Placement Document
Not for Circulation and Strictly Confidential
Serial Number:_____

BHARAT FINANCIAL INCLUSION LIMITED

(Formerly known as 'SKS Microfinance Limited')

Registered Office: Unit No. 410, Madhava, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051 | **Tel**: (91 40) 4452 6000 | **Fax:** (91 40) 4452 6001| **Email:** skscomplianceofficer@sksindia.com | **Website**: www.bfil.co.in

(Incorporated in the Republic of India as a company with limited liability under the Companies Act, 1956, having CIN L65999MH2003PLC250504)

Our Company was incorporated as SKS Microfinance Private Limited on September 22, 2003 under the Companies Act, 1956. Pursuant to the resolution dated May 2, 2009 passed by our Shareholders, our Company was converted into a public limited company and the word "private" was deleted from its name on May 20, 2009. Pursuant to the resolution dated June 7, 2016, passed by our Shareholders, the name of our Company has been changed to Bharat Financial Inclusion Limited with effect from June 13, 2016. For other contact details, see "General Information" on page 198.

Bharat Financial Inclusion Limited (our "**Company**" or the "**Issuer**") is issuing 9,740,259 equity shares of a face value of ₹ 10 each (the "**Equity Shares**") at a price of ₹ 770.00 per Equity Share (the "**Issue Price**"), including a premium of ₹ 760 per Equity Share, aggregating to ₹ 7,499.999 million (the "**Issue**")*.

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "SEBI REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, AND THE RULES MADE THEREUNDER

THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING MADE TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED UNDER THE SEBI REGULATIONS ("QIBS") IN RELIANCE UPON CHAPTER VIII OF THE SEBI REGULATIONS AND SECTION 42 OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN TO QIBS.

YOU ARE NOT AUTHORISED TO AND MAY NOT (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY SHARES INVOLVE A DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THIS ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ "RISK FACTORS" ON PAGE 38 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THIS ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS PLACEMENT DOCUMENT. PROSPECTIVE INVESTORS OF THE EQUITY SHARES OFFERED SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THE EQUITY SHARES. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS PLACEMENT DOCUMENT YOU SHOULD CONSULT AN AUTHORISED FINANCIAL ADVISER.

The Equity Shares of our Company are listed on National Stock Exchange of India Limited ("**NSE**") and BSE Limited ("**BSE**", together with NSE, the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on BSE and NSE on September 21, 2016 was ₹ 776.55 and ₹ 778.55 per Equity Share, respectively. In-principle approvals under Regulation 28(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "**SEBI Listing Regulations**") for listing of the Equity Shares have been received from each of BSE and NSE on September 22, 2016. Applications shall be made for obtaining the final listing and trading approvals for Equity Shares to be issued pursuant to the Issue on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to the Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of the business of our Company or the Equity Shares.

A copy of the Preliminary Placement Document dated September 22, 2016 (which included disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges. A copy of this Placement Document (which includes disclosures prescribed under Form PAS-4) has been filed with the Stock Exchanges. Our Company shall also make the requisite filings with the Registrar of Companies, Maharashtra at Mumbai (the "**RoC**") and the Securities and Exchange Board of India ("**SEBI**") within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended. This Placement Document has not been reviewed by SEBI, Reserve Bank of India ("**RBI**"), the Stock Exchanges, the RoC or any other regulatory or listing authority and is intended only for use by QIBs. This Placement Document has not been and will not be registered as a prospectus with the RoC, will not be circulated or distributed to the public in India or any other jurisdiction, and will not constitute a public offer in India or any other jurisdiction.

Invitations, offers and sales of Equity Shares to be issued pursuant to this Issue shall only be made pursuant to the Preliminary Placement Document (as defined hereinafter) together with the Application Form (as defined hereinafter), the Placement Document and the Confirmation of Allocation Note (as defined hereinafter). For further details, see "Issue Procedure" on page 153. The distribution of the Preliminary Placement Document and this Placement Document or the disclosure of its contents without our Company's prior consent to any person, other than QIBs and persons retained by QIBs to advise them with respect to their purchase of Equity Shares, is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

The information on our Company's website or any website directly or indirectly linked to our Company's website does not constitute nor should form part of this Placement Document and prospective investors should not rely on such information contained in, or available through, any such websites.

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S ("**Regulation S**") under the Securities Act, except for these purposes, U.S. persons include persons who would otherwise have been excluded from such term solely by virtue of Rule 902(k)(1)(viii)(B) or Rule 902(k)(2)(i)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States and to U.S. Persons only to persons who are qualified institutional buyers (as defined in Rule 144A under the Securities Act ("**Rule 144A**") and referred to in this Placement Document as "**U.S. QIBs**") who are also "qualified purchasers" (as defined in the United States Investment Company Act of 1940, as amended and the related rules (the "**Investment Company Act**"), and referred to in this Placement Document as "**Qualified Purchasers**") pursuant to applicable exemptions under the Securities Act and the Investment Company Act, and (b) outside the United States to non-U.S. persons in an "offshore transaction" in reliance on Regulation S. Our Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act. Prospective purchasers in the United States are hereby notified that our Company is relying on the exemption under Section 4(a)(2) of the Securities Act and exception under Section 3(c)(7) of the Investment Company Act. The Equity Shares are transferable only in accordance with the restrictions described under "Transfer Restrictions" on page 166. For the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Placement Document as "**QIBs**".

GLOBAL CO-ORDINATORS AND BOOK RUNNING LEAD MANAGERS (in alphabetical order)		**CO- BOOK RUNNING LEAD MANAGERS (in alphabetical order)**	
Credit Suisse Securities (India) Private Limited	**Kotak Mahindra Capital Company Limited**	**Motilal Oswal Investment Advisors Private Limited**	**YES Securities (India) Limited**

**For details of authority for the Issue, see "General Information" on page 198.*

This Placement Document is dated September 27, 2016.

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NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for all of the information contained in this Placement Document and confirms that to the best of its knowledge and belief, having made all reasonable enquiries, this Placement Document contains all information with respect to our Company and the Equity Shares which is material in the context of the Issue. The statements contained in this Placement Document relating to our Company and the Equity Shares are, in all material respects, true and accurate and not misleading, and the opinions and intentions expressed in this Placement Document with regard to our Company and the Equity Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and information presently available to us. There are no other facts in relation to our Company and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, our Company has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements.

Credit Suisse Securities (India) Private Limited and Kotak Mahindra Capital Company Limited (collectively the "**Global Co-ordinators and Book Running Lead Managers**"), Motilal Oswal Investment Advisors Private Limited and YES Securities (India) Limited (collectively the "**Co - Book Running Lead Managers**") (the Global Co-ordinators and Book Running Lead Managers and the Co - Book Running Lead Managers are collectively referred to as the "**Lead Managers**") have not separately verified all of the information contained in this Placement Document (financial, legal or otherwise). Accordingly none of the Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the issue or the distribution of the Equity Shares. Each person receiving this Placement Document acknowledges that such person has neither relied on the Lead Managers nor any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates in connection with such person's investigation of the accuracy of such information or such person's investment decision, and each such person must rely on its own examination of our Company and the merits and risks involved in investing in the Equity Shares.

No person is authorised to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Lead Managers. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Equity Shares to be issued pursuant to the Issue have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any other federal or state authorities in the United States or the securities authorities of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

This Placement Document is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "**Prospectus Directive**"). This Placement Document has been prepared on the basis that all offers of the Equity Shares offered hereby made to persons in the European Economic Area will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus in connection with offers of such Equity Shares. Accordingly, any person making or intending to make an offer of Equity Shares which are subject of the placement contemplated in this Placement Document within the European Economic Area should only do so in circumstances in which no obligation arises for our Company or the Lead Managers to produce a prospectus for such offer. None of our Company or the Lead Managers, have authorised, nor do they authorise, the making of any offer of Equity Shares through any financial intermediary, other than the offers made by the Lead Managers which constitute the final placement of the Equity Shares contemplated in this Placement Document.

The communication of this Placement Document and any other document or materials relating to the issue of the Equity Shares offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "**FSMA**"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the Equity Shares offered hereby are only available to, and any investment or investment activity to which this Placement Document relates will be engaged in only with,relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this Placement Document or any of its contents.

The distribution of this Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or

solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company or the Lead Managers which would permit an offering of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any Issue materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction that would require registration of the Equity Shares in such country or jurisdiction.

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Our Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act.

Within the United States, this Placement Document is being provided only to persons who are U.S. QIBs and also Qualified Purchasers. Distribution of this Placement Document to any person other than the offeree specified by the Lead Managers or their respective representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without prior written consent of our Company, is prohibited. Any reproduction or distribution of this Placement Document in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited.

In making an investment decision, investors must rely on their own examination of our Company and the terms of the Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning the Issue. In addition, neither our Company nor the Lead Managers are making any representation to any offeree or subscriber of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or subscriber under applicable legal, investment or similar laws or regulations.

Each subscriber of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Indian laws, including Chapter VIII of the SEBI Regulations and is not prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities. Each subscriber of the Equity Shares also acknowledges that it has been afforded an opportunity to request from our Company and review information pertaining to our Company and the Equity Shares. This Placement Document contains summaries of certain terms of certain documents, which are qualified in their entirety by the terms and conditions of such documents.

The information on our Company's website www.bfil.co.in or any website directly or indirectly linked to our Company's website or the website of the Lead Managers or their affiliates, does not constitute or form part of this Placement Document. This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents. All references herein to "you" or "your" is to the prospective investors in the Issue.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION, MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

REPRESENTATIONS BY INVESTORS

References herein to "you" or "your" is to the prospective investors in the Issue.

By bidding for and / or subscribing to any Equity Share under the Issue, you are deemed to have represented, warranted, acknowledged and agreed with our Company and the Lead Managers, as follows:

1. You are a "QIB" as defined in Regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations, having a valid and existing registration under the applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allocated to you in accordance with Chapter VIII of the SEBI Regulations, the Companies Act and undertake to comply with the SEBI Regulations and all other applicable laws including any reporting obligations;

2. If you are not a resident of India, but a QIB, you are an Eligible FPI or an FII (including a sub-account other than a sub-account which is a foreign corporate or a foreign individual) having a valid and existing registration with SEBI under the applicable laws in India or a multilateral or bilateral development financial institution, and are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling or dealing in securities. You confirm that you are not an FVCI;

3. You will make all necessary filings with appropriate regulatory authorities, including the RBI, as required pursuant to applicable laws;

4. If you are Allotted the Equity Shares pursuant to the Issue, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the floor of the Stock Exchanges (additional restrictions apply if you are within the United States), see "Transfer Restrictions" on page 166;

5. You are aware that the Equity Shares have not been and will not be registered through a prospectus under the Companies Act, SEBI Regulations or under any other law in force in India. This Placement Document has not been verified or affirmed by RBI, SEBI, the Stock Exchanges or any other regulatory or listing authority and will not be registered with the Registrar of Companies as a prospectus, and is intended only for use by QIBs;

6. You are entitled to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions which apply to you, you have the necessary capacity and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities, to enable you to commit to participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Placement Document), and will honour such obligations;

7. You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents ("**Company's Presentations**") with regard to our Company, the Equity Shares or the Issue; or (ii) if you have participated in or attended any Company's Presentations: (a) you understand and acknowledge that the Lead Managers may not have knowledge of the statements that our Company or its agents may have made at such Company's Presentations and are therefore unable to determine whether the information provided to you at such Company's Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Lead Managers have advised you not to rely in any way on any information that was provided to you at such Company's Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

8. None of the Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates is making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with the Issue and that participation in the Issue is on the basis that you are not and will not, up to the Allotment, be a client of any of the Lead Managers. Neither the Lead Managers nor any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates have any duties or responsibilities to you for providing the protection afforded to their clients or for providing advice in relation to the Issue and are in no way acting in a fiduciary capacity to you;

9. You are aware that if you are Allotted more than 5.00% of the Equity Shares in the Issue, our Company shall be required to disclose your name and the number of Equity Shares Allotted to you to the Stock Exchanges, and the Stock Exchanges will make the same available on their website and you consent to such disclosures;

10. All statements other than statements of historical fact included in this Placement Document, including, without limitation, those regarding our Company's financial position, business strategy, plans and objectives of management

for future operations (including development plans and objectives relating to our Company's business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Company's present and future business strategies and environment in which our Company will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Placement Document. Our Company assumes no responsibility to update any of the forward-looking statements contained in this Placement Document;

11. You have been provided a serially numbered copy of this Placement Document and have read this Placement Document in its entirety, including, in particular, the "Risk Factors" on page 38;

12. You are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the Allotment shall be on a discretionary basis;

13. You have made, or are deemed to have made, as applicable, the representations set forth under "Selling Restrictions" and "Transfer Restrictions" on pages 163 and 166, respectively;

14. You understand that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and accordingly, may not be offered or sold within the United States, except in reliance on an exemption from the registration requirements of the Securities Act. You understand and agree that our Company has not registered and does not invest to register under the Investment Company Act and is relying upon Section 3(c)(7) of such act, and investors will not be entitled to the benefits of the Investment Company Act;

15. If you are within the United States or a U.S. person (as defined in Regulation S, except for these purposes, U.S. persons include persons who would otherwise have been excluded from such term solely by virtue of Rule 902(k)(1)(viii)(B) or Rule 902(k)(2)(i)), you are a "**Qualified Purchaser**" and a U.S. QIB, and are acquiring the Equity Shares for your own account or for the account of an institutional investor who also meets the requirement of a Qualified Purchaser and a U.S. QIB, for investment purposes only, and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not an affiliate of our Company or a person acting on behalf of such an affiliate;

16. If you are outside the United States, you are subscribing for the Equity Shares in an offshore transaction within the meaning of Regulation S under the U.S. Securities Act, and are not our Company's or the Lead Managers' affiliate or a person acting on behalf of such an affiliate;

17. You are not acquiring or subscribing for the Equity Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation D under the Securities Act) or directed selling efforts (as defined in Regulation S) and you understand and agree that offers and sales are being made in reliance on an exemption to the registration requirements of the Securities Act provided by Section 4(a)(2) under the Securities Act or Regulation S or another available exemption from registration under the Securities Act and the Equity Shares may not be eligible for resales under Rule 144A thereunder. You understand and agree that the Equity Shares are transferable only in accordance with the restrictions described under "Selling Restrictions" and "Transfer Restrictions" on page 163 and 166, respectively, particularly, you represent and agree that you will only reoffer, resell, pledge or otherwise transfer the Equity Shares in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S;

18. In making your investment decision, you have (i) relied on your own examination of our Company and the terms of the Issue, including the merits and risks involved, (ii) made and will continue to make your own assessment of our Company, the Equity Shares and the terms of the Issue based solely on the information contained in this Placement Document, (iii) consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local laws, (iv) relied solely on the information contained in this Placement Document and no other disclosure or representation by our Company, its Directors, Promoters and affiliates, or any other party, (v) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares and (vi) relied upon your own investigation and resources in deciding to invest in the Issue;

19. You are a sophisticated investor and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of an investment in the Equity Shares. You and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares; (ii) will not look to our Company and / or any of the Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered; (iii) are able to sustain a complete loss on the investment in the Equity Shares; (iv) have no need for liquidity with respect to the investment in the Equity Shares; and (v) have no reason to

anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resale or distribute;

20. You agree that in terms of Section 42(7) of the Companies Act, 2013, we shall file the list of QIBs (to whom the Preliminary Placement Document was circulated) along with other particulars with the RoC and SEBI within 30 days of circulation of the Preliminary Placement Document and other filings required under the Companies Act, 2013;

21. The Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates have not provided you with any tax advice or otherwise made any representations regarding the tax consequences of the purchase, ownership and disposal of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice and will not rely on the Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates or our Company when evaluating the tax consequences in relation to the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You waive and agree not to assert any claim against the Lead Managers or our Company with respect to the tax aspects of the Equity Shares or the Issue or as a result of any tax audits by tax authorities, wherever situated;

22. That where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire the Equity Shares for each managed account; and to make the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

23. You are not a Promoter (as defined under the SEBI Regulations) and are not a person related to the Promoters, either directly or indirectly and your Application does not directly or indirectly represent the Promoters or Promoter Group (as defined under the SEBI Regulations) of our Company;

24. You have no rights under a shareholders' agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on our Board of Directors other than the rights acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoters;

25. The Bid made by you would not result in triggering a tender offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Regulations**");

26. You have no right to withdraw your Application after the Bid / Issue Closing Date (as defined hereinafter);

27. You are eligible to apply for and hold Equity Shares so Allotted and together with any securities of our Company held by you prior to the Issue. You further confirm that your holding upon the issue and allotment of the Equity Shares shall not exceed the level permissible as per any applicable law;

28. To the best of your knowledge and belief, your aggregate holding together with other prospective investors in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue shall not exceed 50.00% of the Issue Size. For the purposes of this representation:

    - the expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956.

    - 'control' shall have the same meaning as is assigned to it by clause 1 (e) of Regulation 2 of the Takeover Regulations.

29. You shall not undertake any trade in the Equity Shares credited to your beneficiary account until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges;

30. You are aware and understand that the Lead Managers have entered into a placement agreement with our Company, whereby the Lead Managers have, subject to the satisfaction of certain conditions set out therein, severally and not jointly, agreed to manage the Issue and use reasonable efforts to procure subscriptions for the Equity Shares on the terms and conditions set forth therein;

31. The contents of this Placement Document are exclusively the responsibility of our Company and that neither the Lead Managers nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Placement Document or otherwise. By participating in the Issue, you

agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Lead Managers or our Company or any other person and neither the Lead Managers nor our Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

32. The only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by the Lead Managers or our Company and neither the Lead Managers nor our Company will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement that you have obtained or received;

33. You understand that the Equity Shares will, when issued, be credited as fully paid and will rank pari-passu in all respect with the Equity Shares including the right to receive all dividend and other distributions declared, made or paid in respect of the Equity Shares after the date of issue of the Equity Shares;

34. You agree to indemnify and hold our Company and the Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements and undertakings in this Placement Document including this section. You agree that the indemnity set forth in this section shall survive the resale of the Equity Shares by or on behalf of the managed accounts;

35. You are eligible to invest in India and in the Equity Shares under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000, as amended and have not been prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities;

36. You understand that none of the Lead Managers has any obligation to purchase or acquire all or any part of the Equity Shares which are subscribed by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by us of any of our respective obligations or any breach of any representations or warranties by us, whether to you or otherwise;

37. You are aware that (i) applications for in-principle approval, in terms of Regulation 28 (1) of the SEBI Listing Regulations for listing and admission of the Equity Shares and for trading on BSE and NSE, were made and such approvals have been received from BSE and NSE, and (ii) the application for the final listing and trading approval will be made only after Allotment. There can be no assurance that the final approvals for listing of the Equity Shares will be obtained in time or at all. Our Company shall not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;

38. You are an investor who is seeking to purchase the Equity Shares for your own investment and not with a view to distribution. In particular, you acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;

39. You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of India, and the courts in Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Preliminary Placement Document (as defined hereinafter) and this Placement Document;

40. Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times, up to and including the Allotment, listing and trading of the Equity Shares in the Issue;

41. Our Company, the Lead Managers, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings which are given to the Lead Managers on their own behalf and on behalf of our Company and are irrevocable; and

42. You have made, or deemed to have made, as applicable, the representations set forth in this section namely "Representations by Investors".

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines, and approvals in terms of Regulation 22 of the SEBI FPI Regulations, FPIs (other than a Category III FPI and unregulated broad based funds which are classified as FPIs by virtue of their investment manager being appropriately regulated), may issue, subscribe, or otherwise deal in offshore derivative instruments (referred to herein as "**P-Notes**"), for which they may receive compensation from the purchasers of such instruments. You should ensure that any P-Notes issued by you have been issued in compliance with all applicable laws (including Regulation 22 of the SEBI FPI Regulations and circular no. CIR/IMD/FIIC/20/2014 dated November 24, 2014 issued by SEBI). P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-notes, including any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligation of, claims on, or interests in, our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Company. Our Company and the Lead Managers do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the Lead Managers and do not constitute any obligations of, or claims on, the Lead Managers. Affiliates of the Lead Managers which are FPIs may purchase, to the extent permissible under law, the Equity Shares in the Issue, and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuers of such P-Notes and the terms and conditions of any such P-Notes from the issuers of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE

Disclaimer Clause of the Stock Exchanges

As required, a copy of this Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Placement Document;

2. warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company;

and it should not for any reason be deemed or construed to mean that this Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition, whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the RBI

The Company is having a valid certificate of registration dated July 14, 2016 issued by the RBI under Section 45 IA of the RBI Act. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Company or for the correctness of any of the statements or representations made or opinions expressed by the Company and for repayment of deposits /discharge of liabilities by the Company.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Certain Conventions

In this Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to "you", "your", "offeree", "purchaser", "subscriber", "recipient", "investors", "prospective investors" and "potential investor" are to the prospective investors of Equity Shares in the Issue and references to the "Issuer", "Company", "our Company", "we", "us", or "our" are to Bharat Financial Inclusion Limited.

References in this Placement Document to "India" are to the Republic of India and its territories and possessions and the "Government" or the "Central Government" or the "state government" are to the Government of India ("**GoI**"), or the governments of any state in India, as applicable and as the case may be. All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions. References to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable.

Financial and Other Information

In this Placement Document, references to "USD", "$", "U.S.$" and "U.S. dollars" are to the legal currency of the United States and references to, "₹", "Rs.", "INR" and "Rupees" are to the legal currency of India.

References to "lakhs" and "crores" in this Placement Document are to the following:

- one lakh represents 100,000 (one hundred thousand);
- ten lakhs represents 1,000,000 (one million);
- one crore represents 10,000,000 (ten million); and
- one hundred crores represents 1,000,000,000 (one billion).

Our Company publishes its financial statements in Indian Rupees. The audited financial statements of our Company as of and for the years ended March 31, 2014, 2015 and 2016 and the unaudited condensed financial statements as at and for the three month period ended June 30, 2016 have been included in this Placement Document (collectively, the "**Financial Statements**"). The Financial statements have been prepared in accordance with generally accepted accounting principles in India or Indian GAAP and the Companies Act, 2013. The Financial Statements as of and for the years ended March 31, 2014, 2015 and 2016 have been audited by the Auditors and a limited review of the unaudited condensed financial statements as at and for the three month period ended June 30, 2016 has been conducted by the Auditors in accordance with the applicable standards on auditing in India prescribed by the ICAI. Our Company does not quantify the impact of U.S. GAAP or International Financial Reporting Standards ("**IFRS**") on the financial data included in this Placement Document, nor does our Company provide a reconciliation of its financial statements to U.S. GAAP or IFRS. Each of U.S. GAAP and IFRS differ in certain significant respects from Indian GAAP. Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Placement Document will provide meaningful information is entirely dependent on the reader's familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited. See "Risk Factors" on page 38 for risks involving differences between Indian GAAP and other accounting principles and auditing standards and risks in relation to Ind AS.

The terms "total outstanding loan portfolio," "outstanding Andhra Pradesh and Telangana loan portfolio," "outstanding loan portfolio outside Andhra Pradesh and Telangana," "average outstanding loan portfolio," "outstanding non-performing loan portfolio" and "outstanding non-performing loan portfolio outside Andhra Pradesh and Telangana" appearing in this Placement Document refer to our portfolio loans, as referred to in our financial statements. The terms "gross outstanding loan portfolio" or "gross loan portfolio" includes securitized, assigned and managed loans.

In this Placement Document, certain monetary thresholds have been subjected to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The Financial Year of our Company commences on April 1 of each calendar year and ends on March 31 of the succeeding calendar year. Unless otherwise stated, references in this Placement Document to a particular year are to the calendar year ended on December 31, and to a particular "Financial" or "Financial Year" or "FY" are to the financial year ended on March 31.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates, other industry data and certain industry forecasts pertaining to the business of our Company contained in this Placement Document consists of estimates based on data reports compiled by government bodies, data from other external sources and knowledge of the markets in which our Company competes. Unless stated otherwise, the statistical information included in this Placement Document relating to the industry in which our Company operates has been reproduced from various trade, industry and government publications and websites.

This data is subject to change and cannot be verified with certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. Neither our Company nor any of the Lead Managers have independently verified the industry and market data and do not make any representation regarding accuracy or completeness of such data. Our Company takes responsibility for accurately reproducing such information but accepts no further responsibility in respect of such information and data. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so our Company has relied on internally developed estimates. Similarly, while our Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither our Company nor any of the Lead Managers can assure potential investors as to their accuracy.

The extent to which the market and industry data used in this Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

AVAILABLE INFORMATION

Our Company has agreed that, for so long as any Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, our Company will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act, subject to compliance with applicable provisions of Indian law.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Placement Document that are not statements of historical fact constitute "forward-looking statements". Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "can", "could", "estimate", "expect", "intend", "may", "objective", "plan", "potential", "project", "pursue", "shall", "should", "will", "would", or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of our Company are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

All statements regarding our Company's expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our Company's business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Placement Document that are not historical facts. These forward-looking statements contained in this Placement Document (whether made by our Company or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about our Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause the actual results, performances and achievements of our Company to be materially different from any of the forward-looking statements include, among others:

- compliance with conditions imposed by laws and regulations including state government laws, and any further changes in laws and regulations applicable to the MFI industry in India;
- our ability to meet our capital requirements through adequate debt and equity financing at reasonable terms;
- our ability to effectively manage financial expenses and fluctuations in interest rates;
- our ability to control the level of our non-performing assets;
- inadequacy of our loan loss reserves to cover our loan losses;
- our ability to successfully implement our business strategy;
- our ability to manage operating expenses;
- our ability to diversify into new business verticals and introduction of new services;
- our ability to comply with the financial covenants under our finance arrangements;
- performance of the Indian debt and equity markets;
- competition from other MFIs, banks and financial institutions; and
- general, political, economic, social and business conditions in Indian and other global markets.

Additional factors that could cause actual results, performance or achievements of our Company to differ materially include, but are not limited to, those discussed under the sections "Risk Factors", "Industry Overview", "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 38, 107 , 118 and 63, respectively.

The forward-looking statements contained in this Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of our Company. Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Placement Document or the respective dates indicated in this Placement Document, and our Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialize, or if any of our Company's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Company could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Company are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a public limited liability company incorporated under the laws of India. Certain of our Directors, the key managerial personnel named herein are residents of India and all or a substantial portion of the assets of our Company and such persons are located in India. As a result, it may be difficult or may not be possible for investors outside India to effect service of process upon our Company or such persons in India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, as amended (the "**Civil Procedure Code**"), on a statutory basis. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or parties litigating under the same title, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law then in force in India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any jurisdiction outside India which the Government has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a competent court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards.

Among other jurisdictions, the United Kingdom of Great Britain and Northern Ireland, Republic of Singapore and Hong Kong have been declared by the Government to be reciprocating territories for the purposes of Section 44A of the Civil Procedure Code, but the United States of America has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy of India. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws.

EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the Rupees and the U.S. dollar will affect the U.S. dollar equivalent of the Rupee price of the Equity Shares on BSE and NSE. These fluctuations will also affect the conversion into U.S. dollar of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) based on the reference rates released by the RBI. No representation is made that the Rupees amounts actually represent such amounts in U.S. dollar or could have been or could be converted into USD at the rates indicated, any other rates, or at all.

As of August 31, 2016, the exchange rate (RBI reference rate) was ₹ 66.9813 to US$ 1.00. *(Source: www.rbi.org.in)*

	Period end	Average	High	Low
Financial Year:				(₹ Per US$)
2016	66.3329	65.4611	68.7775	62.1580
2015	62.5908	61.1471	63.7498	58.4260
2014	60.0998	60.4962	68.3611	53.7355
Quarter ended:				
June 30, 2016	67.6166	66.9332	68.0144	66.2406
March 31, 2016	66.3329	67.5039	68.7775	66.1780
December 31, 2015	66.3260	65.9284	67.0435	64.7260
Month ended:				
August 31, 2016	67.8763	67.2523	68.0858	66.1780
July 31, 2016	68.6160	68.2377	68.7775	67.6365
June 30, 2016	66.3329	67.0219	68.1580	66.3329
May 31, 2016	66.5176	66.4695	66.7330	66.2406
April 30, 2016	67.2030	66.9067	67.7060	66.2698
March 31, 2016	67.6166	67.2969	68.0144	66.6250

(*Source:* www.rbi.org.in)

DEFINITIONS AND ABBREVIATIONS

This Placement Document uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein. References to any legislation, act or regulation shall be to such term as amended from time to time.

Company related terms

Term	Description
Our Company / the Company / the Issuer / BFIL / we / us / our	Bharat Financial Inclusion Limited (formerly known as 'SKS Microfinance Limited'), a public limited company incorporated under the Companies Act, 1956 and having its registered office at Unit No. 410, Madhava, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051
Articles / Articles of Association	Articles of Association of our Company, as amended from time to time
Asset Liability Management Committee	The Asset Liability Management Committee constituted by our Board of Directors
Audit Committee	The Audit Committee constituted by our Board of Directors
Auditors	S.R. Batliboi & Co. LLP, statutory auditors of our Company
Board of Directors / Board	The board of directors of our Company or any duly constituted committee thereof
Borrowers	Members to whom we have granted loans that are outstanding
Directors	The directors of our Company
Equity Shares	The equity shares of our Company of a face value of ₹ 10 each
ESOP Schemes	ESOP 2008, ESOP 2008 (ID), ESOP 2009, ESOP 2010 and ESOP 2011
ESOP 2008	SKS Microfinance Employee Stock Option Plan 2008, as amended
ESOP 2008 (ID)	SKS Microfinance Employees Stock Option Plan 2008 (Independent Directors), as amended
ESOP 2009	SKS Microfinance Employee Stock Option Plan 2009, as amended
ESOP 2010	SKS Microfinance Employee Stock Option Plan 2010, as amended
ESOP 2011	SKS Microfinance Employee Stock Option Plan 2011, as amended
ESPS 2007	SKS Microfinance Employee Share Purchase Scheme 2007
Members	Individuals in India who are primarily women and to whom we provide small value loans and certain other basic financial services
Memorandum or Memorandum of Association	Memorandum of Association of our Company, as amended from time to time
Nomination and Remuneration Committee	The Nomination and Remuneration Committee constituted by our Board of Directors
Promoters	Promoters of our Company namely Kismet Microfinance, WestBridge Ventures II LLC and Kumaon Investment Holdings
Registered Office	The registered office of our Company is located at Unit No. 410, Madhava, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051
Risk Management Committee	The Risk Management Committee constituted by our Board of Directors
Sangam	A consolidated group of five Members within a village which forms a center
Sangam Leader Meetings	Direct Customer Contact Program
Sangam Managers	Our field level loan officers
Shareholders	Shareholders of our Company, from time to time.
SKS Society	*Swayam Krishi Sangam*, a society registered under the Andhra Pradesh (Telangana Areas) Public Societies Registration Act, 1350 Fasli (Act I of 1350 F)
Stakeholders' Relationship Committee	The Stakeholders' Relationship Committee constituted by our Board of Directors

Issue related terms

Term	Description
Allocated/ Allocation	The allocation of Equity Shares following the determination of the Issue Price to QIBs on the basis of the Application Form submitted by them, by our Company in consultation with the Lead Managers and in compliance with Chapter VIII of the SEBI Regulations
Allot/ Allotment/ Allotted	Unless the context otherwise requires, the issue and allotment of Equity Shares to be issued pursuant to the Issue
Allottees	QIBs to whom Equity Shares are issued and Allotted pursuant to the Issue
Application Form	The form (including any revisions thereof) pursuant to which a QIB shall submit a Bid for the Equity Shares in the Issue
Bid(s)	Indication of interest of a Bidder including all revisions and modifications thereto, as provided in the Application Form, to subscribe for the Equity Shares in the Issue
Bid/Issue Closing Date	September 27, 2016, which is the last date up to which the Application Forms shall be accepted
Bid/Issue Opening Date	September 22, 2016
Bid/Issue Period	Period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids
Bidder	Any prospective investor, being a QIB, who makes a Bid pursuant to the terms of the Preliminary Placement Document and the Application Form
CAN or Confirmation of Allocation Note	Note or advice or intimation to the QIBs confirming Allocation of Equity Shares to such QIBs after determination of the Issue Price and requesting payment for the entire applicable Issue Price for all Equity Shares Allocated to such QIBs
Closing Date	The date on which Allotment of Equity Shares pursuant to the Issue shall be made, i.e. on or about September 29, 2016
Co - Book Running Lead Managers	Motilal Oswal Investment Advisors Private Limited and YES Securities (India) Limited
Cut-off Price	The Issue Price of the Equity Shares to be issued pursuant to the Issue which shall be finalised by our Company in consultation with the Lead Managers
Designated Date	The date of credit of Equity Shares to the QIB's demat account, as applicable to the respective QIB
Escrow Account	The account titled Bharat Financial Inclusion Limited – QIP Escrow Account with regard to any money received towards the subscription of the Equity Shares, opened with the Escrow Agent, subject to the terms of the Escrow Agreement
Escrow Agent	IDFC Bank Limited
Escrow Agreement	Agreement dated September 22, 2016, entered into amongst our Company, the Escrow Agent and the Lead Managers for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Floor Price	The floor price of ₹769.95 which has been calculated in accordance with Chapter VIII of the SEBI Regulations.
Global Co-ordinators and Book Running Lead Managers	Credit Suisse Securities (India) Private Limited and Kotak Mahindra Capital Company Limited
Investment Company Act	The U.S. Investment Company Act of 1940, and the related rules and regulations
Issue	The offer, issue and Allotment of 9,740,259 Equity Shares to QIBs pursuant to Chapter VIII of the SEBI Regulations and the provisions of the Companies Act, 2013
Issue Price	₹770.00 per Equity Share
Issue Size	The issue of 9,740,259 Equity Shares aggregating approximately ₹7,499.999 million
Lead Managers	Global Co-ordinators and Book Running Lead Managers and the Co - Book Running Lead Managers
Mutual Fund	A mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
Mutual Fund Portion	10 per cent of the Equity Shares proposed to be Allotted in the Issue, which is available for Allocation to Mutual Funds
Pay-in Date	The last date specified in the CAN for payment of application monies by the successful Bidders

Term	Description
Placement Agreement	Placement agreement dated September 22, 2016, entered into by our Company and the Lead Managers
Placement Document	This placement document dated September 27, 2016 issued by our Company in accordance with Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013
Preliminary Placement Document	The preliminary placement document dated September 22, 2016 issued in accordance with Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013
QIBs or Qualified Institutional Buyers	Qualified institutional buyers as defined under Regulation 2(1)(zd) of the SEBI Regulations
QIP	Qualified institutions placement under Chapter VIII of the SEBI Regulations
Qualified Purchasers	A "qualified purchaser" as defined under the Investment Company Act
Regulation S	Regulation S under the Securities Act
Relevant Date	September 22, 2016, the date on which the Capital Raising Committee constituted by our Board decided to open the Issue
Rule 144A	Rule 144A under the Securities Act
Securities Act	The U.S. Securities Act of 1933, and the related rules and regulations
Stock Exchanges	NSE and BSE
U.S. person	"U.S. person" as defined in Regulation S, except for these purposes, U.S. persons include persons who would otherwise have been excluded from such term solely by virtue of Rule 902(k)(1)(viii)(B) or Rule 902(k)(2)(i)
U.S. QIB	A qualified institutional buyer, as defined under Rule 144A

Conventional and general terms

Term	Description
ABCO	Average Borrower per Client Officer
AGM	Annual General Meeting
ALM	Asset Liability Management
A.P.	The State of Andhra Pradesh
A.P.-MFI Act	The Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Act, 2011
A.P.-MFI Rules	The Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Rules, 2011
A.P. Money Lenders Regulations	The Andhra Pradesh (Scheduled Areas) Money Lenders Regulation, 1960
BSE	BSE Limited
CAGR	Compound annual growth rate
Calendar Year	Year ending on December 31
CAR	Capital Adequacy Ratio
CARE	Credit Analysis & Research Limited
Category III Foreign Portfolio Investor	An FPI registered as a category III foreign portfolio investor under the SEBI FPI Regulations
CCI	Competition Commission of India
CDR	Corporate Debt Restructuring
CDSL	Central Depository Services (India) Limited
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
CGAP	Consultative Group to Assist the Poor
CGT	Compulsory Group Training
CIN	Corporate Identity Number
Civil Procedure Code	The Code of Civil Procedure, 1908

Term	Description
Companies Act	The Companies Act, 1956 or the Companies Act, 2013, as applicable
Companies Act, 1956	The Companies Act, 1956 (without reference to the provisions thereof that have ceased to have effect upon notification of the sections of the Companies Act, 2013) along with the relevant rules made thereunder
Companies Act, 2013	The Companies Act, 2013, to the extent in force pursuant to the notification of sections of the Companies Act, 2013, along with the relevant rules made thereunder
Competition Act	The Competition Act, 2002
Consolidated FDI Policy	The Consolidated FDI Policy (effective from June 7, 2016), issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India
CRAR	Capital Risk to Asset Ratio
CRISIL	CRISIL Limited
Crore	10 million
Cr.P.C	The Code of Criminal Procedure, 1973
Debt to Equity Ratio	Debt to equity ratio is calculated as total borrowings/networth
Depositories	CDSL and NSDL
Depositories Act	The Depositories Act, 1996
Depository Participant or DP	A depository participant as defined under the Depositories Act
DP ID Number	Depository participant identification number
DRDA	District Rural Development Agency
DRDA – IKP	District Rural Development Agencies - Indira Kranti Patham
DTA	Deferred Tax Asset
ECB	External Commercial Borrowing
ECS	Electronic clearing service
EGM	Extraordinary general meeting
Eligible FPIs	FPIs that are eligible to participate in this Issue and do not include Category III Foreign Portfolio Investors who are not allowed to participate in the Issue
EPS	Earnings per share
EU	European Union
FDI	Foreign Direct Investment
FEMA	The Foreign Exchange Management Act, 1999, together with rules and regulations issued thereunder
FEMA 20	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
FIIs	Foreign Institutional Investors as defined under the SEBI FPI Regulations
Financial Statements	The audited financial statements of our Company as of and for the years ended March 31, 2014, 2015 and 2016 and the unaudited condensed financial statements as at and for the three month period ended June 30, 2016
Financial Year or Fiscal Year or Fiscal	Period of 12 months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
FIR	First Information Report
Form PAS-4	Form PAS-4 as prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014
FPIs	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes a person who has been registered under the SEBI FPI Regulations. Any foreign institutional investor or qualified foreign investor who held a valid certificate of registration was deemed to be a foreign portfolio investor till the expiry of the block of three years for which fees had been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995

Term	Description
FVCI	Foreign Venture Capital Investors (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000) registered with SEBI
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
General Meeting	AGM or EGM
GoI or Government	Government of India
Gross Loan Portfolio	Our portfolio loans including our securitised, assigned and managed loans
GST	Goods and Services Tax
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
ICRA	ICRA Limited
IFRS	International Financial Reporting Standards
IGLs	Income generating loans
Indian GAAP	Generally Accepted Accounting Principles in India
Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
Insurance Act	The Insurance Act, 1938
IPC	The Indian Penal Code,1860
IPO	Initial Public Offering
IRDAI	Insurance Regulatory and Development Authority of India
I.T. Act	The Income Tax Act, 1961
JLG	Joint Liability Group
Kirana or *Sangam* stores	Local retail shops being operated by our Borrowers and certain other individuals at their place of business
KYC	Know Your Customer
Ltd.	Limited
LUC	Loan Utilization Check
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs, GoI
MFI	Microfinance Institution
MFIN	Micro Finance Institutions Network
MIS	Management Information Systems
MoF	Ministry of Finance, GoI
MoU	Memorandum of Understanding
MSP	Minimum Support Price
MTLs	Mid-term loans
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Banking Financial Company
NBFC-MFI	Non-Banking Financial Company – Micro Finance Institution
NBFC-MFI Directions	Non-Banking Financial Company – Micro Finance Institutions (Reserve Bank) – Directions 2011, issued by the RBI through its notification dated December 2, 2011,
NBFC – ND – SI	Non-Banking Financial Company –Non Deposit Taking Systemically Important
NBFC – SI	Non-Banking Financial Company – Systemically Important
NBFC-SI Directions / NBFC-SI Master Directions	Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and the Master Directions issued from time to time

Term	Description
NCLAT	National Company Law Appellate Tribunal
NCLT	National Company Law Tribunal
NEFT	National Electronic Fund Transfer
Net Worth	Net worth comprises share capital and reserves and surplus and is adjusted for miscellaneous expenditure to the extent not written off
NGO	Non Governmental Organization
Non-Resident Indian or NRI	an individual resident outside India who is citizen of India or is an 'Overseas Citizen of India' cardholder within the meaning of section 7 (A) of the Citizenship Act, 1955
Non-Resident or NR	A person resident outside India, as defined under the FEMA
NPA	Non-Performing Asset
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB or Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60 per cent by NRIs including overseas trusts in which not less than 60 per cent of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in the Issue
Official Gazette	The official gazette of India or a State
P.A.	Per annum
PAN	Permanent Account Number allotted under the I.T. Act
PAR	Portfolio at Risk
PMLA	Prevention of Money Laundering Act, 2002
PSL	Priority Sector Advances or Loans
RBI	Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
Re.	One Indian Rupee
ROA	Return on Assets
RoC or Registrar	Registrar of Companies, Maharashtra at Mumbai
RoE	Return on Equity
₹, Rs., INR, Rupees	Indian Rupees
RTGS	Real Time Gross Settlement
S&P	Standard & Poor's
SBLP	Self Help Group Bank Linkage Programme
SCRA	The Securities Contracts (Regulation) Act, 1956
SCRR	The Securities Contracts (Regulation) Rules, 1957
SCR (SECC) Regulations	The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations), Regulations, 2012
SEBI	The Securities and Exchange Board of India established under the SEBI Act
SEBI Act	The Securities and Exchange Board of India Act, 1992
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
SHG	Self Help Group
SIDBI	Small Industries Development Bank of India

Term	Description
SSL	*Sangam* store loans
STT	Securities Transaction Tax
Supreme Court	The Supreme Court of India
Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
Treaty	The income tax treaty between the United States and India
U.S.	United States of America
U.S. GAAP	Generally accepted accounting principles in the United States of America
VCF	A venture capital fund as defined under the erstwhile Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996

Notwithstanding the foregoing, defined terms in "Certain Tax Considerations" and "Financial Statements" on pages 174 and 199, respectively, shall have the meaning given to such terms in such sections.

DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013

The table below sets out the disclosure requirements as provided in Form PAS-4 and the relevant pages in this Placement Document where these disclosures, to the extent applicable, have been provided.

Sr. No.	Disclosure Requirements	Relevant Page of this Placement Document
1.	**GENERAL INFORMATION**	
a.	Name, address, website and other contact details of the company indicating both registered office and corporate office;	198
b.	Date of incorporation of the company;	198
c.	Business carried on by the company and its subsidiaries with the details of branches or units, if any;	118 to 135
d.	Brief particulars of the management of the company;	142 to 150
e.	Names, addresses, DIN and occupations of the directors;	142 to 144
f.	Management's perception of risk factors;	38 to 54
g.	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of –	187
(i)	statutory dues;	187
(ii)	debentures and interest thereon;	187
(iii)	deposits and interest thereon;	187
(iv)	loan from any bank or financial institution and interest thereon.	187
h.	Names, designation, address and phone number, email ID of the nodal/ compliance officer of the company, if any, for the private placement offer process;	202
2.	**PARTICULARS OF THE OFFER**	
a.	Date of passing of board resolution;	198
b.	Date of passing of resolution in the general meeting, authorizing the offer of securities;	198
c.	Kinds of securities offered (i.e. whether share or debenture) and class of security;	31
d.	price at which the security is being offered including the premium, if any, alongwith justification of the price;	31
e.	name and address of the valuer who performed valuation of the security offered;	Not applicable
f.	Amount which the company intends to raise by way of securities;	57
g.	Terms of raising of securities:	
(i)	Duration, if applicable;	Not applicable
(ii)	Rate of dividend;	62
(iii)	Rate of interest;	Not applicable
(iv)	Mode of payment; and	Not applicable
(v)	Repayment.	Not applicable
h.	Proposed time schedule for which the offer letter is valid;	16
i.	Purposes and objects of the offer;	57
j.	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects;	57
k.	Principle terms of assets charged as security, if applicable;	Not applicable
3.	**DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC.**	
a.	Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons.	150
b.	details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed	195
c.	remuneration of directors (during the current year and last three financial years);	146, 147
d.	Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided	150
e.	Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the	92 to 100

Sr. No.	Disclosure Requirements	Relevant Page of this Placement Document
	corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark	
f.	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries	193
g.	Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company.	194
4.	**FINANCIAL POSITION OF THE COMPANY**	
a.	the capital structure of the company in the following manner in a tabular form-	
(i)(a)	the authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value);	60
(b)	size of the present offer;	60
(c)	paid up capital	
(A)	after the offer;	60
(B)	after conversion of convertible instruments (if applicable)	Not applicable
(d)	share premium account (before and after the offer)	60
(ii)	the details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration	60 to 61
	Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case;	Not applicable
b.	Profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter;	F-1 to F-138
c.	Dividends declared by the company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid)	62 and 87
d.	A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter;	34
e.	Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter;	36
f.	Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.	69
5.	**A DECLARATION BY THE DIRECTORS THAT -**	
a.	the company has complied with the provisions of the Act and the rules made thereunder;	201
b.	the compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government;	201
c.	the monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter;	201

SUMMARY OF BUSINESS

Overview

We are the largest MFI in India by number of borrowers, branches and districts, and the second largest in terms of gross loan portfolio, as of March 31, 2016 according to data published by MFIN. We are primarily engaged in providing microfinance to low-income individuals in India. We have a presence in 18 states in India, with 1,368 branches and 14,559 employees, as of June 30, 2016.

Our core business is providing small value loans and certain other basic financial services to our Members. We classify Members to whom we have made loans that are outstanding as our "Borrowers." Our Members are predominantly located in rural areas in India, and we extend loans to them mainly for use in small businesses or for other income-generating activities and not for personal consumption. These individuals often have no, or very limited, access to loans from institutional sources of financing. We aim to bridge this gap by providing financial services at the doorstep of our Members. We believe that non-institutional sources also typically charge very high rates of interest.

In our core business, we utilize a village-centric, group-lending model to provide unsecured loans to our Members. This model relies on a form of "social collateral," and ensures credit discipline through peer support within the group. We believe this model makes our 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 us in the 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 our core business of providing micro-credit, we use our distribution channel to provide certain other financial products and services that our Members may need. We offer loans for the purchase of products which help our borrowers to enhance their productivity such as mobile phones, solar lamps, sewing machines and bicycles, among other products. We also operate a number of pilot programs that we will 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 our Members for the purchase of certain additional productivity-enhancing products such as bio-mass stoves, water purifiers, mixer-grinders and healthcare loans, and for the purchase of two-wheelers. We intend to expand our involvement in these other financial products and services to the extent consistent with our mission, client-focus and commercial viability.

Our business was initially organized as part of SKS Society in the formerly unified Andhra Pradesh, which until 2003 extended micro-credit as a non-governmental organization. In 2003, SKS Society decided to transfer its business and operations to our Company and the transfer was completed in 2005. In 2005, we registered with, and have since been regulated by, the RBI as an NBFC-ND. In 2009, we became a public limited company. We completed our IPO and listing on the BSE and the NSE in August 2010. In November 2013, the RBI granted our Company a certificate of registration as an "NBFC-MFI," permitting us to carry on the business of Non-Banking Finance Companies-Micro Finance Institution, a separate category of non-deposit-taking Non-Banking Financial Companies engaged in microfinance activities as classified by the RBI.

