances – Refer note 14.**l. Registration obtained from other financial sector regulators:**

The Company is registered with following other financial sector regulators (Financial regulators as described by Ministry of Finance):

- i. Ministry of Corporate Affairs
- ii. Ministry of Finance (Financial Intelligence Unit)

m. Disclosure of penalties imposed by RBI and other regulators:

No Penalties were imposed by RBI and other regulators during current and previous year

n. Ratings assigned by credit rating agencies and migration of ratings during the year:

(₹ in crore)

Deposits Instrument	Name of the rating agency	Date of rating	Rating assigned	Valid up to	Borrowing limit or conditions imposed by rating agency
Bank Loan Rating (Long-term facilities)	CARE Ratings	08-Mar-17*	CARE A+	See Note-1	5,500.00
Bank Loan Rating (Short-term facilities)	CARE Ratings	08-Mar-17*	CARE A1+		
Long-term Debt (NCD)	CARE Ratings	08-Mar-17*	CARE A+	See Note-1	400.00
Short-term Debt (CP/NCD)	CARE Ratings	08-Mar-17	CARE A1+	See Note-1	200.00
Short-term Debt	ICRA	27-Feb-17	ICRA A1+	26-May-18	750.00^
Long-term Debt		27-Feb-17	ICRA A+	26-May-18	
Securitisation	CARE Ratings	24-Nov-15	AA (SO)	15-Jul-17	243.08
Securitisation	ICRA	21-Oct-16*	AAA (SO)#	12-Sep-17	372.47
Securitisation	CARE Ratings	30-Jan-16	AA (SO)	15-Nov-17	651.80

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

Deposits Instrument	Name of the rating agency	Date of rating	Rating assigned	Valid up to	Borrowing limit or conditions imposed by rating agency
Securitisation	ICRA	21-Oct-16*	AA+ (SO)#	12-Dec-17	216.21
Securitisation	CARE Ratings	10-Mar-16	AA (SO)	20-Dec-17	214.61
Securitisation	CARE Ratings	15-Mar-16	AA (SO)	20-Jan-18	538.11
Securitisation	ICRA	20-Jun-16	AA (SO)	20-Feb-18	213.57
Securitisation	ICRA	27-Jul-16	AA (SO)	18-Apr-18	530.87
Securitisation	CARE	08-Sep-16	AA (SO)	18-Jun-18	108.00
Securitisation	CARE	27-Mar-17	AA (SO)	20-Jan-19	223.42

Note-1: The Rating is subject to annual surveillance till final repayment / redemption of rated facilities.

* last date of revalidation / upgradation during the year.

^ subject to Long-term borrowings limit of ₹ 300 Crs

upgradation during the year.

o. Provisions and Contingencies (shown under the head expenditure in Statement of Profit and Loss)

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Provisions for depreciation on Investment	-	-
Provision made towards Income tax	109.43	90.91
Provision towards NPA	240.52	1.18
Provision for standard Assets	19.73	19.36
Provision for securitised / managed portfolio	58.83	11.49
Provision for leave benefits	4.44	2.86
Provision for gratuity	8.39	8.91
Provision for advances recoverable in cash or kind	0.51	0.06
Provision for Impairment loss	0.16	(0.04)

p. Draw down from Reserves:

There has been no draw down from reserves during the year ended March 31, 2017 (previous year: Nil).

q. Concentration of Advances, Exposures and NPAs:*(₹ in crore)*

Particulars	March 31, 2017	March 31, 2016
Concentration of Advances		
Total advances to twenty largest borrowers	0.12	0.26
(%) of advances to twenty largest borrowers to total advances	0.00%	0.01%
Concentration of Exposures		
Total exposure to twenty largest borrowers/ customers	0.12	0.27
(%) of exposure to twenty largest borrowers/ customers to total exposure	0.00%	0.01%
Concentration of NPAs		
Total exposure to top four NPA accounts	0.02	0.04

r. Sector-wise NPAs

Sector	(%) of NPAs to total advances in that sector as at March 31, 2017	(%) of NPAs to total advances in that sector as at March 31, 2016
Agriculture and allied activities	6.48%	0.08%
MSME	-	-
Corporate borrowers	-	-
Services	5.24%	0.07%
Unsecured personal loans	-	-
Auto loans	-	-
Other personal loans	-	1.96%

s. Movement of NPAs*(₹ in crore)*

Particulars	March 31, 2017	March 31, 2016
(i) Net NPAs to Net Advances (%)	2.70%	0.04%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	4.14	2.37
(b) Additions during the year	435.50	18.59
(c) Reductions during the year (incl. loans written off)	(11.59)	(16.82)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (CONTD.)

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
(d) Closing balance	428.05	4.14
(iii) Movement of Net NPAs		
(a) Opening balance	1.94	1.35
(b) Additions during the year	189.07	8.97
(c) Reductions during the year	(5.68)	(8.38)
(d) Closing balance	185.33	1.94
(iv) Movement of provisions for NPAs		
(a) Opening balance	2.20	1.02
(b) Provisions made during the year	246.43	9.62
(c) Write-off / write-back of excess provisions	(5.91)	(8.44)
(d) Closing balance	242.72	2.20

t. Disclosure of Customer Complaints

(₹ in crore)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
(i) No. of complaints pending at the beginning of the year	568	1,464
(ii) No. of complaints received during the year	16,195	17,164
(iii) No. of complaints redressed during the year	16,429	18,060
(iv) No. of complaints pending at the end of the year	334	568

The Company has a Customer Grievance Redressal Mechanism including an independent ombudsman for convenience of customers to register their complaints and for the Company to monitor and redress them.

u. Information on instances of fraud

Instances of fraud for the year ended March 31, 2017:

(₹ in crore)

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount written-off
Cash embezzlement	81	0.67	0.51	0.16
Loans given against fictitious documents	66	0.77	0.47	0.30

Instances of fraud for the year ended March 31, 2016:

Nature of fraud	No. of cases	Amount of fraud	Recovery	(₹ in crore)
				Amount written-off
Cash embezzlement	65	0.53	0.38	0.15
Loans given against fictitious documents	57	1.31	0.61	0.71
Fraud by borrowers	5	0.03	0.01	0.02

v. Information on Net Interest Margin:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Average interest (a)	18.96%	21.42%
Average effective cost of borrowing (b)	10.79%	11.84%
Net interest margin (a-b)	8.17%	9.58%

w. Outstanding of loans against security of gold as a percentage to total assets is Nil (March 31, 2016: 0.29%).

43. Previous year's figures have been regrouped where necessary to conform to this year's classification.

For and on behalf of the Board of Directors of
Bharat Financial Inclusion Limited
(Formerly known as 'SKS Microfinance Limited')

Sd/-
P. H. Ravikumar
Non-Executive Chairman

Sd/-
M. R. Rao
Managing Director and
Chief Executive Officer

Sd/-
Ashish Damani
Chief Financial Officer

Sd/-
Rajendra Patil
Company Secretary



BHARAT
Financial Inclusion Ltd
Prayaas se pragati

Bharat Financial Inclusion Limited

(Formerly known as 'SKS Microfinance Limited')

CIN: L65999MH2003PLC250504

Registered office: Unit No. 410, Madhava,

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