For the quarter ended June 30, 2016, our total revenue and profit after tax was ₹4,141.2 million and ₹2,359.1 million, respectively, and for the financial year 2016, our total revenue and profit after tax was ₹13,206.7 million and ₹3,029.8 million, respectively. As of June 30, 2016, we had a gross loan portfolio of ₹84,687.5 million (₹84,630.3 million outside the states of Andhra Pradesh and Telangana), with 6.6 million (5.7 million outside the states of Andhra Pradesh and Telangana) Members, including 5.9 million (5.1 million outside the states of Andhra Pradesh and Telangana) Borrowers spread across 1,368 (1,235 outside the states of Andhra Pradesh and Telangana) branches in India.

During the financial year 2016, we pursued four corporate social responsibility ("**CSR**") projects in the states of Bihar, Chhattisgarh, Jharkhand, Karnataka, Kerala, Maharashtra, Odisha and Rajasthan. Our CSR initiatives include:

- a program to build awareness of central and state government benefits schemes available in the state of Maharashtra;
- the sponsorship of cataract screenings and surgeries through HelpAge India and Operation Eyesight India in the states of Bihar, Chhattisgarh, Jharkhand, Karnataka, Kerala, Maharashtra, Odisha and Rajasthan to identify cataract affected people and conduct free cataract surgeries;
- a scheme in rural areas of the Amravarti district of Maharashtra to promote the construction of household toilets and avail other benefits of the Swachh Bharat Mission; and
- an animal welfare, treatment and awareness program to provide primary and emergency veterinary services in collaboration with JK Trust Gram Vikas Yojana and the Animal Husbandry Department of the Odisha State Government.

Our Competitive Strengths

We believe we have the following competitive strengths:

Market Leadership

We are the largest MFI in India by number of borrowers, branches and districts, and the second largest in terms of gross loan portfolio, as of March 31, 2016 according to data published by MFIN. We have a presence in 18 states in India. Our gross loan portfolio outside the states of Andhra Pradesh and Telangana grew by 84.0% from March 31, 2015 to March 31, 2016, and 76.4% year-on-year for the quarter ended June 30, 2016 compared to the quarter ended June 30, 2015. We maintained a collection efficiency of 99.8% outside the states of Andhra Pradesh and Telangana) for the quarter ended June 30, 2016 and financial year 2016. Our average number of borrowers per field level loan officer, or center ("***Sangam***") Manager, was 844 (733 outside Andhra Pradesh and Telangana) as of March 31, 2016 as compared to an industry average of 603 as of March 31, 2016. (*Source: MFIN Micrometer March 31, 2016 Report* for the industry averages) We believe that our consistent position among the leading MFIs in the microfinance sector enhances our reputation and credibility with our Members, lenders and other stakeholders. This enhanced reputation and credibility has numerous benefits, including the ability to secure capital at lower costs, recruit and retain skilled employees, retain existing Borrowers and add new Members, and expand into new regions and product areas.

Financial and Operational Efficiencies Leading to Lowest Cost Lender Among Private Sector NBFC-MFIs

Our ability to access capital at reasonable costs, together with the scale and efficiency of our operations, has allowed us to reduce our lending costs by 480 basis points since October 2014. For example, we have maintained high levels of collection efficiency outside the states of Andhra Pradesh and Telangana, and have equipped our field staff with tablets and deployed "SKS Smart," a customized and comprehensive software which simplifies data entry and improves the accuracy and efficiency of collections and fraud detection. As a result, we have been able to offer our Borrowers a lending rate of 19.75% since December 7, 2015, the lowest rate among NBFC-MFIs in India. According to data provided by MFIN, our lending rate is 2.25% - 4% lower than the lending rate of other major NBFC-MFIs in India.

Expertise in the Microfinance Industry and Ability to Adapt to the Changing Regulatory Environment

We believe that our long-standing experience in the microfinance industry has given us a specialized understanding of the needs and behavior 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. We believe our expertise gives us a competitive advantage in this industry.

We believe that our focus on a traditional microfinance lending model allows us to leverage our core competencies and minimize non-performing assets. For example, we exclusively lend to Members that are part of a group, with a focus on rural and semi-urban areas where we believe that traditional community ties provide the strongest forms of "social collateral." Furthermore, we are committed to lending to Borrowers who utilize loan proceeds to promote income-producing economic activity rather than for consumption. This focus helps us realize operating efficiencies and minimize defaults.

We have developed skills in training our Members. We use our knowledge of our Members, including their culture, habits and education, to design customized financial products and pricing plans. Development of certain of our loan products is a result of our analysis of the capital requirements and cash flow of our Members' businesses. We believe this approach to developing the terms and components of our financial products gives us a competitive advantage.

Further, consultation and dialogue with regulators and policy makers in the recent past has provided us with an opportunity to understand their concerns while growing our business in a prudent manner. On November 18, 2013, the RBI registered our Company as an NBFC-MFI (with a revised certificate of registration being issued by RBI on July 14, 2016 to reflect our name change), which requires us to comply with the NBFC-SI Master Directions. For example, the ticket size of our income-generating and medium-term loan products with a tenure of one year or more cannot exceed ₹30,000, which helps us mitigate risks related to increased exposure to a particular borrower over an extended period. Since December 7, 2015, we have offered rates of 19.75% on all of our income-generation loans as a matter of policy. Income-generating loans accounted for 98.2% (by asset value) of our total loan portfolio as of June 30, 2016.

Strong Growth and Profitability, Stable Financial Condition and Emphasis on Asset and Liability Management

Although our financial condition deteriorated in the aftermath of events in the formerly unified Andhra Pradesh and we incurred losses during the financial years 2013 and 2012, we believe that we maintained sufficient financial discipline as well as a relative degree of financial strength during these periods. For example, we satisfied all of our debt repayment obligations during the years of the formerly unified Andhra Pradesh microfinance industry crisis (*i.e.*, financial years 2013 and 2012), and returned to profitability in the third quarter of financial year 2013.

Following the formerly unified Andhra Pradesh microfinance crisis, our revenues grew at a CAGR of 55.7% from the financial year 2014 to the financial year 2016, and 46.5% year-over-year for the quarter ended June 30, 2016 compared to the quarter ended June 30, 2015. As of June 30, 2016, our net worth was ₹16,259.0 million and our debt to equity ratio was 3.3. Our capital adequacy ratio as calculated under RBI guidelines was 23.24% of risk-weighted assets as of June 30, 2016, which is well above the requirement of 15.0% of risk-weighted assets prescribed by the RBI under the NBFC-SI Master Directions. Moreover, our gross NPA and net NPA outside the states of Andhra Pradesh and Telangana were 0.1% and 0.03%, respectively, as of June 30, 2016. We believe that these factors provide us with a competitive advantage when borrowing funds for our operations.

In addition to traditional cash flow management techniques, we also manage our cash flows through an active asset and liability management strategy. The proportion of our liquid assets (*i.e.*, cash and bank balances, including deposits placed as security against our borrowings) to our total assets was 13.9% as of June 30, 2016. Further, we have structured our model to primarily borrow on a long-term basis while lending on short-term basis and hence we have a positive asset liability management structure. As of June 30, 2016, the average maturity of our arrear-free gross loan portfolio was 5.8 months, while the average maturity of our outstanding borrowings, including principal amounts outstanding for securitization transactions, was 10.1 months. We believe that this approach allows us to better manage our liquidity and meet the growing loan demands of an increasing membership even if external borrowings and other funding sources are temporarily disrupted.

Access to Several Sources of Capital and Cost-Effective Funding

We constantly strive to diversify our sources of capital. During the financial year 2011, we raised ₹7,222.0 million through our IPO, followed by qualified institutions placement and preferential allotments raising ₹2,635.1 million in the financial year 2013 and ₹3,975.9 million in financial year 2015.

Our incremental borrowings from banks, financial and other institutions, including net proceeds from securitizations, between April 1, 2014 and March 31, 2016 were ₹123,373.1 million, with an additional ₹10,963.9 million in the quarter ended June 30, 2016. As of June 30, 2016, we had outstanding debt in principal amount of ₹53,593.7 million (₹78,641.2 million outstanding in principal amount when including securitization transactions and loans under managed portfolio) from more than 25 banks, financial and other institutions. During the quarter ended June 30, 2016, we received net proceeds of ₹1,986.2 million from securitization, and have also originated managed loans of ₹3,031.8 million. During the financial year 2016, we received net proceeds of ₹26,205.4 million from securitizations and assignments of loans, and have also originated managed loans of ₹10,643.6 million.

Historically, the MFI sector has significantly relied on PSL funds from commercial banks. We believe that the cost of such funds is considerably less than the cost of other bank funds. We are eligible to borrow PSL funds from banks as an NBFC-MFI. In addition, as an NBFC-MFI, subject to certain conditions being met, we are eligible to access ECBs up to US$100 million (or its equivalent amount) in a financial year without obtaining any prior approvals. In addition to such funding, we have in the past demonstrated our ability to fund the growth of our operations and loan portfolio through issuances of private and publicly traded debt securities such as redeemable non-convertible debentures, commercial paper, loans with various maturities raised from domestic and international banks, financial and other institutions and through the securitization of different components of our loan portfolio.

CARE has provided us with a grading of "MFI 1" or "MFI One" as an MFI, which is the highest available grading on an eight point scale. ICRA has granted us a Corporate Governance Rating of "CGR2," the second highest available rating on a six point scale, which implies a "high level" of assurance on the quality of corporate governance matters. Our bank debt ratings for funding exposures up to ₹55,000.0 million have been rated by CARE as "A1+" (for our short-term facilities) and "A+" (for our long-term facilities). Our short-term debt rating for borrowings up to ₹2,000.0 million is rated by CARE as "A1+," and our long-term non-convertible debentures rating for borrowings up to ₹4,000.0 million is rated by CARE as "A+." Our debt rating is rated by ICRA as "A1+" (short-term debt) for borrowing up to ₹7,500.0 million and "A+" (long-term debt) for borrowings up to ₹3,000.0 million, subject to overall borrowings limits under both programs for ₹7,500.0 million. Our securitized transactions during the financial year 2016 were provisionally rated by CARE and ICRA at "AA (SO)," signifying levels of safety regarding timely servicing of financial obligations and levels of credit risk.

Streamlined and Scalable Operating Model with Effective Use of Technology

We recognize 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, we believe that we have designed a streamlined and scalable model and developed systems and solutions for the following three components that we believe are required to effectively scale up our business:

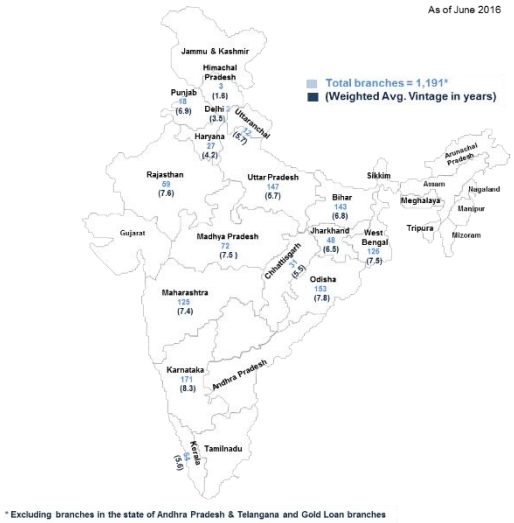
- *Capital:* Historically, we have successfully obtained funds from a variety of sources to finance our lending operations.

- *Capacity:* With our pan-India presence and extensive distribution network, we believe we have the capacity to provide products and services to a large number of Members.

- *Cost Reduction:* We believe we have implemented process-based systems and customized software that reduce the cost of conducting transactions across a widespread branch network and a substantial Member base. To manage our operating expenses and increase efficiency, we have equipped our field staff with tablets and deployed "SKS Smart," a customized and comprehensive software which simplifies data entry and improves the accuracy and efficiency of collections and fraud detection. The tablets help *Sangam* Managers to avoid manual data entry at center meetings and save time.

Our business processes, from Member acquisition to cash collections, have been standardized and documented. Our branch offices are similarly structured, allowing for the quick rollout of new branches. In addition, the terms and conditions of our loan products are generally uniform throughout India. Further, we have standardized our recruitment and training programs and materials so that they are easily replicated across our entire organization. This standardized approach also allows our employees to efficiently move from region to region based on demand and growth requirements.

Pan-India Presence and Extensive Distribution Network



As of June 30, 2016, we had approximately 5.9 million Borrowers (5.1 million outside the states of Andhra Pradesh and Telangana), and 1,368 branches (1,235 outside the states of Andhra Pradesh and Telangana). We focus our operations across 16 states in India. Further, as of June 30, 2016, we had 12,725 (12,047 outside the state of Andhra Pradesh and Telangana) branch managers, assistant branch managers and *Sangam* Managers, including trainees, who comprised 87.4% (87.1% outside the states of Andhra Pradesh and Telangana) of our total workforce. During the quarter ended June 30, 2016, each of our *Sangam* Managers managed an average of 690 Borrowers in states other than Andhra Pradesh and Telangana. We believe that our presence throughout India and our distribution network in rural India results in significant competitive advantages, particularly in the following areas:

- *Distribution Platform.* Our pan-India presence allows us to lend across the country and enables us to mitigate our exposure to local economic factors and disruptions resulting from political circumstances or natural disasters. Furthermore, our well-developed distribution network in rural India gives us the capability to offer a variety of financial products nationally in areas that we believe most companies do not currently reach.

- *Product Pricing Power.* We believe that our national presence and the ability to access a large Member base gives us the leverage to negotiate favorable terms with institutions that want to distribute their products through our network, which results in lower pricing for the products that are distributed to our Members. For example, our Company currently works with Microsoft Corporation (India) Private Limited for the financing of mobile phones; D. Light Energy Private Limited and GreenLight Planet India Private Limited for the financing of solar lanterns and solar lamps; Envirofit (India) Private Limited for the financing of bio-mass stoves; Usha International Limited and Singer India Limited for the financing of sewing machine; Eureka Forbes Limited for the financing of water purifiers; and Hero Cycles Limited and T.I. Cycles of India for the financing of bicycles.

Experienced Management Team and Board

Our Board is composed of experienced investors, industry experts and management professionals. Out of a total of eight Directors on our Board, six are Independent Directors. We believe that we have a strong senior management team to lead us, which includes our Chief Executive Officer and Managing Director, Mr. M. Ramachandra Rao. Our 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 our Members, while maintaining effective risk management and competitive margins. Our mid-level management personnel also have years of experience and in-depth industry knowledge and expertise.

Our Business Strategy

Target a Large Share of Industry's Portfolio outside Andhra Pradesh and Telangana

In its January 2016 ratings feature titled "Microfinance Institutions: Industry Outlook and Performance of Microfinance Institutions," ICRA estimates the potential size of the microfinance market in India to be worth ₹ 2.8 trillion to ₹ 3.4 trillion, but total lending by the MFI industry (including Self Help Group Program, MFI institutions and Bandhan Bank) is ₹ 1.1 trillion as of September 30, 2015.

The huge gap in demand and supply for micro-credit in India, and the fact that a large part of the gap is serviced by informal sources such as moneylenders, represents an attractive business opportunity for MFIs such as us. We believe that our operating strength and focus on 16 states (excluding Andhra Pradesh and Telangana) will allow us to capture a significant share of the untapped demand for micro-credit in India.

Leverage NBFC-MFI Status and Strategic Partnerships

On September 16, 2015, RBI granted in-principle approval to eight NBFC-MFI applicants to establish small finance banks as part of its drive for greater financial inclusion. Small finance banks will offer basic banking services, including deposit-taking, and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries, and entities in the unorganized sector.

Although we applied for and did not receive in-principle approval from RBI, we believe that our true competitive advantages are our established branch network and expertise in the micro-finance industry. We believe that we remain well-positioned to maintain our leading position in the micro-finance industry for the following reasons:

- We are the lowest cost lender among all MFIs, including those who have received in-principle approval for small finance bank licenses. We believe that low lending rates mitigate political and regulatory risks, helping us to comply with limits on interest rates and ensure that our Borrowers are not burdened with unreasonable debt-servicing costs.

- We have access to low cost refinancing, as evidenced by our ₹1 billion refinancing from MUDRA, which we believe provides an attractive alternative to deposits as a source of funds.

- We can provide access to our existing Borrower network, allowing partner banks to provide bank accounts to our Borrowers, which in turn allows us to move to a cashless lending regime and reduce operating costs (for example, by crediting funds directly to the Borrowers bank account).

- We have high credit ratings compared to many of our competitors in the MFI sector, including an A1+ rating for short-term borrowings and A+ for long-term instruments from CARE. We believe our credit quality will allow us to maintain our position as the lowest cost borrower in the sector.

Continue to Strengthen Client Protection Initiatives

We continue to implement several client protection initiatives designed to align client protection practices and customer grievance redressal mechanisms with globally recognized benchmarks. Client protection and redress of customer grievances guide the design, development, and implementation of our processes, policies and culture. We have identified five key elements for these initiatives:

- **Strengthening privacy of client data:** Ensuring that client data is kept confidential and shared only with relevant government agencies and their appointees or with the approval of the concerned Member.

- **Transparent and responsible pricing of loans:** Pricing of our products are clearly explained to Members and determined within the regulatory framework of RBI. At an interest rate of 19.75%, we are the lowest cost MFI micro-credit provider.

- **Timely redressal of queries and grievances of our Members:** We have a well-defined and fully automated Complaint Grievance Redressal Mechanism for ensuring timely redress of Member grievances. We also proactively reach out to Members for their feedback on different products through our "Voice of Customers" program.

- **Avoidance of over-indebtedness and multiple borrowing among our Borrowers:** Adherence to strict KYC policies, access to Credit Bureau information and automated systems ensure seamless implementation with controls designed to avoid over-indebtedness and multiple borrowings among our Borrowers.

- **Establishing appropriate collection practices by its employees:** Design and Implementation of collection practices in alignment with RBI and SRO guidelines and regulatory frameworks.

We have been conducting client protection awareness programs for our Members and staff across India in several vernacular languages, with a greater focus in the last two years. We have also voluntarily adopted a ceiling of 3.0% ROA from our micro-credit business.

We have also established a fully automated grievance redressal mechanism with well-defined turnaround times. A three-pronged approach is followed to help resolve Member grievances. The first level of contact for the client is the *Sangam* Manager at the center meetings, who works to resolve the complaint and updates the head office. The next level is the toll-free customer service helpline, available in seven languages, providing direct access to the head office. The third and highest

level is the independent ombudsman toll-free helpline, which responds to grievances. Mr. Verghese Jacob has served as our independent ombudsman since January 2012.

During the quarter ended June 30, 2016, our Member helpline successfully serviced 176,419 customer calls, and during financial year 2016, our Member helpline successfully serviced 594,779 customer calls (an increase of 67% over financial year 2015). Inbound calls have doubled over the previous year indicating growing awareness among customers about the Member helpline. Ninety-eight percent (98%) of these calls were closed within the defined turn-around time ("**TAT**").

We have also taken up several other initiatives such as conducting product surveys through the Member helpline to understand the needs of Members, use of client feedback to improve our products and services, adhering to the RBI policy of using credit bureau reports for disbursing any loan, disclosure of all the product related information on the Member passbook in their vernacular languages and educating the Members on their right to submit a complaint through the Member helpline. During the quarter ended June 30, 2016 we surveyed more than 16,000 customers, and during financial year 2016, more than 100,000 customers were surveyed under different surveys. Surveys were conducted in major vernacular languages, and assessed for their need of new products, satisfaction with existing products and processes and awareness of client protection principles.

Reduce Costs to Borrowers

We have reduced the interest rates charged on loans, with the objective of bringing down the cost to our borrowers. We reduced the interest rate on our income-generating loans from 24.55% (effective from January 11, 2011) to 20.75% (effective from October 1, 2015). With diversification of funding sources and further reduction in our cost of borrowing, we again reduced the interest rate on our income-generating loans to 19.75% effective from December 7, 2015, making our interest rate the lowest among private sector MFIs. We intend to leverage opportunities in the future to further reduce the interest rates offered to our Borrowers.

Diversification of Revenue Streams and Cross-Selling of Products and Services

We have built a large distribution network in rural India. We believe we can leverage this network to distribute financial and non-financial products of other institutions to our Members at a cost lower than our competitors. Our network also allows our partner distributors to access a segment of the market to which many would not otherwise have access.

While we continue to focus on our core business of providing micro-credit services, we continue 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. Our objective in these other businesses is to focus on lending that will allow us to maintain repayment rates, increase Member loyalty and also provide economic benefits to our Members and their families. We believe that such other products and services may offer higher operating margins compared to micro-credit under the new regulatory framework and will help us increase our overall ROA.

Our existing diversification initiatives in relation to financial products and services other than micro-credit include providing:

- Loans to Members for the purchase of mobile handsets in association with Microsoft Corporation (India) Private Limited and solar lanterns and solar lamps in association with D. Light Energy Private Limited and GreenLight Planet India Private Limited; and

- Loans to 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 Tube Investments of India Limited, a division of T.I. Cycles of India, bio-mass stoves in association with Envirofit (India) Private Limited and water purifiers in association with Eureka Forbes Limited.

Enhance Operating and Financial Leverage

We provide collateral-free credit to our Members at their doorstep and our *Sangam* Managers assist with the processes related to credit verification. While this helps our Borrowers save on travel costs, it results in high operating expenses for us, particularly personnel and administrative costs. Personnel costs accounted for 74.8% of our operating expenses (includes employee benefit expenses, other expenses, and depreciation and amortization) during the quarter ended June 30, 2016.

We embarked on a number of cost-optimization initiatives by increasing our ratio of Borrowers per *Sangam* Manager, which helps us to realize economies of scale. The ratio of Borrowers per *Sangam* Manager (outside the states of Andhra Pradesh and Telangana), which was 312 as of March 31, 2012, has improved to 690 as of June 30, 2016. Further, we merged branches, both in the hitherto undivided Andhra Pradesh and other states. In addition, our loan portfolio outside the states of Andhra Pradesh and Telangana grew at a CAGR of 64.5% from financial year 2014 to financial year 2016, and 76.4% from the quarter ended June 30, 2015 to the quarter ended June 30, 2016, without adding a significant number of new branches or incurring additional capital expenditure. There was a net reduction of approximately 200 branches during financial year 2013 and six branches during financial year 2014, and net additions of 13 branches in financial year 2015, 56 branches in financial

year 2016 and 44 branches in the quarter ended June 30, 2016. As of June 30, 2016, we had 1,368 branches. Our total headcount was reduced from 16,194 as of March 31, 2012 to 8,932 as of March 31, 2014. With a resumption in hiring, the headcount has increased to 9,698 as of March 31, 2015, 11,991 as of March 31, 2016 and 14,559 as of June 30, 2016. Although we plan to increase our headcount and open branches in certain areas, we will continue to focus on efficiencies to maintain and improve operating leverage as we continue to implement our growth strategy.

We also continue to focus on enhancing the productivity of employees, introducing technology for expedient reporting and re-engineering our internal processes in an effort to optimize our cost structure. The results of cost optimization are evident in the reduction of our cost-to-income ratio from 74.5% in financial year 2014 to 48.3% in financial year 2016 and 45.7% in the quarter ended June 30, 2016.

Our debt to equity ratio was 3.3 as of June 30, 2016. With a return to full-year profitability in financial year 2014, improved profitability in financial years 2015 and 2016 and the quarter ended June 30, 2016, growth in our portfolio outside the states of Andhra Pradesh and Telangana, and an increase in the availability of financing, we aim to further maximize our operating and financial leverage.

Continue to Focus on Enhancing Information Technology

We believe that technology, when combined with business process innovation, offers a good return on investment. Among other initiatives, we look to the following technology solutions to drive growth:

- As a pilot program, we have implemented biometric know-your-customer technologies to better identify and serve our Borrowers while minimizing processing delays.

- As a part of our Enterprise Mobility strategy, we have provided tablets to our loan officers. Under our SMART Tab project, we deployed approximately 7,900 tablets across all our branches, and a help desk to assist loan officers to manage their devices. As a result, a number of back-office functions have been automated in the field at the point of delivery, which has allowed us to realize significant efficiencies in terms of reduced paper work and processing time. We have applied to patent the system and method for providing a distributed offline computing service platform for microfinance/banking. The Enterprise Mobility project was awarded the SKOCH Order-of-Merit Award, 2015 (qualifying among India's Best – 2015 in smart technology), SKOCH Award and Dataquest Business Technology Award, 2016 (for excellence in the implementation and use of technology for business benefits in the "mobility" category).

- We initiated a pilot program towards cashless disbursements into Member accounts through NEFT. Further, Branch Health Monitor software was launched across the enterprise for raising any service request from branches. With strictly defined turn-around-times, it has significantly improved service quality for branches and client service.

- As a process innovation, we have created standardized, pre-printed loan documentation to reduce our reliance on passbooks, accelerate processing time and reduce the burden on our *Sangam* Managers. We also implemented seamless integration processes with Credit Bureaus through web service technology to manage CB inquiries, resulting in faster service to clients.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Placement Document, including "Risk Factors", "Use of Proceeds", "Placement", "Issue Procedure" and "Description of the Equity Shares" on pages 38, 57, 162, 153 and 172, respectively.

Issuer	Bharat Financial Inclusion Limited (formerly known as "SKS Microfinance Limited")
Face Value	₹10 per Equity Share
Issue Size	Issue of 9,740,259 Equity Shares, aggregating approximately ₹7,499.999 million. A minimum of 10 per cent of the Issue Size i.e. up to 1,505,947 Equity Shares shall be available for Allocation to Mutual Funds only, and up to 9,740,259 Equity Shares shall be available for Allocation to all QIBs, including Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion mentioned above, such minimum portion or part thereof may be Allotted to other eligible QIBs.
Date of Board Resolution	May 4, 2016
Date of Shareholders' Resolution	July 21, 2016
Floor Price	₹ 769.95 per Equity Share
Issue Price	₹ 770.00 per Equity Share
Eligible Investors	QIBs as defined in regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulation 86 of the SEBI Regulations. For further details, see "Issue Procedure – Qualified Institutional Buyers" and "Transfer Restrictions" on pages 153 and 166.
Equity Shares issued and outstanding immediately prior to the Issue	127,811,335 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	Immediately after the Issue, 137,551,594 Equity Shares will be issued and outstanding
Listing	Our Company has received in-principle approvals, both dated September 22, 2016 from BSE and NSE in terms of Regulation 28(1) of the SEBI Listing Regulations. Our Company shall apply to the Stock Exchanges for the listing approvals and the final listing and trading approvals, after the Allotment and after the credit of Equity Shares to the beneficiary account with the Depository Participant, respectively.
Lock-up	See "Lock-up" of "Placement" on page 162 for a description of restrictions on our Company in relation to Equity Shares.
Transferability Restrictions	The Equity Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. For further details, see "Transfer Restrictions" on page 166.
Use of Proceeds	The gross proceeds from the Issue is approximately ₹ 7,499.999 million. The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, will be approximately ₹ 7289.999 million. For further details, see "Use of Proceeds" on page 57 for additional information.
Risk Factors	For further details, see "Risk Factors" on page 38 for a discussion of risks you should consider before deciding whether to subscribe for the Equity Shares.
Pay-In Date	The last date specified in the CAN sent to the QIBs for payment of application money.
Closing Date	The Allotment is expected to be made on or about September 29, 2016.

Ranking	The Equity Shares being issued pursuant to the Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares, including rights in respect of dividends. Our Shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the Closing Date, in compliance with the Companies Act, 2013, the SEBI Listing Regulations and other applicable laws and regulations. Our Shareholders may attend and vote in shareholders' meetings on the basis of one vote for every Equity Share held. For further details, see "Description of the Equity Shares" on page 172.
Security Codes for the Equity Shares	ISIN: INE180K01011 BSE Code: 533228 NSE Code: BHARATFIN

SELECTED FINANCIAL INFORMATION

The following selected financial data as of and for the years ended March 31, 2014, 2015 and 2016 and the unaudited condensed financial statements as at and for the three month period ended June 30, 2016 have been derived from our financial statements included elsewhere in this Placement Document. The financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 63 and "Financial Statements" on page 199, including the schedules and notes thereto, included elsewhere in this Placement Document. Our financial statements as and for the years ended March 31, 2014, 2015 and 2016 and the unaudited condensed financial statements as at and for the three month period ended June 30, 2016 were prepared in accordance with Indian GAAP. The historical results do not necessarily indicate results expected for any future period.

Neither the information set forth below nor the format in which it is presented should be viewed as comparable to information prepared in accordance with IFRS or other accounting principles. Indian GAAP differs in certain material respects from US GAAP and IFRS.

SELECTED BALANCE SHEET INFORMATION AS AT THREE MONTH PERIOD ENDED JUNE 30, 2016 AND FINANCIAL YEARS ENDED MARCH 31, 2016, 2015 AND 2014

(*In* ₹)

	June 30, 2016	March 31, 2016	March 31, 2015	March 31, 2014
Equity and liabilities				
Shareholders' funds				
Share capital	1,275,294,750	1,273,111,060	1,262,924,930	1,082,129,620
Reserves and surplus	14,983,695,607	12,556,839,779	9,201,633,570	3,510,006,938
	16,258,990,357	**13,829,950,839**	**10,464,558,500**	**4,592,136,558**
Share application money pending allotment	6,132,569	24,546	64,800	-
Non-current liabilities				
Long-term borrowings	20,328,410,226	22,687,374,496	10,572,211,910	3,002,070,202
Long-term provisions	234,939,802	208,926,876	127,184,909	1,862,151,448
	23,563,350,028	**22,896,301,372**	**10,699,396,819**	**4,864,221,650**
Current liabilities				
Short-term borrowings	5,893,333,036	6,443,173,705	6,096,276,475	3,323,504,752
Other current liabilities	32,649,037,469	27,607,034,440	19,271,887,706	11,806,546,938
Short-term provisions	956,391,565	760,527,095	455,073,842	385,552,732
	36,498,762,070	**34,810,735,240**	**25,823,238,023**	**15,515,604,422**
TOTAL	**76,327,235,024**	**71,537,011,997**	**46,987,258,142**	**24,971,962,630**
Assets				
Non-current assets				
Fixed assets				
Tangible assets	172,863,986	114,164,875	51,505,818	65,860,359
Intangible assets	44,498,393	36,147,887	38,019,928	30,912,889
Intangible assets under development	15,103,716	14,215,576	12,447,576	15,039,988
Non-current investments	2,000,000	2,000,000	2,000,000	2,000,000
Deferred tax assets (net)	-	-	-	-
Long-term loans and advances	5,208,701,195	4,135,391,693	2,448,460,510	2,292,684,559
Other non-current assets	1,768,261,443	1,792,671,537	1,252,264,079	328,513,303
	7,211,428,733	**6,094,591,568**	**3,804,697,911**	**2,735,011,098**
Current assets				
Trade receivables	146,780,017	63,682,166	34,169,498	51,070,879
Cash and bank balances	8,875,956,421	17,662,827,632	15,367,730,515	6,397,075,083
Short-term loans and advances	58,889,894,394	46,080,225,445	27,135,519,718	15,235,013,622
Other current assets	1,203,175,459	1,635,685,186	645,140,500	553,791,948
	69,115,806,291	**65,442,420,429**	**43,182,560,231**	**22,236,951,532**
TOTAL	**76,327,235,024**	**71,537,011,997**	**46,987,258,142**	**24,971,962,630**

SELECTED PROFIT & LOSS ACCOUNT INFORMATION FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2016 AND FINANCIAL YEARS ENDED MARCH 31, 2016, 2015 AND 2014

(In ₹)

	June 30, 2016	March 31, 2016	March 31, 2015	March 31, 2014
Income				
Revenue from operations	3,689,592,308	11,691,340,741	7,239,568,175	5,189,918,403
Other income	451,590,590	1,515,387,250	791,088,168	258,434,910
Total revenue (I)	**4,141,182,898**	**13,206,727,991**	**8,030,656,343**	**5,448,353,313**
Expenses				
Employee benefit expenses	948,964,342	2,923,691,210	2,318,537,910	1,655,632,711
Finance costs	1,360,852,362	4,845,734,781	2,790,451,852	2,142,214,375
Other expenses	298,853,897	1,028,320,971	839,933,356	765,527,459
Depreciation and amortization expenses	21,651,445	83,643,995	45,612,324	40,756,383
Provisions and write-offs	120,274,332	386,414,751	100,456,998	145,712,570
Total expenses (II)	**2,750,596,378**	**9,267,805,708**	**6,094,992,440**	**4,749,843,498**
Profit / (Loss) before tax (III)=(I)-(II)	**1,390,586,520**	**3,938,922,283**	**1,935,663,903**	**698,509,815**
Tax expenses				
Current tax (MAT)	318,832,789	909,107,324	59,416,387	-
MAT credit entitlement	(1,287,356,500)	-	-	-
(Excess)/short provision of tax relating to earlier years	-	-	(395,920)	-
Total tax expense (IV)	**(968,523,711)**	**909,107,324**	**59,020,467**	**-**
Profit / (Loss) (III)-(IV)	**2,359,110,231**	**3,029,814,959**	**1,876,643,436**	**698,509,815**
Earnings per Share				
Basic (Rs.) (not annualized)	**18.52**	**23.90**	**15.22**	**6.45**
Diluted (Rs.) (not annualized)	**18.29**	**23.58**	**15.04**	**6.44**
Nominal value of share (Rs.)	**10.00**	**10.00**	**10.00**	**10.00**

SELECTED CASHFLOW STATEMENT INFORMATION FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2016 AND FINANCIAL YEARS ENDED MARCH 31, 2016, 2015 AND 2014

(In ₹)

	30-Jun-16	31-Mar-16	31-Mar-15	31-Mar-14
Cash flow from operating activities				
Profit / (loss) before tax	**1,390,586,520**	**3,938,922,283**	**1,935,663,903**	**698,509,815**
Adjustments to reconcile profit / (loss) before tax to net cash flows:				
Interest on shortfall in payment of advance income tax	-	-	6,078,501	16,358,708
Depreciation and amortization	21,651,445	83,643,995	45,612,324	40,756,383
Provision for employee benefits	42,099,927	66,929,670	38,271,997	26,436,079
Profit / (loss) on sale of fixed assets	(1,036,700)	(770,575)	(495,322)	(319,996)
Employee stock compensation expense	19,602,168	110,277,578	106,334,775	(10,332,968)
Contingent provision against standard assets	129,485,553	193,565,814	120,947,422	132,325,317
Provision for non-performing assets	(3,248,664)	11,779,202	(1,779,602,571)	(792,543,557)
Portfolio loans and other balances written off	23,150,467	63,790,855	1,756,038,528	696,936,611
Loss from assignment of loans	(29,113,024)	117,278,880	3,073,619	108,994,199
Other provisions and write offs	15,468,754	46,610,003	31,987,634	40,917,041
Operating profit / (loss) before working capital changes	**1,608,646,446**	**4,632,027,705**	**2,263,910,810**	**958,037,632**
Movements in working capital :				
Increase/ (decrease) in other current liabilities	(165,384,371)	2,296,379,913	318,995,725	698,865,577
Decrease / (increase) in trade receivables	(83,097,851)	(29,512,668)	(8,441,113)	(45,514,591)
Decrease / (increase) in loans and advances	(12,632,674,590)	(20,722,045,769)	(13,842,075,260)	(2,578,736,143)
Decrease / (increase) in other current assets	432,509,727	(990,544,686)	(66,006,058)	(171,814,989)
Decrease / (increase) in other non-current assets	(15,902,293)	(7,594,852)	(18,047,435)	9,787,010
Decrease / (increase) in Margin money deposit (net)	(156,901,330)	(599,304,704)		
Cash generated from /(used in) operations	**(11,012,804,262)**	**(15,420,595,061)**	**(11,351,663,331)**	**(1,129,375,504)**
Direct taxes paid (net of refunds)	(234,427,143)	(927,191,189)	(111,955,405)	(195,096,890)
Net cash flow (used in) / from operating activities (A)	**(11,247,231,405)**	**(16,347,786,250)**	**(11,463,618,736)**	**(1,324,472,394)**
Cash flows from investing activities				
Purchase of fixed assets, including capital work in progress and capital advances	(91,371,072)	(148,670,507)	(47,715,256)	(40,738,404)
Proceeds from sale of fixed assets	1,251,988	1,333,938	1,629,929	1,612,923
Proceeds from sale of current investments	-	-	-	-
Margin money deposit (net)	-	-	346,150,233	(196,366,887)
Net cash flow (used in) / from investing activities (B)	**(90,119,084)**	**(147,336,569)**	**300,064,906**	**(235,492,368)**

	30-Jun-16	31-Mar-16	31-Mar-15	31-Mar-14
Cash flows from financing activities				
Proceeds from issuance of equity share capital (including share application money)	56,435,142	225,259,548	4,047,790,428	39,600
Share issue expenses	-	-	(147,473,658)	-
Long-term borrowings (net)(including non-convertible debentures)	2,846,671,088	18,151,571,060	14,712,974,343	1,510,501,916
Short-term borrowings (net)(commercial paper)	(549,840,669)	346,897,230	2,772,771,723	(2,381,708,034)
Net cash flow (used in) / from in financing activities (C)	**2,353,265,561**	**18,723,727,838**	**21,386,062,836**	**(871,166,518)**
Net decrease/(increase) in cash and cash equivalents (A + B + C)	**(8,984,084,928)**	**2,228,605,019**	**10,222,509,006**	**(2,431,131,280)**
Cash and cash equivalents at the beginning of the year	**16,603,243,146**	**14,374,638,127**	**4,152,129,121**	**6,583,260,401**
Cash and cash equivalents at the end of the year	**7,619,158,218**	**16,603,243,146**	**14,374,638,127**	**4,152,129,121**

RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should carefully consider each of the following risk factors and all other information set forth in this Placement Document before making an investment in our Equity Shares. The risks and uncertainties described below are not the only risks that we currently face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business, financial condition, results of operations and cash flows.

If any or some combination of the following risks, or other risks that are not currently known or believed to be adverse, actually occur, our business, financial condition and results of operations could suffer, the trading price of, and the value of your investment in, our Equity Shares could decline and you may lose all or part of your investment. In making an investment decision with respect to this Issue, you must rely on your own examination of our Company and the terms of this Issue, including the merits and risks involved.

Risks Relating to our Business and the Microfinance Industry

Changes in laws and regulations governing the microfinance industry may adversely affect our business, financial condition, results of operations and prospects.

Since 2010, the microfinance industry, particularly companies with operations in Andhra Pradesh and Telangana faced the enactment of new laws and regulations. The Government of the formerly unified Andhra Pradesh (which was bifurcated into the states of Andhra Pradesh and Telangana in 2014) passed the A.P.-MFI Act in January 2011. The A.P.-MFI Act, among other things, provides for the registration of MFIs, a prohibition on security for loans provided to SHGs and prior governmental approval for the grant of further loans to SHGs or their members, where the SHG or one of its members has an outstanding loan from a bank. Difficulty in compliance with these requirements reduced new loan disbursements by MFIs in the states of Andhra Pradesh and Telangana. This reduction in new loan disbursements, in addition to other factors such as the requirement for all repayments to be made in monthly installments and at offices designated by the formerly unified Andhra Pradesh Government, prompted an increase in defaults by borrowers. Increased defaults by borrowers resulted in significantly diminished average recovery rates (which we define as the proportion of principal and interest amount due and recovered during a period to the total principal and interest amount due for the period), a significant rise in NPAs and large-scale write offs of MFIs' Andhra Pradesh and Telangana loan portfolios, including our portfolio. As a result of this substantial increase in our NPAs, we wrote off substantial amounts of ₹12,543.6 million in respect of our outstanding Andhra Pradesh and Telangana loan portfolio between October 1, 2010 and March 31, 2015.

From February 2016, we have stopped further incremental lending in Andhra Pradesh and Telangana. As of June 30, 2016, we have an outstanding loan portfolio of ₹57.1 million in Andhra Pradesh and Telangana.

Changes in laws and regulations governing the microfinance industry, including by state governments and the RBI, may have an adverse effect on our business, financial condition, results of operations and prospects.

Certain provisions of the NBFC-SI Master Directions impose requirements that restrict our business, results of operations and growth.

The NBFC-MFI Directions, which were introduced in December 2011, have now been replaced by the NBFC-SI Master Directions. The NBFC-SI Master Directions prescribe certain requirements for NBFC-MFIs, including us, such as:

- rates of interest chargeable, which are currently the lower of (i) the cost of funds plus margin of 10.0% for large MFIs with loan portfolios exceeding ₹1.0 billion and (ii) 2.75 times the average base rate of the five largest commercial banks by assets, as determined by the RBI every quarter;
- restrictions on lending so that not more than two NBFC-MFIs may lend to the same borrower; and
- requiring at least 85% of net assets (*i.e.*, total assets excluding cash, bank balances and money market instruments) to be qualifying assets (qualifying assets are loans to borrowers that satisfy the criteria specified in the NBFC-SI Master Directions).

For further details, see "Business – Compliance with the NBFC-SI Master Directions" and "Regulations and Policies – Non-Banking Financial Company – Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016 (the "NBFC-SI Master Directions")." The laws and regulations governing the banking and financial services industry in India have become increasingly complex, with the regulations relating to MFIs still evolving. The requirement to comply with increasing regulations may continue to adversely affect our business and the microfinance industry in general. These laws and regulations require us to restructure our activities, and among other limitations, impose limits on interest rates we can charge and as such limit our interest income, and require us to incur additional expenses, which adversely affect our business, results of operations and growth.

We cannot predict the effect on our business of the proposed laws and regulations affecting NBFCs or the microfinance industry in India.

Pursuant to the NBFC-MFI Directions, the RBI created a category of NBFCs termed as "NBFC-MFIs". Subsequently, we registered as an NBFC-MFI with the RBI in November 2013. The NBFC-MFI Directions have now been replaced by and consolidated into the NBFC-SI Master Directions. For further details, see "Regulations and Policies – Non-Banking Financial Company – Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016 (the "NBFC-SI Master Directions")." Although the NBFC-SI Master Directions govern the operations of MFIs, there is uncertainty with respect to the enactment, implementation and enforcement of new laws and regulations governing MFIs in India. In particular, there is uncertainty regarding the applicability of state money-lending laws to NBFC-MFIs.

In Budget 2015-2016, the Indian Government proposed to set up a Micro Units Development and Refinance Agency Limited ("**MUDRA**"), which has been set up as a subsidiary of SIDBI. MUDRA would 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. The Secretary of the Department of Financial Services clarified in January 2016 that MUDRA will not be the regulator of NBFC-MFIs. There exists the possibility of Indian central or state governments enacting laws and regulations to regulate MFI operations in the country or their respective states. If this happens, our operations may be subject to greater regulatory scrutiny and uncertainty, which may affect our business, financial condition, results of operations and prospects.

Various state government laws regulating money-lending transactions may adversely affect our business, operating results and financial position.

A number of states in India have enacted laws to regulate money-lending transactions. These state laws establish maximum rates of interest that can be charged by a person lending money. There is a lack of clarity on whether NBFCs are required to comply with the provisions of state money-lending laws that establish ceilings on interest rates. In January 2010, April 2011 and September 2012, the High Court of Gujarat in a matter not involving our Company, held that the provisions of the RBI Act have an overriding effect over state money-lending laws. However, the matter relating to the applicability of state legislation to NBFCs registered with RBI is pending before the Supreme Court of India in a different case and a final decision is pending. For example, the validity of the A.P.-MFI Act and the A.P.-MFI Ordinance has been challenged by several MFIs, including us, before the Andhra Pradesh High Court and the Supreme Court of India. Based on interim orders passed by the Andhra Pradesh High Court in October 2010 and an interim order of the Supreme Court of India passed in March 2013, as long as we comply with Sections 9 and 16 of the A.P.-MFI Act, we may carry on our business in ordinary course and no action shall be initiated against us under the A.P.-MFI Act. Because of this ambiguity, we have applied for exemptions from the relevant state money lending legislations, where necessary. We are exempt from the provisions of laws governing moneylenders in the state of Himachal Pradesh. We are also entitled to the benefit of a blanket exemption for all NBFCs in the state of Rajasthan. The state Government of Karnataka has issued an order dated January 5, 2012 withdrawing the exemption granted to us from compliance with the Karnataka Money-Lenders Act, 1961 on May 25, 2007. Subsequent to withdrawal of the exemption by the state Government of Karnataka, the Office of the Deputy Registrar of Cooperative Societies, Tumkur issued an order dated March 30, 2012 directing us to stop money lending activities in Tumkur district of Karnataka. We have filed a writ petition dated April 13, 2012 before the High Court of Karnataka challenging the validity of this withdrawal of exemption by the Government of Karnataka. The Karnataka High Court, through its order dated April 19, 2012, directed the Respondents to maintain status quo regarding further action to be initiated, until the next date of hearing. Subsequently, the Karnataka High Court, through its order dated December 11, 2012, extended the interim relief till January 7, 2013 (the "**Interim Order**"). On June 20, 2013, the relief granted by the Interim Order was extended until next date of hearing. For further details, see "Legal Proceedings."

Further, we have received show cause notices from certain government authorities in the formerly unified Andhra Pradesh regarding compliance with the relevant money-lending statutes in relation to our operations in the Khammam district of Telangana (formerly part of unified Andhra Pradesh) and from certain authorities in the Hingoli district of Maharashtra for submission of certain documents under the money-lenders statutes applicable in Maharashtra. Additionally, we have received notices from the relevant authorities in the formerly unified state of Andhra Pradesh for certain instances of non-compliance with the A.P.-MFI Ordinance and the A.P.-MFI Act. The DRDA, Mahbubnagar, Andhra Pradesh had also issued a notice dated April 19, 2012 cancelling our registration in the Mahbubnagar district. The High Court of Andhra Pradesh has suspended the application of this notice through an interim order dated June 20, 2012. For further details, see "Legal Proceedings."

In the event that the government of any state in India requires us to comply with the provisions of their respective state money-lending laws, or imposes any penalty against us, our Directors or our officers, including for prior non-compliance, our business and results of operations may be adversely affected.

One of our former key managerial personnel is subject to an ongoing investigation by the Directorate of Enforcement in relation to an alleged offense under the PMLA which is unrelated to our Company. Any adverse determination of such investigation may have an impact on the trading price of our Equity Shares, our reputation, business and results of operations.

S. Dilli Raj, former President of our Company (resigned with effect from September 21, 2016), has been arrested, along with others, pursuant to an investigation in relation to an alleged offence of money-laundering as defined under Section 3 of the PMLA by the Directorate of Enforcement based on a FIR dated September 21, 2015, registered by the Central Bureau of Investigation ("**CBI**") on a complaint filed by IDBI Bank Limited against First Leasing Company of India Limited ("**First Leasing**"), his previous employer. The offense and the investigation do not relate to our Company.

In his personal statement issued on October 19, 2015, S. Dilli Raj had stated that he had resigned from First Leasing on November 22, 2007 and was relieved on January 18, 2008. Further, S. Dilli Raj had stated that the complaint filed by IDBI Bank Limited relates to loans sanctioned during the years 2012 and 2013, which was six years after he ceased to be an employee of First Leasing.

M. Ramachandra Rao, Managing Director and Chief Executive Officer of our Company, is additionally overseeing his functions. We cannot assure if any conviction of, or any adverse development in the proceedings against, S. Dilli Raj under the PMLA may have any impact on the trading price of our Equity Shares, our reputation, our business and results of operations.

Interest rate volatility adversely affects our business, financial condition and results of operations.

Our business is dependent on interest income from the loans we disburse and the interest expense we pay on our liabilities and is vulnerable to interest rate risk. Interest income on portfolio loans constituted 67.1%, 72.2%, 70.5% and 72.1% of our total revenue for the three months ended June 30, 2016 and financial years 2016, 2015 and 2014, respectively. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Due to these factors, interest rates in India have historically experienced a relatively high degree of volatility. The annual interest rate applicable to loans we currently offer to our Members is 19.75% for our micro-credit income generation products. If our cost of funds and operating expenses increase to a level where compliance with the NBFC-SI Master Directions results in pressure on our operating margins, our business, financial condition and results of operations may be adversely affected.

An increase in interest rates applicable to our liabilities, without a corresponding increase in interest rates applicable to our assets, will result in a decline in our net interest income. Being a non-deposit taking NBFC, we are also exposed to greater interest rate risk compared to banks or deposit taking NBFCs. Further, if interest rates rise:

- we may have greater difficulty in maintaining a low effective cost of funds compared to our deposit-taking competitors, including MFIs who possess a small finance bank license, who may have access to low-cost deposit funds;
- with respect to our borrowings that are linked to market rates, we may have to pay interest at a higher rate as compared to other lenders, which in turn may expose our operations to the risk of contracting net interest margins; and
- in the event we decide to increase the interest rates we charge on our loan products, our Borrowers may not be willing to pay correspondingly higher interest rates on their borrowings and may opt for more competitively priced loans offered by other lenders, leading to a loss in our market share.

Our inability to effectively and efficiently manage interest rate variations may adversely affect our net interest margins and operating margins, thereby affecting our business, financial condition and results of operations. .

Any deterioration in the performance of any pool of receivables securitized to banks and other institutions may adversely impact our financial performance.

We may, in the ordinary course of business, securitize a portion of our receivables from our loan portfolio to banks and other financial institutions. Such securitization transactions are undertaken by us on the basis of our internal estimates of funding requirements, and may vary from time to time. As of March 31, 2015 and 2016, and as of the quarter ended June 30, 2016, our securitized assets outstanding were ₹9,184.6 million, ₹17,065.3 million and ₹13,246.0 million, respectively. Any change in RBI or other government regulations in relation to securitizations by NBFCs could have an adverse impact on our securitization program.

In our financial statements, we make a general provision for securitized loans. However, in the event the bank or financial institution does not realize the receivables due under loans that have been securitized, the relevant bank or NBFC can enforce the underlying credit enhancements provided by our Company. Should the assignee banks or any other financial institutions seek to enforce the underlying credit enhancements, which are provided up to a specified percentage of the underlying loans, it could have a material adverse effect on our financial condition and results of operations.

We have significant capital requirements and any disruption in availability of financing may adversely affect the cost and availability of capital and in turn our business, results of operations and financial condition.

Our business requires significant capital and our financial condition is dependent on our timely access to, and the cost of, capital. We have historically relied on equity issuances, secured and unsecured loans from banks and financial and other institutions, and the issuance of redeemable non-convertible debentures, commercial paper, assignment and securitization of loan receivables as well as cash flows from operations to fund our operations, capital expenditure and expansion.

The RBI requires domestic commercial banks operating in India to maintain a minimum of 40.0% of their adjusted net bank credit, or a credit equivalent amount of off-balance sheet exposure, whichever is higher, as lending to priority sectors such as agriculture, micro-credit, micro and small enterprises, education and housing ("**PSL**"). PSL funds received as a result of these bank requirements are a significant source of funding for the MFI industry in India but certain eligibility conditions are required to be satisfied by MFIs to avail such funds. In April 2016, the RBI issued guidelines on priority sector lending certificates ("**PSLCs**") that detail criteria for banks to issue and invest in PSLCs. To the extent that changes in regulations impose any further conditions or requirements for PSL funds, loans to MFIs are no longer classified as PSL or alternatives to meet PSL requirements reduce the flow of funds to MFIs, our access to, and the cost of, debt financing may be adversely affected.

Our ability to obtain additional equity and debt financing is also subject to uncertainties such as our future financial position, the continued success of our loan products, our results of operations and cash flows, necessary regulatory approvals, contractual consents, general market conditions and economic and political conditions in India and elsewhere. In addition, adverse developments in the Indian and world credit markets may significantly increase our debt service costs and the overall costs of our borrowings. We may not be able to secure financing on favorable terms and in a timely manner, or at all. The terms of any additional financing may place limits on our financial and operational flexibility. If we are unable to obtain adequate financing or financing on terms satisfactory to us, our ability to grow or support our business and to respond to business challenges could be limited and our business, financial condition and results of operations may be adversely affected.

Our access to bank loans was also adversely affected in the past by the events in the formerly unified Andhra Pradesh and the uncertainty surrounding legislative efforts by other Indian state governments to enact laws similar to the A.P.-MFI Act. These factors resulted in banks reducing their exposure to the MFI industry. Banks did not increase their lending to us until greater clarity was available on the regulatory framework. Further, banks that currently lend to us for the conduct of our business in states other than Andhra Pradesh and Telangana may decrease or withdraw their facilities in the event of any further regulatory uncertainty. Any disruption in our primary financing sources or their associated costs may adversely affect our business, financial condition and results of operations.

Any downgrade of our credit ratings or our grading as an MFI would increase our cost of borrowing and make our ability to raise new funds in the future or renew maturing debt more difficult.

ICRA and CARE have provided us credit ratings and CARE has provided us an "MFI 1" grading. Our bank debt ratings for funding exposures up to ₹55,000.0 million have been rated by CARE as "A1+" (for our short-term facilities) and "A+" (for our long-term facilities). Our short-term debt rating for borrowings up to ₹2,000.0 million is rated by CARE as "A1+," and our non-convertible debentures rating for borrowings up to ₹4,000.0 million is rated by CARE as "A+." Our debt rating is rated by ICRA as "A1+" (short-term debt) for borrowings up to ₹7,500.0 million and "A+" (long-term debt) for borrowings up to ₹3,000.0 million, subject to overall borrowings under both programs not exceeding ₹7,500.0 million. Any downgrading of our credit ratings or grading would further increase our cost of borrowing and impair our ability to renew maturing debt, which may have an adverse effect on our business, financial condition and results of operations.

If we are unable to control the level of our NPAs, or if our loan loss reserves are insufficient to cover our loan losses, our business, results of operations and financial condition may be adversely affected.

Events in Andhra Pradesh and Telangana since October 15, 2010 led to an increase in defaults by borrowers, resulting in significantly diminished average recovery rates, a significant rise in NPAs and large-scale write offs of our outstanding Andhra Pradesh and Telangana loan portfolio. For further details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" for our gross NPAs and net NPAs as of June 30, 2016, March 31, 2016, 2015 and 2014 in respect of Andhra Pradesh and Telangana and states other than Andhra Pradesh and Telangana.

Our average recovery rates in Andhra Pradesh and Telangana were 13.4% for the financial year 2012, thereby resulting in high NPAs. As a result, we fully wrote-off and made provisions in respect of our Andhra Pradesh and Telangana loan portfolio in the financial years 2013 and 2012. Our operations and average recovery rates in certain districts of West Bengal and Gujarat were also affected for the financial year 2012 due to certain local and process-related issues.

We cannot assure you that we will be able to effectively control or reduce the level of the impaired loans in our total outstanding loan portfolio. The amount of our reported NPAs may increase in the future due to factors beyond our control. If we are unable to manage our NPAs or adequately recover our loans, our results of operations will be adversely affected. Our

current loan loss reserves may not be adequate to cover an increase in the amount of NPAs or any future deterioration in the overall credit quality of our total outstanding loan portfolio. As a result, if the quality of our total outstanding loan portfolio deteriorates, we may be required to increase our loan loss reserves, which will adversely affect our financial condition and results of operations.

Our Borrowers may borrow additional loans from other creditors and may be unable to pay us or may prefer to repay other creditors over us. Moreover, there is no precise method for predicting loan and credit losses, and we cannot assure you that our monitoring and risk management procedures will effectively predict such losses or that loan loss reserves will be sufficient to cover actual losses. If we are unable to control or reduce the level of our non-performing or poor credit quality loans, our business, financial condition, results of operations and prospects may be adversely affected.

We may have difficulties in managing our operating expenses structure in the case of a decline in volumes of disbursement and the size of our gross loan portfolio.

In cases of significant reduction in new disbursements and any significant reduction in our business, we may not be able to adjust our employee numbers commensurately and reduce our employee benefit expenses in a relatively shorter period. Employee benefit expenses accounted for 74.8%, 72.4%, 72.4% and 67.2% of our operating expenses (includes employee benefit expenses, other expenses, and depreciation and amortization) for the three months ended June 30, 2016 and financial years 2016, 2015 and 2014, respectively, and our gross loan portfolio was ₹84,687.5 million, ₹76,879.7 million, ₹41,845.3 million and ₹31,128.4 million as of June 30, 2016 and March 31, 2016, 2015 and 2014, respectively. Other large components of our operating expenses include travelling and conveyance expenses and rent expenses, which may be difficult to reduce quickly.

We cannot assure you that our strategy to optimize our cost structure and reduce any costs associated with the acquisition of new Members will improve our results of operations. For example, our existing Borrowers or Members in states other than Andhra Pradesh and Telangana may prefer to obtain credit from our competitors over us, or we may incur additional costs on training new employees if our skilled employees decide to leave us. It may take us a longer period of time than is optimal in order to adjust our employee numbers or reduce the associated personnel costs, in the event of any significant reduction in our business. Our inability to retain sufficient flexibility in our cost structure and adjust to changing business circumstances may adversely affect our business and results of operations.

Our inability to attract, motivate, integrate or retain qualified personnel at levels of experience that are necessary to maintain our quality and reputation may adversely affect our business.

We depend on the services of our executive officers, key employees and *Sangam* Managers for our continued operations and growth. In particular, we believe our senior management has significant experience in the microfinance, banking and financial services industries. Our business is also dependent on our team of *Sangam* Managers who directly manage our relationships with our Members.

Our success will depend in large part on our ability to identify, attract and retain skilled managerial and other personnel. Competition for individuals with specialized knowledge and experience is intense in our industry, and we may be unable to attract, motivate, integrate or retain qualified personnel at levels of experience that are necessary to maintain our quality and reputation or to sustain or expand our operations. For the three months ended June 30, 2016 and for the financial years 2016, 2015 and 2014, our attrition rate (defined as the number of employees that have resigned or been terminated during the specified year divided by the monthly average number of employees for that year) for all employees was 28.5%, 29.8%, 21.7% and 31.5%, respectively.

The loss of the services of qualified personnel or the inability to identify, attract and retain qualified personnel in the future may adversely affect our business.

Failure to effectively implement our strategy to grow our business in states other than Andhra Pradesh and Telangana could adversely affect our business.

As part of our business strategy, we continue to focus on states other than Andhra Pradesh and Telangana. For further details, see "Business – Our Business Strategy – Target a Large Share of Industry's Portfolio outside Andhra Pradesh and Telangana." As we grow our business, we may face risks, uncertainties and difficulties such as increased competition, different culture, regulatory regimes, business practices, customs, behavior and preferences, and our current experience may not be applicable to new markets and businesses. Additionally, we will need to further enhance and improve our financial, accounting, information technology, administrative and operational infrastructure and internal capabilities in order to manage such growth of our business. We may not be able to implement the necessary improvements in a timely manner, or at all, and we may encounter deficiencies in existing systems and controls. If we are unable to implement this business strategy successfully, our business may be adversely affected.

Our diversification into new business verticals and the introduction of new products and services may not be successful, which may adversely affect our business and prospects.

We have undertaken a number of initiatives to develop new business verticals that include loans for the purchase of productivity enhancing products such as solar products, bicycles, sewing machines, water purifiers, and loans for purchase of two wheelers. We had earlier entered the business of loans against gold as collateral but have discontinued new loan disbursements secured by gold. As of June 30, 2016, such loans, including loans granted toward purchase of mobile phones, solar lamps, sewing machines, bicycles, water purifiers, bio-mass stoves and two wheelers, accounted for 1.3% of our gross loan portfolio. We may also expand our range of products and services in relation to micro-credit. For further details, see "Business – Our Business Strategy – Diversification of Revenue Streams and Cross Selling of Products and Services."

We began to manage microfinance loans with funds provided by a third-party bank in February 2013. As of June 30, 2016, these loans were provided by 96 of our branches, which did not use our cash for disbursing such loans. We were paid service provider fees for such services. In connection with this service, we provided the bank a corporate guarantee and cash collateral, the sum of which, as of June 30, 2016, was ₹820.5 million. The gross loan portfolio for such managed loans was ₹7,421.3 million as of June 30, 2016 and is included in our gross loan portfolio. We had discontinued providing new managed loans from May 2014, pursuant to a letter dated April 29, 2014 from the RBI directing us to terminate the provision of such services. In June 2014, the RBI permitted Non-Deposit taking NBFCs to act as business correspondents for banks. Since October 2014, we resumed managing microfinance loans for the bank as a business correspondent.

We may incur significant costs in implementing these new initiatives and cannot assure you that these new verticals or products will be successful, whether because of our own shortcomings or as a result of circumstances beyond our control, such as general economic conditions or competition from existing or new players in these business verticals or otherwise. For our new initiatives, we may be required to comply with additional regulations, compliance with which may strain our business and financial condition. Moreover, we may incur significant costs to establish the specialized infrastructure at some of our branches and recruit especially skilled employees required for conducting such operations. We may also face competition from unorganized and organized players.

In addition, we may be subject to risks associated with selling products manufactured or marketed by third parties, which may include default by, or disputes involving, the third party providers from whom we source these products. Further, we may not correctly anticipate our Members' requirements, which may change over time, and we may be required to discontinue unsuccessful or non-strategic products and write-off substantial investments in these initiatives. For example, we stopped enrolment of new Members under a group life insurance policy from April 2010 as the processes for this product needed to be changed. Our pilot project for housing loan products launched in the formerly unified Andhra Pradesh was also abandoned in October 2010 due to lack of clarity in the regulatory framework at that time. Further, in February 2013, we also had to discontinue our initiative of providing loans for meeting the working capital requirements of small general stores known as "*Sangam*" stores owing to lack of strong complementary distribution capabilities of our business partners. In January 2016, we discontinued loans against gold as collateral after evaluating the pilot results.

Further, the skill sets required by our employees for our new business verticals may be different from those that they currently possess. We may have to incur substantial expenditure to hire new skilled employees or alternatively, train our existing employees. The benefits of such expenditure may not be realized in the near to medium term, or at all.

Any of these factors may adversely affect our ability to diversify into new business verticals, which may have an adverse effect on our business and prospects.

Changes in the tenure of our loan products could result in asset liability mismatches and expose us to interest rate and liquidity risks, which may adversely affect our business, financial condition and results of operations.

We may face adverse asset-liability mismatches in the future, which could expose us to interest rate and liquidity risks. Presently, the majority of the loans we disburse are due within one year of disbursement and over a quarter of our gross loan portfolio is due within two years of disbursement and all of our interest income is generated through such loans. The NBFC-SI Master Directions require every loan above ₹30,000 issued by an NBFC-MFI as part of its "qualifying assets" to have a minimum maturity of 24 months, for which a matching funding source of similar maturity may not be available to us. In 2013, we commenced extending loans above ₹15,000 with a minimum maturity of 24 months. In November 2015, the RBI increased the minimum loan amount subject to the minimum 24 month tenure requirement from ₹15,000 to ₹30,000. Loans with a tenure of 24 months or more contribute 26.8% to our loans outstanding as of June 30, 2016. This initially required us to make adjustments to our internal controls and systems for asset liability management. However, we may face potential liquidity risks due to varying periods over which our assets and liabilities may mature. Such mismatches could adversely affect our business, financial condition and results of operations.

Our failure to comply with financial and other restrictions imposed on us under the terms of our borrowings could adversely affect our ability to conduct our business and operations.

As of June 30, 2016, our total secured and unsecured indebtedness was ₹53,593.7 million. In connection with borrowings from our lenders, our financing agreements contain a number of covenants such as provisions to:

- maintain specified levels of types of assets;
- maintain specified CAR and debt-equity ratios;
- restrict the issuance of Equity Shares or change the capital structure of our Company;
- restrict the declaration or payment of dividends or other distributions;
- restrict entering into certain transactions such as reorganizations, amalgamations and mergers;
- restrict changes to the board of directors or material changes in the management of our Company;
- restrict the creation of charge or lien over certain assets;
- restrict the incurrence of additional indebtedness, including providing guarantees;
- restrict making certain payments, including entering into specified financial transactions with entities;
- restrict investments or purchase of assets;
- restrict certain shareholders from sale or transfer of their Equity Shares of our Company;
- restrict entering into specified related party transactions; and
- restrict changes to the memorandum and articles of our Company.

We may have not in the past obtained, or may not in the future be able to obtain, the prior approval of our lenders for certain actions for which prior approval of lenders is required under our financing agreements. If we do not receive approvals from our lenders for the actions restricted by our financing agreements in a timely manner or at all, we will be in default under the relevant financing agreements.

In the event that we breach a covenant, our lenders could deem us to be in default and seek early repayment of loans or increase our interest rates in certain circumstances. Under certain financing agreements, our lenders have the right to convert at their option, the whole or part of the defaulted amount of the loan into fully paid -up equity shares of our Company in the event of default in the repayment of principal or payment of interest within the agreed periods. Our ability to execute expansion plans, including our ability to obtain additional financing on terms and conditions acceptable to us, could be adversely affected as a result of these restrictions and limitations. Our failure to comply with any of these covenants could result in an event of default, which could accelerate our need to repay the related borrowings and trigger cross-defaults under other borrowings. An event of default would also affect our ability to raise new funds or refinance outstanding debt. Any of these actions taken by our lenders, may individually, or in the aggregate, have an adverse effect on our business, financial condition and results of operations.

Further, certain of our indebtedness are repayable on demand by our lenders. As of June 30, 2016, ₹639.9 million, or 1.2%, of our total indebtedness, comprising cash credit arrangements, were repayable on demand by the relevant lenders at any time. If our lenders exercise their right to accelerate such loans, it could adversely affect our financial position.

Our business and results of operations could be adversely affected by the actions of our employees and former employees.

Our business and results of operations are dependent on the efforts of our employees. In the past, operations at some of our regional offices were interrupted by groups of our employees. Such instances were in September and October 2009 at two of our regional offices in the formerly unified Andhra Pradesh and Maharashtra, in November 2012 at two of our regional offices in Bihar, in July and September 2013 at two of our regional offices in Orissa and West Bengal and in January 2014 at one of our regional offices in Karnataka. These employees demanded higher wages and attempted to interrupt our operations in parts of these regions. We did not agree to demands of these employees and initiated disciplinary actions in accordance with our human resources policy and applicable law. We continued operations in these regions and our operations were not adversely affected in any of these cases. Although our employees are not currently unionized, there can be no assurance that they will not unionize in the future. If our employees unionize, it may become difficult for us to maintain flexible labor policies, and we could incur higher labor costs. This may result in higher operating expenses and lower operating margins, which would adversely affect our business and results of operations.

In addition, some of our existing employees may not be content with the solutions offered in response to their grievances by a whistle-blower mechanism that has been adopted by us. Some of these existing and former employees could engage in actions detrimental to us and our business. We may not be able to predict or control the effects of these actions, which could have an adverse effect on our business.

Concerns about terms of loans provided by us may adversely affect our reputation and business.

We provide loans to women, often illiterate, belonging to low-income groups in rural areas. As a result of our business model of providing financial services at the villages of our Members, our operating expenses, particularly, finance, employee, travel and rent costs are quite high. This, along with our cost of financing, may result in the interest rates we charge from our Borrowers to be higher than the interest rates banks generally charge. This observation, including the terms of our loans continue to be the subject of careful evaluation, analysis and often, criticism by the Indian and international community. Numerous critiques have been published about, among other things, the interest rate that microfinance companies charge and their collection model. Perception of our business and business model, including, among others, by social and political workers, humanitarians or even disgruntled former stakeholders, despite our initiative to provide least cost financing to individuals who have none, or very limited access to loans from institutional sources of funding, could significantly harm our reputation and business. The creation of negative perception could also adversely affect our growth and the market acceptance of our products and services.

Our Sangam Managers and other employees may be the target of violent crime, which may adversely affect our business, operations, and ability to recruit and retain employees.

Since April 1, 2009, six of our *Sangam* Managers have, in the course of robberies, been killed. We believe that the potential for such crimes is highest in the more remote villages we serve, where our *Sangam* Managers may be forced to transport cash over long distances due to the lack of local banking facilities.

To the extent that our employees are subject to violent attacks, theft or robbery in the course of their duties, our ability to service certain areas may be adversely affected, our employee recruiting and retention efforts may be curtailed and we may be required to incur additional expenses, all of which may adversely affect our business.

Any failure, inadequacy and security breach in our computer systems may adversely affect our business.

Our operations depend on our ability to process a large number of transactions on a daily basis across our network of offices. Our financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are beyond our control, including a disruption of electrical or communications services, particularly in the rural areas in which we operate. As we grow our business, the inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand. Our ability to operate and remain competitive will depend in part on our ability to maintain and upgrade our information technology systems on a timely and cost-effective basis. The information available to and received by our management through our existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We may experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate our growing customer base and range of products.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software, including software licensed from vendors and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could compromise data integrity and security and result in identity theft, for which we could potentially be liable. Any failure to effectively maintain or improve or upgrade our management information systems in a timely manner could adversely affect our competitiveness, financial position and results of operations. Moreover, if any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes or systems, it could affect our operations or result in financial loss, disruption of our businesses, regulatory intervention or damage to our reputation. In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our business.

A significant portion of our transactions is in cash, exposing us to certain operational risks.

We handle cash in a high volume of transactions occurring through a dispersed network of branches and *Sangam* Managers and are exposed to operational risks such as theft, fraud, misappropriation, embezzlement or unauthorized transactions by employees responsible for dealing with such cash transactions. These risks are exacerbated by the high levels of responsibility we delegate to our employees and the geographically dispersed nature of our network. We primarily cater to customers in rural markets, which carry additional risks due to limitations on infrastructure and technology. For instance, during the three months ended June 30, 2016, we discovered 17 cases of cash embezzlement by employees in an aggregate amount of ₹0.8 million and 17 cases of loans granted to non-existent borrowers on the basis of fictitious documentation created by our employees in an aggregate amount of ₹1.5 million. During the financial year 2016, we discovered 65 cases of cash embezzlement by employees in an aggregate amount of ₹5.3 million, 57 cases of loans granted to non-existent borrowers on

the basis of fictitious documentation created by our employees in an aggregate amount of ₹13.1 million and misrepresentation by certain borrowers for obtaining loans amounting to ₹0.3 million.

While we have implemented technology that tracks our cash collections, taken insurance policies, including fidelity coverage and coverage for cash in safes and in transit, and undertaken measures to detect and prevent unauthorized transactions, fraud or misappropriation, this may not be sufficient to prevent or deter such activities in all cases, which may adversely affect our operations and profitability. Further, we may be subject to regulatory or other proceedings in connection with any unauthorized transactions, fraud or misappropriation by our representatives and employees, which could adversely affect our goodwill. We may also be party to criminal proceedings and civil litigation related to our cash collections.

Given the high volume of transactions involving cash processed by us, certain instances of fraud and misconduct by our representatives or employees may go unnoticed for some time before they are discovered and successfully rectified. Even when we discover instances of fraud and other misconduct and pursue legal recourse or file claims with our insurance carriers, there can be no assurance that we will recover any amounts lost through such fraud or other misconduct. Our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of such systems will result in losses that are difficult to detect or rectify.

For further details, see "Financial Information" and "Risk Factors - Our Auditors have included certain qualified statements in relation to matters specified in the Companies (Auditors' Report) Order, 2003, 2015 and 2016, as applicable, in the annexure to our audit report on our audited financial statements."

Micro-credit lending poses unique risks because of the category of borrowers that it services and which are not generally associated with other forms of lending in India. As a result, we may experience increased levels of NPAs and related provisions and write offs that may adversely affect our business, financial condition and results of operations.

Our Members typically belong to low-income groups and are typically illiterate women living in rural India, who have limited sources of income, savings and credit histories, and who cannot provide us with any collateral or security for their borrowings. Such Members are at times also unable to or may not provide us with accurate information about them which is required by us in connection with granting loans. In addition, we have extended loan repayment moratoriums of two to three weeks to Members who have been victims of flood conditions. While we do extend such moratoriums on a case by case basis, extensive flood or other *force majeure* conditions could adversely affect the ability of our Members to make loan repayments on time and in turn adversely affect our results of operations.

As a result, our Members pose a higher risk of default than borrowers with greater financial resources and more established credit histories and borrowers living in urban areas with better access to education, employment opportunities and social services. In addition, we rely on non-traditional guarantee mechanisms in connection with our loan products, which are generally secured by informal individual and group guarantees, rather than tangible assets. As a result, our loan products pose a higher degree of risk than loans secured with physical collateral.

In addition, political and social risks, such as the negative publicity surrounding the growth and profitability of the microfinance industry, public criticism of the microfinance industry, or religious beliefs and convictions regarding the extension of credit and repayment of interest may deter our Members from discharging their obligations to us. Due to the precarious circumstances of our Members and our non-traditional lending practices we may, in the future, experience increased levels of NPAs and related provisions and write-offs that may adversely affect our business, financial condition and results of operations.

Competition from other MFIs, banks and financial institutions, as well as state-sponsored social programs, may adversely affect our business and competitive position.

We face our most significant organized competition from other MFIs, banks and financial institutions and other state-sponsored social programs in different states in India. In addition, many of our potential members in the lower income segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at much higher rates. For further details, see "Business – Competition." Many of the institutions with which we compete have greater assets and better access to, and lower costs of, funding than we do. For example, one of the MFIs, Bandhan Financial Services Limited was permitted to set up a universal bank and eight other MFIs were granted an in-principle approval for small finance bank, which may facilitate their access to deposits and lower cost capital. In certain areas, they may also have better brand recognition and larger member bases than us. We anticipate that we may encounter greater competition from small finance banks, for-profit MFIs and SHG linked programs which have substantial operations in the states in which we operate.

We require certain statutory and regulatory approvals for conducting our business and any failure to obtain or renew them in a timely manner, or at all, may adversely affect our business.

NBFCs, including NBFC-MFIs, in India are subject to strict regulation and supervision by the RBI. RBI conducts periodic inspections of our business and operations, and makes observations and issues directions for us to comply with. RBI has, in

its previous inspections, raised queries / made observations in relation to our Company with respect to, among other things, (i) computation of our capital to risk (weighted) assets ratio as on March 31, 2015, (ii) compliance with the directions in formulation of gold loan policy and (iii) the absence of delegation of sanctioning powers in our loan policy and operations manual. We have submitted our reply to the RBI, and there cannot be any assurance that similar concerns will not be raised by the RBI or other regulatory authorities, or that we will be able to suitably address such concerns, in the future.

We also require certain approvals, licenses, registrations and permissions for operating our business and launching new products and services. We also undergo regular inspections and audits by the regulators as part of the approval process. In addition, certain of our insurance related activities are regulated by the IRDA. The IRDA conducted an inspection of our Company in October 2010 and imposed a penalty of ₹5.0 million. Our Company paid the penalty amount in March 2013. Further, we are required to maintain registrations with the local authorities in accordance with the provisions of the A.P.-MFI Act. Such approvals, licenses, registrations and permissions must be maintained and renewed over time, applicable requirements may change and we may not be able to comply with all requirements all of the time.

In addition, our branches are required to be registered under the relevant shops and establishments laws of the states in which they are located. The shops and establishment laws regulate various employment conditions, including working hours, holidays and leave and overtime compensation. Certain of our branches may have not applied for such registration while other branches still have applications for registration pending. In addition, certain of the trade licenses obtained by our branches may have expired. Our branches from time to time apply for renewal of certain of such trade licenses and are in the process of obtaining renewal of certain trade licenses. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected. If we fail to comply, or a regulator claims we have not complied, with any of these conditions, our certificate of registration/ license may be suspended or cancelled and we will not be able to carry on our business activities from such branches.

Our Auditors have included certain qualified statements in relation to matters specified in the Companies (Auditors' Report) Order, 2003, 2015 and 2016, as applicable, in the annexure to the audit report on our audited financial statements.

The auditors' report for our financial statements as of and for the financial year ended March 31, 2015 includes statements that there were instances of fraud on our Company by our employees and borrowers, which were in the nature of cash embezzlement, loans to non-existent borrowers on the basis of fictitious documentation created by certain of our employees and misrepresentation by certain borrowers for obtaining loans. Such observations were made in the audit report on our financial statements as of and for the financial year ended March 31, 2014 as well. In addition, the auditors' reports on each of our financial statements as of and for the financial years ended March 31, 2015 and 2014 state that our Company's accumulated losses at the end of the respective financial years were more than fifty percent of our Company's net worth, though our Company did not incur any cash loss in the financial years 2016, 2015 and 2014. For further details, see "Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and on "Legal Proceedings."

Although there is no qualification, reservation or adverse remark in the auditors' report for the financial year ended March 31, 2016, this is because the Companies (Auditor's Report) Order, 2016 and related guidance note in effect from the financial year ended March 31, 2016 no longer requires auditors to report (1) whether accumulated losses at the end of a financial year exceed fifty percent of net worth or (2) any immaterial instances of fraud.

We may enter into joint ventures and strategic alliances in the future, which may entail various risks.

We have entered into strategic alliances with Microsoft Corporation (India) Private Limited, D. Light Energy Private Limited and other manufacturing partners and expect to enter into other such alliances in the future. In addition, we may leverage our knowledge, experience and business models to expand our offerings into states in India where we do not have a substantial presence through joint ventures and strategic relationships. We may also pursue mergers, acquisitions or other business combinations with other companies. Depending on the nature of such transactions, we may be required to offer products with which we have not had prior experience and assume high levels of debt or contingent liabilities, and divert our management's attention and other resources away from our core business. Any such investments or transactions may require the prior approval of our lenders or certain regulators, which may not be forthcoming. If our joint ventures and strategic alliances are not successful, our business may be adversely affected.

Our insurance coverage may not adequately protect us against losses, and successful claims that exceed our insurance coverage may adversely affect our business, financial condition and results of operations.

We maintain insurance coverage of the type and in the amounts that we believe are commensurate with our operations, including directors' and officers' liability insurance and other general liability insurances. Our insurance policies, however, may not provide adequate coverage in certain circumstances and may be subject to certain deductibles, exclusions and limits on coverage. In addition, there are various types of risks and losses for which we do not maintain insurance, such as losses due to business interruption and natural disasters, because they are either uninsurable or because insurance is not available to us on acceptable terms. A successful assertion of one or more claims against us that exceeds our available insurance coverage

or results in changes in our insurance policies, including premium increases or the imposition of a larger deductible or co-insurance requirement, could adversely affect our business, financial condition and results of operations.

Our ability to raise foreign currency funds may be constrained by Indian law.

As an Indian NBFC, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions could constrain our ability to obtain financings on competitive terms and refinance existing indebtedness. In addition, there can be no assurance that any required regulatory approvals for borrowing in foreign currencies will be granted to us without onerous conditions, or at all.

Our inability to protect or use our intellectual property rights may adversely affect our business.

Our name and trademarks are significant to our business and operations. We may apply for certain trademarks, including our trademark and logo "BFIL." We may not be able to prevent infringement of our trademarks and a passing off action may not provide sufficient protection pending registry of our trademarks. We cannot be assured that we will be able to obtain registration of all the trademarks applied for in our name, and such failure may materially and adversely affect our business prospects, reputation and goodwill.

U.S. holders should consider the impact of the passive foreign investment company rules in connection with an investment in our Equity Shares.

A foreign corporation will be treated as a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes for any taxable year in which either: (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of its gross assets during the taxable year (based on the average of the fair market values of the assets determined at the end of each quarterly period) are "passive assets," which generally means that they produce passive income or are held for the production of passive income.

Our Company is likely to be treated as a PFIC for the current taxable year and future taxable years. However, no assurance can be given that our Company will or will not be considered a PFIC in the current or future years. The determination whether or not our Company is a PFIC is a factual determination that is made annually based on the types of income we earn and the value of our assets. Assuming our Company is considered a PFIC, U.S. holders of Equity Shares would be subject to special rules and a variety of potentially adverse tax consequences under the U.S. Internal Revenue Code of 1986, as amended. For further details, see "Certain Tax Considerations – Certain U.S. Federal Income Tax Considerations."

Certain of our existing shareholders or future shareholders together may be able to exert substantial voting control over us, which may limit your ability to influence corporate matters.

Our five largest shareholders as mentioned below beneficially own, in the aggregate, approximately 16.8% of our outstanding Equity Shares as of June 30, 2016.

S. No.	Name of the Shareholders	Number of Equity Shares	Shareholding (%)
1	Amansa Holdings Private Limited	5,400,000	4.2
2	Sandstone Investment Partners I	5,159,502	4.0
3	Morgan Stanley Asia (Singapore) Pte.	4,044,411	3.2
4	Baron Emerging Markets Fund	3,500,000	2.7
5	Indus India Fund (Mauritius) Limited	3,379,366	2.6
	Total	**21,483,279**	**16.8**

While the shareholding of our Company is diversified, with the single largest shareholding less than 5%, some existing or future shareholders together may limit your ability to influence corporate matters that require shareholder approval. These existing or future shareholders may be able to exercise considerable influence over any matters requiring shareholder approval, including the election of directors, approval of lending and investment policies and the approval of corporate transactions, such as a merger or other sale of our Company or its assets or further fund-raising transactions. In addition, our dispersed shareholdings may cause matters requiring shareholder approval to be delayed or not occur at all, which could adversely affect our business. Moreover, these shareholders are not obligated to share any business opportunities with us.

Certain of our shareholders, including our Promoters, are investment entities and accordingly they or their affiliates have invested or may invest in other companies engaged in similar businesses thereby giving rise to a conflict of interest.

Certain of our shareholders, including our Promoters, are investment entities. These investment entities or their affiliates have invested or may invest in other companies engaged in similar businesses thereby giving rise to a conflict of interest and we cannot assure you that they will continue to act in our best interest.

Any future issuance of Equity Shares may dilute your shareholding and any future sales of Equity Shares by our major shareholders may adversely affect the trading price of our Equity Shares.

Under the Companies Act, a company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing percentage ownership before the issuance of any new equity shares, unless their pre-emptive rights have been waived by adoption of a special resolution by holders of three-quarters of the shares who have voted on the resolution.

Except for the customary lock-up on the Company's ability to issue equity or equity linked securities discussed in "**Placement,**" there is no restriction on our ability to issue Equity Shares or our major shareholders' ability to dispose of their Equity Shares, and we cannot assure you that we will not issue Equity Shares or that any major shareholder will not dispose of, encumber, or pledge, its Equity Shares. Future issuances of Equity Shares may dilute your shareholding and may adversely affect the trading price of our Equity Shares. Such securities may also be issued at prices below the then current trading price of our Equity Shares. Sales of Equity Shares by our major shareholders may also adversely affect the trading price of our Equity Shares.

We have also issued employee stock options to certain of our employees. To the extent such outstanding employee stock options are exercised, there will be further dilution to investors in this Issue, which may also adversely affect the trading price of the Equity Shares. For further details, see "Capitalization Statement."

Our ability to pay dividends will depend upon applicable laws, including capital adequacy standards, future earnings, financial condition, working capital requirements, capital expenditure and lender consents and there can be no assurance that we will be able to pay dividends in the future.

We currently intend to invest our future earnings, if any, to fund our growth. The amount of our future dividend payments, if any, will depend upon applicable laws, including minimum capital adequacy standards, our future earnings, financial condition, working capital requirements and capital expenditure. In addition, any dividend payments we make are subject to the prior consent of our lenders pursuant to the terms of the agreements we have with them. We have not paid any dividends historically and there can be no assurance that we will be able to pay dividends in the future.

Foreign investors are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely affect the trading price of our Equity Shares.

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the requirements specified by the RBI. If the transfer of shares is not in compliance with such requirements or falls under any of the specified exceptions, then prior approval of the RBI or the FIPB will be required. In addition, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or tax clearance certificate from the income tax authority. Additionally, the Indian government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Indian government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Indian government's approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

In addition to the above, in terms of the Consolidated FDI Policy read with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, FIIs / FPIs are permitted to investment in the capital of an Indian company under the portfolio investment scheme below 10% on an individual basis and up to 24% on an aggregate basis. However, the limit on the shareholding of FIIs / FPIs in an Indian company can be increased to the sectoral cap or the statutory limit, as applicable to such company, by passing a resolution of its board of directors followed by a special resolution passed by its shareholders at a general meeting and subject to prior intimation to RBI. Under the Consolidated FDI Policy (effective from June 7, 2016), issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, foreign investment up to 100% is permitted in the non-banking finance companies sector. Additionally, pursuant to the resolutions passed by the Board of Directors and the Shareholders on November 7, 2011 and December 21, 2011, respectively, and a letter dated January 6, 2012 issued by RBI, the FIIs / FPIs are permitted to investment up to 74% of the paid up capital of our Company as on the date of this Placement Document. As of June 30, 2016, aggregate investment by FPIs / FIIs in our Company, constituted 61.83% of the paid up capital of our Company. Following the completion of this Issue, we expect that the aggregate investment of FIIs / FPIs in our Company will be near the 74% limit. These limitations could negatively affect the price of our Equity Shares and could limit the ability of investors to trade our Equity Shares in the market. These limitations could also negatively affect our Company's ability to raise additional capital to meet its capital adequacy requirements or to fund future growth through future issuances of additional equity shares, which could have a material adverse effect on our business and financial results.

Our Company, will be required to prepare financial statements under Indian Accounting Standards ("Ind-AS") (which is India's convergence to IFRS) in financial year 2019. The transition to Ind-AS in India is very recent and there is no clarity on the impact of such transition on our Company.

Our Company currently prepares its annual and interim financial statements under Indian GAAP. Companies in India, including our Company, will be required to prepare annual and interim financial statements under Indian Accounting Standard 101 "First-time Adoption of Indian Accounting Standards ("Ind-AS"). On January 2, 2015, the Ministry of Corporate Affairs, Government of India (the "MCA") announced the revised roadmap for the implementation of Ind-AS (on a voluntary as well as mandatory basis) for companies other than banking companies, insurance companies and non-banking finance companies through a press release (the "Press Release"). Further, on February 16, 2015, the MCA has released the Companies (Indian Accounting Standards) Rules, 2015 (the "Ind AS Rules") which have come into effect from April 1, 2015. The roadmap for implementation of Ind-AS for scheduled commercial banks, insurance companies and NBFCs issued by the MCA on January 18, 2016 provides for phase-wise adoption of Ind-AS by NBFCs and clarifies that NBFCs having a net worth of ₹5,000 million or more shall be required to prepare Ind-AS based financial statements for the accounting period beginning in the financial year 2019. The roadmap also clarifies that scheduled commercial banks (excluding regional rural banks), insurance companies and NBFCs shall apply Ind-AS only if they meet the specified criteria and they shall not be allowed to voluntarily adopt Ind-AS. Our Company meets the criteria to adopt Ind-AS in the first phase (*i.e.* accounting periods beginning from April 1, 2018).

There is not yet a significant body of established practice on which to draw informing judgments regarding its implementation and application. Additionally, Ind-AS differs in certain respects from IFRS and therefore financial statements prepared under Ind-AS may be substantially different from financial statements prepared under IFRS. There can be no assurance that our Company's balance sheets, statements of profit and loss, cash flow statements or other financial statements will not be presented differently under Ind-AS than under Indian GAAP or IFRS, and we have not conducted a review to identify or determine the extent of any such differences. When our Company adopts Ind-AS reporting, it may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. There can be no assurance that the adoption of Ind-AS by our Company will not adversely affect its financial condition or results of operations.

Any failure to maintain and upgrade our information technology, management information and enterprise mobility systems in a timely manner could adversely affect our competitiveness, financial position and results of operations.

Our ability to operate and remain competitive will depend in part on our ability to maintain and upgrade our information technology, management information and enterprise mobility systems in a timely and cost-effective manner. We must continually make significant investments and improvements in our information technology infrastructure in order to remain competitive. The information available to and received by our management through our existing information systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We may experience difficulties in upgrading, developing and expanding new pilot technologies quickly enough to accommodate our growing customer base and range of products and services. Any failure to effectively maintain or improve or upgrade our information technology, management information and enterprise mobility systems in a timely manner could materially and adversely affect our competitiveness, financial position and results of operations.

A third party could be prevented from acquiring control of us because of the takeover regulations under Indian law.

Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control of us. Disclosure and mandatory bid obligations in relation to substantial acquisition of shares and takeovers for listed Indian companies under Indian law are governed by the Takeover Code. These provisions may discourage or prevent a third party from attempting to take control of us, even if a change in control would result in the purchase of our Equity Shares at a premium to the trading price or would otherwise be beneficial to the holders of our Equity Shares. For further details, see "The Securities Market of India."

Seasonality of our business may adversely impact our business.

Our business operations and the banking industry may be affected by seasonal trends in the Indian economy. For instance, the MFI industry experienced increased availability of bank lending during the last quarter of each financial year, as banks try to meet their targets for lending to the priority sector in order to comply with the regulatory norms for banks prescribed by the RBI. Revised PSL guidelines issued by RBI in 2015 envisage banks to monitor their PSL compliance every quarter (with effect from financial year 2017) instead of annually.

Further, generally, increased retail economic activity is witnessed during the period from October to March in India due to several holiday periods, improved weather conditions and crop harvests. This may result in higher volumes of business during this period. Any significant event such as unforeseen floods, earthquakes, political instabilities, epidemics or economic slowdowns during this peak season may adversely affect our business and results of operations.

Risks Relating to India

If terrorist attacks or social unrest in India increase, our business could be adversely affected and the trading price of our Equity Shares could decrease.

India has from time to time experienced instances of civil unrest and terrorist attacks. These events could lead to political or economic instability in India and may adversely affect the Indian economy, our business, financial condition, results of operations and the trading price of our Equity Shares. India has also experienced social unrest, naxalite violence and communal disturbances in some parts of the country. If such tensions occur in places where we operate or in other parts of the country, leading to overall political and economic instability, it could adversely affect our business, financial condition, results of operations and the trading price of our Equity Shares.

Natural disasters could have an adverse effect on the Indian economy our business and the trading price of our Equity Shares.

India has experienced natural disasters such as earthquakes, a tsunami, El Nino, floods and droughts in the past few years. In the event of a natural disaster of a significant scale, we could suffer significant losses. The extent and severity of these natural disasters determines their impact on the Indian economy and infrastructure. Our Borrowers are particularly vulnerable if economic conditions worsen or growth rates decelerate in India, or if there are natural disasters such as floods and droughts in areas where our Borrowers live. Prolonged spells of below normal rainfall or other natural calamities could adversely affect the Indian economy, our business and the trading price of our Equity Shares.

All of our revenue is derived from business in India, and a decline in economic growth in India could adversely affect our business.

We derive all of our revenue from our operations in India and so the performance and the growth of our business is dependent on the performance of the Indian economy. In the past, India economy has been affected by global economic uncertainties and liquidity crisis, domestic policy and political environment, volatility in interest rates, currency exchange rates, commodity and electricity prices, adverse conditions affecting agriculture, rising inflation rates and various other factors. GDP growth in the financial year 2016 increased to 7.6% from 7.2% in the financial year 2015. The World Bank has estimated the growth rate for the financial year 2017 will be in the region of 7.8%.

Risk management initiatives by banks and lenders in challenging economic circumstances could affect the availability of funds in the future or the withdrawal of our existing credit facilities. The Indian economy is undergoing many changes and it is difficult to predict the impact of certain fundamental economic changes on our business. Conditions outside India, such as a slowdown or recession in the economic growth of other major countries, especially the United States, have an impact on the growth of the Indian economy. Additionally, an increase in trade deficit, a downgrading in India's sovereign debt rating or a decline in India's foreign exchange reserves could negatively affect interest rates and liquidity, which could adversely affect the Indian economy and our business. Any downturn in the macroeconomic environment in India could adversely affect our business, financial condition, results of operations and the trading price of our Equity Shares.

Political instability or changes in the Government in India or in the Government of the states where we operate could cause us significant adverse effects.

We are incorporated in India and all of our operations, assets and personnel are located in India. The central Government has traditionally exercised, and continues to exercise, a significant influence over many aspects of the economy. Further, our business is also impacted by regulation and conditions in the various states in India where we operate. Our business, and the market price and liquidity of our Equity Shares may be affected by interest rates, changes in central or state Government policies, taxation and other political, economic or other developments in or affecting India. Since 1991, successive central Governments have pursued policies of economic liberalization and financial sector reforms. For example, we benefit from demand drivers in rural India such as government expenditure on rural schemes, minimum support prices and agriculture growth. Any slowdown in these demand drivers or change in Government policies may adversely impact our business and operations. Generally a significant adverse change in the central Government's policies, in particular, those relating to the microfinance industry in India, could adversely affect our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline.

Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which may be material to the financial statements prepared and presented in accordance with Indian GAAP contained in this Placement Document.

Our audited financial statements contained in this Placement Document have been prepared and presented in accordance with Indian GAAP and no attempt has been made to reconcile any of the information given in this Placement Document to any other principles or to base it on any other standards. Indian GAAP differs from accounting principles and auditing standards with which prospective investors may be familiar in other countries, such as U.S. GAAP and IFRS. Significant differences exist between Indian GAAP and U.S. GAAP and IFRS, which may be material to the financial information prepared and presented in accordance with Indian GAAP contained in this Placement Document. Accordingly, the degree to which the financial information included in this Placement Document will provide meaningful information is dependent on your

familiarity with Indian GAAP and the Companies Act. Any reliance by persons not familiar with Indian GAAP on the financial disclosures presented in this Placement Document should accordingly be limited.

Uncertainties relating to recent tax regulation may impact our business.

The Government of India has proposed a comprehensive national GST regime that will combine taxes and levies by the central and state governments into a unified rate structure. In this regard, the Constitution (101 Amendment) Act 2016, which received presidential assent on September 8, 2016, enables the Government of India and state governments to introduce GST. While the Government of India and certain state governments have announced that all committed incentives will be protected following the implementation of the GST, given the limited availability of information in the public domain concerning the GST, we are unable to provide any assurance as to this or any other aspect of the tax regime following implementation of the GST. The implementation of this rationalized tax structure may be affected by any disagreement between certain state governments, which may create uncertainty. Any future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. If, as a result of a particular tax risk materializing, the tax costs associated with certain transactions are greater than anticipated, it could affect the profitability of such transactions.

Further, the General Anti-Avoidance Rules ("**GAAR**") are proposed to be made effective from April 1, 2017. The tax consequences of the GAAR provisions being applied to an arrangement could result in denial of tax benefit amongst other consequences. In the absence of any precedents on the subject, the application of these provisions is uncertain. If the GAAR provisions are made applicable to our Company, it may have an adverse tax impact on us.

We may be affected by competition law in India and any adverse application or interpretation of the Competition Act could adversely affect our business.

The Competition Act, regulates practices having an appreciable adverse effect on competition in the relevant market in India. Under the Competition Act, any formal or informal arrangement, understanding or action in concert, which causes or is likely to cause an appreciable adverse effect on competition is considered void and results in the imposition of substantial monetary penalties. Further, any agreement among competitors which directly or indirectly involves the determination of purchase or sale prices, limits or controls production, supply, markets, technical development, investment or provision of services, shares the market or source of production or provision of services by way of allocation of geographical area, type of goods or services or number of customers in the relevant market or directly or indirectly results in bid-rigging or collusive bidding is presumed to have an appreciable adverse effect on competition. The Competition Act also prohibits abuse of a dominant position by any enterprise.

On March 4, 2011, the Government issued and brought into force the combination regulation (merger control) provisions under the Competition Act with effect from June 1, 2011. These provisions require acquisitions of shares, voting rights, assets or control or mergers or amalgamations that cross the prescribed asset and turnover based thresholds to be mandatorily notified to and pre-approved by the CCI. Additionally, on May 11, 2011, the CCI issued Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011, as amended, which sets out the mechanism for implementation of the merger control regime in India.

The Competition Act aims to, among others, prohibit all agreements and transactions which may have an appreciable adverse effect on competition in India. Consequently, all agreements entered into by us could be within the purview of the Competition Act. Further, the CCI has extra-territorial powers and can investigate any agreements, abusive conduct or combination occurring outside India if such agreement, conduct or combination has an appreciable adverse effect on competition in India. However, we cannot predict the impact of the provisions of the Competition Act on the agreements entered into by us at this stage. We are not currently party to any outstanding proceedings, nor have we received notice in relation to non-compliance with the Competition Act or the agreements entered into by us. However, if we are affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, or any enforcement proceedings initiated by the CCI, or any adverse publicity that may be generated due to scrutiny or prosecution by the CCI or if any prohibition or substantial penalties are levied under the Competition Act, it would adversely affect our business, results of operations and prospects.

Risks Relating to the Equity Shares and this Issue

The trading price of our Equity Shares may be subject to volatility and you may not be able to sell your Equity Shares at or above the Issue Price.

The trading prices of publicly traded securities may be highly volatile. Factors affecting the trading price of our Equity Shares include:

- variations in our operating results;
- announcements of new products, strategic alliances or agreements by us or by our competitors;

- increases and decreases in our Member base;
- recruitment or departure of key personnel;
- favorable or unfavorable reports by a section of the media concerning the microfinance industry in general, or in relation to our business and operations;
- misinformation campaigns by any disgruntled employees and management, whether presently on our rolls or not;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to research and report on our Equity Shares;
- market conditions affecting the financial sector generally, or the microfinance industry in particular, our Members' income generating activities and the economy as a whole; and
- adoption or modification of regulations, policies, procedures or programs applicable to our business.

In addition, if the stock markets experience a loss of investor confidence, the trading price of our Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Our equity shares are included in the derivatives segment and as such do not have support filters in the event of reduction in trading price. Each of these factors, among others, could adversely affect the trading price of our Equity Shares.

Investors may be subject to Indian taxes arising out of capital gains on the sale of our Equity Shares.

Capital gains arising from the sale of our Equity Shares are generally taxable in India. Any gain realized on the sale of our Equity Shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if securities transaction tax, or STT, has been paid on the transaction. STT will be levied on and collected by an Indian stock exchange on which our Equity Shares are sold. Any gain realized on the sale of our Equity Shares held for more than 12 months by an Indian resident, which are sold other than on a recognized stock exchange and as a result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realized on the sale of our Equity Shares held for a period of 12 months or less will be subject to capital gains tax in India. Capital gains arising from the sale of our Equity Shares will be exempt from taxation in India in cases where an exemption is provided under a treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains.

As a result, residents of other countries may be liable for tax in India as well as in their own jurisdictions on gains arising from a sale of our Equity Shares. For further details, see "**Certain Tax Considerations.**" However, capital gains on the sale of our Equity Shares purchased in the Issue by residents of certain countries will not be taxable in India by virtue of the provisions contained in the taxation treaties between India and such countries.

There is no guarantee that our Equity Shares will be listed, or continue to be listed, on the Indian stock exchanges in a timely manner, or at all, and prospective investors will not be able to immediately sell their Equity Shares on a Stock Exchange.

In accordance with Indian law and practice, final approval for listing and trading of our Equity Shares will not be applied for or granted until after our Equity Shares have been issued and allotted. Such approval will require the submission of all other relevant documents authorizing the issuance of our Equity Shares. Accordingly, there could be a failure or delay in listing our Equity Shares on the NSE and BSE, which would adversely affect your ability to sell our Equity Shares.

Foreign investors are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely affect the trading price of our Equity Shares.

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the requirements specified by the RBI. If the transfer of shares is not in compliance with such requirements or falls under any of the specified exceptions, then prior approval of the RBI or the FIPB will be required. In addition, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or tax clearance certificate from the income tax authority. Additionally, the Indian government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Indian government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Indian government's approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

Restrictions on daily movements in the trading price of our Equity Shares may adversely affect a shareholder's ability to sell Equity Shares or the price at which Equity Shares can be sold at a particular point in time.

Stock exchanges may impose restrictions on the movements in trading price of our equity shares. Stock exchanges are not required to inform us of such restrictions and they may change without our knowledge. In the event such restrictions are imposed, there can be no assurance regarding the ability of shareholders to sell Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

An investor will not be able to sell any of our Equity Shares purchased in the Issue other than on a recognized Indian stock exchange for a period of 12 months from the date of issue of such Equity Shares.

Pursuant to the SEBI Regulations, for a period of 12 months from the date of the issue of our Equity Shares in the Issue, investors purchasing our Equity Shares in the Issue may only sell their Equity Shares on the NSE or the BSE and may not enter into any off-market trading in respect of their Equity Shares. We cannot be certain that these restrictions will not have an impact on the price of our Equity Shares.

MARKET PRICE INFORMATION

As at the date of this Placement Document, 127,811,335 Equity Shares are issued and outstanding. The Equity Shares have been listed and traded on BSE and NSE since August 16, 2010.

On September 21, 2016, the closing price of the Equity Shares on BSE and NSE was ₹ 776.55 and ₹ 778.55 per Equity Share, respectively. Since the Equity Shares are actively traded on the Stock Exchanges, the market price and other information for each of BSE and NSE has been given separately.

(i) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded for the Financial Years ended March 31, 2014, March 31, 2015 and March 31, 2016:

BSE									
Financial Year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on the date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on the date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the year (₹)**
2014	213.60	March 7, 2014	544,318	111.317	95.60	May 24, 2013	651,386	64.783	146.367
2015	475.75	January 19, 2015	155,254	73.256	203.00	April 1, 2014	866,897	187.828	333.501
2016	589.50	July 31, 2015	98,742	57.485	369.45	September 18, 2015	2,470,548	955.824	478.423

NSE									
Financial Year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on the date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on the date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the year (₹)**
2014	213.50	March 7, 2014	1,527,907	312.333	95.50	May 24, 2013	946,719	94.298	146.471
2015	475.80	January 19, 2015	878,153	414.525	203.00	April 1, 2014	2,036,987	441.421	333.684
2016	589.60	July 31, 2015	925,228	538.110	360.60	September 18, 2015	16,101,738	6,232.532	478.609

(Source: www.bseindia.com and www.nseindia.com)

Notes: Average price based on average of daily closing price for the period.

(ii) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded during each of the last six months:

BSE									
Month year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the month (₹)**
March 2016	549.90	March 31, 2016	178,536	96.230	488.20	March 1, 2016	210,820	105.648	526.373
April 2016	610.00	April 29, 2016	142,071	84.640	523.40	April 5, 2016	142,603	75.717	566.094
May 2016	658.20	May 31, 2016	169,469	110.452	579.00	May 11, 2016	97,118	57.107	615.016

BSE									
Month year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the month (₹)**
June 2016	746.00	June 30, 2016	159,490	117.984	633.35	June 24, 2016	256,553	172.781	685.316
July 2016	938.75	July 29, 2016	365,827	334.843	732.05	July 4, 2016	102,579	77.251	798.963
August 2016	925.25	August 1, 2016	142,185	130.106	732.90	August 18, 2016	494,358	381.039	798.618

NSE									
Month year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the month (₹)**
March 2016	549.50	March 31, 2016	2,330,039	1,258.927	486.00	March 1, 2016	1,862,772	932.857	526.358
April 2016	610.00	April 29, 2016	1,006,055	598.986	522.55	April 5, 2016	1,320,368	700.389	566.328
May 2016	658.00	May 31, 2016	1,093,856	712.343	577.75	May 11, 2016	1,353,547	795.599	615.002
June 2016	745.90	June 30, 2016	3,029,637	2,243.365	631.00	June 24, 2016	1,239,429	832.397	686.173
July 2016	939.00	July 29, 2016	2,741,693	2,505.963	731.95	July 1, 2016	496,344	367.296	798.810
August 2016	925.95	August 1, 2016	1,289,694	1,180.901	733.00	August 18, 2016	3,928,444	3,024.373	798.880

(Source: www.bseindia.com and www.nseindia.com)

Notes: Average price based on average of daily closing price for the period.

(iii) The following table set forth the details of the number of Equity Shares traded and the turnover during the last six months and the Financial Years ended March 31, 2014, 2015 and 2016 on the Stock Exchanges:

Period	Number of Equity Shares Traded		Turnover (In ₹million)	
	BSE	NSE	BSE	NSE
Year ended March 31, 2014	60,806,063	139,183,915	9,434	22,067
Year ended March 31, 2015	86,781,179	400,841,499	28,730	139,074
Year ended March 31, 2016	58,879,093	419,692,732	27,771	199,030
March 2016	2,613,267	27,930,406	1,373	14,697
April 2016	2,685,212	25,706,786	1,522	14,552
May 2016	4,975,452	37,031,241	3,066	22,703
June 2016	3,991,200	29,381,725	2,739	20,259
July 2016	4,404,277	40,254,361	3,675	33,237
August 2016	5,775,888	51,351,039	4,664	41,320

(iv) The following table sets forth the market price on the Stock Exchanges on May 5, 2016, the first working day following the approval of our Board of Directors for the Issue:

BSE						NSE					
Open	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Volume (₹ million)**	**Open**	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Volume (₹ million)**
604	613.85	579.3	601.75	580,889	348.035	603.55	614.4	578.4	601.85	4,724,786	2,825.512

(Source: www.bseindia.com and www.nseindia.com)

USE OF PROCEEDS

The gross proceeds from the Issue is approximately ₹ 7,499.999 million. After deducting the Issue expenses of approximately ₹210.00 million, the net proceeds of the Issue will be approximately ₹7289.999 million (the "**Net Proceeds**").

Subject to compliance with applicable laws and regulations, our Company intends to use the Net Proceeds for its funding requirements including the growth of its business and operations.

Our Company, in accordance with the policies formulated by our Board from time to time, will have flexibility in deploying the Net Proceeds. Pending authorization of the Net Proceeds for the purposes described above, our Company intends to temporarily invest the funds in bank deposits as approved by our Board in accordance with the investment policy.

Our Promoters or Directors are not making any contribution either as part of the Issue or separately in furtherance of the objects of the Issue.

CAPITALISATION STATEMENT

The following table sets forth our Company's capitalization and total debt as at March 31, 2016 and as adjusted for the Issue. This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 63 and other financial information contained in "Financial Statements" on page 199.

(in ₹million)

	As of March 31, 2016	As adjusted for the Issue[1]
Short term debt:		
Secured	3,409,078,493	3,409,078,493
Unsecured	3,034,095,212	3,034,095,212
Long term debt:		
Secured	44,853,663,987	44,853,663,987
Unsecured	-	
Current Maturities of Long Term Debt[2]	22,166,289,491	22,166,289,491
Total debt	**51,296,837,692**	**51,296,837,692**
Shareholders' funds:		
Share capital[3]	1,273,111,060	1,370,513,650
Securities premium	19,418,354,240	26,610,951,080[4]
Reserves and surplus	(6,861,514,461)	(6,861,514,461)
Total funds (excluding loan funds)	**13,829,950,839**	**21,119,950,269**
Total capitalization	**65,126,788,531**	**72,416,787,961**

(1) This column sets out our Company's capitalization and total debt as at March 31, 2016 as adjusted for the Issue.

(2) Current Maturities of Long Term Debt is a sub-set of secured long term debt.

(3) As on the date of this Placement Document, our Company has instituted ESPS 2007, ESOP 2008 (ID), ESOP 2008, ESOP 2009, ESOP 2010 and ESOP 2011. After March 31, 2016 and up to the date of this Placement Document, our Company has issued and allotted an aggregate of 500,229 Equity Shares pursuant to exercise of options under the ESOP Schemes (which are not included in shareholders' funds "as of March 31, 2016" and "as adjusted for the Issue"). Further, as on date of this Placement Document, there are an aggregate of 2,538,945 options outstanding and 1,443,307 options vested but yet not exercised.

(4) The Securities Premium Account is adjusted for estimated issue expense of ₹ 210 million.

Employee Stock Option Plans and Share Purchase Schemes

Our Company has instituted the following employee stock option plans and share purchase schemes, which are currently being implemented:

A. SKS Microfinance Employee Share Purchase Scheme 2007 ("ESPS 2007")

Our Company instituted ESPS 2007 pursuant to a special resolution dated February 9, 2007 passed at an EGM of our Company. The ESPS 2007 was implemented by the Remuneration and Compensation Committee and the SKS Microfinance Employee Welfare Trust ("**EWT**"). The EWT was constituted on March 28, 2007 pursuant to a resolution passed by our Board of Directors dated March 5, 2007. The effective date of the ESPS 2007 was March 31, 2007 and ESPS 2007 will be in effect till March 31, 2020.

B. SKS Microfinance Employee Stock Option Plan 2008 ("ESOP 2008")

Our Company instituted ESOP 2008 pursuant to a special resolution dated November 8, 2008 passed at an EGM of our Company. The total number of shares (which mean Equity Shares of our Company and securities convertible into Equity Shares) that may be issued under ESOP 2008 are 2,669,537 Equity Shares. The ESOP 2008 came into effect on November 10, 2008 and shall remain in effect until all options granted under the ESOP 2008 have been exercised or such other dates as may be determined by our Board of Directors.

C. SKS Microfinance Employees Stock Option Plan 2008 (Independent Directors) ("ESOP 2008 (ID)")

Our Company instituted ESOP 2008 (ID) pursuant to a special resolution dated January 16, 2008 passed at an EGM of our Company. The Stock Option Plan 2008 was amended pursuant to resolution dated January 5, 2010 passed by

our Board of Directors and EGM held on January 8, 2010 and the name has been changed to SKS Microfinance Employees Stock Option Plan 2008 (Independent Directors). The total number of Equity Shares that may be issued under ESOP 2008 (ID) (as amended, pursuant to a resolution of our Shareholders dated January 08, 2010) are 195,000 Equity Shares. The ESOP 2008 (ID) came into effect on January 16, 2008 and is valid until all Options granted under the Plan have been exercised or such other date as may be determined by our Board of Directors.

D. SKS Microfinance Employee Stock Option Plan 2009 ("ESOP 2009")

Our Company instituted ESOP 2009 pursuant to a special resolution dated September 30, 2009 passed at an Annual General Meeting ("**AGM**") of our Company. The total number of Equity Shares that may be issued under ESOP 2009 (as amended, pursuant to a resolution of our Shareholders dated December 10, 2009) are 2,499,490 Equity Shares. The ESOP 2009 came into effect on September 30, 2009 and is valid until all Options granted under the Plan have been exercised or such other date as may be determined by our Board of Directors.

E. SKS Microfinance Employee Stock Option Plan 2010 ("ESOP 2010")

Our Company instituted ESOP 2010 pursuant to a special resolution dated July 16, 2010 passed at the AGM of our Company. The total number of Equity Shares that may be issued under ESOP 2010 are 1,200,000 Equity Shares. The ESOP 2010 came into effect on July 16, 2010 and is valid until all Options granted under the Plan have been exercised or such other date as may be determined by our Board of Directors.

F. SKS Microfinance Employee Stock Option Plan 2011 ("ESOP 2011")

Our Company instituted ESOP 2011 pursuant to a special resolution dated December 7, 2011 passed by our Shareholders of our Company through postal ballot. The total number of shares that may be issued under ESOP 2011 are 1,350,000 Equity Shares. The ESOP 2011 came into effect on December 7, 2011 and shall remain in effect until all options granted under the ESOP 2011 have been exercised or have expired by reason of lapse of time, whichever is earlier, or such other date as may be determined by our Board of Directors.

CAPITAL STRUCTURE

The Equity Share capital of our Company as at the date of this Placement Document is set forth below:

(In ₹, except share data)

		Aggregate value at face value
A	**AUTHORISED SHARE CAPITAL**	
	157,000,000 Equity Shares	1,570,000,000
	13,000,000 Preference Shares	130,000,000
B	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE ISSUE**	
	127,811,335 Equity Shares	1,278,113,350
C	**PRESENT ISSUE IN TERMS OF THIS PLACEMENT DOCUMENT**	
	9,740,259 Equity Shares aggregating approximately ₹ 7,500 million[(1)]	97,402,590
D	**PAID-UP CAPITAL AFTER THE ISSUE**	
	137,551,594 Equity Shares	1,375,515,940
E	**SECURITIES PREMIUM ACCOUNT**	
	Before the Issue	19,531,446,989
	After the Issue	26,724,043,829[(2)]

(1) *The Issue has been authorised by our Board of Directors on May 4, 2016 and by our Shareholders pursuant to their resolution dated July 21, 2016 at the Annual General Meeting.*

(2) *The Securities Premium Account is adjusted for estimated issue expense of ₹ 210 million.*

Equity Share Capital History of our Company

The following table sets forth details of allotments of Equity Shares our Company since the date of inception and the ESPS 2007 (other than allotments made pursuant to exercise of stock options granted under the ESOP Schemes):

Date of Allotment	No. of Equity Shares Allotted	Face Value (₹)	Issue price per Equity Share* (₹)	Consideration
September 22, 2003	10,000	10	10	Cash
November 21, 2003	50	10	10	Cash
December 19, 2003	2,050,000	10	10	Cash
February 20, 2006	500,000	10	10	Cash
March 16, 2006	1,065,120	10	10	Cash
March 22, 2006	4,550,000	10	10	Cash
March 31, 2006	5,732,000	10	10	Cash
March 31, 2007[#]	2,454,138	10	10	Cash
March 31, 2007	10,281,739	10	49.77	Cash
November 20, 2007[#]	514,250	10	49.77	Cash
January 22, 2008[(1)]	3,863,415	10	70.67	Cash
January 22, 2008	16,981,184	10	70.67	Cash
August 25, 2008[#]	517,500	10	70.67	Cash
March 26, 2009	3,051,875	10	300	Cash
August 18, 2009	424,746	10	300	Cash
December 8, 2009[(1)]	10,405,625	10	300	-
December 31, 2009	17,383	10	300	Cash
January 19, 2010	937,770	10	300	Cash
August 12, 2010	2,233,597	10	935	Cash
August 12, 2010	5,211,726	10	985	Cash
July 19, 2012 [(2)]	30,498,069	10	75.40	Cash
August 23, 2012[(3)]	4,450,000	10	75.40	Cash
May 27, 2014[(4)]	17,670,534	10	225	Cash

* *Including premium, if applicable.*

Equity Shares have been allotted under ESPS 2007.

(1) The Equity Shares issued on January 22, 2008 were partly paid and were fully paid up on December 8, 2009.

(2) Our Company allotted 30,498,069 Equity Shares to eligible QIBs at a price of ₹ 75.40 per Equity Share, including a premium of ₹ 65.40 per Equity Share, pursuant to the SEBI Regulations and the Companies Act.

(3) Our Company allotted 44,50,000 Equity Shares to one of its Promoters, Kumaon Investment Holdings, at a price of ₹ 75.40 per Equity Share, including a premium of ₹ 65.40 per Equity Share, pursuant to the SEBI Regulations and the Companies Act.

(4) Our Company allotted 17,670,534 Equity Shares to eligible QIBs at a price of ₹ 225 per Equity Share, including a premium of ₹ 215 per Equity Share, pursuant to the SEBI Regulations and the Companies Act.

The following table sets forth a summary of the allotments of Equity Shares made by our Company pursuant to exercise of stock options granted under the ESOP Schemes:

Date of Allotment	No. of Equity Shares Allotted	Face Value (₹)	Range of price per Equity Share* (₹)	Consideration (Cash/other than cash)
Quarter ended December 31, 2009	945,424	10	49.77	Cash
Quarter ended March 31, 2010	225,000	10	300	Cash
Quarter ended September 30, 2010	26,000	10	70.67	Cash
Quarter ended December 31, 2010	128,224	10	150 to 300	Cash
Quarter ended March 31, 2011	197,144	10	150 to 300	Cash
Quarter ended June 30, 2011	21,064	10	70.67 to 300	Cash
Quarter ended September 30, 2011	10,811	10	150 to 300	Cash
Quarter ended December 31, 2011	1,110	10	150	Cash
Quarter ended June 30, 2012	906,734	10	49.77	Cash
Quarter ended December 31, 2012	1,000	10	70.67	Cash
Quarter ended March 31, 2014	264	10	150	Cash
Quarter ended June 30, 2014	36,747	10	109.95 to 229.40	Cash
Quarter ended September 30, 2014	76,923	10	109.95 to 300	Cash
Quarter ended December 31, 2014	92,217	10	109.95 to 300	Cash
Quarter ended March 31, 2015	203,110	10	150 to 300	Cash
Quarter ended June 30, 2015	173,902	10	109.95 to 300	Cash
Quarter ended September 30, 2015	287,696	10	113 to 300	Cash
Quarter ended December 31, 2015	339,702	10	109.95 to 316.15	Cash
Quarter ended March 31, 2016	217,313	10	70.67 to 426.85	Cash
Quarter ended June 30, 2016	218,369	10	150 to 470.05	Cash
Quarter ending September 30, 2016	281,860	10	150 to 470.05	Cash

* *Including premium, if applicable.*

DIVIDENDS

The declaration and payment of dividends, if any, will be recommended by our Board of Directors and approved by our Shareholders at their discretion, subject to the provisions of the Articles of Association and the Companies Act. The recommendation, declaration and payment of dividends, if any, will depend on a number of factors, including but not limited to availability of profits for distribution, overall financial conditions, capital requirements, results of operations, earnings, contractual restrictions, applicable Indian legal restrictions and other factors that may be considered relevant by our Board of Directors. Our Company has not paid any dividends in the past and it has no stated dividend policy. However, subject to aforementioned factors our Company may consider declaring and paying dividends in the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our audited financial statements as of and for the financial years ended March 31, 2016, 2015 and 2014, including the notes thereto and the reports thereon, and our unaudited condensed financial statements as of and for the three months ended June 30, 2016, including the report thereon, which appear in "Financial Information." The financial statements presented in this Placement Document and discussed herein have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) and to comply in all material respects with the Accounting Standards notified under section 133 of the Companies Act, 2013 read together with rule 7 of the Companies (Accounts) Rules, 2014 and the provisions of the RBI as applicable to a NBFC-MFI and NBFC-NDSI, which differ in certain significant respects from IFRS and U.S. GAAP. Our financial year ends on March 31 of each year. Accordingly, all references to a particular financial year are to the twelve-month period ended on March 31 of that year. Unless specified otherwise, discussion below relating to average rates, cost or balances are based on average of the quarterly balances. Further, all amounts and figures have been rounded off to one decimal place. The forward-looking statements contained in this discussion and analysis are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements. Factors that may cause such a difference include, but are not limited to, those discussed in "Forward-Looking Statements" and "Risk Factors."

The terms "total outstanding loan portfolio," "outstanding Andhra Pradesh and Telangana loan portfolio," "outstanding loan portfolio outside Andhra Pradesh and Telangana," "average outstanding loan portfolio," "outstanding non-performing loan portfolio" and "outstanding non-performing loan portfolio outside Andhra Pradesh and Telangana" appearing in this section refer to our portfolio loans, as referred to in our financial statement, "gross outstanding loan portfolio" or "gross loan portfolio" includes securitized, assigned and managed loans.

Overview

We are the largest microfinance institution in India by number of borrowers, branches and districts, and the second largest in terms of gross loan portfolio, as of March 31, 2016 according to data published by MFIN. We are primarily engaged in providing microfinance to low-income households in India. We have a presence in 18 states in India, with 1,368 branches and 14,559 employees, as of June 30, 2016.

Our core business is providing small value loans and certain other basic financial services to our Members. We classify Members to whom we have made loans that are outstanding as our "Borrowers". Our Members are predominantly located in rural areas in India, and we extend loans to them mainly for use in small businesses or for other income-generating activities and not for personal consumption. These individuals often have no, or very limited, access to loans from institutional sources of financing. We aim to bridge this gap by providing financial services at the doorstep of our Members. We believe that non-institutional sources also typically charge very high rates of interest.

In our core business, we follow a village-centric, group-lending model to provide unsecured loans to our Members. This model relies on a form of "social collateral", and ensures credit discipline through peer support within the group. We believe this model makes our 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 us 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 our core business of providing micro-credit, we use our distribution channel to provide certain other financial products and services that our Members may need. We offer loans for the purchase of products which help our borrowers to enhance their productivity such as mobile phones, solar lamps, sewing machines and bicycles, among other products. We also operate a number of pilot programs that we may gradually convert into separate business verticals or operate through subsidiaries, subject to satisfactory results of the pilot programs and receipt of regulatory approvals. The existing pilot programs primarily relate to giving loans to our Members for the purchase of certain additional productivity-enhancing products such as bio-mass stoves, water purifiers, mixer-grinders and healthcare loans, and for the purchase of two-wheelers. We intend to expand our involvement in these other financial products and services to the extent consistent with our mission, client-focus and commercial viability.

Our business was initially organized as part of SKS Society in the formerly unified Andhra Pradesh, which until 2003 extended micro-credit as a non-governmental organization. In 2003, SKS Society decided to transfer its business and operations to our Company and the transfer was completed in 2005. In 2005, we registered with, and have since been regulated by, the RBI as an NBFC-ND. In 2009, we became a public limited company. We completed our IPO and listing on the BSE and the NSE in August 2010. In November 2013, the RBI granted our Company a certificate of registration as an "NBFC-MFI," permitting us to carry on the business of Non-Banking Finance Companies-Micro Finance Institution, a separate category of non-deposit-taking Non-Banking Financial Companies engaged in microfinance activities as classified by the RBI.

Factors Affecting Our Results of Operations

Our business, results of operations, financial condition and cash flows have been, and we expect will continue to be, affected by numerous factors, including:

Changes in Laws and Regulations Governing the Microfinance Industry

The microfinance industry witnessed enactment of new laws and regulations since January 2011 when the A.P.-MFI Act was passed by the Government of the formerly unified Andhra Pradesh (which was divided into the states of Andhra Pradesh and Telangana in June 2014). The A.P.-MFI Act, among other things, provides for the registration of MFIs, imposes a prohibition on security for loans provided to SHGs and requires prior governmental approval for the grant of further loans to SHGs or their members where the SHG or one of its members has an outstanding loan from a bank. These requirements materially reduced new loan disbursements by MFIs in the formerly unified state of Andhra Pradesh from October 2010. This, in addition to other factors, such as the requirement for all repayments to be made in monthly installments and at offices designated by the formerly unified Andhra Pradesh Government, prompted an increase in defaults by borrowers, resulting in diminished average recovery rates, a significant rise in NPAs and large-scale write-offs of MFIs' Andhra Pradesh and Telangana loan portfolios, including those of our Company. As a result of this substantial increase in our NPAs, we wrote off substantial amounts of ₹12,543.6 million in respect of our outstanding Andhra Pradesh and Telangana loan portfolio between October 1, 2010 and March 31, 2015. In addition, we also reduced our operations in Andhra Pradesh and Telangana significantly and discontinued disbursing new loans since February 2016.

The following table sets forth details regarding our outstanding Andhra Pradesh and Telangana loan portfolio, our outstanding loan portfolio outside Andhra Pradesh and Telangana and our total outstanding loan portfolio for the three months ended June 30, 2016 and financial years ended March 31, 2016 and 2015.

	As of and for the Three Months Ended June 30,	**As of and for the Financial Year Ended March 31,**	
	2016	**2016**	**2015**
Outstanding Andhra Pradesh and Telangana loan portfolio			
Outstanding loan portfolio *(₹in million)* *	57.1	110.9	133.1
As a percentage of our total outstanding loan portfolio *(%)*	0.1	0.2	0.5
Average recovery rate *(%)* ^	99.5	99.6	99.6
Write-offs *(₹in million)*	0.1	0.2	1,718.2
Provisions *(₹in million)*	0.6	1.1	1.3
Net NPAs *(₹in. million)*	-	-	-
Net NPAs (as a % of outstanding Andhra Pradesh and Telangana loan portfolio)	-	-	-
Outstanding loan portfolio outside Andhra Pradesh and Telangana			
Outstanding loan portfolio *(₹in million)*	62,271.8	49,654.6	29,108.3
As a percentage of our total outstanding loan portfolio (%)	99.9	99.8	99.5
Average recovery rate (%)	99.8	99.8	99.8
Gross NPAs *(₹in million)*	35.2	41.4	23.6
Gross NPAs (as a % of outstanding loan portfolio outside Andhra Pradesh and Telangana)	0.06	0.08	0.08
Write-offs *(₹in million)*	23.1	63.6	37.9
Provisions *(₹in million)*	625.2	498.4	292.8
Net NPAs *(₹in million)*	16.4	19.4	13.5
Net NPAs (as a % of outstanding loan portfolio outside Andhra Pradesh and Telangana)	0.03	0.04	0.05
Total outstanding loan portfolio			
Total outstanding loan portfolio *(₹in million)*	62,329.0	49,765.5	29,241.4
Average recovery rate (%)	99.8	99.8	99.8
Gross NPAs *(₹in million)*	35.2	41.4	23.7
Gross NPAs (as a % of total outstanding loan portfolio)	0.06	0.08	0.08
Write-offs *(₹in million)*	23.2	63.8	1,756.0
Provisions *(₹in million)*	625.7	499.5	294.2
Net NPAs *(₹in million)*	16.4	19.4	13.5
Net NPAs (as a % of total outstanding loan portfolio)	0.03	0.04	0.05

* *Represents outstanding loan portfolio relating to new loan disbursements in Andhra Pradesh and Telangana from April 1, 2013.*

^ *Represents average recovery rate for new loan disbursements in Andhra Pradesh and Telangana from April 1, 2013.*

The validity of the A.P.-MFI Act and the A.P.-MFI Ordinance was challenged by several MFIs, including our Company, in the High Court of the formerly unified Andhra Pradesh. The Supreme Court, on an appeal filed by our Company on the validity of the A.P.-MFI Act, directed that the interim orders issued by the formerly unified Andhra Pradesh High Court dated October 22, 2010 as modified by the order dated October 29, 2010, shall continue pending further orders of the Supreme Court. The Supreme Court stated that if our Company complies with the two orders of the formerly unified Andhra Pradesh High Court, no coercive steps may be taken against our Company. The interim order of the formerly unified Andhra Pradesh High Court dated October 22, 2010 permits our Company to carry on business but requires our Company to comply with Sections 9 and 16 of the A.P.-MFI Act, which limit the amount of interest recoverable on loans to no more than the principal amount loaned and prohibit coercive actions in connection with the conduct of microfinance business. For further details, see "Legal Proceedings."

As a result of greater regulatory clarity after the issuance of the NBFC-MFI Directions by the RBI on December 2, 2011, which have now been replaced by and consolidated into the NBFC-SI Master Directions, we were able to raise ₹9,975.0 million in additional financing and were able to increase our new loan disbursements in states other than Andhra Pradesh and Telangana during the last quarter of the financial year 2012 by 146.5%. Also, the RBI through various circulars confirmed the PSL status of loans to MFIs. We have received substantial bank financing since then, resulting in growth of 1,137.8% in our loan portfolio outside Andhra Pradesh and Telangana from March 31, 2012 to June 30, 2016. Our average loan recovery rates in states outside Andhra Pradesh and Telangana returned to normal levels at approximately 99.9% during the financial year 2014, approximately 99.8% during financial year 2015, approximately 99.8% during financial year 2016 and approximately 99.8% during the three months ended June 30, 2016. During the same period, gross NPAs and provisions outside Andhra Pradesh and Telangana remained low, with gross NPAs outside Andhra Pradesh and Telangana of ₹19.2 million, ₹23.6 million and ₹41.4 million, or 0.1%, 0.08% and 0.08%, of our outstanding loan portfolio outside Andhra Pradesh and Telangana for the financial years 2014, 2015 and 2016, respectively. Our gross NPAs and provisions continue to remain low, with gross NPAs outside Andhra Pradesh and Telangana of ₹35.2 million, or 0.06%, of our outstanding loan portfolio outside Andhra Pradesh and Telangana for the three months ended June 30, 2016.

RBI NBFC-SI Master Directions

In early 2011, the RBI accepted the recommendations of the Malegam Committee and on December 2, 2011, it issued the NBFC-MFI Directions creating a new category of NBFCs engaged in microfinance activities that are regulated by the RBI. The NBFC-MFI Directions have now been replaced by and consolidated into the NBFC-SI Master Directions. The NBFC-SI Master Directions apply to every systemically important deposit taking NBFC, every systemically important non-deposit-taking NBFC (other than companies registered under Section 25 of the Companies Act, 1956 and Section 8 of the Companies Act, 2013) including every NBFC-MFI that satisfy certain conditions. We satisfy these conditions and were registered as an NBFC-MFI on November 18, 2013. In February 2014, the RBI modified the directions on pricing of credit and effective April 1, 2014, the interest rate charged by an NBFC-MFI to its borrowers is required to be the lower of (i) the cost of funds plus margin of 10.0% for large MFIs with loan portfolios exceeding ₹1.0 billion and (ii) 2.75 times the average base rate of the five largest commercial banks by assets, as determined by RBI every quarter (for the quarter ending June 30, 2016, such number is 25.96%).

MFIs are also required to follow certain norms in relation to fair collection practices and transparency in pricing. The NBFC-MFIs are restricted from lending to a borrower who is a member of more than one SHG or JLG and not more than two NBFC-MFIs can lend to the same borrower. The NBFC-MFIs are further restricted in the categories of borrowers to whom loans can be provided.

Further, prudential norms have been prescribed under the NBFC-SI Master Directions regarding capital adequacy, asset classification and provisioning. For portfolios outside Andhra Pradesh and Telangana, the NBFC-SI Master Directions prescribe 100.0% provisioning in respect of loan repayments that remain overdue for 180 days or more and 50.0% provisioning in respect of loan repayments that remain overdue beyond a period of 90 days and less than 180 days. Additionally, for portfolios outside Andhra Pradesh and Telangana, the NBFC-SI Master Directions require NBFC-MFIs to maintain provisions of not less than 1% of the total outstanding loan portfolio. In addition to the regulatory requirement, our Company also maintains provision of not less than 1% of securitized and managed loans. For the three months ended June 30, 2016 and for the financial years 2016, 2015 and 2014 our Company has made additional provisions of ₹98.6 million, ₹308.5 million, ₹120.5 million and ₹240.6 million, respectively, entirely relating to standard assets, to maintain provisions at 1% of our gross outstanding loan portfolio (excluding assigned loans). We have written off the residual non-performing Andhra Pradesh and Telangana loan portfolio and hence there is no impact of the NBFC-SI Master Directions on provisions for our Andhra Pradesh and Telangana portfolio.

For further details on the NBFC-SI Master Directions, see "Regulations and Policies – Non-Banking Financial Company – Systemically Important Non-Deposit Taking Company and Deposit Taking Company (the "NBFC-SI Master Directions")." If these regulations evolve further, we will be able to better assess their likely effect on our results of operations and financial condition subsequent to clarity on such changes in regulation.

Our Ability to Continue to Utilize Carried Forward Losses; Recognize and Utilize MAT Credit

As a result of losses incurred during the financial years 2012 and 2013, we have accumulated deferred tax credits of ₹3,077.1 million as of June 30, 2016. These tax credits have not been recognized as DTA in our financial statements as of June 30, 2016, but will be available to offset tax on future taxable income. Further, we had provided for MAT liability of ₹318.8 million for the three months ended June 30, 2016. Previously unrecognized MAT credit of ₹968.5 million as of March 31, 2016, and an additional ₹318.8 million for the three months ended June 30, 2016, aggregating ₹1,287.4 million, has been recognized as an asset on the balance sheet as of June 30, 2016 as there is convincing evidence that we will pay normal income tax higher than that computed under the MAT during the period for which MAT credit is allowed to be carried forward. Our ability to continue to utilize carried forward tax losses and the MAT credits to offset tax on future taxable income will be subject to any changes to the Indian tax laws and accounting guidelines in the future.

Availability of Funding Sources

Our ability to meet demand for new loans will depend on our ability to obtain additional financing on acceptable terms. We primarily rely on debt financing to fund our lending operations. Our debt financing sources are broad based and, as of June 30, 2016, our total outstanding borrowings and funds from securitization and assignment of loans from public sector banks, domestic private banks, foreign banks, and financial and other institutions were 37.6%, 41.0%, 6.8% and 14.6%, respectively, of our total borrowed funds and funds from securitization and assignment of loans. As of March 31, 2016, our total outstanding borrowings and funds from securitization and assignment of loans from public sector banks, domestic private banks, foreign banks, and financial and other institutions were 38.2%, 42.3%, 6.1% and 13.4%, respectively, of our total borrowed funds and funds from securitization and assignment of loans. Following greater regulatory clarity in the last quarter of the financial year 2012 through the issuance of the NBFC-MFI Directions by the RBI on December 2, 2011, we were able to access ₹9,975.0 million in incremental funds from borrowings and loan portfolio assignments and were able to increase our new loan disbursements in states other than Andhra Pradesh and Telangana during the last quarter of the financial year 2012 by 146.5%. Between October 1, 2010 and June 30, 2016, proceeds from borrowings and loan portfolio securitizations and assignments aggregated to ₹220,709.8 million, which excludes cash credit but includes borrowings and securitization and assignments of ₹50,199.3 million during the financial year 2015, ₹73,173.8 million during the financial year 2016 and ₹10,963.9 million during the three month ended June 30, 2016. With the resumption in funding from banks and financial and other institutions for disbursements, we have grown our outstanding loan portfolio outside Andhra Pradesh and Telangana by 1,137.8% from March 31, 2012 to June 30, 2016.

On April 23, 2015 and July 16, 2015, the RBI issued revised guidelines (FIDD.CO.Plan.BC.54/04.09.01/2014-15 & FIDD.CO.Plan.BC.08/04.09.01/2015-16) for PSL. The revised guidelines envisage banks to monitor their PSL compliance every quarter (with effect from financial year 2017) instead of annually, which is expected to result in flow of PSL funds throughout the year rather than being skewed towards financial year-end. On April 8, 2015, the RBI relaxed the aggregate amount of loans extended by an MFI for income-generating activity to 50% from 70%, for banks loans to MFIs to qualify as PSL. We meet the requirements of PSL guidelines and regularly access bank financing that qualifies as PSL. On April 7, 2016, the RBI issued guidelines on PSLCs that detail criteria for banks to issue and invest in PSLCs.

Factors such as our credit rating, monetary policies of the RBI, domestic and international economic and political conditions and external interventions have an impact on our cost of interest-bearing liabilities. Due to the monetary policies and economic conditions, our cost of interest-bearing liabilities (represents long term and short term borrowing) increased by 1.3% between the financial years 2013 and 2014. Upgrade of our credit rating to "CARE A1+" and easing monetary conditions primarily driven by multiple reduction in repo rates from 8% in January 2014 to 6.75% in September 2015 and a further reduction to 6.5% in April 2016 helped reduce cost of our interest-bearing liabilities. Our average cost of interest-bearing liabilities during the financial years 2016, 2015 and 2014 was 11.5%, 12.2% and 13.8%, respectively. For the three months ended June 30, 2016 and 2015, our cost of interest-bearing liabilities was 10.4% and 11.9%.

A further source of financing for us is proceeds from loan securitization or assignment that we make from time to time. We securitize or assign a group of similar loans from our outstanding loan portfolio to banks and financial institutions in return for a fixed consideration equal to the aggregate outstanding principal amount of the loans, received upfront, plus an agreed portion of future interest payments of the loans securitized or assigned ("**Interest Strip**"), received when they are collected. The consideration we derive from the securitization or assignment of our loan portfolios in these transactions depends on a number of factors, including the term of the loans and yield of the loan portfolio securitized or assigned. We recognize income from the Interest Strip in the statement of profit and loss account net of any losses when redeemed in cash. We recognize interest retained under assignment of loan receivables on realization basis over the life of the underlying loan portfolio. Typically, we are required to provide certain credit enhancement to the buyers of our pooled loans as protection in the event any portions of the securitized loans become non-performing. These credit enhancements are subject to a ceiling

which is a percentage of the principal amount of the securitized loans and loans given as collateral and may include cash collateral. During the three months ended June 30, 2016 and financial years 2016, 2015 and 2014, we securitized and assigned ₹1,986.2 million, ₹26,205.4 million, ₹14,325.4 million and ₹16,931.5 million, respectively, of loans and also recognized income of ₹563.2 million, ₹1,103.0 million, ₹667.5 million and ₹557.0 million, respectively, in these periods. Securitized and assigned loans accounted for 24.6%, 30.5%, 24.9% and 44.0% of our total outstanding borrowed funds and funds from securitization and assignment of loans as of June 30, 2016, March 31, 2016, March 31, 2015 and March 31, 2014, respectively.

Fluctuations in our Borrower Base

Our results of operations are directly affected by the number of Borrowers we serve from time to time. Growth in our Borrower base drives corresponding growth in our interest income and fees received, as Borrowers utilized our loan products and also avail our other financial products and services. Similarly, a decrease in our Borrower base would drive a corresponding decrease in our interest income and fees received.

Our Borrower base outside Andhra Pradesh and Telangana has increased from 3.3 million as of March 31, 2014 to 5.1 million as of June 30, 2016 and our outstanding gross loan portfolio outside Andhra Pradesh and Telangana increased from ₹28,368.2 million as of March 31, 2014 to ₹84,630.3 million as of June 30, 2016.

Our Network and Outreach

Our results of operations are also dependent upon the geographic reach and service capabilities of our network of branches. As of June 30, 2016, we had 12,725 branch managers, assistant branch managers and *Sangam* Managers, including trainees, or 87.4% of our total workforce, spread across 1,368 branches in India. Our *Sangam* Managers market and sell our proprietary products, help distribute our alliance partners' products and, together with our branch managers, manage our customer relationships with our Members through weekly *Sangam* meetings. As of June 30, 2016, each of our *Sangam* Managers managed an average of 767 Members and 690 borrowers in states other than Andhra Pradesh and Telangana. Our *Sangam* Managers and branches are supported by our administrative support staff and management personnel in 26 regional offices and our registered office and head office.

Our Ability to Manage Finance Costs and Fluctuations in Interest Rates Effectively

Our results of operations are dependent on our ability to manage our financial expenses and the impact of fluctuations in interest rates effectively. Our finance costs comprise interest costs, other finance costs and bank charges. The tenure of our loans for income generation purposes, which comprises a substantial part of our total outstanding loan portfolio, is 50 weeks and 104 weeks. The interest charged to our Members for such loans is fixed over the period of the loan and the interest rate applicable to such loans we currently offer to our Members is 19.75%. The RBI, under the NBFC-MFI Directions, had previously set an upper limit of 26.0% on the interest rate that MFIs can charge on the loans extended and had also set a margin cap of 12.0% over the cost of funds. In February 2014, the RBI modified the NBFC-MFI Directions on pricing of credit and effective April 1, 2014, the interest rate charged by an NBFC-MFI to its borrowers is required to be the lower of (i) the cost of funds plus margin of 10.0% for large MFIs with loan portfolios exceeding ₹1.0 billion and (ii) 2.75 times the average base rate of the five largest commercial banks by assets, as determined by RBI every quarter. Consequently, an increase in our cost of funds beyond our ability to compensate for such increase with an increase in lending rates could reduce spreads earned on our loan products. The NBFC-MFI Directions have now been replaced by and consolidated into the NBFC-SI Master Directions.

Further, our debt service costs and costs of funds depend on many external factors, including developments in the Indian credit market and, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. Internal factors which will impact our cost of funds include changes in our credit ratings, available credit limits and access to loan securitization or assignment transactions. With the growth of our operations over time, we have had to increasingly access the debt markets.

Our average cost of interest-bearing liabilities (represents long term and short term borrowing) during the financial years 2016, 2015 and 2014 was 11.5%, 12.2% and 13.8%, respectively. During the financial years 2016, 2015 and 2014, our finance costs were ₹4,854.7 million, ₹2,790.5 million and ₹2,142.2 million, respectively, and represented, as a percentage of our total revenue, 36.7%, 34.7% and 39.3%, respectively. For the three months ended June 30, 2016 and 2015, our cost of interest-bearing liabilities was 10.4% and 11.9% respectively. During the same period our finance costs were ₹1,360.9 million and ₹1,007.8 million and represented, as a percentage of our total revenue, 32.9% and 35.7%, respectively.

Our Ability to Manage Operating Expenses

Our results of operations are affected by our ability to manage our operating expenses (includes employee benefit expenses, other expenses, and depreciation and amortization), particularly our employee benefit expenses. As we expand our core business and our product and service offerings to our Members, we will need to increase headcount by adding *Sangam* Managers, other officers and operational management and technology staff. Employee benefit expenses were ₹949.0 million,

₹2,923.7 million, ₹2,318.5 million and ₹1,655.6 million, contributing 74.8%, 72.4%, 72.4% and 67.2% to our operating expenses during the three months ended June 30, 2016 and the financial years 2016, 2015 and 2014, respectively. During the three months ended June 30, 2016 and for the financial years 2016, 2015 and 2014, our other expenses were ₹298.9 million, ₹1,028.3 million, ₹839.9 million and ₹765.5 million, respectively. Travelling and conveyance expenses for the three months ended June 30, 2016 and for financial year 2016 represented 36.0% and 34.1% respectively, of our other expenses because we provide local financial services in thousands of villages situated throughout rural and semi-urban India. Our *Sangam* Managers incur substantial travelling and conveyance expenses visiting villages, many of which are remote, to market and sell our products and services, maintain Member relationships, conduct *Sangam* meetings, disburse loans, collect repayments and report transactions at local banks. During the three months ended June 30, 2016 and for the financial years 2016, 2015 and 2014, our travelling and conveyance expenses were ₹107.5 million, ₹351.2 million, ₹282.4 million and ₹254.6 million, respectively. We have reduced our employee benefit expenses and other administrative expenses by improving our ratio of Members per *Sangam* Manager and merging our branches, both in Andhra Pradesh and Telangana and outside Andhra Pradesh and Telangana during the last three financial years. We have also reduced our travelling and conveyance expenses over this period through cost optimization measures.

Rent expenses for the three months ended June 30, 2016 and for financial year 2016 represent 13.8% and 15.2%, respectively, of our other expenses, as we lease all our facilities. During the three months ended June 30, 2016 and for the financial years 2016, 2015 and 2014, our rent expenses were ₹41.3 million, ₹156.0 million, ₹142.2 million and ₹135.3 million, respectively. We expect increased rent expenses on account of diversification into other products and services as well as an increase in borrowing activity in states other than Andhra Pradesh and Telangana. There was a net reduction of 6 branches for the financial year 2014 and net addition of approximately 13, 56 and 44 branches for the financial years 2015, 2016 and during the three months ended June 30, 2016, bringing the total number of our branches up to 1,368 branches as of June 30, 2016.

Our Ability to Deliver New or Enhanced Financial Products and Services

We believe that diversification of our business and revenue base will continue to be a key component of our strategy. While our core business continues to be providing micro-credit, we intend to diversify into other businesses by scaling up certain initiatives involving fee-based services, and may gradually convert into separate business verticals or operate through subsidiaries, subject to satisfactory results of the pilot programs and receipt of regulatory approvals. Our objective in these other businesses is to focus on lending that will allow us to maintain repayment rates, increase Borrower loyalty and also provide economic benefits to our Members and their families. We believe that such other products and services may offer higher operating margins as compared to micro-credit under the current regulatory framework and may help us increase our overall return on assets.

We have built a large distribution network in rural India. As of June 30, 2016, we had 12,725 employees in 1,368 branches. We focus our operations in 16 states. We believe we can leverage this network to distribute financial and non-financial products of other institutions to our Members and non-Members at a cost lower than that which our competitors can provide. Our network also allows such distribution partners to access a segment of the market to which many do not otherwise have access.

Our existing initiatives in relation to financial products and services other than micro-credit include providing:

- loans to our members for the purchase of mobile handsets in association with Microsoft Corporation (India) Private Limited and solar lamps in association with D. Light Energy Private Limited and Green Light Planet India Private Limited. We financed 0.2 million mobile phones and 0.2 million solar lamps during the three months ended June 30, 2016 and financed 0.7 million mobile phones and 0.5 million solar lamps during the financial year 2016.

- loans to our 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, bio-mass stoves in association with Envirofit (India) Private Limited and Green Light Planet India Private Limited, water purifiers in association with Eureka Forbes Limited and two-wheelers in association with Hero MotoCorp Limited.

In addition, in order to further leverage our expertise and experience in the microfinance industry, our distribution network and brand and grow our revenues, we began to manage microfinance loans provided by a bank in February 2013. As of June 30, 2016, these loans were provided by 96 of our branches, which did not use our cash for disbursing such loans. We were paid service provider fees for such services. Our service provider fees for the three months ended June 30, 2016 and financial year 2016 were ₹191.0 million and ₹615.1 million respectively. In connection with this service, we provided the bank a corporate guarantee and cash collateral, the sum of which, as of June 30, 2016, was ₹820.5 million. The gross loan portfolio for such managed loans was ₹7,421.3 million as of June 30, 2016 and is included in our gross loan portfolio. We had discontinued providing new managed loans from May 12, 2014, pursuant to a letter dated April 29, 2014 from the RBI directing us to terminate the provision of such services. On June 24, 2014, the RBI issued a circular permitting banks to engage non-deposit taking NBFCs as Business Correspondents ("**BCs**"). Thereafter, from October 1, 2014, we have resumed providing new managed microfinance loans at these branches under a Business Correspondence agreement with the bank.

Also, see "Risk Factors – Our diversification into new business verticals and the introduction of new products and services may not be successful, which may adversely affect our business and prospects."

Seasonality

Our business operations and the banking industry may be affected by seasonal trends in the Indian economy. Generally, the period from October to March is the peak period in India for retail economic activity and this may result in higher volumes of business during this period. This increased, or seasonal, activity is the result of several holiday periods, improved weather conditions and crop harvests.

Further, the MFI industry experiences increased availability of bank lending during the last quarter of each financial year, as banks try to meet their targets for lending to the priority sector in order to comply with the regulatory norms for banks prescribed by the RBI. The revised guidelines envisage banks to monitor their PSL compliance every quarter (with effect from financial year 2017) instead of annually, which is expected to result in flow of PSL funds throughout the year rather than being skewed towards financial year-end.

Critical Accounting Policies

Our management's discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared to comply in all material respects with the Accounting Standards notified under section 133 of the Companies Act, 2013 read together with rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016, the relevant provisions of the Companies Act and the provisions of the circulars, notifications and directions issued by the RBI and other relevant regulatory authorities, as applicable to our Company. The financial statements have been prepared on an accrual basis and under the historical cost convention except interest on loans which have been classified as non-performing assets and are accounted for on realization basis.

The preparation of these financial statements in conformity with generally accepted accounting principles requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, related disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We continually evaluate our estimates and judgments, the most critical of which are those related to revenue recognition. We base our estimates and judgments on historical experience and other factors that we believe to be reasonable under the circumstances. Materially different results can occur as circumstances change and additional information becomes known.

Our significant accounting policies are more fully described in our audited financial statements as of and for the financial years 2016, 2015 and 2014, included elsewhere in this Placement Document. We have not changed any of our accounting policies during the last three financial years and during the three months ended June 30, 2016,

Revenue Recognition

We recognize revenue to the extent that the revenue can be reliably measured and that it is probable that the economic benefits will flow to us. Except as noted below, we recognize all income on an accrual basis.

We recognize interest income on loans disbursed under the internal rate of return, or "IRR," method. As compared to the flat method of recognizing interest income, the IRR method recognizes the revenue over the period of the loan and interest is calculated on the reduced balance of the loan amount. This method of accounting matches the recognition of financial expenses, showing an equal treatment of income and expenses. Further, income on NPAs is recognized only when realized and any interest accruing on such assets is de-recognized totally by reversing the interest income already recognized.

We amortize income from loan processing fees on a straight line basis over the tenure of the loan.

We recognize interest income on deposits with banks on a time proportion accrual basis, taking into account the amount outstanding and the applicable interest rate.

Securitization and Assignment of Loans

From time to time, we securitize or assign a group of similar loans from our outstanding loan portfolio to banks and financial institutions in return for a fixed consideration, received upfront, which is equal to the aggregate outstanding principal amount of the loans, plus an agreed portion of future interest payments of the loans securitized or assigned, received when they are collected. The consideration we derive from the securitization or assignment of our loan portfolios in these transactions depends on a number of factors, including the term of the loans and yield of the loan portfolio securitized or assigned.

We recognize income from the Interest Strip in the statement of profit and loss account, net of any losses when redeemed in cash. We recognize interest retained under assignment of loan receivables on a realization basis over the life of the underlying loan portfolio. We recognize loss, if any, arising from securitization or assignment of loans immediately.

Typically, we are required to provide certain credit enhancement to the buyers of our pooled loans as protection in the event any portions of the securitized loans become non-performing. These credit enhancements are subject to a ceiling which is a percentage of the principal amount of the securitized loans and loans given as collateral and may include cash collateral. For details on provisioning for securitized loans, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Provision Policy for Portfolio Loans."

Impairment

We assess 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, we estimate 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.

Investments

We classify an investment as a current investment if it is readily realizable and not intended to be held for more than a year from the date on which such investments are made. We classify all other investments as long-term investments. Current investments are carried in the financial statement at the lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost, subject to a provision for a decline in the value of the investment where such decline is not temporary. Upon disposal of an investment, the difference between the carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

Retirement and Other Employee Benefits

Our monthly contributions to the provident fund and the employee's state insurance scheme are expensed in the year in which they are made. We have no other similar obligations.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation using the projected unit credit method at the end of the financial year. Actuarial gains or losses for defined benefit plans are recognized in full in the year in which they occur in the statement of profit and loss.

Short-term compensated absences are provided for based on estimates. Long-term compensated absences are provided for on the basis of an actuarial valuation using the projected unit credit method at the end of the financial year. Actuarial gains or losses are immediately taken to the statement of profit and loss and are not deferred.

Income Taxes

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 recognized directly in equity is recognized in equity and not in the statement of profit and loss.

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 recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized 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 realized. In situations where our Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each reporting date. We write down the carrying amount of deferred tax assets 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 realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternate Tax paid in a year is charged to the statement of profit and loss as current tax. We recognize MAT credit available as an asset only to the extent that there is convincing evidence that we will pay normal income tax higher than that

computed under the MAT during the specified period (*i.e.*, the period for which MAT credit is allowed to be carried forward). In the year in which we recognize 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." We review the MAT Credit Entitlement asset at each reporting date and write down the asset to the extent we do not have convincing evidence that we will pay normal tax during the specified period.

Provisions

A provision is recognized when we have 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 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.

Employee Share-Based Payments

Measurement and disclosure of the employee share-based payment plans under our Employee Stock Option Plans ("**ESOP**"), is done in accordance with the 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 ICAI. We measure compensation cost relating to employee stock options using the fair valuation method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

Provision Policy for Portfolio Loans

We maintain provision policies for all loans to our Members that comply with the NBFC-MFI Directions for the three months ended June 30, 2016 and for the financial years 2016, 2015 and 2014. We write-off all overdue loans where the tenure of the loan is completed and in the opinion of management, the amount is not recoverable, as well as any loss assets identified as such under existing RBI guidelines. In addition, in some cases, we maintain provisioning policies in excess of the NBFC-MFI Directions and NBFC-ND Prudential Norms with respect to our loans outstanding. NBFC-MFI Directions and NBFC-ND Prudential Norms have now been replaced by and consolidated into the NBFC-SI Master Directions.

Provisions on our securitized and managed portfolios are made in compliance with our provisioning policy for portfolio loans net of losses, if any, and subject to the maximum guarantee given in respect of these arrangements. "Losses" are the difference between the amount to be collected and the amount actually collected from the Borrower. Losses for any principal and interest amount due are immediately netted off against income from the Interest Strip.

Our provisioning policy for portfolio loans:

Asset Classification	Arrear period	Provisioning percentage
Standard assets	Overdue for less than 8 weeks	Refer to notes 1 and 2
Sub-standard assets	Overdue for more than 8 weeks and up to 25 weeks	50%
Loss assets	Overdue for more than 25 weeks	Written off

Note 1:

The above mentioned provision for standard assets is linked to the Portfolio at Risk as shown below:

Portfolio at Risk	Provisioning percentage (% of Standard Assets)
0 – 1%	0.30
Above 1% to 1.5%	0.50
Above 1.5% to 2%	0.75
Above 2%	1.00

Note 2:

The overall provision for portfolio loans determined in accordance with the above mentioned provisioning policy is subject to the provision prescribed in the NBFC-SI Master Directions. These NBFC-SI Master Directions require the total provision for portfolio loans to be the 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 provisions created in accordance with the NBFC-SI Master Directions is classified and disclosed in the balance sheet along with the contingent provision for standard assets.

Loans and advances other than portfolio loans are provided for at the higher of management estimates and the provision required under NBFC-ND-SI Directions.

Recent Accounting Pronouncements

We prepare our annual and interim financial statements under Indian GAAP. Our Company will be required to prepare annual and interim financial statements under Ind-AS beginning in the financial year 2019. Given that Ind-AS is different in many respects from Indian GAAP, under which we currently prepare our financial statements, the transition to Ind-AS may have a significant impact on our financial results and position. For further details, see "Risk Factors – Our Company, will be required to prepare financial statements under Indian Accounting Standards ("Ind-AS") (which is India's convergence to IFRS) in financial year 2019. The transition to Ind-AS in India is very recent and there is no clarity on the impact of such transition on our Company."

The Principal Components of Our Statement of Profit and Loss Account

Income

Revenue from Operations

Revenue from operations consists of interest income on outstanding loan portfolio, excess interest spread on securitization and income from assignment, loan processing fees, recovery against loans written off and interest income on margin money deposits.

Other Income

Other income consists of income from interest on fixed deposits, other fee income, service provider fees in connection with managed loans and miscellaneous income.

Expenses

Our total expenses comprise finance costs, employee benefit expenses, other expenses, depreciation and amortization and provisions and write-offs.

Finance Costs

Finance costs consist of interest payments on borrowings, other finance costs and bank charges.

Employee Benefit Expenses

Employee benefit expenses consist of salaries and other employee benefits provided to our employees.

Other Expenses

Other expenses include lease payments for our facilities, travelling and conveyance costs reimbursed to our employees for travel to village meetings, branch offices and our headquarters, printing and stationery costs relating primarily to loan documentation and notarization, compensation we paid to professional firms and consultants, commission to independent directors and write-offs relating to misappropriation of loan disbursement and repayment amounts.

Depreciation and Amortization

Depreciation and amortization expenses are generated by the depreciation of our equipment and other fixed assets and amortization of technology we purchased to assist management of our network of branches and Members.

Provisions and Write-offs

Provisions and write-offs include bad debts written off with respect to our outstanding loan portfolio, provisions for standard and non-performing assets and provisions or losses relating to loans we securitized and managed to third parties.

Results of Operations for the Three Months Ended June 30, 2016 and 2015 and Financial Years 2016, 2015 and 2014

The summary of our results of operations, including as a percentage of total income, for the three months ended June 30, 2016 and June 30, 2015 as derived from our unaudited condensed financial statements and for the financial years 2016, 2015 and 2014 as derived from our audited financial statements is set out in the table below.

	For the Three Months Ended June 30,				For the Financial Year					
	2016		2015		2016		2015		2014	
	Amount	% of total income	Amount	% of total income	Amount	% of total income	Amount	% of total income	Amount	% of total income
	(₹ in million)	*(%)*	*(₹ in million)*	*(%)*	*(₹ in million)*	*(%)*	*(₹ in million)*	*(%)*	*(₹ in million)*	*(%)*
Income										
Revenue from operations										
Interest income on portfolio loans	2,778.0	67.1	1,954.6	69.2	9,538.9	72.2	5,664.5	70.5	3,930.5	72.1
Income from securitization / assignment of loans	563.2	13.6	218.4	7.7	1,103.0	8.4	667.5	8.3	557.0	10.2
Others	348.4	8.4	235.6	8.3	1,049.5	7.9	907.5	11.3	702.4	12.9
Sub Total	**3,689.6**	**89.1**	**2,408.6**	**85.2**	**11,691.3**	**88.5**	**7,239.6**	**90.1**	**5,189.9**	**95.3**
Other Income										
Interest on bank deposits	108.9	2.6	165.6	5.9	385.8	2.9	253.1	3.2	67.8	1.2
Others	342.7	8.3	252.3	8.9	1,129.6	8.6	538.0	6.7	190.6	3.5
Sub Total	**451.6**	**10.9**	**417.9**	**14.8**	**1,515.4**	**11.5**	**791.1**	**9.9**	**258.4**	**4.7**
Total	**4,141.2**	**100.0**	**2,826.4**	**100.0**	**13,206.7**	**100.0**	**8,030.7**	**100.0**	**5,448.4**	**100.0**
Expenditure										
Financial cost										
Interest on borrowings	1,336.1	32.3	985.3	34.9	4,671.1	35.4	2,574.0	32.1	1,938.0	35.6
Other finance costs	22.5	0.5	21.3	0.8	169.0	1.3	211.0	2.6	201.7	3.7
Others	2.3	0.1	1.2	0.0	5.7	0.0	5.4	0.1	2.6	0.0
Sub Total	**1,360.9**	**32.9**	**1,007.8**	**35.7**	**4,845.7**	**36.7**	**2,790.5**	**34.7**	**2,142.2**	**39.3**
Employee benefit expenses										
Salaries & incentives	787.8	19.0	586.4	20.7	2,444.8	18.5	1,978.3	24.6	1,493.3	27.4
Others	161.1	3.9	122.2	4.3	478.9	3.6	340.3	4.2	162.4	3.0
Sub Total	**949.0**	**22.9**	**708.6**	**25.1**	**2,923.7**	**22.1**	**2,318.5**	**28.9**	**1,655.6**	**30.4**
Other expenses										
Traveling & conveyance	107.5	2.6	82.9	2.9	351.2	2.7	282.4	3.5	254.6	4.7
Printing & stationery	25.5	0.6	13.1	0.5	56.0	0.4	61.5	0.8	37.5	0.7
Others	165.8	4.0	137.3	4.9	621.1	4.7	496.0	6.2	473.4	8.7
Sub Total	**298.9**	**7.2**	**233.3**	**8.3**	**1,028.3**	**7.8**	**839.9**	**10.5**	**765.5**	**14.1**
Depreciation and amortization	**21.7**	0.5	**9.9**	0.3	**83.6**	0.6	**45.6**	0.6	**40.8**	**0.7**
Provisions and write offs	**120.3**	2.9	**72.0**	2.5	**386.4**	2.9	**100.5**	1.3	**145.7**	**2.7**
Total	**2,750.6**	66.4	**2,031.5**	71.9	**9,267.8**	70.2	**6,095.0**	75.9	**4,749.8**	**87.2**
Profit/(Loss) before tax	**1,390.6**	33.6	**794.9**	28.1	**3,938.9**	29.8	**1,935.7**	24.1	**698.5**	**12.8**
Tax expense	(968.5)	(23.4)	183.4	6.5	909.1	6.9	59.0	0.7	-	-
Profit /(Loss) after tax	**2,359.1**	57.0	**611.6**	21.6	**3,029.8**	22.9	**1,876.6**	23.4	**698.5**	**12.8**

Results of Operations for the Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Revenue from Operations

The table set forth below provides a summary of our revenue from operations for the three months ended June 30, 2016 and 2015.

	For the three months ended June 30,	
	2016	2015
	(₹ in millions)	
Interest income on portfolio loans	2,778.0	1,954.6
Income from securitization or assignment of loans	563.2	218.4
Loan processing fees	272.4	147.7
Recovery against loans written off	20.0	40.3
Interest on margin money deposits	56.0	47.7
Total	**3,689.6**	**2,408.6**

The increase in revenue from operations for the three months ended June 30, 2016 was primarily due to an increase in our interest income on portfolio loans of ₹823.4 million, or 42.1%, to ₹2,778.0 million for the three months ended June 30, 2016 from ₹1,954.6 million for the three months ended June 30, 2015, as a result of an increase in new loans disbursed of ₹13,310.3 million, or 62.4%, to ₹34,654.2 million during the three months ended June 30, 2016 from ₹21,343.9 million during the three months ended June 30, 2015.

New loan disbursements outside Andhra Pradesh and Telangana increased by ₹13,387.2 million, or 62.9%, to ₹34,654.2 million during the three months ended June 30, 2016 from ₹21,267.0 million during the three months ended June 30, 2015, which resulted in an increase in our interest income on portfolio loans during the three months ended June 30, 2016. We discontinued disbursing new loans since February 2016 in Andhra Pradesh and Telangana. Our total outstanding loan portfolio was ₹62,329.0 million and ₹38,659.6 million as of June 30, 2016 and June 30, 2015, respectively.

The increase in revenue from operations for the three months ended June 30, 2016 was also due to an increase in our income from the securitization and assignment of loans of ₹344.8 million, or 157.9%, to ₹563.2 million for the three months ended June 30, 2016 from ₹218.4 million for the three months ended June 30, 2015. The increase in income was due to higher average outstanding of securitized and assigned loans during the three months ended June 30, 2016. We securitized or assigned loans of ₹1,986.2 million in the three months ended June 30, 2016 compared to ₹757.0 million for the three months ended June 30, 2015 from our outstanding loan portfolio outside Andhra Pradesh and Telangana.

Our amortized loan processing fees increased by 84.5% from ₹147.7 million for the three months ended June 30, 2015 to ₹272.4 million for the three months ended June 30, 2016, as a result of an increase in new loans disbursed of ₹13,310.3 million, or 62.4%, to ₹34,654.2 million during the three months ended June 30, 2016 from ₹21,343.9 million during the three months ended June 30, 2015.

The increase in revenue from operations for the three months ended June 30, 2016 was partially offset by a decrease in recovery of loans that had been written-off in previous financial years during the three months ended June 30, 2016 compared to the three months ended June 30, 2015. During the three months ended June 30, 2016, we recovered ₹20.0 million against loans that had been written-off, representing a decrease of ₹20.3 million, or 50.5%, as compared to ₹40.3 million during three months ended June 30, 2015. This decrease was primarily due to lower recovery of loans from Andhra Pradesh and Telangana of ₹1.6 million during the three months ended June 30, 2016 compared to ₹34.8 million during the three months ended June 30, 2015.

Our income from interest on margin money deposits increased by ₹8.4 million, or 17.6%, from ₹47.7 million during the three months ended June 30, 2015 to ₹56.0 million during the three months ended June 30, 2016, primarily due to the higher average balance during the three months ended June 30, 2016. These deposits were placed in respect of incremental borrowings and loans securitized and managed during the three months ended June 30, 2016.

Other Income

The table set forth below provides a summary of our other income for the three months ended June 30, 2016 and 2015.

	For the three months ended June 30,	
	2016	2015
	(₹ in millions)	
Other fee income	341.5	251.7
Interest on fixed deposits	108.9	165.6
Profit on Sale of Assets	1.0	0.2
Miscellaneous income	0.2	0.3

	For the three months ended June 30,	
	2016	2015
	(₹ in millions)	
Total	**451.6**	**417.9**

The increase in other income was primarily due to an increase in our other fee income of ₹89.8 million, or 35.7%, from ₹251.7 million during the three months ended June 30, 2015 to ₹341.5 million during the three months ended June 30, 2016. Other fee income relates to service provider fees under business correspondence in connection with managed loans, which was ₹191.0 million for the three months ended June 30, 2016 as compared to ₹121.5 million for the three months ended June 30, 2015 and fee received from strategic alliance partners of ₹148.2 million for financing their products, such as mobile handsets, solar lamps, biomass stoves, bicycles and sewing machines for the three months ended June 30, 2016 as compared to ₹128.3 million for the three months ended June 30, 2015.

The increase in other income was partially offset by decrease in interest on fixed deposits during the three months ended June 30, 2016. Our income from interest on fixed deposits decreased by ₹56.7 million, or 34.3%, from ₹165.6 million during the three months ended June 30, 2015 to ₹108.9 million during the three months ended June 30, 2016, due to lower yield during the three months ended June 30, 2016.

Finance Costs

The table set forth below provides a summary of our finance costs for the three months ended June 30, 2016 and 2015.

	For the three months ended June 30,	
	2016	2015
	(₹ in millions)	
Interest	1,336.1	985.3
Other finance costs	22.5	21.3
Bank charges	2.3	1.2
Total	**1,360.9**	**1,007.8**

Our finance costs represented 49.5% of our total expenses for the three months ended June 30, 2016. Finance costs increased by 35.0% to ₹1,360.9 million during the three months ended June 30, 2016 from ₹1,007.8 million during the three months ended June 30, 2015. This increase in finance costs was primarily the result of an increase in interest expenses of 35.6% from ₹985.3 million during the three months ended June 30, 2015 to ₹1,336.1 million during the three months ended June 30, 2016, resulting from higher average balances of borrowings. The costs of servicing our interest bearing liabilities decreased by 1.5% from an average rate of 11.9% during the three months ended June 30, 2015 to an average rate of 10.4% during the three months ended June 30, 2016.

The increase in interest expenses resulted primarily from an overall increase of ₹18,529.4 million, or 54.6%, in our average outstanding secured and unsecured borrowings to ₹52,445.3 million during the three months ended June 30, 2016 from ₹33,915.9 million during the three months ended June 30, 2015.

Other finance costs increased by 5.7% to ₹22.5 million during the three months ended June 30, 2016 from ₹21.3 million during the three months ended June 30, 2015, primarily as a result of an increase in loan processing fees paid towards our borrowings and securitization transactions, which were higher during the three months ended June 30, 2016.

Employee Benefit Expenses

Our employee benefit expenses represented 34.5% of the total expenses for the three months ended June 30, 2016. Employee benefit expenses increased by 33.9% from ₹708.6 million during the three months ended June 30, 2015 to ₹949.0 million during the three months ended June 30, 2016, which was primarily due to an increase in our total number of employees from 10,100 as of June 30, 2015 to 14,559 as of June 30, 2016. This increase in employee benefit expenses was also due to an annual increase in salaries and bonuses for our employees. The average rate of this increase in salaries and bonuses was 16.3%.

Other Expenses

The table set forth below provides a summary of our other expenses for the three months ended June 30, 2016 and 2015.

	For the three months ended June 30,	
	2016	2015
	(₹ in millions)	
Travelling and conveyance	107.5	82.9

	For the three months ended June 30,	
	2016	2015
	(₹ in millions)	
Rent	41.3	38.3
Legal and professional fees	17.3	20.1
Printing and stationery	25.5	13.1
Other provisions and write off	15.5	5.6
Others	91.7	73.3
Total	**298.9**	**233.3**

Our other expenses represented 10.9% of our total expenses for the three months ended June 30, 2016. Other expenses increased by 28.1% from ₹233.3 million during the three months ended June 30, 2015 to ₹298.9 million during the three months ended June 30, 2016 due to an increase primarily in travelling and conveyance expenses and printing and stationery expenses.

Other provisions and write-offs include write-offs related to the misappropriation of loan disbursements and repayments. Other provisions and write-offs represented 0.03% and 0.02% of our average outstanding loan portfolio for the three months ended June 30, 2016 and 2015, respectively.

Other expenses include repairs and maintenance of ₹41.4 million and ₹30.8 million for the three months ended June 30, 2016 and 2015, respectively.

Depreciation and Amortization

Depreciation and amortization costs increased by 119.7% to ₹21.7 million during the three months ended June 30, 2016 from ₹9.9 million during the three months ended June 30, 2015. The increase was primarily due to increases in our fixed and intangible assets such as computers, vehicles, software and furniture of ₹90.5 million during the three months ended June 30, 2016 from ₹20.1 million during the three months ended June 30, 2015.

Provisions and Write-offs

The table set forth below provides a summary of our provisions and write-offs for the three months ended June 30, 2016 and 2015.

	For the three months ended June 30,	
	2016	2015
	(₹ in millions)	
Provision for standard and non-performing assets	126.2	94.6
Portfolio loans and other balances written off	23.2	8.4
Provision and loss on securitized, assigned and managed loans	(29.1)	(31.0)
Total	**120.3**	**72.0**

Provisions and write-offs represented 4.4% of total expenses for three months ended June 30, 2016 and increased by ₹48.3 million, or 67.1%, from ₹72.0 million during three months ended June 30, 2015 to ₹120.3 million during three months ended June 30, 2016. This is due to standard assets provision of ₹98.6 million made for the three months ended June 30, 2016 towards our gross outstanding loan portfolio (excluding assigned loans) to maintain provisioning required by the NBFC-MFI Directions issued by the RBI pursuant to its circular dated December 2, 2011 and as amended by a circular dated March 20, 2012 as compared to ₹49.4 million for the three months ended June 30, 2015.

The provision for standard and non-performing assets increased from ₹94.6 million during the three months ended June 30, 2015 to ₹126.2 million during three months ended June 30, 2016, primarily due to standard asset provisions made towards our loan portfolio to maintain provisioning required by the NBFC-MFI Directions issued by the RBI under its circular dated December 2, 2011 and as amended by a circular dated March 20, 2012.

The ratio of portfolio loans and other balances written off to the average outstanding loan portfolio increased

from 0.02% for the three months ended June 30, 2015 to 0.04% for the three months ended June 30, 2016. Portfolio loans and other balances written off increased by 176.1% to ₹23.2 million during the three months ended June 30, 2016 from ₹8.4 million during the three months ended June 30, 2015. Portfolio loans are written off in accordance with our Company's policy on portfolio loans.

Provision and loss on securitized and managed portfolio increased by ₹1.9 million from a reversal of ₹31.0 million for the three months ended June 30, 2015 to a reversal of ₹29.1 million for the three months ended June 30, 2016. This reversal was primarily as a result of reduction in our securitized loans from the outstanding loan portfolio outside Andhra Pradesh and

Telangana. Typically, we are required to provide certain credit enhancement to the buyers of our pooled loans as protection in the event any portion of the securitized loans becomes non-performing. These credit enhancements are subject to a ceiling that ranged from 12% to 15% of the principal amount of the securitized loans and loans given as collateral and may include cash collateral.

Profit before Tax

We recorded a profit before tax of ₹1,390.6 million during the three months ended June 30, 2016 as compared to profit before tax of ₹794.9 million during the three months ended June 30, 2015.

Tax Expense

As a result of losses incurred during the financial years 2012 and 2013, we have generated aggregate deferred tax credits of ₹3,077.1 million as of June 30, 2016. These have not been recognized as deferred tax assets in our financial statements as of June 30, 2016, but will be available to offset tax on future taxable income.

We had provided for minimum alternate tax liability of ₹318.8 million for the three months ended June 30, 2016 as compared to ₹183.4 million for the three months ended June 30, 2015. Previously unrecognized MAT credit of ₹968.5 million as of March 31, 2016, and an additional ₹318.8 million for the three months ended June 30, 2016, aggregating to ₹1,287.4 million, has been recognized as an asset on the balance sheet as of June 30, 2016 as there is convincing evidence that we will pay normal income tax during the period for which MAT credit is allowed to be carried forward.

Profit after Tax

Our profit after tax increased by ₹1,747.6 million to ₹2,359.1 million during the three months ended June 30, 2016 from ₹611.6 million during the three months ended June 30, 2015. Our profit for the period excluding the MAT credit of ₹968.5 million as of March 31, 2016 is ₹1,390.6 million during the three months ended June 30, 2016.

Results of Operations for the Financial Year 2016 Compared to the Financial Year 2015

Revenue from Operations

The table set forth below provides a summary of our revenue from operations for the financial years 2016 and 2015.

	For the Financial Year	
	2016	**2015**
	(₹in millions)	
Interest income on portfolio loans	9,538.9	5,664.5
Income from securitization or assignment of loans	1,103.0	667.5
Loan processing fees	725.8	455.0
Recovery against loans written off	146.9	263.8
Interest on margin money deposits	176.8	188.7
Total	**11,691.3**	**7,239.6**

The increase in revenue from operations for the financial year 2016 was primarily due to an increase in our interest income on portfolio loans of ₹3,874.3 million, or 68.4%, to ₹9,538.9 million during the financial year 2016 from ₹5,664.5 million for the financial year 2015, as a result of an increase in new loans disbursed of ₹45,938.1 million, or 71.4%, to ₹110,234.2 million during the financial year 2016 from ₹64,296.2 million during the financial year 2015.

New loan disbursements outside Andhra Pradesh and Telangana increased by ₹46,000.8 million, or 71.9%, to ₹109,984.7 million during the financial year 2016 from ₹63,983.9 million during the financial year 2015 which resulted in an increase in our interest income on portfolio loans during the financial year 2016. Our new loan disbursements in Andhra Pradesh and Telangana were only ₹249.6 million during the financial year 2016. We discontinued disbursing new loans in Andhra Pradesh and Telangana since February 2016. Our total outstanding loan portfolio was ₹49,765.5 million and ₹29,241.4 million as of March 31, 2016 and March 31, 2015, respectively.

The increase in revenue from operations during the financial year 2016 was also due to an increase in our income from the securitization and assignment of loans of ₹435.5 million, or 65.2%, to ₹1,103.0 million during the financial year 2016 from ₹667.5 million during the financial year 2015. The increase in income was due to higher average outstanding of securitized and assigned loans during the financial year 2016. We securitized or assigned loans of ₹26,205.4 million during the financial year 2016 compared to ₹14,325.4 million during the financial year 2015 from our outstanding loan portfolio outside Andhra Pradesh and Telangana.

Our amortized loan processing fees increased by 59.5% from ₹455.0 million during the financial year 2015 to ₹725.8 million during the financial year 2016, as a result of an increase in new loans disbursed of ₹45,938.1 million, or 71.4%, to ₹110,234.3 million during the financial year 2016 from ₹64,296.2 million during the financial year 2015.

During the financial year 2016, there was a decrease in recovery of loans that had been written-off in previous financial years. During the financial year 2016, we recovered ₹146.9 million of loans, representing a decrease of ₹116.9 million, or 44.3%, as compared to ₹263.8 million during the financial year 2015. This decrease was primarily due to lower recovery of loans from Andhra Pradesh and Telangana of ₹107.9 million during the financial year 2016 compared to ₹247.7 million during the financial year 2015.

Our income from interest on margin money deposits decreased by ₹11.9 million, or 6.3%, from ₹188.7 million during the financial year 2015 to ₹176.8 million during the financial year 2016, primarily due to the lower yield during the financial year 2016. These deposits were placed in respect of incremental borrowings and loans securitized or managed during the financial year 2016.

Other Income

The table set forth below provides a summary of our other income for the financial years 2016 and 2015.

	For the Financial Year	
	2016	**2015**
	(₹ in millions)	
Other fee income	1,119.8	531.9
Interest on fixed deposits	385.8	253.1
Profit on sale of assets	0.8	0.5
Miscellaneous income	9.0	5.6
Total	**1,515.4**	**791.1**

The increase in other income was primarily due to an increase in our other fee income of ₹587.9 million, or 110.5%, from ₹531.9 million during the financial year 2015 to ₹1,119.8 million during the financial year 2016. Other fee income relates to service provider fees under business correspondence in connection with managed loans, which was ₹615.1 million for the financial year 2016 as compared to ₹230.7 million for the financial year 2015 and fee received from strategic alliance partners of ₹497.2 million for financing their products, such as mobile handsets, solar lamps, bicycles and sewing machines, in financial year 2016 as compared to ₹292.3 million in financial year 2015.

The increase in other income during the financial year 2016 was also due to an increase in interest on fixed deposits. Our income from interest on fixed deposits increased by ₹132.7 million, or 52.4%, from ₹253.1 million during the financial year 2015 to ₹385.8 million during the financial year 2016, due to higher average fixed deposit balance during the financial year 2016.

Finance Costs

The table set forth below provides a summary of our finance costs for the financial years 2016 and 2015.

	For the Financial Year	
	2016	**2015**
	(₹ in millions)	
Interest	4,671.1	2,574.0
Other finance costs	169.0	211.0
Bank charges	5.7	5.4
Total	**4,845.7**	**2,790.5**

Our finance costs represented 52.3% of our total expenses for the financial year 2016. Finance costs increased by 73.7% to ₹4,845.7 million during the financial year 2016 from ₹2,790.5 million during the financial year 2015. This increase in finance costs was primarily the result of an increase in interest expenses of 81.5% from ₹2,574.0 million during the financial year 2015 to ₹4,671.1 million during the financial year 2016, resulting from higher average balances of borrowings. The costs of servicing our interest bearing liabilities decreased by 0.7% from an average rate of 12.2% during the financial year 2015 to an average rate of 11.5% during the financial year 2016.

The increase in interest expenses resulted primarily from an overall increase of ₹19,166.0 million, or 83.8%, in our average outstanding secured and unsecured borrowings to ₹42,032.7 million during the financial year 2016 from ₹22,866.7 million during the financial year 2015.

Other finance costs decreased by 19.9% to ₹169.0 million during the financial year 2016 from ₹211.0 million during the financial year 2015, primarily as a result of a decrease in loan processing fees paid towards our borrowings and securitization and assignment transactions in the financial year 2016.

Employee benefit expenses

Our employee benefit expenses represented 31.5% of the total expenses for the financial year 2016. Employee benefit expenses increased by 26.1% from ₹2,318.5 million during the financial year 2015 to ₹2,923.7 million during the financial year 2016, which was primarily due to an increase in our total number of employees from 9,698 as of March 31, 2015 to 11,991 as of March 31, 2016. This increase in employee benefit expenses was also due to an annual increase in salaries and bonuses for our employees. The average rate of this increase in salaries and bonuses was 20.0%.

Other Expenses

The table set forth below provides a summary of our other expenses for the financial years 2016 and 2015.

	For the Financial Year	
	2016	**2015**
	(₹ in millions)	
Travelling and conveyance	351.2	282.4
Rent	156.0	142.2
Legal and professional fees	99.4	70.1
Printing and stationery	56.0	61.5
Other provisions and write off	46.6	32.0
Others	319.2	251.7
Total	**1,028.3**	**839.9**

Our other expenses represented 11.1% of our total expenses for the financial year 2016. Other expenses increased by 22.4% from ₹839.9 million during the financial year 2015 to ₹1,028.3 million during the financial year 2016 due to an increase primarily in travelling and conveyance expenses and legal and professional fees.

Other provisions and write-offs include write-offs related to the misappropriation of loan disbursements and repayments. Other provisions and write-offs represented 0.11% and 0.13% of our average outstanding loan portfolio for the financial years 2016 and 2015, respectively.

Other expenses include repairs and maintenance of ₹138.9 million and ₹101.2 million for the financial years 2016 and 2015, respectively.

Depreciation and Amortization

Depreciation and amortization costs increased by 83.4% to ₹83.6 million during the financial year 2016 from ₹45.6 million during the financial year 2015. The increase was primarily due to increases in our fixed and intangible assets such as computers, vehicles, software and furniture of ₹146.2 million during the financial year 2016 from ₹50.3 million during the financial year 2015.

Provisions and Write-offs

The table set forth below provides a summary of our provisions and write-offs for the financial years 2016 and 2015.

	For the Financial Year	
	2016	**2015**
	(₹ in millions)	
Provision for standard and non-performing assets	205.3	(1,658.7)
Portfolio loans and other balances written off	63.8	1,756.0
Provision and loss on securitized and managed loans	117.3	3.1
Total	**386.4**	**100.5**

Provisions and write-offs represented 4.2% of total expenses for the financial year 2016 and increased by ₹286.0 million, or 284.7%, from ₹100.5 million during the financial year 2015 to ₹386.4 million during the financial year 2016. This is due to standard assets provision of ₹308.5 million made in financial year 2016 towards our gross outstanding loan portfolio (excluding assigned loans) to maintain provisioning required by the NBFC-MFI Directions issued by the RBI under its circular dated December 2, 2011 and as amended by a circular dated March 20, 2012 as compared to ₹120.5 million in financial year 2015.

The provision for standard and non-performing assets increased from a reversal of ₹1,658.7 million during the financial year 2015 to a provision of ₹205.3 million during the financial year 2016, primarily due to standard assets provision made towards our loan portfolio to maintain provisioning required by the NBFC-MFI Directions issued by the RBI under its circular dated December 2, 2011 and as amended by a circular dated March 20, 2012. The reversal of ₹1,658.7 million during the financial year 2015 was as a result of a withdrawal of provision made towards our outstanding Andhra Pradesh and Telangana loan portfolio during the financial year 2013 that was written off during the financial year 2015.

The ratio of portfolio loans and other balances written off to the average outstanding loan portfolio decreased from 7.0% in financial year 2015 to 0.1% in financial year 2016. Portfolio loans and other balances written off decreased by 96.4% to ₹63.8 million during the financial year 2016 from ₹1,756.0 million during the financial year 2015, primarily as a result of a write-off of ₹1,718.2 million from our outstanding Andhra Pradesh and Telangana loan portfolio during financial year 2015 that was fully provided for in the financial year 2013. Hence this write-off represents an equivalent reduction in provisions during the financial year 2015. The decrease in portfolio loans and other balances written off was partially offset by an increase in write-offs of ₹25.8 million from our loan portfolio outside Andhra Pradesh and Telangana to ₹63.6 million during the financial year 2016 from ₹37.9 million during the financial year 2015.

Provision and loss on securitized and managed portfolio increased by ₹114.2 million to ₹117.3 million during the financial year 2016 as compared to ₹3.1 million during the financial year 2015. This increase was primarily as a result of provisions made in accordance with our provisioning policy on securitized or managed loans outstanding from the outstanding loan portfolio outside Andhra Pradesh and Telangana, which increased by ₹11,346.3 million as of March 2016 compared to that as of March 2015. Typically, we are required to provide certain credit enhancement to the buyers of our pooled loans as protection in the event any portion of the securitized loans becomes non-performing. These credit enhancements are subject to a ceiling that ranged from 12% to 15% of the principal amount of the securitized loans and loans given as collateral and may include cash collateral.

Profit before Tax

We recorded a profit before tax of ₹3,938.9 million during the financial year 2016 as compared to profit before tax of ₹1,935.7 million during the financial year 2015.

Tax Expense

As a result of losses incurred during the financial years 2012 and 2013, we have aggregate deferred tax credits of ₹3,565.6 million as of March 31, 2016. These have not been recognized as DTA in our financial statements as of March 31, 2016 but will be available to offset tax on future taxable income.

For the financial year 2016, we had provided for minimum alternate tax liability of ₹909.1 million as compared to ₹59.0 million for the financial year 2015. The MAT credit entitlement amounting to ₹968.5 million as of March 31, 2016 was not recognized as an asset on the balance sheet.

Profit after Tax

Our profit after tax increased by ₹1,153.2 million to ₹3,029.8 million during the financial year 2016 from ₹1,876.6 million during the financial year 2015.

Results of Operations for the Financial Year 2015 Compared to the Financial Year 2014

Revenue from Operations

The table set forth below provides a summary of our revenue from operations for the financial years 2015 and 2014.

	For the Financial Year	
	2015	**2014**
	(₹ in millions)	
Interest income on portfolio loans	5,664.5	3,930.5
Income from securitization or assignment of loans	667.5	557.0
Loan processing fees	455.0	337.5
Recovery against loans written off	263.8	178.3
Interest on margin money deposits	188.7	186.6
Total	**7,239.6**	**5,189.9**

The increase in revenue from operations for the financial year 2015 was primarily due to an increase in our interest income on portfolio loans of ₹1,734.0 million, or 44.1%, to ₹5,664.5 million during the financial year 2015 from ₹3,930.5 million for

the financial year 2014, as a result of an increase in new loans disbursed of ₹19,608.7 million, or 43.9%, to ₹64,296.2 million during the financial year 2015 from ₹44,687.4 million during the financial year 2014.

New loan disbursements outside Andhra Pradesh and Telangana increased by ₹19,484.9 million, or 43.8%, to ₹63,983.9 million during the financial year 2015 from ₹44,499.0 million during the financial year 2014 which resulted in an increase in our interest income on portfolio loans during the financial year 2015. Our new loan disbursements in Andhra Pradesh and Telangana were only ₹312.3 million during the financial year 2015. Our total outstanding loan portfolio was ₹29,241.4 million and ₹17,206.5 million as of March 31, 2015 and March 31, 2014, respectively.

The increase in revenue from operations during the financial year 2016 was also due to an increase in our income from the securitization and assignment of loans of ₹110.5 million, or 19.8%, to ₹667.5 million during the financial year 2015 from ₹557.0 million during the financial year 2014. The increase in income was due to higher average outstanding of securitized and assigned loans during the financial year 2015. We securitized or assigned loans of ₹14,325.4 million during the financial year 2015 compared to ₹16,931.5 million during the financial year 2014 from our outstanding loan portfolio outside Andhra Pradesh and Telangana.

Our amortized loan processing fees increased by 34.8% from ₹337.5 million during the financial year 2014 to ₹455.0 million during the financial year 2015, as a result of an increase in new loans disbursed of ₹19,608.7 million, or 43.9%, to ₹64,296.2 million during the financial year 2015 from ₹44,687.4 million during the financial year 2014.

During the financial year 2015, there was increase in recovery of loans that had been written-off in previous financial years.

During the financial year 2015, we recovered ₹263.8 million of loans, representing an increase of ₹85.6 million, or 48.0%, as compared to ₹178.3 million during the financial year 2014. This increase was primarily due to higher recovery of loans from Andhra Pradesh and Telangana of ₹247.7 million during the financial year 2015 compared to ₹148.0 million during the financial year 2014.

Our income from interest on margin money deposits increased by ₹2.0 million, or 1.1%, from ₹186.6 million during the financial year 2014 to ₹188.7 million during the financial year 2015. These deposits were placed in respect of incremental borrowings and loans securitized or managed during the financial year 2015.

Other Income

The table set forth below provides a summary of our other income for the financial years 2015 and 2014.

	For the Financial Year	
	2015	**2014**
	(₹ in millions)	
Other fee income	531.9	188.2
Interest on fixed deposits	253.1	67.8
Profit on Sale of Assets	0.5	0.3
Miscellaneous income	5.6	2.1
Total	**791.1**	**258.4**

The increase in other income was primarily due to an increase in our other fee income of ₹343.7 million, or 182.6%, from ₹188.2 million during the financial year 2014 to ₹531.9 million during the financial year 2015. Other fee income relates to service provider fees under business correspondence in connection with managed loans, which was ₹230.7 million for the financial year 2015 as compared to ₹93.1 million for the financial year 2014 and fee received from strategic alliance partners of ₹292.3 million for financing their products, such as mobile handsets, solar lamps and sewing machines, in financial year 2015 as compared to ₹90.5 million in financial year 2014.

The increase in other income during the financial year 2016 was also due to an increase in interest on fixed deposits. Our income from interest on fixed deposits increased by ₹185.2 million, or 273.1%, from ₹67.8 million during the financial year 2014 to ₹253.1 million during the financial year 2015, due to higher average fixed deposit balance during the financial year 2015.

Finance Costs

The table set forth below provides a summary of our finance costs for the financial years 2015 and 2014.

	For the Financial Year	
	2015	**2014**
	(₹ in millions)	

	For the Financial Year	
	2015	2014
	(₹ in millions)	
Interest	2,574.0	1,938.0
Other finance costs	211.0	201.7
Bank charges	5.4	2.6
Total	**2,790.5**	**2,142.2**

Our finance costs represented 45.8% of our total expenses for the financial year 2015. Finance costs increased by 30.3% to ₹2,790.5 million during the financial year 2015 from ₹2,142.2 million during the financial year 2014. This increase in finance costs was primarily the result of an increase in interest expenses of 32.8% from ₹1,938.0 million during the financial year 2014 to ₹2,574.0 million during the financial year 2015, resulting from higher average balances of borrowings. The costs of servicing our interest bearing liabilities decreased by 1.6% from an average rate of 13.8% during the financial year 2014 to an average rate of 12.2% during the financial year 2015.

The increase in interest expenses resulted primarily from an overall increase of ₹7,291.8 million, or 46.8%, in our average outstanding secured and unsecured borrowings to ₹22,866.7 million during the financial year 2015 from ₹15,575.0 million during the financial year 2014.

Other finance costs increased by 4.6% to ₹211.0 million during the financial year 2015 from ₹201.7 million during the financial year 2014, primarily as a result of an increase in loan processing fees paid towards our borrowings and securitization transactions in the financial year 2015.

Employee Benefit Expenses

Our employee benefit expenses represented 38.0% of the total expenses for the financial year 2015. Employee benefit expenses increased by 40.0% from ₹1,655.6 million during the financial year 2014 to ₹2,318.5 million during the financial year 2015, which was primarily due to an increase in our total number of employees from 8,932 as of March 31, 2014 to 9,698 as of March 31, 2015. This increase in employee benefit expenses was also due to an annual increase in salaries and bonuses for our employees. The average rate of this increase in salaries and bonuses was 16.4%.

Other Expenses

The table set forth below provides a summary of our other expenses for the financial years 2015 and 2014.

	For the Financial Year	
	2015	2014
	(₹ in millions)	
Travelling and conveyance	282.4	254.6
Rent	142.2	135.3
Legal and professional fees	70.1	78.1
Printing and stationery	61.5	37.5
Other provisions and write off	32.0	40.9
Others	251.7	219.1
Total	**839.9**	**765.5**

Our other expenses represented 13.8% of our total expenses for the financial year 2015. Other expenses increased by 9.7% from ₹765.5 million during the financial year 2014 to ₹839.9 million during the financial year 2015 due to an increase primarily in travelling and conveyance expenses and Printing and stationery.

Other provisions and write-offs include write-offs related to the misappropriation of loan disbursements and repayments. Other provisions and write-offs represented 0.13% and 0.23% of our average outstanding loan portfolio for the financial years 2015 and 2014, respectively.

Depreciation and Amortization

Depreciation and amortization costs increased by 11.9% to ₹45.6 million during the financial year 2015 from ₹40.8 million during the financial year 2014. The increase was primarily due to addition to fixed and intangible assets such as computers, vehicles, software and furniture of ₹50.3 million during the financial year 2015 from ₹27.0 million during the financial year 2014.

Provisions and Write-offs

The table set forth below provides a summary of our provisions and write-offs for the financial years 2015 and 2014.

	For the Financial Year	
	2015	2014
	(₹ in millions)	
Provision for standard and non-performing assets	(1,658.7)	(660.2)
Portfolio loans and other balances written off	1,756.0	696.9
Provision / Loss on securitized, assigned and managed loans	3.1	109.0
Total	**100.5**	**145.7**

Provisions and write-offs represented 1.6% of total expenses for the financial year 2015 and decreased by ₹45.3 million, or 31.1%, from ₹145.7 million during the financial year 2014 to ₹100.5 million during the financial year 2015. This is due to standard assets provision of ₹120.5 million made in financial year 2015 towards our gross outstanding loan portfolio (excluding assigned loans) to maintain provisioning required by the NBFC-MFI Directions issued by the RBI under its circular dated December 2, 2011 and as amended by a circular dated March 20, 2012 as compared to ₹240.6 million in financial year 2014.

The provision for standard and non-performing assets increased from a reversal of ₹660.2 million during the financial year 2014 to a reversal of ₹1,658.7 million during the financial year 2015, primarily due to reversal of provision of ₹1,786.5 during the financial year 2015 as a result of a withdrawal of provision made towards our outstanding Andhra Pradesh and Telangana loan portfolio during the financial year 2013 that was written off during the financial year 2015 which is partially offset by standard assets provision made towards our loan portfolio to maintain provisioning required by the NBFC-MFI Directions issued by the RBI under its circular dated December 2, 2011 and as amended by a circular dated March 20, 2012.

The ratio of portfolio loans and other balances written off to the average outstanding loan portfolio increased from 3.9% in the financial year 2014 to 7.0% in the financial year 2015. Portfolio loans and other balances written off increased by 152.0% to ₹1,756.0 million during the financial year 2015 from ₹696.9 million during the financial year 2014, primarily as a result of a write-off of ₹1,718.2 million from our outstanding Andhra Pradesh and Telangana loan portfolio that was fully provided for in the financial year 2013. Hence this write-off represents an equivalent reduction in provisions during the financial year 2015. The increase in portfolio loans and other balances written off was also due to an increase in write-offs of ₹16.3 million on the loan portfolio outside Andhra Pradesh and Telangana to ₹37.9 million during the financial year 2015 from ₹21.6 million during the financial year 2014.

Provision and loss on securitized and managed portfolio decreased by ₹105.9 million to ₹3.1 million during the financial year 2015 as compared to ₹109.0 million during the financial year 2014 primarily due to loss recognized on managed loans of ₹3.5 million, which was partially offset by a reversal of provision of ₹0.4 million due to reductions in securitized or managed loans outstanding of ₹487.6 million from the outstanding loan portfolio outside Andhra Pradesh and Telangana in the financial year 2015. Typically, we are required to provide certain credit enhancement to the buyers of our pooled loans as protection in the event any portion of the securitized loans becomes non-performing. These credit enhancements are subject to a ceiling that ranged from 14% to 16% of the principal amount of the securitized loans and loans given as collateral and may include cash collateral.

Profit before Tax

We recorded a profit before tax of ₹1,935.7 million during the financial year 2015 as compared to profit before tax of ₹698.5 million during the financial year 2014.

Tax Expense

As a result of losses incurred during the financial years 2012 and 2013, we have generated aggregate deferred tax credits of ₹4,886.0 million as of March 31, 2015. These have not been recognized as DTA in our financial statements as of March 31, 2015 but will be available to offset tax on future taxable income.

For the financial year 2015, we had provided for minimum alternate tax liability of ₹59.0 million and given the carried forward tax loss, no tax provision was required for the financial year 2014. The MAT credit entitlement amounting to Rs.59.0 million as of March 31, 2015 was not recognized as an asset on the balance sheet.

Profit after Tax

Our profit after tax increased by ₹1,178.1 million to ₹1,876.6 million during the financial year 2015 from ₹698.5 million during the financial year 2014.

Financial Position

As of June 30, 2016, our net worth was ₹16,259.0 million, compared to 13,830.0 million as of March 31, 2016, representing an increase of 17.6%.

Our net worth increased by ₹3,365.4 million, or 32.2%, to ₹13,830.0 million as of March 31, 2016, from ₹10,464.6 million as of March 31, 2015.

Assets

The table below sets forth the principal components of our assets as of June 30, 2016 and March 31, 2016 and 2015.

	As of June 30,	**As of March 31,**	
	2016	**2016**	**2015**
	(₹ in millions)		
Non-current assets			
Fixed assets			
Tangible assets	172.9	114.2	51.5
Intangible assets	44.5	36.1	38.0
Intangible assets under development	15.1	14.2	12.4
Non-current investments	2.0	2.0	2.0
Deferred tax assets (net)	-	-	-
Long-term loans and advances[1]	5,208.7	4,135.4	2,448.5
Other non-current assets	1,768.3	1,792.7	1,252.3
Sub-Total	**7,211.4**	**6,094.6**	**3,804.7**
Current assets			
Trade receivables	146.8	63.7	34.2
Cash and bank balances	8,876.0	17,662.8	15,367.7
Short-term loans and advances	58,889.9	46,080.2	27,135.5
Other current assets	1,203.2	1,635.7	645.1
Sub-Total	**69,115.8**	**65,442.4**	**43,182.6**
Total Assets	**76,327.2**	**71,537.0**	**46,987.3**

Note 1: Includes previously unrecognized MAT credit of ₹968.5 million as of March 31, 2016, and an additional ₹318.8 million for the three months ended June 30, 2016, aggregating ₹1,287.4 million, recognized as an asset as of June 30, 2016.

As of June 30, 2016, we had total assets of ₹76,327.2 million, compared to ₹71,537.0 million as of March 31, 2016. The increase in assets from March 31, 2016 to June 30, 2016 was primarily due to an increase in our total outstanding loan portfolio, as a result of higher loan disbursements during the three month ended June 30, 2016.

We had total assets of ₹71,537.0 million as of March 31, 2016, compared to ₹46,987.3 million as of March 31, 2015. The increase in assets from March 31, 2015 to March 31, 2016 was primarily due to an increase in our total outstanding loan portfolio, as a result of higher loan disbursements during the financial year 2016.

Tangible Assets

As of June 30, 2016, we had tangible assets of ₹172.9 million, an increase of ₹58.7 million from ₹114.2 million as of March 31, 2016. This increase was primarily due to the addition to tangible assets of ₹78.1 million. This increase in tangible assets was partially offset by an increase in the accumulated depreciation.

Our tangible assets increased by ₹62.7 million to ₹114.2 million as of March 31, 2016, from ₹51.5 million as of March 31, 2015. This increase was primarily due to the addition to tangible assets of ₹129.7 million. This increase in tangible assets was partially offset by an increase in the accumulated depreciation.

Intangible Assets

Our intangible assets (including intangible assets under development) amounted to ₹59.6 million as of June 30, 2016, an increase of ₹9.2 million from ₹50.4 million as of March 31, 2016. The increase in intangible assets was due to acquisition of software of ₹12.4 million during the three month ended June 30, 2016. This increase in intangible assets was partially offset by an increase in the accumulated amortization.

Our intangible assets (including intangible assets under development) decreased by ₹0.1 million to ₹50.4 million as of March 31, 2016, from ₹50.5 million as of March 31, 2015. The decrease in intangible assets was due to lower additions of acquisition of software of ₹16.6 million during the financial year 2016 as compared to ₹22.4 million during the financial year 2015 and an increase in the accumulated amortization

Deferred Taxes, Net

As a result of losses incurred during the financial years 2012 and 2013, we have accumulated deferred tax credits of ₹3,077.1 million as of June 30, 2016 and ₹3,565.6 million as of March 31, 2016. These have not been recognized as deferred tax asset in our financial statements as of June 30, 2016 but will be available to offset tax on future taxable income.

Loans and Advances

Our total loans and advances amounted to ₹64,098.6 million as of June 30, 2016, representing an increase of ₹13,883.0 million, or 27.6%, from ₹50,215.6 million as of March 31, 2016. This increase was primarily due to higher disbursements during the three month ended June 30, 2016 of ₹34,654.2 million as compared to ₹110,234.3 million during the financial year 2016. Our total outstanding loan portfolio was ₹62,329.0 million, or 97.2% of total loans and advances as of June 30, 2016 compared to ₹49,765.5 million, or 99.1% of our total loans and advances as of March 31, 2016.

Our total loans and advances increased by ₹20,631.6 million, or 69.7%, from ₹29,584.0 million as of March 31, 2015 to ₹50,215.6 million as of March 31, 2016. This increase was primarily due to the increase in disbursements during the financial year 2016 of ₹110,234.3 million as compared to ₹64,296.2 million during the financial year 2015. Our total outstanding loan portfolio was ₹49,765.5 million, or 99.1% of total loans and advances as of March 31, 2016 compared to ₹29,241.4 million, or 98.8% of our total loans and advances as of March 31, 2015.

The table below shows the breakdown of our loans and advances by type of loans as of June 30, 2016, March 31, 2016 and 2015:

	Non-current (Long-Term)			**Current (Short-term)**			**Total**		
	As of June 30,	**As of March 31,**		**As of June 30,**	**As of March 31,**		**As of June 30,**	**As of March 31,**	
	2016	**2016**	**2015**	**2016**	**2016**	**2015**	**2016**	**2016**	**2015**
	(₹ in millions)			*(₹ in millions)*			*(₹ in millions)*		
Income-generating loans	3,640.7	3,851.7	2,207.2	58,569.2	44,689.2	25,888.9	62,209.9	48,541.0	28,096.2
Productivity loans	0.3	0.2	0.2	112.3	1,019.1	652.8	112.6	1,019.3	653.0
Two-wheeler loans	1.3	-	-	1.1	-	-	2.4	-	-
Gold loans	2.7	4.0	4.5	1.4	201.2	487.7	4.1	205.2	492.2
Other loans and advances	1,563.8	279.4	236.5	205.9	170.7	106.1	1,769.6	450.1	342.6
Total	**5,208.7**	**4,135.4**	**2,448.5**	**58,889.9**	**46,080.2**	**27,135.5**	**64,098.6**	**50,215.6**	**29,584.0**

Trade Receivables

Our trade receivables consist of fee receivables from our strategic alliance partners in relation to distribution of their products to our Members. Trade receivables were ₹146.8 million as of June 30, 2016, an increase of ₹83.1 million from ₹63.7 million as of March 31, 2016. The increase was primarily due to an increase in fee income receivable from our business partners for facilitating loans for mobile phones, solar lamps, sewing machines and bicycles, and under pursuant to business correspondent agreement.

Trade receivables increased by ₹29.5 million from ₹34.2 million as of March 31, 2015 to ₹63.7 million as of March 31, 2016. The increase was primarily due to an increase in fee income receivable from our business partners for facilitating loans for mobile phones and solar lamps.

Cash and Bank Balances

Our cash and bank balances consist of balances in current accounts, short-term deposits, cash on hand and margin money deposits against borrowings and in connection with securitization or managed transactions.

The following table shows our cash and bank balances as of June 30, 2016, March 31, 2016 and 2015:

	Non-current			**Current**			**Total**		
	As of June 30,	**As of March 31,**		**As of June 30,**	**As of March 31,**		**As of June 30,**	**As of March 31,**	
	2016	**2016**	**2015**	**2016**	**2016**	**2015**	**2016**	**2016**	**2015**
	(₹ in millions)			*(₹ in millions)*			*(₹ in millions)*		
Cash and cash equivalents									
Balances with banks									
On current accounts	-	-	-	4,202.5	4,118.5	4,896.1	4,202.5	4,118.5	4,896.1
Deposits with original	-	-	-	3,000.0	12,200.0	9,000.0	3,000.0	12,200.0	9,000.0

	Non-current			Current			Total		
	As of June 30,	As of March 31,		As of June 30,	As of March 31,		As of June 30,	As of March 31,	
	2016	2016	2015	2016	2016	2015	2016	2016	2015
	(₹ in millions)			(₹ in millions)			(₹ in millions)		
maturity of less than three months									
Cash on hand	-	-	-	416.6	284.8	478.5	416.6	284.8	478.5
Other bank balances									
Margin money deposit	1,716.0	1,756.3	1,223.5	1,256.8	1,059.6	993.1	2,972.8	2,815.9	2,216.6
Total	**1,716.0**	**1,756.3**	**1,223.5**	**8,876.0**	**17,662.8**	**15,367.7**	**10,592.0**	**19,419.1**	**16,591.2**

Liabilities and Provisions

The table set forth below provides the principal components of our liabilities as of June 30, 2016, March 31, 2016 and 2015:

	As of June 30,	As of March 31,	
	2016	2016	2015
	(₹ in millions)		
Non-current liabilities			
Long-term borrowings	20,328.4	22,687.4	10,572.2
Long-term provisions	234.9	208.9	127.2
Sub-Total	**20,563.4**	**22,896.3**	**10,699.4**
Current liabilities			
Short-term borrowings	5,893.3	6,443.2	6,096.3
Other current liabilities*	32,649.0	27,607.0	19,271.9
Short-term provisions	956.4	760.5	455.1
Sub-Total	**39,498.8**	**34,810.7**	**25,823.2**
Total Liabilities	**60,062.1**	**57,707.0**	**36,522.6**

* *Includes current maturities of long term borrowing of ₹27,371.9 million, ₹22,166.3 million and ₹16,129.9 million as of June 30, 2016, March 31, 2016 and 2015, respectively.*

Our total liabilities were ₹60,062.1 million as of June 30, 2016, as compared to ₹57,707.0 million and ₹36,522.6 million as of March 31, 2016 and as of March 31, 2015 respectively, primarily due to an increase in our borrowings.

Borrowings

The table set forth below provides a summary of our long-term and short-term borrowings as of June 30, 2016, March 31, 2016 and 2015:

Borrowings	Non-current portion			Current maturities			Total		
	As of June 30,	As of March 31,		As of June 30,	As of March 31,		As of June 30,	As of March 31,	
	2016	2016	2015	2016	2016	2015	2016	2016	2015
	(₹ in millions)			(₹ in millions)			(₹ in millions)		
Short-term borrowings									
Loans repayable on demand									
Cash credit from banks (secured)	-	-	-	639.9	1,326.2	1,235.5	639.9	1,326.2	1,235.5
Other loans and advances									
Indian Rupee loans from banks (secured)	-	-	-	2,055.0	2,220.0	3,065.0	2,055.0	2,220.0	3,065.0
Indian Rupee loans from non-banking financial companies (secured)	-	-	-	-	-	901.4	-	-	901.4
Commercial Paper	-	-	-	3,198.4	2,897.0	894.4	3,198.4	2,897.0	894.4
Sub-total	**-**	**-**	**-**	**5,893.3**	**6,443.2**	**6,096.3**	**5,893.3**	**6,443.2**	**6,096.3**

Borrowings	Non-current portion			Current maturities			Total		
	As of June 30,	As of March 31,		As of June 30,	As of March 31,		As of June 30,	As of March 31,	
	2016	2016	2015	2016	2016	2015	2016	2016	2015
	(₹ in millions)			*(₹ in millions)*			*(₹ in millions)*		
Long -term borrowings									
Term Loans									
Non-Convertible Debentures	1,000.0	4,000.0	2,000.0	3,000.0	-	-	4,000.0	4,000.0	2,000.0
Indian Rupee loans from banks (secured)	16,748.4	15,883.6	7,545.5	22,276.9	20,504.6	15,174.0	39,025.2	36,388.1	22,719.5
Indian Rupee loans from financial institutions (secured)	2,090.0	2,223.8	1,025.5	1,735.1	1,301.7	950.6	3,825.1	3,525.5	1,976.2
Indian Rupee loans from non-banking financial companies (secured)	490.0	580.0	1.2	360.0	360.0	5.2	850.0	940.0	6.4
Sub-total	**20,328.4**	**22,687.4**	**10,572.2**	**27,371.9**	**22,166.3**	**16,129.9**	**47,700.3**	**44,853.7**	**26,702.1**
Total	**20,328.4**	**22,687.4**	**10,572.2**	**33,265.3**	**28,609.5**	**22,226.2**	**53,593.7**	**51,296.8**	**32,798.4**

Our long-term and short-term borrowings amounted to ₹53,593.7 million as of June 30, 2016, an increase of ₹2,296.8 million, or 4.5%, from ₹51,296.8 million as of March 31, 2016, primarily as a result of net proceeds from borrowings of ₹2,296.8 million during the three month ended June 30, 2016.

Our long-term and short-term borrowings increased by ₹18,498.5 million, or 56.4%, from ₹32,798.4 million as of March 31, 2015 to ₹51,296.8 million as of March 31, 2016, primarily as a result of net proceeds from borrowings of ₹18,498.5 million during the financial year 2016.

Our interest coverage ratio (defined as cash profit after tax plus interest paid divided by interest paid) as of June 30, 2016, March 31, 2016, 2015 and 2014 was 2.2, 2.0, 1.9 and 1.5, respectively.

Other Current Liabilities

Our current liabilities (excluding current maturities of long-term borrowings) were ₹ 5,277.1 million as of June 30, 2016, a decrease of ₹ 163.6 million, or 3.0%, from ₹ 5,440.7 million as of March 31, 2016. These decreases were primarily due to decrease in the interest accrued but not due on borrowings and partially offset by increase in unamortized income and amounts owed on securitized and assigned loans.

Our current liabilities (excluding current maturities of long-term borrowings) were ₹5,440.7 million as of March 31, 2016, an increase of ₹2,298.7 million, or 73.2%, from ₹3,142.0 million as of March 31, 2015 primarily due to increase in unamortized income and amounts owed on securitized and assigned loans.

Provisions

Our provisions for standard and non-performing assets were ₹625.7 million as of June 30, 2016, compared to ₹499.5 million as of March 31, 2016. Our total outstanding non-performing loan portfolio decreased to ₹35.2 million as of June 30, 2016 from ₹41.4 million as of March 31, 2016. Gross NPA ratios (including our outstanding Andhra Pradesh and Telangana loan portfolio) were 0.06% and 0.08% as of June 30, 2016 and March 31, 2016, respectively. Net NPA ratios (*i.e.*, net of loan loss provisions (including our outstanding Andhra Pradesh and Telangana loan portfolio)) were 0.03% and 0.04% as of June 30, 2016 and March 31, 2016, respectively.

Our provisions for standard and non-performing assets were ₹499.5 million as of March 31, 2016, compared to ₹294.2 million as of March 31, 2015. Our total outstanding non-performing loan portfolio increased to ₹41.4 million as of March 31, 2016 from ₹23.7 million as of March 31, 2015. Gross NPA ratios (including our outstanding Andhra Pradesh and Telangana loan portfolio) were 0.08% and 0.08% as of March 31, 2016 and March 31, 2015, respectively. Net NPA ratios (*i.e.*, net of loan loss provisions (including our outstanding Andhra Pradesh and Telangana loan portfolio)) were 0.04% and 0.05% as of March 31, 2016 and March 31, 2015, respectively.

The ratio of provision on standard and non-performing assets to our total outstanding loan portfolio was 1.0% as of June 30, 2016 and 1.0% as of March 31, 2016.

Shareholders' Funds

Shareholders' funds of our Company include share capital and reserves and surplus. Our shareholders' funds (net of debit balance in our profit and loss account) were ₹16,259.0 million as of June 30, 2016, representing 21.3% of our total assets, compared to ₹13,830.0 million as of March 31, 2016, representing 19.3% of total assets. The increase in shareholders' funds during the three months ended June 30, 2016 was primarily due to the profit after tax of ₹2,353.7 million during the three months ended June 30, 2016.

Our shareholders' funds (net of debit balance in our profit and loss account) were ₹13,830.0 million as of March 31, 2016, representing 19.3% of our total assets, compared to ₹10,464.6 million as of March 31, 2015, representing 22.3% of total assets.

The increase in shareholders' funds in the financial year 2016 and financial year 2015 was primarily due to the profit after tax of ₹3,029.8 million and 1,876.6 million for the financial year 2016 and 2015 respectively. We raised ₹3,975.9 million from a qualified institutional placement in financial year 2015.

Liquidity and Capital Resources

Liquidity

During the three months ended June 30, 2016, we received an aggregate of ₹10,963.9 million from borrowings and loan securitizations and assignments. During financial year 2016, we received an aggregate of ₹73,173.8 million from borrowings and loan securitizations and assignments. During financial year 2015, we raised a total of ₹54,175.1 million from various sources including ₹3,975.9 million from a qualified institutional placement.

As of June 30, 2016, we had cash available for use in our operations of ₹7,619.2 million. We currently invest our surplus cash in short-term deposits. Based upon our current level of expenditure, we believe our current working capital, together with cash flows from operating activities and the proceeds from the offering contemplated herein, will be adequate to meet our anticipated cash requirements for capital expenditure and working capital for at least the next 12 months.

We regularly monitor our funding levels to help ensure we are able to satisfy the requirements for maturity of our liabilities. We maintain diverse sources of funding and liquid assets to facilitate flexibility in meeting our liquidity requirements. Liquidity is provided principally by short-term and long-term borrowings from banks and other entities, proceeds from securitizations and assignments of loans, sales of equity securities and retained earnings.

Our financing agreements generally contain a number of covenants such as provisions to:

- maintain specified levels of types of assets;
- maintain specified CAR and debt-equity ratios;
- restrict the issuance of Equity Shares or change the capital structure of our Company;
- restrict the declaration or payment of dividends or other distributions;
- restrict entering into certain transactions such as reorganizations, amalgamations and mergers;
- restrict changes to the board of directors or material changes in the management of our Company;
- restrict the creation of charge or lien over certain assets;
- restrict the incurrence of additional indebtedness, including providing guarantees;
- restrict making certain payments, including entering into specified financial transactions with entities;
- restrict investments or purchase of assets;
- restrict certain shareholders from sale or transfer of their Equity Shares of our Company;
- restrict entering into specified related party transactions; and
- restrict changes to the memorandum and articles of our Company.

In addition, certain of our loan agreements includes provisions which allow the lender, at its discretion, to call for repayment of the loan at short notice and/or require us to prepay on a *pari passu* basis if any other loan is being repaid. Such covenants, if acted upon, may have an impact on our liquidity. For further details, see "**Risk Factors.**"

Cash Flows

The following table summarizes our cash flows for the three months ended June 30, 2016, the financial years 2016 and 2015.

	For the three months ended June 30,	**For the Financial Year**	
	2016	**2016**	**2015**
	(₹ in millions)		
Net cash (used in) / generated from operating activities	(11,247.2)	(16,347.8)	(11,463.6)
Net cash (used in) / generated from investing activities	(90.1)	(147.3)	300.1
Net cash (used in) / generated from financing activities	2,353.3	18,723.7	21,386.1
Net increase / (decrease) in cash and cash equivalents	**(8,984.1)**	**2,228.6**	**10,222.5**

Operating Activities

Our operations resulted in net cash outflows of ₹11,247.2 million for the three months ended June 30, 2016. The net cash outflows from operations for the three months ended June 30, 2016 were primarily due to an increase in working capital as a result of an increase in total outstanding portfolio loans of ₹12,632.7 million.

Our net cash outflows from operations of ₹16,347.8 million for the financial year 2016 primarily reflect a net increase of ₹20,722.0 million of our total outstanding portfolio loans for the financial year 2016. Our net cash inflows from operation of ₹11,463.6 million for the financial year 2015 primarily reflect a net increase of ₹13,842.1 million of our total outstanding portfolio loans for the financial year 2015.

Investing Activities

We had net cash outflows from investing activities of ₹90.1 million for the three months ended June 30, 2016, due to purchases of fixed and intangible assets.

Our net cash outflows from investing activities of ₹147.3 million for the financial year 2016, was due to purchase of fixed and intangible assets.

Net cash inflows from investing activities of ₹300.1 million for the financial year 2015 reflect a decrease of margin money deposits of ₹346.2 million relating to borrowing, securitization and managed loans transactions.

Financing Activities

We had net cash inflows from financing activities of ₹2,353.3 million during the three months ended June 30, 2016. The inflow was mainly due to a net increase in borrowings of ₹2,296.8 million.

Our net cash inflows from financing activities of ₹18,723.7 million for the financial year 2016 was due to a net increase in borrowings of ₹18,498.5 million.

The net cash inflows from financing activities for the financial year 2015 of ₹21,386.1 million were primarily due to amounts received from equity financing of ₹4,047.8 million including ₹3,975.9 million through a qualified institutional placement and net increase in borrowings of ₹17,485.7 million.

Capital Expenditure

During the three months ended June 30, 2016, we invested ₹91.4 million in assets, primarily computers and computer software.

During the financial years 2016 and 2015, we invested ₹148.7 million and ₹55.0 million, respectively in capital expenditure. The following table sets forth our capital expenditure.

	For the three months ended June 30,	**For the Financial Year**	
	2016	**2016**	**2015**

	(₹ in millions)		
Tangible Assets	78.1	129.7	27.9
Intangible Assets	12.4	16.6	22.4
Capital work in progress	0.9	2.4	4.7
Total	**91.4**	**148.7**	**55.0**

Contractual Obligations and Commercial Commitments

The table below sets forth information regarding our contractual obligations and commercial commitments as of June 30, 2016, March 31, 2016 and 2015:

	As of June 30,	**As of March 31,**	
	2016	**2016**	**2015**
	(₹ in millions)		
Minimum Lease Obligations:			
Not later than one year	6.5	16.5	3.5
Later than one year but not later than five years	3.0	3.2	5.7

The table below sets forth information regarding our estimated amounts of contracts remaining to be executed on capital account (net of capital advances) and not provided for:

	As of June 30,	**As of March 31,**	
	2016	**2016**	**2015**
	(₹ in millions)		
For purchase/ development of computer software	-	1.8	1.4
For purchase of computer peripherals	-	-	0.2
For maintenance cost for computers	4.9	3.8	-

Securitization and Assignment Arrangements

During the three months ended June 30, 2016 and for the financial years 2016 and 2015, we securitized or assigned loans of ₹1,986.2 million, ₹26,205.4 million and ₹14,325.4 million, respectively. The following table sets forth information regarding our securitization and assignment activity during the three months ended June 30, 2016 and for the financial years 2016 and 2015

	For the three months ended June 30,	**For the Financial Year**	
	2016	**2016**	**2015**
	(₹ in millions)		
Total book value of the loan asset securitized or assigned	1,986.2	26,205.4	14,325.4
Sale consideration received for the loan asset securitized or assigned	1,986.2	26,205.4	14,325.4

Under the agreements for the securitization and assignment of loans, we transfer all the rights and obligations relating to the loan assets securitized or assigned as shown above to various banks, subject to the provision by us of a certain amount of credit support in the form of a guarantee (discussed further under "—***Contingent Liabilities***").

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities (as per AS 29 issued by the ICAI) as of June 30, 2016, March 31, 2016 and 2015:

	As of June 30,	**As of March 31,**	
	2016	**2016**	**2015**
	(₹ in millions)		
Credit enhancements provided by our Company towards securitization or assignment (including cash collaterals, principal and interest subordination)	3,593.5	3,786.0	2,216.3
Performance security provided by our Company pursuant to service provider agreement	820.5	862.2	477.7
Tax on items disallowed by the Income Tax department not acknowledged as debt by our Company*	0.2	0.2	5.5

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

Contingent liabilities principally relate to credit enhancements for the loans securitized and performance security provided by our Company pursuant to business correspondent agreement. As of June 30, 2016, our contingent liabilities were ₹4,414.2 million.

Capital to Risk Asset Ratios

The NBFC-SI Master Directions require all NBFC-MFIs to maintain a capital adequacy ratio consisting of Tier I and Tier II capital that is not less than 15.0% of their aggregate risk-weighted assets. Our capital risk to asset ratio as of June 30, 2016, March 31, 2016 and March 31, 2015 was 23.24%, 23.07% and 31.69% respectively.

Our capital adequacy information as of June 30, 2016, March 31, 2016 and 2015 is follows:

	As of June 30,	**As of March 31,**	
	2016	**2016**	**2015**
	(₹ in millions)		
Tier I capital[(1)]	15,053.5	11,938.5	9,446.2
Tier II capital[(2)]	-	-	-
Total Tier I and Tier II capital	15,053.5	11,938.5	9,446.2
Total risk weighted assets	64,773.3	51,754.6	29,810.1
Tier I capital to risk assets ratio *(%)*	23.24	23.07	31.69
Tier II capital to risk assets ratio *(%)*	-	-	-
Total capital to risk assets ratio[(3)] *(%)*	23.24	23.07	31.69

Notes*:*

(1) Tier I capital means owned funds as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances, including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10% of the owned fund.

(2) Tier II capital includes preference share capital, revaluation reserves, general provisions and loss reserves, hybrid debt capital instruments and subordinate debts to the extent the aggregate does not exceed Tier I capital.

(3) *The total capital to risk assets ratio is calculated as capital funds (Tier I capital plus Tier II capital) divided by risk-weighted assets (the weighted average of funded and non-funded items after applying the risk weights as assigned by the RBI).*

Interest Rate Risk

Since we have fixed rate Rupee assets and a mix of floating and fixed rate liabilities, movements in domestic interest rates constitute the main source of interest rate risk. We assess and manage the interest rate risk on our balance sheet through the process of asset liability management. Our cost of borrowings will be negatively impacted by an increase in interest rates. Exposure to fluctuations in interest rates is measured primarily by gap analysis of the maturity profile of our assets and liabilities.

Liquidity Risk

Liquidity risk arises from the absence of liquid resources, when funding loans, and repaying borrowings. This could be due to a decline in the expected collection, or our inability to raise adequate resources at an appropriate price. This risk is minimized through a mix of strategies, including the maintenance of back-up bank credit lines and following a forward-looking borrowing program based on projected loans and maturing obligations.

Observations by the Auditors

The following tables provide a summary of reservations, qualifications and adverse remarks of our auditors in the last five financial years and their impact on our financial statements and our financial position and the corrective steps taken and proposed to be taken by us for each of such remarks:

Financial Year 2016

There is no qualification, reservation or adverse remark in the Auditors' Report for financial year 2016. The Companies (Auditor's Report) Order, 2016 and related guidance note in effect from financial year 2016 no longer requires auditors to report (1) whether accumulated losses at the end of a financial year exceed fifty percent of net worth or (2) any immaterial instances of fraud.

Financial Year 2015

S. No.	Auditors Comments	Our Company's Response
1	The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has not incurred cash losses in the current and immediately preceding financial year.	For the Financial Year 2015, our Company had a net profit of ₹1,876.6 million compared to a net profit of ₹698.5 million for the Financial Year 2014 and a net loss of ₹2,971.4 million and ₹13,606.0 million for the Financial Year 2013 and 2012 respectively. Our Company reported profits for ten consecutive quarters and for the Financial Year 2015. Our Company obtained incremental drawdowns (including securitizations) of ₹50,199.3 million during the Financial Year 2015, an increase of 43% compared to the Financial Year 2014. This aided higher disbursements and our Company registered a growth of 47% in our loan portfolio outside Andhra Pradesh and Telangana to ₹41,712.2 million as of March 31, 2015. Our Company had a net worth of ₹10,464.6 million after adjusting the accumulated losses and its capital adequacy was 31.7% as of March 31, 2015.
2.	The Auditors were informed that during the year there were instances of misappropriation of cash and gold (pledged as collateral) by the employees of the Company aggregating ₹2,014,725; loans given to non-existent borrowers on the basis of fictitious documentation created by the employees of the Company aggregating ₹643,681; and misrepresentation by certain borrowers for obtaining loans aggregating ₹161,600. As informed, services of employees involved have been terminated and the Company is in the process of taking legal action against the employees and the borrowers. The outstanding balance (net of recovery) aggregating ₹1,415,527 has been written off.	Fraud is an inherent risk in the business our Company operates in, since the transactions are cash-based with our Borrowers. In case of misappropriation of cash and security, our Company has recovered an amount of ₹1.0 million, including proceeds from insurance. Cash embezzlement was 0.003% of disbursement during the Financial Year 2015. To mitigate this risk to a large extent, we put in place several preventive control measures as under: - procuring indemnity bond from every field staff, with personal guarantee of a third person; - every bank transaction (deposit or withdrawal) is required to be executed by a minimum of two employees, comprising a bank signatory and a confirmed staff; - the strongbox at every branch is controlled by two keys held by two different employees in the branch; - managerial staff conduct surprise visits at hours when employees are engaged in cash or bank transactions; and - minimizing the cash balances at various branches to the lowest level possible (cash in excess of ₹20,000 is required for next day disbursement). We have instituted several other controls, such as: - daily employee-wise reconciliations of cash balances by managerial employees at each branch; - frequent surprise visits by accountants and internal auditors, including verification of physical cash and bank balances; - Centralized Bank reconciliations performed twice in a week; and - Members are given access to toll free help line to address their concerns for better control and services. We undertook the following actions in cases pertaining to fraud: - termination of service of all employees involved in cash

S. No.	Auditors Comments	Our Company's Response
		embezzlements; - appropriate legal action pursued against errant employees; - recovering embezzled money from errant employees; and - fidelity insurance to minimize the losses against cash embezzlements. In the case of loans given to non-existent or fictitious borrowers, our Company has recovered an amount of ₹0.4 million, including proceeds from insurance. These cases constitute 0.001% of disbursement during the Financial Year 2015. We have set up various preventive or control measures in the loan process to mitigate the risk of loans to non-existent borrowers or fictitious borrowers: - loan applications are passed through a checker control system, wherein applications processed by a *Sangam* manager are first checked by the branch credit manager (BCM); - all the loan applications are sent to Credit Bureau, wherein the applications are processed through Credit Bureau to confirm eligibility prior to approval; - all the loans disbursed are passed through the branch manager for approval after CB eligibility; - disbursements are done at branches for larger ticket size loans (LTL Loans); - Branch Manager performs surprise visits to centers for monitoring on a daily basis; - in order to prevent collusion with local residents, *Sangam* managers are deployed away from their home towns; - half yearly employee rotation ensures that *Sangam* managers manage different centers at the end of every six months; - *Sangam* managers are regularly transferred between branches with a span of 18-21 months; and - development of internal processes to restrict loan disbursements to inactive Members. Further details of our preventive and other controls are set out below: - branch staff perform a Loan Utilization Check ("**LUC**") for every loan disbursed; and - the internal audit staff, on a test basis, verifies loan documents and performs random LUCs for loans disbursed The net impact of frauds is approximately 0.002% (as compared to 0.02% in the previous year) of the total amount disbursed by our Company during the Financial Year 2015. Our Company is working towards further reducing this percentage by making process improvements, obtaining adequate insurance cover and by increasing engagements and opportunities for direct contact with our Members. During the Financial Year 2015, our Company has recovered an amount of ₹4.0 million against fraud amount written off in previous

S. No.	Auditors Comments	Our Company's Response
		years

Financial Year 2014

S.No.	Auditors Comments	Our Company's Response
1	The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has not incurred cash loss during the financial year. In the immediately preceding financial year, the Company had incurred cash loss.	For the Financial Year 2014, our Company had a net profit of ₹698.5 million compared to a net loss ₹2,971.4 million for the Financial Year 2013 and a net loss of ₹13,606.0 million for the Financial Year 2012. Our Company reported profits for six consecutive quarters and for the Financial Year 2014. Our Company obtained incremental drawdowns (including securitizations and assignments) of ₹ 3,5031.5 million during the Financial Year 2014, an increase of 22% compared to the Financial Year 2013. This aided higher disbursements and our Company registered a growth of 41% in our loan portfolio outside Andhra Pradesh and Telangana to ₹28,368.2 million as of March 31, 2014. Our Company had a net worth of ₹4,592.1 million after adjusting the accumulated losses and its capital adequacy was 27.2% (capital adequacy without RBI dispensation for the provisioning with respect to Andhra Pradesh and Telangana was 20.7%), as of March 31, 2014.
2.	The Auditors were informed that during the year there were instances of cash embezzlements by the employees of the Company aggregating ₹9,285,788; loans given to non-existent borrowers on the basis of fictitious documentation created by the employees of the Company aggregating ₹6,260,275; and misrepresentation by certain borrowers for obtaining loans aggregating ₹387,900. As informed, services of employees involved have been terminated and the Company is in the process of taking legal action against the employees and the borrowers. The outstanding balance (net of recovery) aggregating ₹8,423,073 has been written off.	Fraud is an inherent risk in the business our Company operates in, since the transactions are cash-based with our Borrowers. In case of cash embezzlements, our Company has recovered an amount of ₹5.4 million, including proceeds from insurance. Cash embezzlement was 0.02% of disbursement during the Financial Year 2014. To mitigate this risk to a large extent, we put in place several preventive control measures as under: - procuring indemnity bond from every field staff, with personal guarantee of a third person; - every bank transaction (deposit or withdrawal) is required to be executed by a minimum of two employees, comprising a bank signatory and a confirmed staff; - the strongbox at every branch is controlled by two keys held by two different employees in the branch; - managerial staff conduct surprise visits at hours when employees are engaged in cash or bank transactions; and - minimizing the cash balances at various branches to the lowest level possible (cash in excess of ₹20,000 is required for next day disbursement). We have instituted several other controls, such as: - daily employee-wise reconciliations of cash balances by managerial employees at each branch; and - frequent surprise visits by accountants and internal auditors, including verification of physical cash and bank balances. We undertook the following actions in cases pertaining to fraud: - termination of service of all employees involved in cash

S.No.	Auditors Comments	Our Company's Response
		embezzlements; - appropriate legal action pursued against errant employees; - recovering embezzled money from errant employees; and - fidelity insurance to minimize the losses against cash embezzlements. In the case of loans given to non-existent or fictitious borrowers, our Company has recovered an amount of ₹2.1 million, including proceeds from insurance. These cases constitute 0.01% of disbursement during the Financial Year 2014. We have set up various preventive or control measures in the loan process to mitigate the risk of loans to non-existent borrowers or fictitious borrowers: - all the loans disbursed are passed through a checker control system, where loans processed by a *Sangam* manager are first approved by a branch manager or an assistant branch manager; - in order to prevent collusion with local residents, *Sangam* managers are deployed away from their home towns; - half yearly employee rotation ensures that *Sangam* managers manage different centers at the end of every six months; - *Sangam* managers are regularly transferred in a span of twelve months; and - development of internal processes to restrict loan disbursements to inactive Members. Further details of our preventive and other controls are set out below: - managerial employees at the branch perform a Loan Utilization Check for every loan disbursed; and - the internal audit staff, on a test basis, verifies loan documents and performs random LUCs for loans disbursed The net impact of frauds is approximately 0.02% (as compared to 0.06% in the previous year) of the total amount disbursed by our Company during the Financial Year 2014. Our Company is working towards further reducing this percentage by making process improvements, obtaining adequate insurance cover and by increasing engagements and opportunities for direct contact with our Members. During the Financial Year 2014, our Company has recovered an amount of ₹7.4 million against fraud amount written off in previous years.

Financial Year 2013

S.No.	Auditor's Comment	Our Company's Response
1.	The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth and it has incurred cash losses in the current financial and immediately preceding	During the Financial Year 2013, our Company incurred a net loss of ₹2,971.4 million compared to ₹13,606.0 million for the Financial Year 2012, primarily due to write-offs and provisioning on our Andhra Pradesh and Telangana loan portfolio. However, our Company reported profits for the quarters ended December 31, 2012 and March 31, 2013 after seven consecutive quarters of losses, due to

S.No.	Auditor's Comment	Our Company's Response
	financial year.	the effect of the Andhra Pradesh and Telangana microfinance crisis and on the field operations in Andhra Pradesh and Telangana. Our Company fully wrote-off or provided for loans outstanding in Andhra Pradesh and Telangana during Financial Years 2012 and 2013. With these write off and provisions, our Company has fully provided for its exposure in Andhra Pradesh and Telangana. The total provisions and write-offs of ₹12,382.2 million on our Andhra Pradesh and Telangana loan portfolio during the Financial Year 2012 and the Financial Year 2013 contributed primarily to the losses reported by our Company for the Financial Years 2013 and 2012. The total provisions and write-offs of ₹14,179.1 million made during the Financial Year 2012 and the Financial Year 2013 exceed the accumulated losses of ₹13,484.4 million at the end of the financial year. Our Company had a net worth of ₹3,903.9 million after adjusting the accumulated losses and its capital adequacy was 33.9% (capital adequacy without RBI dispensation for provisioning with respect to Andhra Pradesh and Telangana is 20.6%) as on March 31, 2013. With regulatory clarity and resumption of bank lending to the MFI sector, though selectively, our Company obtained incremental debt (including securitizations and assignments) of ₹28,746.7 million during the Financial Year 2013, which was nearly two times of ₹14,844.8 million, which was obtained during the Financial Year 2012. This aided higher disbursements and our Company registered a growth of 52.7% in our loan portfolio outside Andhra Pradesh and Telangana during the Financial Year 2013 from ₹13,199.6 million as of March 31, 2012 to ₹20,155.5 million as of March 31, 2013. However, there was a reduction in average outside Andhra Pradesh and Telangana gross portfolio outstanding for the Financial Year 2013, which resulted in lower revenue and cash losses for the Financial Year 2013. Cost control measures such as consolidation of branches and headcount rationalization, initiated by our Company in the Financial Year 2013, resulted in a decrease of 35% in our operating expenses. Our Company expects that growth in the loan portfolio outside Andhra Pradesh and Telangana, aided by higher levels of funding and cost optimization initiatives undertaken by our Company, may result in future earnings and profitability.
2.	The auditors have been informed that during the year there were instances of cash embezzlements by the employees of the Company aggregating ₹12,762,403; loans given to non-existent borrowers on the basis of fictitious documentation created by the employees of the Company aggregating ₹8,332,870; and misappropriation of cash by an external party amounting to ₹455,000. As informed, investigations are in progress and the services of such employees involved have been terminated and the Company is in the process of taking legal action. The outstanding balance (net of recovery) aggregating ₹18,403,555 has been written off.	In case of cash embezzlements, our Company has recovered an amount of ₹1.7 million, including proceeds from insurance. Cash embezzlement was 0.04% of disbursement during the Financial Year 2013. To mitigate this risk to a large extent, we put in place several preventive control measures as under: - procuring indemnity bond from every field staff, with personal guarantee of a third person; - every bank transaction (deposit or withdrawal) is required to be executed by a minimum of two employees, comprising a bank signatory and a confirmed staff; - the strongbox at every branch is controlled by two keys held by two different employees in the branch; - managerial staff conduct surprise visits at hours when employees are engaged in cash or bank transactions; and - minimizing the cash balances at various branches to the lowest level possible (cash in excess of ₹20,000 is required

S.No.	Auditor's Comment	Our Company's Response
		for next day disbursement). We instituted several other controls, as follows: - daily employee-wise reconciliations of cash balances by managerial employees at each branch; and - frequent surprise visits by accountants and internal auditors, including verification of physical cash and bank balances. We undertook the following action in cases pertaining to fraud: - termination of service of all employees involved in cash embezzlements; - appropriate legal action pursued against errant employees; - recovering embezzled money from errant employees; and - fidelity insurance to minimize the losses against cash embezzlements. In the case of loans given to non-existent or fictitious borrowers, our Company has recovered an amount of ₹0.9 million in such cases, including proceeds from insurance. These cases constitute 0.03% of disbursement during the Financial Year 2013. We instituted the following preventive and control measures in the loan process to mitigate the risk of loans to non-existent or fictitious borrowers: - all the loans disbursed pass through a checker control system, wherein loans processed by a *Sangam* manager are first approved by a branch manager or an assistant branch manager; - in order to prevent collusion with local residents, *Sangam* managers are deployed away from their home towns; - half yearly employee rotation ensures that *Sangam* managers manage different centers at the end of every six months; - *Sangam* managers are regularly transferred in a span of nine months; and - development of internal processes to restrict loan disbursements to inactive Members. Further details of preventive and other controls at our Company as are follows: - managerial employees at the branch perform a LUC for every loan disbursed; and - the internal audit staff, on a test basis, verifies loan documents and performs random LUCs for loans disbursed. The net impact of fraud is 0.06% (as compared to 0.51% for the Financial Year 2012) of the total amount disbursed by our Company during the Financial Year 2013. Our Company is working towards further reducing this percentage by making process improvements, obtaining adequate insurance cover and by increasing engagements and opportunities for direct contact with Members. Our Company had recovered an amount of ₹13.5 million against fraud amounts written

S.No.	Auditor's Comment	Our Company's Response
		off in previous years.

Financial Year 2012

S.No.	Auditors Comments	Our Company's Response
.	The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth and it has incurred cash losses in the current financial year. The Company had not incurred any cash losses in the immediately preceding financial year.	Due to the impact of the A.P. MFI Act on the field operations in Andhra Pradesh and Telangana, our Company had written off substantial part of the loans outstanding in the state during the Financial Year 2012. Our Company had reduced its net exposure in Andhra Pradesh and Telangana to ₹2,359.9 million as of March 31, 2012 from ₹13,031.7 million as of March 31, 2011. The net exposure is after provisions and write-offs of ₹10,071.8 million on our Andhra Pradesh portfolio and Telangana during the Financial Year 2012, which have contributed primarily to the losses reported by our Company for the first time in its history. Notably, the total provisions and write-offs of ₹11,734.9 million made during the Financial Year 2012 exceed the accumulated losses of ₹10,513.0 million at the end of the financial year. Our Company had a net-worth of ₹4,346.8 million after adjusting the accumulated losses and capital adequacy was 35.4 percent. The regulatory uncertainty created by the A.P. MFI Act led to reduced bank lending to the microfinance companies, including our Company resulting in a decline in the outside Andhra Pradesh and Telangana outstanding loan portfolio during the first three quarters of the Financial Year 2012. Subsequent to the implementation of the NBFC-MFI Directions, our Company accessed additional funds in the fourth quarter of Financial Year 2012, resulting in quarter-on-quarter growth in the loan portfolio outside Andhra Pradesh and Telangana. However, lower revenues, due to the reduction in the outside Andhra Pradesh and Telangana portfolio over the full year, coupled with less than proportionate decrease in expenses, resulted in losses in the Financial Year 2012. To control costs, our Company had initiated several measures and also steps to ensure that our Andhra Pradesh and Telangana operations are cash neutral.
2.	The Auditors were informed that during the year there were instances of cash embezzlements by the employees of the Company aggregating ₹25,091,317; and loans given to nonexistent borrowers on the basis of fictitious documentation created by the employees of the Company aggregating ₹133,313,975. The services of all such employees involved have been	In case of cash embezzlements, our Company has recovered an amount of ₹10.9 million, including insurance proceeds. Cash embezzlement is 0.09% of disbursement during the Financial Year 2012. To mitigate this risk to a large extent, we put in place several preventive control measures as under: - procuring indemnity bond from every field staff, with personal guarantee of a third person; - every bank transaction (deposit or withdrawal) is required to

S.No.	Auditors Comments	Our Company's Response
	terminated and the Company is in the process of taking legal action. The outstanding balance (net of recovery) aggregating ₹142,440,656 has been written off.	be executed by minimum of two staff comprising a bank signatory and a confirmed staff; - the strongbox at every branch is controlled by two keys and the keys are held by two different employees in the branch; - surprise visits are conducted by managerial employees, at the time of carrying out cash or bank transactions by field employees; - minimizing the cash balances at various branches to the lowest level possible (cash in excess of ₹50,000 is required for next day disbursement). We have instituted several other controls, such as : - employee-wise daily reconciliation of cash balances by the managerial employees at each branch; and - frequent surprise visits by accountants and internal auditors, which covers verification of physical cash and bank balances. We undertook following action in such cases: - terminating services of all the employees involved in cash embezzlements and taking legal action against them; and - recovering money from such employees Also, our Company has taken fidelity insurance to minimize the losses from cash embezzlements. In case of loans given to non-existent or fictitious borrowers, our Company has recovered an amount of ₹7.4 million against these cases, including proceeds from insurance. These cases are 0.49% of disbursement during the Financial Year 2012. We have instituted the following preventive control measures in our loan process to mitigate the risk of loans to non-existent or fictitious borrowers: - all the loans disbursed have a maker or checker control, where all the loans processed by a *Sangam* manager are approved by a branch manager or an assistant branch manager; - *Sangam* managers are not deployed in their home towns, so as to prevent collusion with the local residents; - employee rotation every half year, wherein the *Sangam* managers manage different centers at the end of every half year; - transfer of *Sangam* manager and branch manager in a span of nine to 12 months; - developed internal processes to restrict loan disbursements to inactive Members. We also instituted the following other controls: - the branch managerial employees perform LUC for every loan disbursed; and - internal audit team, on a test basis, verifies the loan

S.No.	Auditors Comments	Our Company's Response
		documents and performs LUCs for the loans disbursed. We undertook the following actions in cases pertaining to fraud: - terminating services of all the employees involved in fraudulent loan transactions and taking legal action against them; and - recovering money from such employees. The net impact of fraud was 0.51% of the total amount disbursed during the Financial Year 2012. Our Company is working towards reducing this percentage to the least possible by making process improvements, covering the loss by having an adequate insurance policy and by increasing opportunities for direct contact with our Members. During the Financial Year 2012, our Company has recovered an amount of ₹13.0 million against fraud amount written off in previous years.

SELECTED STATISTICAL INFORMATION

The following information should be read together with our Audited Financial Statements and our Unaudited Condensed Financial Statements included in this Placement Document as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations." The amounts presented in this section are based on our financial statements prepared in accordance with Indian GAAP or internally generated unaudited statistical data.

Operational Metrics

Particulars	As of and for the Three Months Ended June 30,	As of and for the Financial Year Ended March 31,		
	2016	2016	2015	2014
Number of branches	1,368	1,324	1,268	1,255
Number of branches - outside Andhra Pradesh and Telangana	1,235	1,191	1,135	1,139
Number of states where our operations are focused	16	18	16	15
Number of districts	333	323	314	294
Number of centers (*Sangam*) - outside Andhra Pradesh and Telangana^	193,393	175,774	156,457	157,511
Number of employees	14,559	11,991	9,698	8,932
Loan officers, i.e., *Sangam* Managers	7,914	6,884	5,286	5,259
Loan officers, i.e., *Sangam* Managers - outside Andhra Pradesh and Telangana	7,379	6,323	4,638	4,521
Trainee assistants	2,103	1,008	777	281
Branch management staff	2,708	2,576	2,266	2,191
Area office managers	231	155	99	85
Regional office staff	1,138	1,066	988	865
Head office staff	465	302	282	251
Number of Members^	6,645,149	6,974,298	6,401,754	5,783,396
Number of Members - outside Andhra Pradesh and Telangana^	5,657,496	5,565,869	4,482,155	3,863,547
Number of Borrowers^	5,896,406	5,808,975	5,325,244	4,963,046
Number of Borrowers - outside Andhra Pradesh and Telangana^	5,094,658	4,636,669	3,648,219	3,261,652
Number of loans disbursed^	2,248,854	8,051,563	5,620,912	4,133,043
Disbursements (₹ in millions)^	37,686.0	120,877.9	68,908.0	47,876.5
Gross outstanding loan portfolio (₹ in millions)	84,687.5	76,879.7	41,845.3	31,128.4
Loans outstanding (₹ in millions)	62,329.0	49,765.5	29,241.4	17,206.5
Securitized and assigned loans (₹ in millions)	14,937.2	20,229.3	9,184.6	11,583.0
Managed loans (₹ in millions)	7,421.3	6,885.0	3,419.4	2,338.8
Gross outstanding loan portfolio (₹ in millions) - outside Andhra Pradesh and Telangana	84,630.3	76,768.8	41,712.2	28,368.2
Loans outstanding – outside Andhra Pradesh and Telangana (₹ in millions)	62,271.8	49,654.6	29,108.3	15,276.7
Securitized and assigned loans – outside Andhra Pradesh and Telangana (₹ in millions)	14,937.2	20,229.3	9,184.6	10,752.7
Managed loans – outside Andhra Pradesh and Telangana (₹ in millions)	7,421.3	6,885.0	3,419.4	2,338.8
Ratio of disbursements to the number of loans disbursed^ (₹)	16,758	15,013	12,259	11,584
Ratio of the gross outstanding loan portfolio to the number of Borrowers (₹) - outside Andhra Pradesh and Telangana	16,612	16,557	11,434	8,698
Ratio of the gross outstanding loan portfolio to the number of *Sangam* Managers (₹ in millions) - outside Andhra Pradesh and Telangana	11.5	12.1	9.0	6.3
Ratio of Borrowers to the number of branches - outside Andhra Pradesh and Telangana	4,125	3,893	3,214	2,864
Ratio of Borrowers to the number of *Sangam* Managers - outside Andhra Pradesh and Telangana	690	733	787	721

Gross outstanding loan portfolio (GLP) includes securitized, assigned and managed loans.

^ *Includes managed loans.*

Loans Outstanding in Various States

Set forth below are aggregate loans outstanding in various states of India, as of June 30, 2016.

State	Total Portfolio including loans provided as credit enhancement towards securitized loans (₹ in millions)	Securitized, Assigned and Managed Loans (₹ in millions)	Gross Loan Portfolio (₹ in millions)	% of Gross Loan Portfolio
Odisha	11,358.5	3,098.8	14,457.3	17.1%
Karnataka	7,128.1	4,577.9	11,706.0	13.8%
Maharashtra	4,520.0	5,868.9	10,388.9	12.3%
Bihar	8,076.8	1,719.9	9,796.7	11.6%
West Bengal	7,425.5	1,116.1	8,541.6	10.1%
Uttar Pradesh	6,492.0	1,487.7	7,979.7	9.4%
Kerala	3,615.1	1,110.7	4,725.8	5.6%
Madhya Pradesh	3,427.9	970.4	4,398.2	5.2%
Rajasthan	3,326.2	762.5	4,088.7	4.8%
Jharkhand	2,810.2	657.6	3,467.8	4.1%
Haryana	1,348.7	282.0	1,630.7	1.9%
Punjab	1,081.0	259.0	1,339.9	1.6%
Chhattisgarh	814.4	241.7	1,056.1	1.2%
Uttarakhand	694.5	193.5	888.0	1.0%
Himachal Pradesh	81.5	4.3	85.8	0.1%
Delhi	71.5	7.6	79.1	0.1%
Andhra Pradesh & Telangana	57.1	-	57.1	0.1%
Total	**62,329.0**	**22,358.5**	**84,687.5**	**100.0%**

Break-up of Loans Outstanding based on Economic Activity of Borrowers

Set forth below are details of our total outstanding loan portfolio classified according to our Borrowers' principal economic activity, as of June 30, 2016.

Economic activity	Total Portfolio including loans provided as credit enhancement towards securitized loans (₹ in millions)	Securitized, Assigned and Managed Loans^ (₹ in millions)	Gross Loan Portfolio (₹ in millions)	% of Gross Loan Portfolio
Livestock	20,725.2	7,133.5	27,858.7	32.9%
Tailoring, Cloth Weaving	6,740.1	2,284.5	9,024.6	10.7%
Grocery stores and other Retail outlets	6,216.2	2,088.4	8,304.6	9.8%
Agriculture	5,899.9	1,750.1	7,650.0	9.0%
Trading of Vegetable & fruits	4,245.4	1,619.4	5,864.8	6.9%
Masonry, Painting, Plumbing, Electrician, Carpenter and related	3,557.3	1,803.2	5,360.6	6.3%
Other Income Generating activities	3,904.7	1,427.2	5,332.0	6.3%
Vehicle Repairs	2,775.7	1,252.9	4,028.6	4.8%
Eateries	2,322.1	1,104.2	3,426.4	4.0%
Trading of Agri commodities	1,857.9	998.0	2,855.9	3.4%
Garments & Footwear Retailing	1,594.5	420.1	2,014.6	2.4%
Trading of Utensils, Plastic Items	533.4	131.7	665.1	0.8%
Bangle Shop	423.7	168.0	591.7	0.7%
Scrap Business	400.2	177.1	577.4	0.7%
Productivity Loans^	1,126.1	-	1,126.1	1.3%
Two-wheelers	2.4	-	2.4	0.0%
Gold Loans	4.1	-	4.1	0.0%
Total	**62,329.0**	**22,358.5**	**84,687.5**	**100.0%**

^ *Productivity loans include mobile phones loans, solar lamps loans, sewing machines loans, bicycle loans, water purifier loans, bio-mass stove loans, mixer-grinder loans and healthcare loans.*

Recovery Rate

Set forth below are details of recoveries for the three months ended June 30, 2016, March 31, 2016, December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015.

State	Three months ended June 30, 2016 (%)	Three months ended March 31, 2016 (%)	Three months ended December 31, 2015 (%)	Three months ended September 30, 2015 (%)	Three months ended June 30, 2015 (%)	Three months ended March 31, 2015 (%)	Total Outstanding Loan Portfolio as of June 30, 2016 (₹ in millions)	Gross Loan Portfolio as of June 30, 2016 (₹ in millions)	Net Outstanding Loan Portfolio^ Outstanding as of June 30, 2016 (₹ in millions)
Odisha	99.8	99.8	99.8	99.8	99.8	99.8	11,358.5	14,457.3	14,315.6
Karnataka	99.9	99.8	99.8	99.8	99.7	99.7	7,128.1	11,706.0	11,588.0
Maharashtra	99.9	99.9	99.9	99.8	99.8	99.8	4,520.0	10,388.9	10,284.7
Bihar	99.9	99.8	99.8	99.8	99.8	99.8	8,076.8	9,796.7	9,700.5
West Bengal	99.9	99.8	99.7	99.6	99.7	99.8	7,425.5	8,541.6	8,457.0
Uttar Pradesh	99.7	99.7	99.7	99.7	99.7	99.7	6,492.0	7,979.7	7,896.2
Kerala	99.9	99.8	99.8	99.8	99.8	99.9	3,615.1	4,725.8	4,678.9
Madhya Pradesh	99.7	99.6	99.3	99.4	99.6	99.8	3,427.9	4,398.2	4,354.2
Rajasthan	99.9	99.8	99.7	99.7	99.7	99.8	3,326.2	4,088.7	4,048.5
Jharkhand	99.8	99.8	99.7	99.7	99.8	99.7	2,810.2	3,467.8	3,433.9
Haryana	99.9	99.7	99.7	99.7	99.7	99.7	1,348.7	1,630.7	1,614.5
Punjab	99.9	99.8	99.7	99.7	99.7	99.8	1,081.0	1,339.9	1,326.7
Chhattisgarh	99.9	99.9	99.9	99.8	99.8	99.8	814.4	1,056.1	1,045.7
Uttarakhand	99.3	99.5	99.6	99.7	99.7	99.7	694.5	888.0	878.1
Himachal Pradesh	99.6	99.6	99.8	99.8	99.8	99.8	81.5	85.8	84.9
Delhi	99.8	99.6	99.6	99.4	-	-	71.5	79.1	78.3
Andhra Pradesh & Telangana#	99.5	99.6	99.7	99.6	99.6	99.4	57.1	57.1	56.6

 # Relates only to new loans disbursed in Andhra Pradesh and Telangana from April 1, 2013 onwards.

^ Net outstanding loan portfolio is arrived after deducting provisions made and loss booked on securitized and managed loans from the Gross Loan Portfolio outstanding.

Financial Metrics

Yield Analysis

Set forth below is yield analysis with the help of average gross outstanding loan portfolio, or "Average GLP". Average GLP is computed as an average of the quarterly balances of the total outstanding loan portfolio and assigned loans outstanding.

Particulars	Definitions	For the three months ended June 30,	Financial year	
		2016 (%)	2016 (%)	2015 (%)
Gross yield (I)	Total income / Average GLP	20.5	23.3	23.9
Portfolio yield* (A)	Portfolio income / Average GLP	17.5	19.9	19.5
Financial cost ratio (B)**	Financial cost / Average GLP	6.7	8.5	8.3
NIM on portfolio (A-B)	Portfolio yield minus finance cost	10.8	11.3	11.2
Operating expenses ratio (C)^	Operating expenses / Average GLP	6.3	7.1	9.5
Loan loss ratio (D)	Loan loss provision / Average GLP	0.6	0.7	0.3
Taxes (E)	Tax expense / Average GLP	1.6	1.6	0.2
Total expense ratio (II) = (B)+(C)+(D)+(E)	Total expense / Average GLP	15.2	17.9	18.3
Return on risk assets (I)-(II)	Profit after tax / Average GLP	5.3	5.3	5.6

* *Portfolio income is the interest income on portfolio loans, Excess interest spread on securitization / income from assignment and service provider fees under business correspondence.*

** *Includes interest expense, loan processing fees and bank charges on borrowings but excludes the cost of equity.*

^ *Operating expenses include employee benefit expenses, depreciation and other operating expenses.*

Notes:

1. The decrease in gross yield for the three months ended June 30, 2016 and for financial year 2016 is primarily due to reduction in interest rates. For further details, see "Business – Description of Our Business" for a discussion of the interest rates and processing fees on our loan products.

2. Tax expenses as percentage of gross loan portfolio for the three months ended June 30, 2016 is calculated excluding MAT credit entitlement of ₹1,287.4 million.

3. The operating expenses decreased by 2.4% from 9.5% for the financial year 2015 to 7.1% for the financial year 2016 owing to our cost optimization initiatives. The average gross outstanding loan portfolio increased by 68.6% from ₹33,629.2 million for the financial year 2015 to ₹56,704.3 million for the financial year 2016.

Profit and Loss and Balance Sheet ratios

Particulars	Definitions	For the three months ended June 30,	Financial year	
		2016	2016	2015
Cross sale fees income (%)	Ratio of cross sale fees income to the total income	3.6	3.8	3.6
Cost to income (%)	Ratio of operating expenses* to the total income net of financial expenses	45.7	48.3	61.1
Return on average equity (%)	Ratio of profit after tax to the average net worth (based on quarterly balances for the three months ended June 30, 2016, for the financial years 2016 and 2015)	28.5	25.1	21.6
Return on average Assets # (%)	Ratio of profit after tax to the average assets (based on quarterly balances for the three months ended June 30, 2016, for the financial years 2016 and 2015)	4.3	4.2	4.3
Basic EPS	Ratio of profit after tax to the number of Equity Shares^	18.52	23.90	15.22
Diluted EPS	Ratio of profit after tax to the number of Equity Shares (diluted)^	18.29	23.58	15.04
Book Value per Share (₹)	Ratio of net worth to the number of Equity Shares as of year end	127.5	108.6	82.9
Gross NPA (%)	Ratio of gross NPA to the total outstanding loan portfolio	0.1	0.1	0.1
Gross NPA (%) – outside Andhra Pradesh and Telangana	Ratio of gross NPA to the total outstanding loan portfolio outside Andhra Pradesh and Telangana	0.1	0.1	0.1
Net NPA (%)	Ratio of net NPA to the total outstanding loan portfolio	0.03	0.04	0.05
Net NPA (%) – outside Andhra Pradesh and Telangana	Ratio of net NPA to the total outstanding loan portfolio outside Andhra Pradesh and Telangana	0.03	0.04	0.05
Debt to equity	Ratio of loan funds to the net worth	3.3	3.7	3.1
Capital risk to assets ratio (%)	Ratio of total capital to the total risk weighted assets	23.24	23.07	31.69

* *Operating expenses include employee benefit expenses, depreciation and operating and other expenses.*

^ *Weighted average number of equity shares outstanding during the year.*

 # Return on average Assets ratios includes securitized, assigned and managed loans.

Notes:

1. The ratio of costs to income during the period ended June 30, 2016 and for the financial year 2016 has decreased substantially due to reduction in operating expenses owing to our cost optimization initiatives and increase in interest income due to an increase in our average outstanding loan portfolio in states other than Andhra Pradesh and Telangana.

2. Return on average equity and return on average assets ratios for the three months ended June 30, 2016 are calculated excluding MAT credit entitlement of ₹1,287.4 million.

Asset Liability Management

Set forth below is an analysis of the maturity profile of our interest bearing assets and interest bearing liabilities across different time periods, as of June 30, 2016.

Days	0-30	31-90	91-180	181-365	Greater than 365	Total
ASSETS						
Cash & cash equivalents (₹ in millions)	7,700.0	144.8	276.1	755.2	1,716.0	10,592.0
Loans, net of provision (₹ in millions)	6,921.0	14,264.2	19,447.1	17,480.8	3,590.1	61,703.2
Total assets (₹ in millions)	14,620.9	14,409.0	19,723.2	18,236.0	5,306.1	72,295.2
As % of total assets	20.2%	19.9%	27.3%	25.2%	7.3%	100.0%
LIABILITIES						
Borrowings (₹ in millions)	4,314.7	4,814.1	7,536.8	13,599.7	23,328.4	53,593.7
Total liabilities (₹ in millions)	4,314.7	4,814.1	7,536.8	13,599.7	23,328.4	53,593.7
As % of total liabilities	8.1%	9.0%	14.1%	25.4%	43.5%	100.0%
Positive/(Negative) mismatch of assets over liabilities (₹ in millions)	10,306.2	9,594.9	12,186.4	4,636.3	(18,022.3)	18,701.5

INDUSTRY OVERVIEW

Unless otherwise indicated, the information in this section has been derived from publicly available documents, including information published by the Government of India and the RBI, and has not been prepared or independently verified by our Company, the Lead Managers or any of their respective affiliates or advisers connected with the Issue, and none of these parties makes any representation as to the accuracy of this information. Industry sources and publications are also prepared based on information and estimates as of specific dates. Consideration should be given to the rapidly changing business and regulatory environment of the microfinance industry, and such information and estimates may vary, may no longer reflect the current position, and may not be consistent with other information compiled within or outside India. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured, and, accordingly, investment decisions should not be based on such information.

Overview of the Microfinance Industry in India

The RBI master circular on microcredit, dated February 14, 2011, defines microcredit as the provision of thrift, credit and other financial services and products of very small amounts to the low-income groups in rural, semi-urban and urban areas to enable them to raise their income levels and improve their living standards.

The Malegam Committee Report, dated January 19, 2011 by the Malegam Committee formed by the Board of Directors of the RBI (see "Regulations and Policies") defined microfinance as an economic development tool to assist the low-income groups by providing to them a spectrum of services, including provision of credit, savings, insurance, money transfer and counseling services. The microfinance sector provides credit to that section of society that is unable to obtain credit at reasonable rates from traditional sources. The report further emphasized that easy access to credit is more important for such sectors of society than lower cost of credit. Essential features of microfinance include: (a) the borrowers are low-income groups; (b) the loans are for small amounts; (c) the loans are without collateral; (d) the loans are generally taken for income-generating activities, although in some circumstances, loans are provided for consumption, housing and other purposes; (e) the tenure of the loans is short; and (f) the frequency of repayments is greater than for traditional commercial loans. The report also observed that, given the imperfect market in which the sector operates and the small size of individual loans, high transaction costs are unavoidable, but these transaction costs can be reduced through economies of scale. However, increases in scale cannot be achieved, either for individual operations or the sector as a whole, in the absence of cost recovery and profit incentives.

Key Players in the Microfinance Sector

The key players in the Indian microfinance sector fall into the following three main groups:

(a) Self-help groups ("**SHGs**") – a bank linkage model, or the SBLP model, accounting for about 51.4% of outstanding microfinance loans, as of March 31, 2015;

(b) non-banking finance companies or microfinance institutions ("**MFIs**"), accounting for about 42.8% of outstanding microfinance loans, as of March 31, 2015; and

(c) Others, including trusts and societies, accounting for the remaining 5.8% of outstanding microfinance loans, as of March 31, 2015.

*(Source: Bharat Microfinance Report 2015 by Sa-Dhan, a micro-finance industry group in India (the "**Sa-Dhan Report 2015**"))*

According to the Malegam Committee Report, the MFI model has gained significant momentum in India in recent years and continues to grow as a viable alternative to the SBLP model and other traditional means of credit. MFI growth is supported by factors such as deeper reach and informal approach, simpler and less time-consuming procedures, and comfort of banks in dealing with MFIs to meet priority sector targets, including through bank investment in securitized instruments issued by MFIs. The Malegam Committee Report considered the credit provided by banks to MFIs as an important link in the scheme of financial inclusion.

The MFI Model

MFIs can largely be classified into two types: for-profit organizations and not-for-profit organizations. Organizations under a host of different legal forms may be covered under the MFI model, including trusts, societies, co-operatives, non-profit NBFCs registered under Section 25 of the Companies Act, 1956, and for-profit MFIs registered with the RBI as NBFC-MFIs. For-profit MFIs have achieved a majority of the market share, both by clients and total outstanding loan portfolio. According to the Sa-Dhan Report 2015, for-profit MFIs accounted for 85.2% of all clients and approximately 88.1% of outstanding loans as of March 31, 2015.

MFIs and Market Share

Based on the gross loan portfolio figures reported by the Microfinance Institutions Network ("**MFIN**"), a Self-Regulatory-Organization ("**SRO**") in the financial services sector recognized by RBI that regulates NBFC-MFIs to ensure responsible lending and client protection, the top five MFIs in 2016 were Janalakshmi Financial Services Limited ("**Janalakshmi**"), our Company, Ujjivan Financial Services Limited ("**Ujjivan**"), Equitas Micro Finance Limited ("**Equitas**") and Satin Creditcare Network Limited ("**Satin**"). As of March 31, 2016, the top five MFIs accounted in aggregate for approximately 54% of the gross loan portfolio of all MFIs outside of Andhra Pradesh and Telangana.

MFIs	Gross Loan Portfolio Outside Andhra Pradesh and Telangana (₹ in billions)		Growth (%)
	March 31, 2015	March 31, 2016	Y-O-Y
Bharat Financial Inclusion Ltd*	41.71	76.77	84%
Total – Top 5 MFIs	154.64	285.69	85%
Total – 56 MFIs	288.62	531.51	84%
Share of Top 5 MFIs (%)	54%	54%	-

** Company Data (outside the states of Andhra Pradesh and Telangana)*

*(Source: Except as otherwise indicated, Micrometer March 2016 – quarterly analysis of the Indian microfinance industry's performance published by Microfinance Institutions Network ("**MFIN**"), including Ujjivan data as of September 30, 2015 and Satin data as of December 31, 2015)*

MFIs: Branches, Districts and Borrowers

Based on data reported by the MFIN as of March 31, 2016, the top five MFIs had the following numbers of branches and borrowers, with presence in the following districts:

MFIs	Relevant Data Outside Andhra Pradesh and Telangana as of March 31, 2016		
	Number of Branches	Number of Districts	Number of Borrowers (in millions)
Bharat Financial Inclusion Ltd*	1,191	305	4.64
Janalakshmi	341	227	4.62
Ujjivan	469	209	2.60
Equitas	397	148	2.74
Satin	364	183	1.60

* *Company Data (outside the states of Andhra Pradesh and Telangana)*

*(Source: Except as otherwise indicated, Micrometer March 2016 – quarterly analysis of the Indian microfinance industry's performance published by MFIN ("**Micrometer March, 2016**"), including Ujjivan data as of September 30, 2015 and Satin data as of December 31, 2015)*

The A.P.-MFI Act and the Andhra Pradesh Microfinance Crisis

Background of the A.P.-MFI Act

Andhra Pradesh (which was bifurcated into the states of Andhra Pradesh and Telangana in June 2014; references to Andhra Pradesh prior to the bifurcation include both present-day Andhra Pradesh and Telangana) had a unique position of leadership within the Indian microfinance industry up until 2010, evidenced by the presence of the four largest MFIs in India within the state. In March 2010, the formerly unified Andhra Pradesh accounted for more than 30% of all borrower accounts and outstanding loan portfolios of MFIs.

Even though the formerly unified Andhra Pradesh Government made significant investments in subsidizing financial inclusion through SBLP, MFIs continued to increase financing to their customers. An added feature of this high level of MFI lending in the state was low default rates with portfolio at risk being less than 1.0% for most of the MFIs. In contrast, the SBL programs reported much higher default rates.

*(Source: State of the Sector Report 2011 – 2011 edition of the State of the Sector Report on India's microfinance industry ("**State of the Sector Report 2011**"))*

The A.P.-MFI Act

On October 15, 2010, the Governor of the formerly unified Andhra Pradesh promulgated the A.P.-MFI Ordinance to protect the interests of SHGs in the formerly unified Andhra Pradesh by regulating money lending transactions by MFIs and for achieving greater transparency with respect to such transactions. Subsequently, on January 1, 2011, the Government of the formerly unified Andhra Pradesh introduced the A.P.-MFI Act. The A.P.-MFI Ordinance and the A.P.-MFI Act, among other things, provide for the registration of MFIs, impose a prohibition on security for loans provided to SHGs, require prior approval for the grant of further loans to SHGs or their members where the SHG has an outstanding loan from a bank, and require that all repayments must be made only by monthly installments at the designated offices of the formerly unified Andhra Pradesh Government. The validity of the A.P.-MFI Ordinance and the A.P.-MFI Act had been challenged by several MFIs, including our Company. For further details, see "Legal Proceedings"

Impact of the A.P.-MFI Act

The A.P.-MFI Ordinance and the A.P.-MFI Act had an immediate impact on the recoveries by MFIs. The stringent regulations set by the A.P.-MFI Act, particularly the inability to hold cluster meetings and center meetings for repayment of loans, led to a significant fall in repayment levels. Recovery rates that were as high as 99.0% plummeted to as low as 10.0% in the formerly unified Andhra Pradesh. There was no effective way by which the MFIs could enforce repayments and this became a major concern for the MFI sector in the formerly unified Andhra Pradesh.

According to studies conducted, the reluctance on the part of MFIs to issue new loans also aggravated the non-repayment situation. The results of a study conducted by MicroSave titled "How are the poor managing their affairs in the post AP-MFI crisis," as quoted in the State of the Sector Report 2011, stated that 90% of customers were generally willing to repay the loans. However, 61% cited the lack of offering of new loans as the primary reason for not repaying current loans. Other reasons included influence of media reports and a general trend of non-repayment by borrowers. Traditionally, borrowers preferred MFIs because they are able to obtain timely loans, convenient installments and comparatively lower interest rates. But in absence of availability of credit from MFIs, as found by the study, customers borrowed from other sources, reduced the scale of their businesses, postponed expenditures or sold assets. Some customers even borrowed from moneylenders at exorbitantly high interest rates.

According to the State of the Sector Report 2011, the amount of total unpaid loans extended by MFIs to around five million borrowers was approximately ₹70 billion. In the short run, this dampened credit supply and encouraged a lack of credit discipline. Given the consequences of restrictive regulatory changes and surge in non-repayments by clients, MFIs in the formerly unified Andhra Pradesh greatly reduced or stopped lending operations after November 2010.

(Source: State of the Sector Report 2011)

The Andhra Pradesh Microfinance Crisis

The fall in repayment levels, along with other reasons, led to what is commonly termed the "Andhra Pradesh microfinance crisis," which undermined the growth of the microfinance industry and existence of commercialized microfinance institutions. The crisis had an impact not only in the formerly unified state of Andhra Pradesh but also throughout India with many MFIs facing issues raising funds and expanding operations. In the formerly unified Andhra Pradesh, MFIs came to a standstill. Our Company and a few other MFIs were required to renew registration to conduct operations in the formerly unified Andhra Pradesh. Further, every loan issued to a client and each purpose of the loan was required to be individually approved by the formerly unified Andhra Pradesh Government. Data sourced from the website of Society for Elimination of Rural Poverty showed that almost all such MFI loan applications were rejected.

In addition, the formerly unified Andhra Pradesh Government had persuaded banks to step up their lending to SHGs as well as farmer groups in the state. As of March 31, 2015, 1.28 million SHGs had obtained bank loans with an aggregate outstanding balance of ₹242 billion (Source: State of Microfinance in India 2014-15, NABARD), as compared to 1.69 million SHGs with an aggregate outstanding loan balance of ₹131 billion as of March 31, 2010. In particular, Stree Nidhi Co-operative Federation Limited was established with joint ownership by the formerly unified Andhra Pradesh Government and SHG federations for the purpose of dispensing gap filling credit. The loans extended to SHGs were subsidized if certain conditions were met; on recovery, the SHG's account will be credited with the interest amounts already charged to and paid by the SHGs.

Studies had been carried out on the impact of the Andhra Pradesh crisis on microfinance clients. The Centre for Microfinance found that following the crisis period, the MFI client households have a lower number of total loans outstanding; however, the overall amount of indebtedness has increased. Contrary to the perception that household indebtedness levels would decrease due to the stoppage of lending from MFIs (who were seen to be responsible for over-indebtedness), people have been forced to borrow from informal sources such as moneylenders who charge usurious interest rates, thereby resulting in

higher median outstanding loan balances. The small increase in credit flow from formal banking institutions was unable to fill the credit gap. Similar findings were made by MicroSave in its July 2012 "Access to Credit in Andhra Pradesh Post Microfinance Crisis" study that, in the absence of lending by MFIs, the low-income groups are increasingly falling back on moneylenders and pawnbrokers for their credit needs.

In view of the situation, many enterprising individuals set up their own Daily Finance Corporations ("**DFCs**") to lend to ex-MFI clients. DFCs predominantly lend to self-employed individuals situated in urban/semi-urban areas and villages and charge interest rates ranging from 72% to 120%. Moneylenders were using the erstwhile MFI-JLG group leaders and SHG leaders as their community-level key contact persons to identify creditworthy clients for loans, and to collect repayments. Moneylenders and DFCs are generally more selective in their lending, unlike MFIs which extended loans to any person based on social collateral. The loan amount from moneylenders and DFCs is dependent on the asset profile of the client.

The results of the studies conducted demonstrated that closure of MFI operations and inability of other institutions to fill the credit gap led to increased presence of other high-cost informal lenders, which does not serve the best interests of the low-income community, the main borrowing group for the microfinance industry, in the formerly unified state of Andhra Pradesh. Having to turn to informal lending sources have led to increased costs for clients, created additional uncertainty in credit flow, reduced critical consumption and allowed for greater occurrence of coercive and abusive practices.

*(Source: Microfinance India Social Performance Report 2013 – annual publication published by Access Development Services and Sage Publishers)("***Microfinance India Social Performance Report 2013***")*

Post-Andhra Pradesh Microfinance Crisis

It is now acknowledged that the impact of the crisis remained mainly within Andhra Pradesh and Telangana, resulting in certain large MFIs with their headquarters and substantial portion of their businesses located within the state being more significantly and adversely affected. In the 12 months following August 2012, several of the big commercially oriented NBFC-MFIs had recovered their confidence as the banks began to supply funds again to MFIs. Investors regained their interest in MFIs, primarily those located outside Andhra Pradesh and Telangana, resulting in a rise in the number of investments in MFIs. The guidelines issued by the RBI also brought about a more orderly manner of operation for MFIs which improved the credibility of the MFI sector as an industry with greater transparency and less risk.

The situation for the NGO-MFI sector, also referred to as the non-profit or community-based microfinance sector, appears to be different. Many sector leaders believe that in the current scenario, these MFIs, the majority of which are small and local in terms of their operational focus, will not fare as well. As the focus is almost completely concentrated on the 'regulated' NBFC sector, NGO-MFIs are generally struggling to recover.

Notwithstanding the foregoing, several prominent Andhra Pradesh and Telangana-based MFIs other than our Company, have continued to experience negative or negligible business growth in Andhra Pradesh and Telangana, despite expiration in June 2013 of the moratorium for loan repayment granted by the banks as part of an earlier loan restructuring deal. In July 2013, five troubled MFIs – Bhartiya Samruddhi Finance Limited ("**BASIX**"), Spandana, Share, Asmitha Microfin Limited and Trident Microfin Private Limited, sought RBI's permission for a second round of loan restructuring, which was subsequently turned down.

*(Source: State of the Sector Report 2013 – 2013 edition of the State of the Sector Report on India's microfinance industry ("**State of the Sector Report 2013**"))*

The Microfinance Industry in Andhra Pradesh and Telangana

As of October 2010, the ten largest MFIs in the formerly unified Andhra Pradesh had a total outstanding loan balance of approximately ₹108.9 billion, and approximately 80% of this loan portfolio was funded by banks and financial institutions. Faced with loan loss provisions to the extent of about ₹75.0 billion in respect of their lending to MFIs, banks were instrumental in developing a corporate restructuring package ("**CDR**") in respect of their larger MFI exposures. The restructured loans carried a rate of interest of 12.0% and were to be repaid by the MFIs over seven years after a one-year moratorium period. Certain small and mid-sized MFIs, which were ineligible for CDR, are now facing bankruptcy with some having ceased their operations. *(Source: State of the Sector Report 2011)* Our Company was the only MFI among the large MFIs operating in the formerly unified Andhra Pradesh to not seek any assistance under the CDR mechanism.

MUDRA

In his budget speech for fiscal year 2015-2016, India's finance minister Arun Jaitley noted that 57.7 million small manufacturing, trading and service businesses lack access to formal credit. In response, MUDRA was proposed with a corpus fund of ₹200 billion and a credit guarantee corpus fund of ₹30 billion to provide loans and guarantees to banks, NBFCs, MFIs and other "last mile" finance providers for further on-lending to businesses that qualify as Non-Corporate Small Businesses ("**NCSBs**"). On February 26, 2016, India's Union Cabinet approved the conversion of MUDRA Ltd from an NBFC into a wholly owned bank subsidiary of the Small Industries Bank of India ("**SIDBI**"), which will operate as MUDRA

(SIDBI) Bank. The Ministry of Finance has written to the RBI for conveying the concurrence for the conversion of MUDRA Ltd to MUDRA (SIDBI) Bank Ltd.

MUDRA has launched three products classified by loan size: Shishu (loans of less than ₹50,000), Kishore (loans between ₹50,000 to ₹500,000) and Tarun (loans between ₹500,000 and ₹1,000,000).

As of March 31, 2016, lending under the three schemes is as follows:

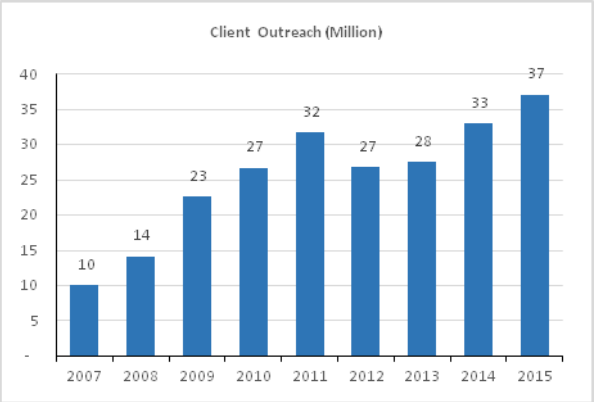
Scheme	No. of Sanctioned Loans	Total Amount of Sanctioned Loans (billions of ₹)	Total Amount of Disbursed Loans (billions of ₹)	Outstanding Loans (billions of ₹)
Shishu	32,401,046	628.95	620.28	468.11
Kishore	2,069,461	430.53	410.73	366.12
Tarun	410,417	315.02	298.54	258.69
Total	34,880,924	1374.49	1329.55	1092.93

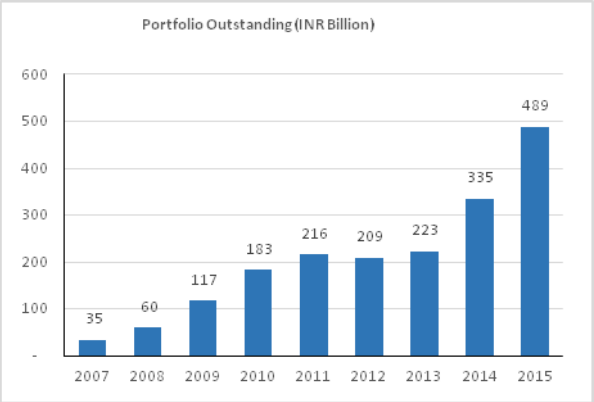
(Source: http://mudra.org.in/)

Client Reach and Portfolio Growth

According to the Sa-Dhan Report 2015, 156 MFIs operate in 28 States, 5 Union Territories and 568 districts in India as of March 31, 2015. The MFIs collectively have 94,773 employees, 37 million clients, an outstanding loan portfolio of ₹488.82 billion and a managed loan portfolio of ₹98.54 billion, with average loans outstanding per borrower of ₹13,162, all as of March 31, 2015.

The growth in the outreach and loan outlay of MFIs is as set forth below.

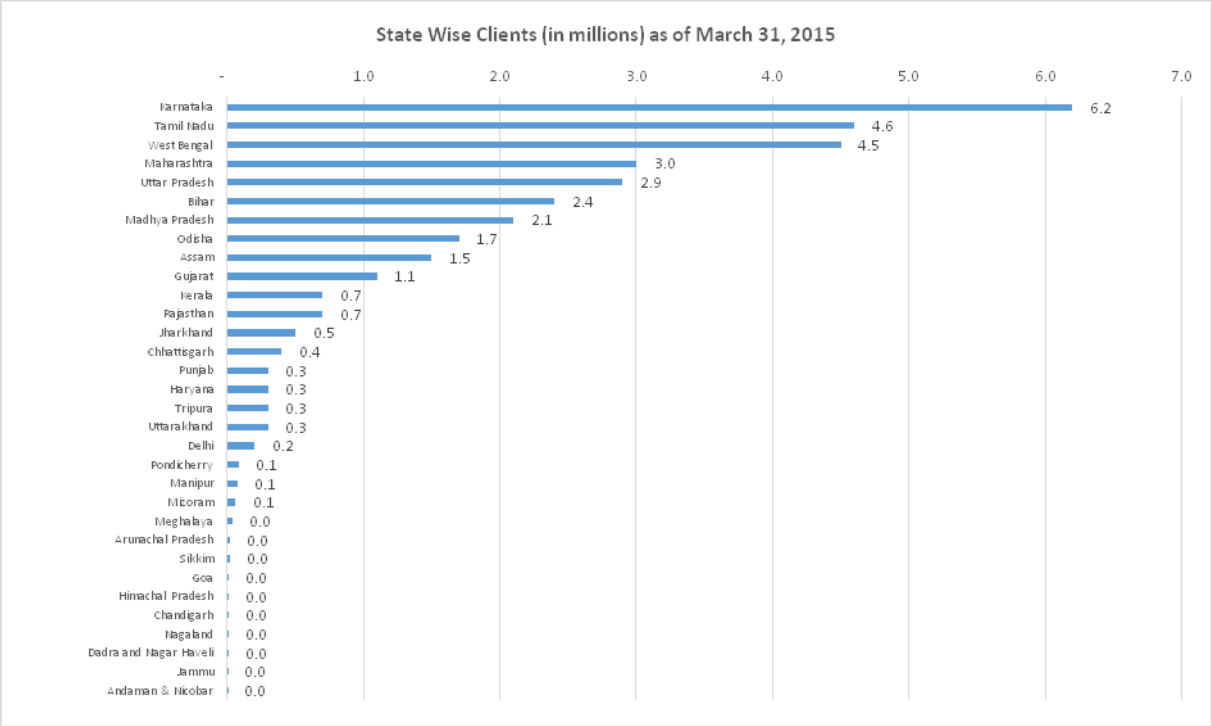




(Source: Sa-Dhan Report 2015 and State of the Sector Report 2013.)

Details of Client Outreach

According to the Sa-Dhan Report 2015, MFIs' client base, mainly loan borrowers, had been dramatically expanding until 2011, reaching over 30 million. In 2012, the growth trend came to a halt and a decline commenced due to the lack of availability of new bank loans. NBFC MFIs and larger MFIs accounted for the majority of the total number of clients. The state-wise distribution of client outreach as of March 31, 2015 is as set forth below.



(Source: Sa-Dhan Report 2015.)

Geographical Spread of MFIs

According to the Sa-Dhan Report 2015, MFIs operate in 568 districts spread across 28 states and five union territories in India. However, 50% of MFIs concentrated their operations in only one state, as shown in the table below. This has two implications: the individual scale of operations of a MFI determines the number of states in which it operates, and MFIs which operate in more than one state are, consequently, able to mitigate concentration risk.

MFIs and the No. of States of their Operations

OPERATING IN	NO. OF MFIS	%
ONLY ONE STATE	78	50
2 – 5 STATES	27	17
6 – 14 STATES	24	15
15 – 24 STATES	5	3
NOT REPORTED	22	15
TOTAL	**156**	**100**

(Source: Sa-Dhan Report 2015.)

The events in Andhra Pradesh and Telangana had a significant positive effect on the geographic distribution of MFI portfolios. MFIs had virtually ceased expanding their businesses, and in fact, closed down branches and withdrew operations from a number of locations within Andhra Pradesh and Telangana. As an alternate strategy, MFIs actively tried to increase their portfolios in other states and locations, and they became more cautious of portfolio concentration and the need to diversify risk through ensuring growth across states rather than in one particular location. Consequently, many of the emerging states showed positive growth while the hitherto-leading states experienced negative growth, both in terms of client outreach and aggregate loan portfolios. This reinforces the rationale behind diversification of operations across multiple states for MFIs. (*Source: State of the Sector Report 2011)*

Special Segments of Clients

Ninety-seven percent (97%) of MFI clients are woman. This presents an opportunity for MFIs to focus on women empowerment. The Rangarajan Committee on financial inclusion stated that 64% of Scheduled Caste farm households were excluded from financial services and had no access to formal credit. Similarly, a substantial majority of religious minority clients were also excluded from financial services and hence qualify for priority sector lending from banks within a 10% sub-target. Religious minority clients, such as Muslims and Christians, form an important segment of the client base of MFIs. Scheduled Caste/ Scheduled Tribes and other minority clients constitute 28% and 18% of total borrowers respectively.

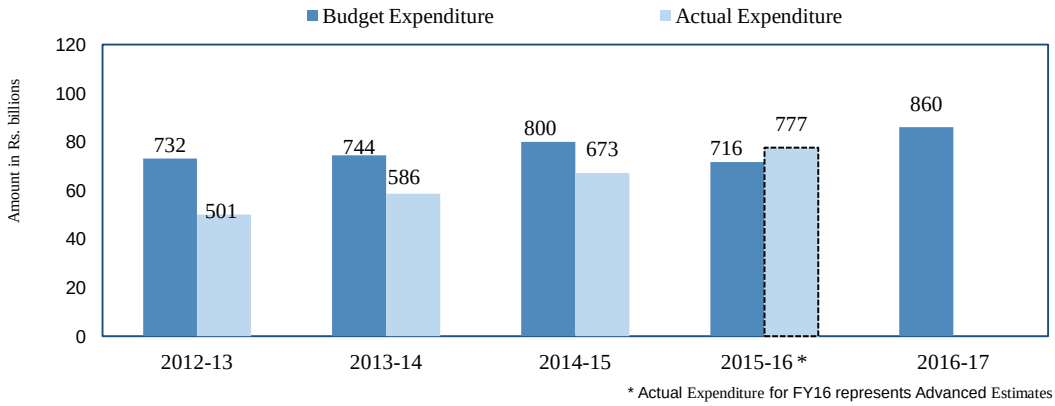
*(Source – State of the Sector Report 2011, Fostering Client – Centric Practices through Compliance, the Bharat Microfinance Report 2013 by Sa-Dhan ("**Sa-Dhan Report 2013**"), Sa-Dhan Report 2015)*

Demand for Credit in Rural India

Credit demand trends for rural areas of India should continue to be positive, primarily due to the following drivers:

- *Increase in actual Government expenditure on rural development.* The Government of India has increased spending on rural development in the last few years and that has served as an economic boon to such areas. According to data released by the Ministry of Rural Development, actual expenditures by the Department of Rural Development have risen by 55% from fiscal year 2012-2013 to fiscal year 2015-2016. For fiscal year 2016-2017, the Government of India has budgeted ₹860 billion for rural development spending (a 20% increase over the previous year).

Increase in government's actual rural spend



(Source : Ministry of Rural Development – Budget ; Grants)

Various schemes instituted by the Government of India have resulted in significantly higher disposable income for the rural population. In particular, a floor for wages of rural unskilled workers was put in place under the National Rural Employment Guarantee Act 2005, which led to greater income and food demand in the rural economy, thereby increasing consumption and fuelling a need for enhanced credit.

- *Increase in minimum support prices ("**MSP**").* The Government of India consistently raised the MSPs for food grains, which in turn resulted in an increase in agricultural income and spending. MSP per quintal for items such as arhar, wheat and common paddy had experienced compounded annual growth rates of 6.3%, 5.4% and 6.6%, respectively, during the six-year period between crop year 2010-2011 and crop year 2016-2017 (or, in the case of wheat and due to the unavailability of 2017 data from the Government of India, 2015-2016). *(Source: Ministry of Agriculture, Government of India, available at http://eands.dacnet.nic.in/PDF/MSP01062016.pdf and http://eands.dacnet.nic.in/msp/MSPStatement_(2012.03.08)_latest.pdf as of 3rd August, 2012)*

- *Higher food production despite drought.* Growth in food production output helps to enhance cash flows in the rural economy, which in turn drives growth in businesses of borrowers. In crop year 2013-2014, the highest ever production output for all food grains (including rice, wheat, coarse cereals and pulses) of approximately 265.0 million tonnes was recorded, due to a good monsoon season that benefited the entire country. This production output surpassed the previous record output of 259.3 million tonnes in crop year 2011-12. The following crop years in 2014-15 and 2015-16 experienced severe drought conditions due to deficient monsoons, with production of 252.0 million tonnes in crop year 2014-15 and 252.2 million tonnes in crop year 2015-16 (on an advanced estimate basis). Although production was lower than in the immediately preceding crop years, production still compared favorably to prior years with above normal monsoons (such as crop year 2010-11, when production output was 244.49 million tonnes). With the monsoons expected to be normal in crop year 2016-2017, food production is expected to rise from the immediately preceding crop years. *(Source: Ministry of Agriculture, Government of India, available at, http://eands.dacnet.nic.in/Advance_Estimate/3rdAdv150216Eng.pdf, as of May 9, 2016)*

Small MFIs

There is a general perception that small localized Tier 3 institutions do not have economies of scale and thus are not viable. Banks prefer larger MFIs operating in several states. Credit rating agencies also routinely award higher scores for such institutions. According to MFIN data, large MFIs (gross loan portfolio exceeding ₹5 billion) accounted for 90.4% of the loan amounts disbursed during the fiscal year 2015-2016. Some of the small MFIs are facing operational challenges and are closing branches and reducing staff headcount as a result. Small localized MFIs have in-depth local knowledge, client focus and rootedness in the communities they serve. However, small MFIs are increasingly marginalized and not able to raise adequate levels of capital. All business and efficiency parameters are lower for small MFIs, primarily because of a lack of

funding from banks and other financial institutions. Given the preference for larger MFIs, small MFIs are likely to continue to fare relatively poorly.

(Source: Micrometer March 2016 and Microfinance India Social Performance Report 2013.)

NBFC-SI Master Directions

Anticipating that subsequent to the enactment of the A.P.-MFI Act by the Andhra Pradesh Government, other state governments may also start enacting their own rules and legislation to regulate MFIs, thus creating a plurality of regulatory schemes and the risk of regulatory arbitrage, RBI stepped in and exercised its power in regulating NBFCs. Pursuant to its decision to accept the recommendations of the Malegam Committee, RBI instituted a separate regulatory framework for NBFC-MFIs through the NBFC-MFI Directions. Conditions introduced by RBI earlier on May 3, 2011 for maintenance of MFIs' eligibility for priority sector lending were also included in the provisions under the NBFC-MFI Directions. In September 2016, the NBFC-MFI Directions were replaced by the NBFC-SI Master Directions.

Under the NBFC-SI Master Directions, NBFC-MFIs are required to comply with certain requirements and restrictions in connection with: qualifying as NBFC-MFIs, provision of loans, average loan size, capital adequacy ratio, minimum average loan provision, asset classification, security deposits, multiple lending and pricing of credit. For further details, see "Regulations and Policies – Non-Banking Financial Company – Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016 (the "NBFC-SI Master Directions").

Such regulatory restrictions have resulted in MFIs becoming more selective in developing clients with a preference toward lending only to low-income borrowers with the ability to service the loans, and setting up prudent practices in relation to recoveries and introducing grievance redress mechanisms. *(Source: State of the Sector Report 2011)*

Sources of Funding for NBFC-MFIs

According to the Sa-Dhan Report 2015, funding for the NBFC-MFI sector during fiscal year 2014-2015 totaled over ₹311.09 billion and was largely derived from two sources: borrowings, which accounted for 76% of total funds sourced, and securitization and portfolio sales, which accounted for 13%. Additional sources of funds include subordinated debt, overdrafts, bonds, non-convertible debentures and external commercial borrowings.

Borrowings by MFIs

According to the Sa-Dhan Report 2015, MFIs in India had close to ₹408.0 billion in outstanding borrowings as of March 31, 2015, an increase of 47% over borrowings by MFIs on March 31, 2014. Public sector banks provided 41.3% of all credit to MFIs, followed by private sector banks at 30.3%. Together, public and private banks accounted for over 71.5% (₹292.07 billion) of loans outstanding to MFIs.

According to MFIN, NBFC-MFIs borrowed new funds totaling ₹337.06 billion during fiscal year 2015-2016. This represents an increase of 55% over new borrowings during the prior fiscal year. Large MFIs account for 89% of total new debt funding received in fiscal year 2015-2016.

(Source: Sa-Dhan Report 2015 and Micrometer March 2016)

Borrowings—Priority Sector Lending ("PSL") Funds

Historically, the microfinance industry has relied on PSL as a significant source of funding. In early 2011, RBI accepted the recommendations of the Malegam Committee and in May of the same year, it decided to maintain the eligibility of MFIs for PSL funds, subject to satisfaction of certain conditions by MFIs. However, certain other categories of NBFCs were no longer deemed eligible for PSL funds. The conditions relating to qualifying assets and pricing that MFIs had to fulfill in order to access PSL funds had been included in the NBFC-MFI Directions. For further details, see "Regulations and Policies – Non-Banking Financial Company – Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016 (the "NBFC-SI Master Directions") ."

Beginning in fiscal year 2016-17, RBI will monitor banks' priority sector compliance on a quarterly basis. Banks continue to fall short of achieving priority sector lending targets. Although private sector banks have consistently outperformed public sector banks in the past five years in achieving their overall PSL targets, they have fallen short in the sub-target for agriculture and are far below the assigned target for weaker section loans.

In fiscal year 2014-2015, RBI set up an Internal Working Group to revisit the existing priority sector lending guidelines. The working group recommended sub-targets to small and marginal farmers (8% of Adjusted Net Bank Credit ("**ANBC**")) and micro enterprises (7.5% of ANBC), and classifying sectors such as medium enterprises, social infrastructure and renewable energy as priority sectors. All these recommendations have been incorporated in the new set of priority sector guidelines. Banks in the past have struggled to achieve their sub-targets in agriculture, and the targets for small and marginal farmers and micro enterprises likely will be difficult to achieve. However, specialized MFIs will likely play a critical role in helping banks

to satisfy the more demanding PSL targets due to their agility, geographical specialization and cost effective operations and also might open up more securitizations.

In 2016, RBI also introduced Priority Sector Lending Certificates ("**PSLCs**"), which are tradable short-term accounting instruments that expire at the end of the fiscal year in which they are issued. Banks with surplus priority sector lending can sell the instruments to banks that are falling short of their targets, which will allow banks that are capable of exceeding their PSL targets to benefit from priority sector lending in excess of their targets.

*(Source: 2015 edition of the Inclusive Finance India Report published by Access Development Services and Sage Publishers ("**Inclusive Finance Report 2015**")*

Assignment and Securitization

The Malegam Committee Report suggested that a significant portion of MFI loan portfolios were assigned or securitized to banks, mutual funds and others. The securitization route has evolved as an important source of funding for the sector. According to MFIN, during the fiscal year 2015-2016, MFI securitizations totaled ₹96.3 billion, an increase of 91% over fiscal year 2014-2015 (₹50.5 billion).

Equity Investment

During fiscal year 2014-2015, equity investment in MFIs amounted to approximately ₹11.8 billion. MFIs, including Ujjivan Financial Services Limited, Utkarsh Micro Finance Limited, Grameen Koota Financial Services Private Limited, Arohan Financial Services Private Limited, Satin Creditcare Network Limited, Suryoday Microfinance Private Limited, Intrepid Finance and Leasing Private Limited, Repco Micro Finance Ltd and Chaitanya India Fin Credit Private Limited, have all raised capital through equity financing. *(Source: Sa-Dhan Report 2015.)* Our Company also completed qualified institutional placements in May 2014, raising ₹3,975.9 million, and July 2012, raising ₹2,299.6 million.

From April 2014 to July 2015, equity investments in MFIs amounted to approximately ₹37.0 billion. MFIs Equitas, Janalakshmi Financial Services Private Ltd, Utkarsh Micro Finance Limited, Ujjivan Financial Services Limited, Aarohan Financial Services Private Limited, Annapurna Microfinance Ltd, Satin Creditcare Network Limited, Fusion Micro Finance Pvt. Ltd and Bandhan had all raised capital through equity financing during this period.

(Source: Inclusive Finance Report 2015)

External Commercial Borrowings

Under the Master Directions on External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorized Dealers and Persons other than Authorized Dealers, dated January 1, 2016, as amended, issued by the RBI, MFIs are allowed to incur external commercial borrowings without seeking RBI approval under the "automatic route" for permitted end-uses, subject to a maximum cap of US$100 million in any fiscal year. For further details, see "Regulations and Policies - Master Directions - External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers dated January 1, 2016 issued by the RBI ("ECB Directions")".

Credit Rating

During fiscal year 2014-2015, rating agencies demonstrated confidence in the MFI sector by upgrading 25 MFIs out of 26 rating actions, implying an improved credit profile and performance for the sector. According to the ICRA report "Microfinance Institutions: industry outlook and performance of microfinance institutions," during fiscal year 2015-16, as on September 30, 2015, ratings for 12 MFIs were upgraded and none were downgraded from April 1, 2015 to September 30, 2015.

*(Source: 2015 edition of Responsible Finance India Report 2015 – Client First: Tracking Social Performance Practices ("**Responsible Finance India Report 2015**") and Microfinance Institutions: Industry Outlook and Performance of Microfinance Institutions by ICRA Limited ("**ICRA Report**"))*

Credit Bureau Reporting

Avoiding multiple lending to prevent over-indebtedness has been keenly felt by MFIs post-Andhra Pradesh crisis and subsequent to RBI legislation prohibiting multiple lending. Multiple borrowings by a client with membership in different economic groups tend to lead to various issues including, over-indebtedness, repayment stress, and "kite flying," *i.e.*, borrowing from one entity to repay the loan of another entity. All of these marred the microcredit market and undermined the fundamental purpose of microfinance. As such, the Malegam Committee and RBI decided to regulate membership with SHGs or JLGs. MFIs are also required to become a member of various credit bureaus, through which they will share client data periodically and generate client reports before making decisions on loan disbursements. The number of MFIs which have joined credit bureaus has been increasing, and there is significant initiative to diligence the credit history of microcredit

borrowers and understanding their credit behavior, repayment patterns, existence of multiple borrowings and risk of over-indebtedness. (*Source: Sa-Dhan Report 2013).*

NBFC-MFIs are required to become members of the following Credit Information Companies (**"CIC"**): Credit Information Bureau (India) Limited, Equifax Credit Information Services Private Limited, Experian Credit Information Company of India Private Limited and CRIF High Mark Credit Information Services Private Limited

According to the Responsible Finance India Report 2015, to determine the efficacy of credit bureau reporting, the data on microfinance clients with more than two loans as of March 31, 2015 was requested from CRIF (High Mark) Credit Bureau. Microfinance portfolio data was obtained for the top 80 districts, accounting for approximately 60% of microfinance credit, to evaluate microfinance credit concentrations. There is no link between higher portfolios in a district and the percentage of clients (ranging from 0.01% to 3.61%) having more than two loans in a district. Although the data from CRIF (High Mark) Credit Bureau does show some incidence clients with more than two loans across all the 80 districts, it is comforting that the incidence is within manageable limits.

In India, despite occasional policy hiccups relating to its scope and applicability, 74% of the population had been assigned a unique identification numbers (Aadhaar) by September 5, 2015. The Unique Identification Authority of India (UIDAI) has clarified that the purview of unique identification numbers will be limited to establishing identity based on a person's demographic and biometric information. The coverage rates in the top five microfinance states (West Bengal, Tamil Nadu, Karnataka, Maharashtra and Uttar Pradesh) range from 64.4% to 88.7%.

(Source: Responsible Finance India Report 2015)

Grievance Redressal Mechanism

MFIs are adopting multiple channels to ensure that client grievances are heard and addressed, including provision of toll free customer care numbers, printing phone numbers of branches, branch managers and area heads on loan cards and providing complaint boxes at branches. Clients are made aware of these channels during group training and by printing information on the loan card.

MFIs have put in place procedures to consolidate complaints, to escalate as appropriate and resolve in a timely manner. Larger MFIs operating in multiple states across the country have multi-lingual teams available to handle customer calls. Our Company has put in place a robust client grievance redressal policy and also appointed an external person to act as an ombudsman and oversee the grievance architecture.

(Source: Responsible Finance India Report 2015)

Responsible Finance Practices

Following the Andhra Pradesh microfinance crisis, the microfinance industry experienced two major changes: RBI regulation and the adoption of an industry Code of Conduct. As a result, MFIs became more client-centric, adopted ethical practices and sought to implement better governance practices. Industry associations such as Sa-Dhan and MFIN now play a more active role in guiding the sector towards responsible business practices, as evidenced by the release of the Unified Code of Conduct ("**UCoC**") in December 2011. The UCoC sets forth core values of the microfinance industry, including Code of Conduct ("**CoC**") guidelines on client protection and institutional conduct. The UCoC combines elements from earlier voluntary CoCs, Client Protection Principles ("**CPP**") developed by the global Smart campaign, RBI guidelines on Fair Practices Code ("**FPC**") and some elements on recruitment of staff. Mandatory implementation of UCoC has significantly impacted the practices of Indian MFIs since 2011.

MFIN, the industry association of NBFC-MFIs, monitors compliance of the UCoC through self-reported data from member MFIs on a quarterly basis. MFIN has developed a quantitative responsible business index comprising 90 indicators from the UCoC and FPC organized under four broad headings (disclosure, customer engagement, institutional process and transparency). Apart from MFIN's compliance mechanism based on self-reported data, SIDBI has taken a leadership role since 2010 in getting compliance with the UCoC checked by external agencies. To date, 80 CoC assessments, including repeat assessments, have been funded by SIDBI.

(Source: Responsible Finance India Report 2015)

Client Protection and the Smart Campaign

The Smart campaign is a global effort to unite microfinance leaders around the common goal of keeping client interests as the driving force of the industry and is housed at Accion's Centre for Financial Inclusion ("**CFI**"). The Smart campaign released its first set of seven standards in 2013 containing seven principles and 95 indicators. The seven principles include (1) appropriate product design, (2) prevention of over-indebtedness, (3) transparency, (4) responsible pricing, (5) fair and respectful treatment of clients, (6) privacy of client data and (7) mechanisms for complaint resolution.

The Smart campaign set in motion a process of CPP assessments and certifications. CPP certification is an examination of MFIs adherence to these principles and indicators. Upon meeting all indicators, the CPP certificate is awarded by the Smart campaign and the certification agency.

(Source: Responsible Finance India Report 2015)

Current Demand--Supply Gap and Microfinance Outlook

According to the ICRA Report, the total market size of the MFI industry (including the Self Help Group Programme, MFI institutions and Bandhan Bank) is ₹1.1 trillion as of September 30, 2015. The Indian microfinance sector reported an annualized growth rate of 23% in the first half of fiscal year 2015-2016 and 31% in fiscal year 2014-2015, driven by the 56% annualized growth rate of Non-CDR MFIs, which was supported by an expanding client base, increases in ticket sizes and good availability of funds.

Despite the impressive growth during the last three years, the untapped potential remains large. ICRA estimates the potential market size of the Indian microfinance market at ₹2.8 trillion to ₹3.4 trillion. Considering the large unmet demand, ICRA estimates that the MFI industry can grow at an annualized rate of 30-35% over the next three years, while MFIs (excluding the states of Andhra Pradesh and Telangana) can grow at 40-50% over the next three years.

The report also states that while asset quality indicators for MFIs continue to hold, the segment remains vulnerable to political risks, increase in competitive pressures, expansion to newer geographies, marginal borrower profiles and high employee attrition rates across the industry.

MFIs as Business Correspondents

According to the RBI "Circular on Financial Inclusion by Extension of Banking Services – Use of Business Correspondents" (DBOD.No.BAPD.BC.122/122.01.009/2013-14) dated June 24, 2014, non-deposit taking NBFCs are permitted to act as Business Correspondents (BCs) with effect from June 2014.

Small Finance Bank Licenses

On November 27, 2014, the RBI issued guidelines for Licensing of "small finance banks" in the private sector. The small finance bank designation was intended to promote financial inclusion by provision of savings vehicles primarily to unserved and underserved sections of the population and the supply of credit to small business units, small and marginal farmers, micro and small industries and other unorganized sector entities, through high technology, low cost operations.

On September 16, 2015, RBI granted in-principle approval to ten applicants to establish small finance banks. Among the ten applicants who received the in-principle approval, eight are NBFC-MFIs. The in-principle approval will be valid for 18 months to allow applicants to comply with the requisite conditions stipulated by RBI. Once applicants have demonstrated compliance with the requisite conditions, RBI will consider granting them a license to commence small finance banking operations under Section 22(1) of the Banking Regulation Act, 1949. Until a regular license is issued, the applicants cannot undertake any banking business.

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, including banking, savings and deposit accounts and remittance, credit, insurance and pension services in an affordable manner. Accounts can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet. PMJDY accounts may be opened with zero initial balance. These accounts can help the MFI industry to implement cashless disbursements directly to customer bank accounts and help MFIs reduce related operating costs.

As of September 7, 2016, 242.7 million bank accounts have been opened under this scheme (public sector banks opened 192.5 million accounts, Regional Rural Banks opened 41.7 million accounts and private sector banks opened 8.5 million accounts). The balance per Jan Dhan Account has seen a consistent rise from ₹1,065 in March 2015 to ₹ 1,751 in September 2016. The non-operative accounts also have seen a consistent decline from 58% in March 2015 to 24% in September 2016.

(*Source: http://www.pmjdy.gov.in/)*

NBFC-MFIs to Act as Channelizing Agents for Schemes Operated by Central and State Government Agencies

The NBFC-SI Master Directions permit NBFC-MFIs to act as channelizing agents for distributing loans under special schemes of central and state government agencies to targeted socio-economic sectors of the population subject to certain conditions.

BUSINESS

Overview

We are the largest MFI in India by number of borrowers, branches and districts, and the second largest in terms of gross loan portfolio, as of March 31, 2016 according to data published by MFIN. We are primarily engaged in providing microfinance to low-income individuals in India. We have a presence in 18 states in India, with 1,368 branches and 14,559 employees, as of June 30, 2016.

Our core business is providing small value loans and certain other basic financial services to our Members. We classify Members to whom we have made loans that are outstanding as our "Borrowers." Our Members are predominantly located in rural areas in India, and we extend loans to them mainly for use in small businesses or for other income-generating activities and not for personal consumption. These individuals often have no, or very limited, access to loans from institutional sources of financing. We aim to bridge this gap by providing financial services at the doorstep of our Members. We believe that non-institutional sources also typically charge very high rates of interest.

In our core business, we utilize a village-centric, group-lending model to provide unsecured loans to our Members. This model relies on a form of "social collateral," and ensures credit discipline through peer support within the group. We believe this model makes our 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 us in the 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 our core business of providing micro-credit, we use our distribution channel to provide certain other financial products and services that our Members may need. We offer loans for the purchase of products which help our borrowers to enhance their productivity such as mobile phones, solar lamps, sewing machines and bicycles, among other products. We also operate a number of pilot programs that we will 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 our Members for the purchase of certain additional productivity-enhancing products such as bio-mass stoves, water purifiers, mixer-grinders and healthcare loans, and for the purchase of two-wheelers. We intend to expand our involvement in these other financial products and services to the extent consistent with our mission, client-focus and commercial viability.

Our business was initially organized as part of SKS Society in the formerly unified Andhra Pradesh, which until 2003 extended micro-credit as a non-governmental organization. In 2003, SKS Society decided to transfer its business and operations to our Company and the transfer was completed in 2005. In 2005, we registered with, and have since been regulated by, the RBI as an NBFC-ND. In 2009, we became a public limited company. We completed our IPO and listing on the BSE and the NSE in August 2010. In November 2013, the RBI granted our Company a certificate of registration as an "NBFC-MFI," permitting us to carry on the business of Non-Banking Finance Companies-Micro Finance Institution, a separate category of non-deposit-taking Non-Banking Financial Companies engaged in microfinance activities as classified by the RBI.

For the quarter ended June 30, 2016, our total revenue and profit after tax was ₹4,141.2 million and ₹2,359.1 million, respectively, and for the financial year 2016, our total revenue and profit after tax was ₹13,206.7 million and ₹3,029.8 million, respectively. As of June 30, 2016, we had a gross loan portfolio of ₹84,687.5 million (₹84,630.3 million outside the states of Andhra Pradesh and Telangana), with 6.6 million (5.7 million outside the states of Andhra Pradesh and Telangana) Members, including 5.9 million (5.1 million outside the states of Andhra Pradesh and Telangana) Borrowers spread across 1,368 (1,235 outside the states of Andhra Pradesh and Telangana) branches in India.

During the financial year 2016, we pursued four corporate social responsibility ("**CSR**") projects in the states of Bihar, Chhattisgarh, Jharkhand, Karnataka, Kerala, Maharashtra, Odisha and Rajasthan. Our CSR initiatives include:

- a program to build awareness of central and state government benefits schemes available in the state of Maharashtra;
- the sponsorship of cataract screenings and surgeries through HelpAge India and Operation EyeSight India in the states of Bihar, Chhattisgarh, Jharkhand, Karnataka, Kerala, Maharashtra, Odisha and Rajasthan to identify cataract affected people and conduct free cataract surgeries;
- a scheme in rural areas of the Amravarti district of Maharashtra to promote the construction of household toilets and avail other benefits of the Swachh Bharat Mission; and
- an animal welfare, treatment and awareness program to provide primary and emergency veterinary services in collaboration with JK Trust Gram Vikas Yojana and the Animal Husbandry Department of the Odisha State Government.

Our Competitive Strengths

We believe we have the following competitive strengths:

Market Leadership

We are the largest MFI in India by number of borrowers, branches and districts, and the second largest in terms of gross loan portfolio, as of March 31, 2016 according to data published by MFIN. We have a presence in 18 states in India. Our gross loan portfolio outside the states of Andhra Pradesh and Telangana grew by 84.0% from March 31, 2015 to March 31, 2016, and 76.4% year-on-year for the quarter ended June 30, 2016 compared to the quarter ended June 30, 2015. We maintained a collection efficiency of 99.8% outside the states of Andhra Pradesh and Telangana) for the quarter ended June 30, 2016 and financial year 2016. Our average number of borrowers per field level loan officer, or center ("***Sangam***") Manager, was 844 (733 outside Andhra Pradesh and Telangana) as of March 31, 2016 as compared to an industry average of 603 as of March 31, 2016. (*Source: Micrometer March 31, 2016 Report* for the industry averages) We believe that our consistent position among the leading MFIs in the microfinance sector enhances our reputation and credibility with our Members, lenders and other stakeholders. This enhanced reputation and credibility has numerous benefits, including the ability to secure capital at lower costs, recruit and retain skilled employees, retain existing Borrowers and add new Members, and expand into new regions and product areas.

Financial and Operational Efficiencies Leading to Lowest Cost Lender Among Private Sector NBFC-MFIs

Our ability to access capital at reasonable costs, together with the scale and efficiency of our operations, has allowed us to reduce our lending costs by 480 basis points since October 2014. For example, we have maintained high levels of collection efficiency outside the states of Andhra Pradesh and Telangana, and have equipped our field staff with tablets and deployed "SKS Smart," a customized and comprehensive software which simplifies data entry and improves the accuracy and efficiency of collections and fraud detection. As a result, we have been able to offer our Borrowers a lending rate of 19.75% since December 7, 2015, the lowest rate among NBFC-MFIs in India. According to data provided by MFIN, our lending rate is 2.25% - 4% lower than the lending rate of other major NBFC-MFIs in India.

Expertise in the Microfinance Industry and Ability to Adapt to the Changing Regulatory Environment

We believe that our long-standing experience in the microfinance industry has given us a specialized understanding of the needs and behavior 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. We believe our expertise gives us a competitive advantage in this industry.

We believe that our focus on a traditional microfinance lending model allows us to leverage our core competencies and minimize non-performing assets. For example, we exclusively lend to Members that are part of a group, with a focus on rural and semi-urban areas where we believe that traditional community ties provide the strongest forms of "social collateral." Furthermore, we are committed to lending to Borrowers who utilize loan proceeds to promote income-producing economic activity rather than for consumption. This focus helps us realize operating efficiencies and minimize defaults.

We have developed skills in training our Members. We use our knowledge of our Members, including their culture, habits and education, to design customized financial products and pricing plans. Development of certain of our loan products is a result of our analysis of the capital requirements and cash flow of our Members' businesses. We believe this approach to developing the terms and components of our financial products gives us a competitive advantage.

Further, consultation and dialogue with regulators and policy makers in the recent past has provided us with an opportunity to understand their concerns while growing our business in a prudent manner. On November 18, 2013, the RBI registered our Company as an NBFC-MFI (with a revised certificate of registration being issued by RBI on July 14, 2016 to reflect our name change), which requires us to comply with the NBFC-SI Master Directions. For example, the ticket size of our income-generating and medium-term loan products with a tenure of one year or more cannot exceed ₹30,000, which helps us mitigate risks related to increased exposure to a particular borrower over an extended period. Since December 7, 2015, we have offered rates of 19.75% on all of our income-generation loans as a matter of policy. Income-generating loans accounted for 98.2% (by asset value) of our total loan portfolio as of June 30, 2016.

Strong Growth and Profitability, Stable Financial Condition and Emphasis on Asset and Liability Management

Although our financial condition deteriorated in the aftermath of events in the formerly unified Andhra Pradesh and we incurred losses during the financial years 2013 and 2012, we believe that we maintained sufficient financial discipline as well as a relative degree of financial strength during these periods. For example, we satisfied all of our debt repayment obligations during the years of the formerly unified Andhra Pradesh microfinance industry crisis (*i.e.*, financial years 2013 and 2012), and returned to profitability in the third quarter of financial year 2013.

Following the formerly unified Andhra Pradesh microfinance crisis, our revenues grew at a CAGR of 55.7% from the financial year 2014 to the financial year 2016, and 46.5% year-over-year for the quarter ended June 30, 2016 compared to the quarter ended June 30, 2015. As of June 30, 2016, our net worth was ₹16,259.0 million and our debt to equity ratio was 3.3. Our capital adequacy ratio as calculated under RBI guidelines was 23.24% of risk-weighted assets as of June 30, 2016, which is well above the requirement of 15.0% of risk-weighted assets prescribed by the RBI under the NBFC-SI Master Directions. Moreover, our gross NPA and net NPA outside the states of Andhra Pradesh and Telangana were 0.1% and 0.03%, respectively, as of June 30, 2016. We believe that these factors provide us with a competitive advantage when borrowing funds for our operations.

In addition to traditional cash flow management techniques, we also manage our cash flows through an active asset and liability management strategy. The proportion of our liquid assets (*i.e.*, cash and bank balances, including deposits placed as security against our borrowings) to our total assets was 13.9% as of June 30, 2016. Further, we have structured our model to primarily borrow on a long-term basis while lending on short-term basis and hence we have a positive asset liability management structure. As of June 30, 2016, the average maturity of our arrear-free gross loan portfolio was 5.8 months, while the average maturity of our outstanding borrowings, including principal amounts outstanding for securitization transactions, was 10.1 months. We believe that this approach allows us to better manage our liquidity and meet the growing loan demands of an increasing membership even if external borrowings and other funding sources are temporarily disrupted.

Access to Several Sources of Capital and Cost-Effective Funding

We constantly strive to diversify our sources of capital. During the financial year 2011, we raised ₹7,222.0 million through our IPO, followed by qualified institutions placement and preferential allotments raising ₹2,635.1 million in the financial year 2013 and ₹3,975.9 million in financial year 2015.

Our incremental borrowings from banks, financial and other institutions, including net proceeds from securitizations, between April 1, 2014 and March 31, 2016 were ₹123,373.1 million, with an additional ₹10,963.9 million in the quarter ended June 30, 2016. As of June 30, 2016, we had outstanding debt in principal amount of ₹53,593.7 million (₹78,641.2 million outstanding in principal amount when including securitization transactions and loans under managed portfolio) from more than 25 banks, financial and other institutions. During the quarter ended June 30, 2016, we received net proceeds of ₹1,986.2 million from securitization, and have also originated managed loans of ₹3,031.8 million. During the financial year 2016, we received net proceeds of ₹26,205.4 million from securitizations and assignments of loans, and have also originated managed loans of ₹10,643.6 million.

Historically, the MFI sector has significantly relied on PSL funds from commercial banks. We believe that the cost of such funds is considerably less than the cost of other bank funds. We are eligible to borrow PSL funds from banks as an NBFC-MFI. In addition, as an NBFC-MFI, subject to certain conditions being met, we are eligible to access ECBs up to US$100 million (or its equivalent amount) in a financial year without obtaining any prior approvals. In addition to such funding, we have in the past demonstrated our ability to fund the growth of our operations and loan portfolio through issuances of private and publicly traded debt securities such as redeemable non-convertible debentures, commercial paper, loans with various maturities raised from domestic and international banks, financial and other institutions and through the securitization of different components of our loan portfolio.

CARE has provided us with a grading of "MFI 1" or "MFI One" as an MFI, which is the highest available grading on an eight point scale. ICRA has granted us a Corporate Governance Rating of "CGR2," the second highest available rating on a six point scale, which implies a "high level" of assurance on the quality of corporate governance matters. Our bank debt ratings for funding exposures up to ₹55,000.0 million have been rated by CARE as "A1+" (for our short-term facilities) and "A+" (for our long-term facilities). Our short-term debt rating for borrowings up to ₹2,000.0 million is rated by CARE as "A1+," and our long-term non-convertible debentures rating for borrowings up to ₹4,000.0 million is rated by CARE as "A+." Our debt rating is rated by ICRA as "A1+" (short-term debt) for borrowing up to ₹7,500.0 million and "A+" (long-term debt) for borrowings up to ₹3,000.0 million, subject to overall borrowings limits under both programs for ₹7,500.0 million. Our securitized transactions during the financial year 2016 were provisionally rated by CARE and ICRA at "AA (SO)," signifying levels of safety regarding timely servicing of financial obligations and levels of credit risk.

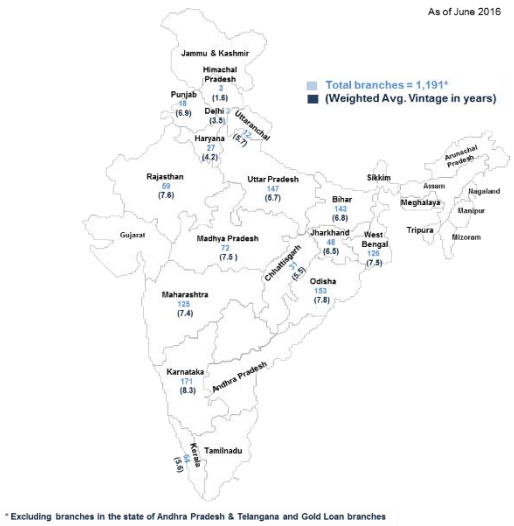
Streamlined and Scalable Operating Model with Effective Use of Technology

We recognize 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, we believe that we have designed a streamlined and scalable model and developed systems and solutions for the following three components that we believe are required to effectively scale up our business:

- *Capital:* Historically, we have successfully obtained funds from a variety of sources to finance our lending operations.

- *Capacity:* With our pan-India presence and extensive distribution network, we believe we have the capacity to provide products and services to a large number of Members.

- *Cost Reduction:* We believe we have implemented process-based systems and customized software that reduce the cost of conducting transactions across a widespread branch network and a substantial Member base. To manage our operating expenses and increase efficiency, we have equipped our field staff with tablets and deployed "SKS Smart," a customized and comprehensive software which simplifies data entry and improves the accuracy and efficiency of collections and fraud detection. The tablets help *Sangam* Managers to avoid manual data entry at center meetings and save time.



Our business processes, from Member acquisition to cash collections, have been standardized and documented. Our branch offices are similarly structured, allowing for the quick rollout of new branches. In addition, the terms and conditions of our loan products are generally uniform throughout India. Further, we have standardized our recruitment and training programs and materials so that they are easily replicated across our entire organization. This standardized approach also allows our employees to efficiently move from region to region based on demand and growth requirements.

Pan-India Presence and Extensive Distribution Network

As of June 30, 2016, we had approximately 5.9 million Borrowers (5.1 million outside the states of Andhra Pradesh and Telangana), and 1,368 branches (1,235 outside the states of Andhra Pradesh and Telangana). We focus our operations across 16 states in India. Further, as of June 30, 2016, we had 12,725 (12,047 outside the state of Andhra Pradesh and Telangana) branch managers, assistant branch managers and *Sangam* Managers, including trainees, who comprised 87.4% (87.1% outside the states of Andhra Pradesh and Telangana) of our total workforce. During the quarter ended June 30, 2016, each of our *Sangam* Managers managed an average of 690 Borrowers in states other than Andhra Pradesh and Telangana. We believe that our presence throughout India and our distribution network in rural India results in significant competitive advantages, particularly in the following areas:

- *Distribution Platform.* Our pan-India presence allows us to lend across the country and enables us to mitigate our exposure to local economic factors and disruptions resulting from political circumstances or natural disasters. Furthermore, our well-developed distribution network in rural India gives us the capability to offer a variety of financial products nationally in areas that we believe most companies do not currently reach.

- *Product Pricing Power.* We believe that our national presence and the ability to access a large Member base gives us the leverage to negotiate favorable terms with institutions that want to distribute their products through our network, which results in lower pricing for the products that are distributed to our Members. For example, our Company currently works with Microsoft Corporation (India) Private Limited for the financing of mobile phones; D. Light Energy Private Limited and GreenLight Planet India Private Limited for the financing of solar lanterns and solar lamps; Envirofit (India) Private Limited for the financing of bio-mass stoves; Usha International Limited and Singer India Limited for the financing of sewing machine; Eureka Forbes Limited for the financing of water purifiers; and Hero Cycles Limited and T.I. Cycles of India for the financing of bicycles.

Experienced Management Team and Board

Our Board is composed of experienced investors, industry experts and management professionals. Out of a total of eight Directors on our Board, six are Independent Directors. We believe that we have a strong senior management team to lead us, which includes our Chief Executive Officer and Managing Director, Mr. M. Ramachandra Rao. Our 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 our Members, while maintaining effective risk management and competitive margins. Our mid-level management personnel also have years of experience and in-depth industry knowledge and expertise.

Our Business Strategy

Target a Large Share of Industry's Portfolio outside Andhra Pradesh and Telangana

In its January 2016 ratings feature titled "Microfinance Institutions: Industry Outlook and Performance of Microfinance Institutions," ICRA estimates the potential size of the microfinance market in India to be worth ₹2.8 trillion to ₹3.4 trillion,

but total lending by the MFI industry (including Self Help Group Program, MFI institutions and Bandhan Bank) is ₹1.1 trillion as of September 30, 2015.

The huge gap in demand and supply for micro-credit in India, and the fact that a large part of the gap is serviced by informal sources such as moneylenders, represents an attractive business opportunity for MFIs such as us. We believe that our operating strength and focus on 16 states (excluding Andhra Pradesh and Telangana) will allow us to capture a significant share of the untapped demand for micro-credit in India.

Leverage NBFC-MFI Status and Strategic Partnerships

On September 16, 2015, RBI granted in-principle approval to eight NBFC-MFI applicants to establish small finance banks as part of its drive for greater financial inclusion. Small finance banks will offer basic banking services, including deposit-taking, and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries, and entities in the unorganized sector.

Although we applied for and did not receive in-principle approval from RBI, we believe that our true competitive advantages are our established branch network and expertise in the micro-finance industry. We believe that we remain well-positioned to maintain our leading position in the micro-finance industry for the following reasons:

- We are the lowest cost lender among all MFIs, including those who have received in-principle approval for small finance bank licenses. We believe that low lending rates mitigate political and regulatory risks, helping us to comply with limits on interest rates and ensure that our Borrowers are not burdened with unreasonable debt-servicing costs.

- We have access to low cost refinancing, as evidenced by our ₹1 billion refinancing from MUDRA, which we believe provides an attractive alternative to deposits as a source of funds.

- We can provide access to our existing Borrower network, allowing partner banks to provide bank accounts to our Borrowers, which in turn allows us to move to a cashless lending regime and reduce operating costs (for example, by crediting funds directly to the Borrowers bank account).

- We have high credit ratings compared to many of our competitors in the MFI sector, including an A1+ rating for short-term borrowings and A+ for long-term instruments from CARE. We believe our credit quality will allow us to maintain our position as the lowest cost borrower in the sector.

Continue to Strengthen Client Protection Initiatives

We continue to implement several client protection initiatives designed to align client protection practices and customer grievance redressal mechanisms with globally recognized benchmarks. Client protection and redress of customer grievances guide the design, development, and implementation of our processes, policies and culture. We have identified five key elements for these initiatives:

- **Strengthening privacy of client data:** Ensuring that client data is kept confidential and shared only with relevant government agencies and their appointees or with the approval of the concerned Member.

- **Transparent and responsible pricing of loans:** Pricing of our products are clearly explained to Members and determined within the regulatory framework of RBI. At an interest rate of 19.75%, we are the lowest cost MFI micro-credit provider.

- **Timely redressal of queries and grievances of our Members:** We have a well-defined and fully automated Complaint Grievance Redressal Mechanism for ensuring timely redress of Member grievances. We also proactively reach out to Members for their feedback on different products through our "Voice of Customers" program.

- **Avoidance of over-indebtedness and multiple borrowing among our Borrowers:** Adherence to strict KYC policies, access to Credit Bureau information and automated systems ensure seamless implementation with controls designed to avoid over-indebtedness and multiple borrowings among our Borrowers.

- **Establishing appropriate collection practices by its employees:** Design and Implementation of collection practices in alignment with RBI and SRO guidelines and regulatory frameworks.

We have been conducting client protection awareness programs for our Members and staff across India in several vernacular languages, with a greater focus in the last two years. We have also voluntarily adopted a ceiling of 3.0% ROA from our micro-credit business.

We have also established a fully automated grievance redressal mechanism with well-defined turnaround times. A three-pronged approach is followed to help resolve Member grievances. The first level of contact for the client is the *Sangam*

Manager at the center meetings, who works to resolve the complaint and updates the head office. The next level is the toll-free customer service helpline, available in seven languages, providing direct access to the head office. The third and highest level is the independent ombudsman toll-free helpline, which responds to grievances. Mr. Verghese Jacob has served as our independent ombudsman since January 2012.

During the quarter ended June 30, 2016, our Member helpline successfully serviced 176,419 customer calls, and during financial year 2016, our Member helpline successfully serviced 594,779 customer calls (an increase of 67% over financial year 2015). Inbound calls have doubled over the previous year indicating growing awareness among customers about the Member helpline. Ninety-eight percent (98%) of these calls were closed within the defined turn-around time ("**TAT**").

We have also taken up several other initiatives such as conducting product surveys through the Member helpline to understand the needs of Members, use of client feedback to improve our products and services, adhering to the RBI policy of using credit bureau reports for disbursing any loan, disclosure of all the product related information on the Member passbook in their vernacular languages and educating the Members on their right to submit a complaint through the Member helpline. During the quarter ended June 30, 2016 we surveyed more than 16,000 customers, and during financial year 2016, more than 100,000 customers were surveyed under different surveys. Surveys were conducted in major vernacular languages, and assessed for their need of new products, satisfaction with existing products and processes and awareness of client protection principles.

Reduce Costs to Borrowers

We have reduced the interest rates charged on loans, with the objective of bringing down the cost to our borrowers. We reduced the interest rate on our income-generating loans from 24.55% (effective from January 11, 2011) to 20.75% (effective from October 1, 2015). With diversification of funding sources and further reduction in our cost of borrowing, we again reduced the interest rate on our income-generating loans to 19.75% effective from December 7, 2015, making our interest rate the lowest among private sector MFIs. We intend to leverage opportunities in the future to further reduce the interest rates offered to our Borrowers.

Diversification of Revenue Streams and Cross-Selling of Products and Services

We have built a large distribution network in rural India. We believe we can leverage this network to distribute financial and non-financial products of other institutions to our Members at a cost lower than our competitors. Our network also allows our partner distributors to access a segment of the market to which many would not otherwise have access.

While we continue to focus on our core business of providing micro-credit services, we continue 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. Our objective in these other businesses is to focus on lending that will allow us to maintain repayment rates, increase Member loyalty and also provide economic benefits to our Members and their families. We believe that such other products and services may offer higher operating margins compared to micro-credit under the new regulatory framework and will help us increase our overall ROA.

Our existing diversification initiatives in relation to financial products and services other than micro-credit include providing:

- Loans to Members for the purchase of mobile handsets in association with Microsoft Corporation (India) Private Limited and solar lanterns and solar lamps in association with D. Light Energy Private Limited and GreenLight Planet India Private Limited; and

- Loans to 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 Tube Investments of India Limited, a division of T.I. Cycles of India, bio-mass stoves in association with Envirofit (India) Private Limited and water purifiers in association with Eureka Forbes Limited.

Enhance Operating and Financial Leverage

We provide collateral-free credit to our Members at their doorstep and our *Sangam* Managers assist with the processes related to credit verification. While this helps our Borrowers save on travel costs, it results in high operating expenses for us, particularly personnel and administrative costs. Personnel costs accounted for 74.8% of our operating expenses (includes employee benefit expenses, other expenses, and depreciation and amortization) during the quarter ended June 30, 2016.

We embarked on a number of cost-optimization initiatives by increasing our ratio of Borrowers per *Sangam* Manager, which helps us to realize economies of scale. The ratio of Borrowers per *Sangam* Manager (outside the states of Andhra Pradesh and Telangana), which was 312 as of March 31, 2012, has improved to 690 as of June 30, 2016. Further, we merged branches, both in the hitherto undivided Andhra Pradesh and other states. In addition, our loan portfolio outside the states of Andhra Pradesh and Telangana grew at a CAGR of 64.5% from financial year 2014 to financial year 2016, and 76.4% from the quarter ended June 30, 2015 to the quarter ended June 30, 2016, without adding a significant number of new branches or

incurring additional capital expenditure. There was a net reduction of approximately 200 branches during financial year 2013 and six branches during financial year 2014, and net additions of 13 branches in financial year 2015, 56 branches in financial year 2016 and 44 branches in the quarter ended June 30, 2016. As of June 30, 2016, we had 1,368 branches. Our total headcount was reduced from 16,194 as of March 31, 2012 to 8,932 as of March 31, 2014. With a resumption in hiring, the headcount has increased to 9,698 as of March 31, 2015, 11,991 as of March 31, 2016 and 14,559 as of June 30, 2016. Although we plan to increase our headcount and open branches in certain areas, we will continue to focus on efficiencies to maintain and improve operating leverage as we continue to implement our growth strategy.

We also continue to focus on enhancing the productivity of employees, introducing technology for expedient reporting and re-engineering our internal processes in an effort to optimize our cost structure. The results of cost optimization are evident in the reduction of our cost-to-income ratio from 74.5% in financial year 2014 to 48.3% in financial year 2016 and 45.7% in the quarter ended June 30, 2016.

Our debt to equity ratio was 3.3 as of June 30, 2016. With a return to full-year profitability in financial year 2014, improved profitability in financial years 2015 and 2016 and the quarter ended June 30, 2016, growth in our portfolio outside the states of Andhra Pradesh and Telangana, and an increase in the availability of financing, we aim to further maximize our operating and financial leverage.

Continue to Focus on Enhancing Information Technology

We believe that technology, when combined with business process innovation, offers a good return on investment. Among other initiatives, we look to the following technology solutions to drive growth:

- As a pilot program, we have implemented biometric know-your-customer technologies to better identify and serve our Borrowers while minimizing processing delays.

- As a part of our Enterprise Mobility strategy, we have provided tablets to our loan officers. Under our SMART Tab project, we deployed approximately 7,900 tablets across all our branches, and a help desk to assist loan officers to manage their devices. As a result, a number of back-office functions have been automated in the field at the point of delivery, which has allowed us to realize significant efficiencies in terms of reduced paper work and processing time. We have applied to patent the system and method for providing a distributed offline computing service platform for microfinance/banking. The Enterprise Mobility project was awarded the SKOCH Order-of-Merit Award, 2015 (qualifying among India's Best – 2015 in smart technology), SKOCH Award and Dataquest Business Technology Award, 2016 (for excellence in the implementation and use of technology for business benefits in the "mobility" category).

- We initiated a pilot program towards cashless disbursements into Member accounts through NEFT. Further, Branch Health Monitor software was launched across the enterprise for raising any service request from branches. With strictly defined turn-around-times, it has significantly improved service quality for branches and client service.

- As a process innovation, we have created standardized, pre-printed loan documentation to reduce our reliance on passbooks, accelerate processing time and reduce the burden on our *Sangam* Managers. We also implemented seamless integration processes with Credit Bureaus through web service technology to manage CB inquiries, resulting in faster service to clients.

Description of Our Business

Business Model and Methodology for our Micro-Credit Products

Our lending business is based on a group lending model. This model has been refined for over 30 years by MFIs internationally and is based on the idea that people belonging to lower-income segments have skills that are under-utilized. It is further premised on the fact that if such individuals are given access to credit, they will be able to identify new opportunities and grow existing income generating activities such as running local retail shops called "*kirana"* stores, providing tailoring and other assorted trades and services, raising livestock, cottage production such as pottery, basket weaving and mat making, land and tree leasing, among others. We believe that access to basic financial services can significantly increase economic opportunities for families in the lower-income segment. Our Borrowers come under the "weaker section" as defined by RBI under its priority sector norms.

Our lending model comprises five key elements that we have summarized below.

- *Village Selection.* We believe it is important for us to determine the feasibility of a village for our lending business before we commence operations in that area. We designate *Sangam* Managers to be responsible for a specified village or set of villages. Our *Sangam* Managers conduct a comprehensive survey to evaluate the local conditions and potential for operations based on several key factors that include total population, income levels, road access, political stability and safety. After a village has been selected, our employees conduct public meetings in the village

to introduce themselves and our Company. In these meetings, we explain the concepts of group lending, our lending procedures and the requirements for group formation.

- *Focus on Women.* We lend to women in low income households, even if loan proceeds are used in the household business that is run by the family, including the husband. We believe that women can positively influence loan repayment in their household because they are generally more risk-averse, cooperate better in groups, and are generally more accessible than their working husbands and can meet regularly to handle the repayment of their loans. We believe that providing women with access to capital in this manner increases their decision-making stature in the household. As decision-makers, we believe women can help direct disposable income to the more basic needs of the home such as nutrition, education and home repairs.

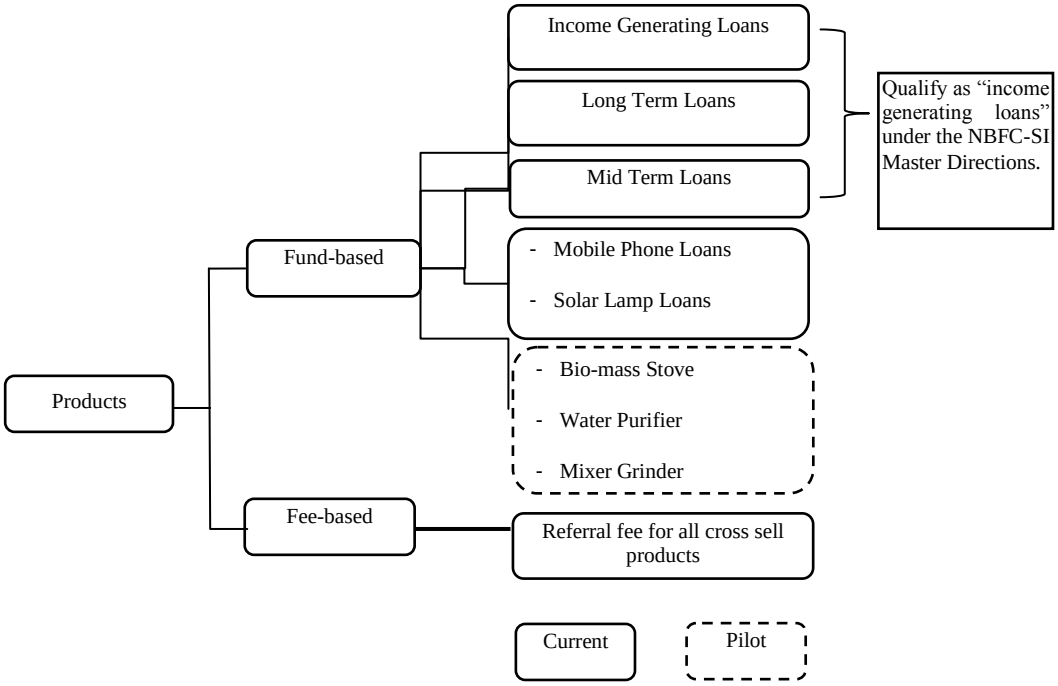
- *Member Training.* We believe it is crucial to build a culture of product awareness and credit discipline from the early stages of group formation. We address this through training and education. We provide basic product awareness training for our Members as many of them have varying levels of literacy and awareness about financial products and services. In particular, our training sessions are participatory and employ visual aids such as seeds, coins and cardboard cut-outs to explain the elements of our products and procedures. Our standardized training programs serve as a platform for increased trust and discipline within the Member groups and their larger aggregations called *Sangams* (defined below), which we believe translates to better loan portfolio performance and contributes to the sustainable growth of our business. Once a group is formed, we conduct training sessions we call Compulsory Group Training ("**CGTs**"), consisting of a series of hour long sessions over two consecutive days. During the training period, our employees also collect quantitative data on each potential Member to ensure she qualifies for the program and to record baseline information for future analysis. On the last day, a Group Recognition Test ("**GRT**") is administered and Members are officially inducted. Many of the training sessions have an everyday beneficial effect on our Members such as the ability to sign their name, count cash and work in groups.

- *Group Lending.* We believe this model ensures credit discipline through mutual support and peer support within the group to ensure that individual Borrowers are prudent in conducting their financial affairs and are 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 us in the future; therefore, the group will use peer support to encourage the delinquent Borrower to make timely payments or will often make a repayment on behalf of a defaulting Borrower, effectively providing an informal joint guarantee on the Borrower's loan. These groups are self-selected and each Borrower is eligible to obtain loans individually (after the completion of CGTs), though the group serves as an informal guarantor for others in the group. We believe that the optimal group size is five women. This size is small enough for Members to effectively extend peer support and large enough for them to have ability to repay for other Members in the group in the event of a default. As other Members are added and new five Member groups are formed, we consolidate a series of such groups within a village to form a *Sangam*. A *Sangam* consists of three to ten groups, has to approve the addition of any new group and also takes on responsibility for any Member of any of the groups in that *Sangam*. This serves as an additional layer of informal joint guarantee, further ensuring repayment of loans. We commence financial transactions once a *Sangam* is formed. We obtain loan applications from Borrowers of the group after the CGTs in the center meeting. A group, and the *Sangam* that the group belongs to, must approve any loan to a Borrower in the group. Since the failure of an individual Borrower to make timely loan repayments precludes other group Members from being able to borrow from us in the future, groups are very careful and selective in choosing their Borrowers and approving loans. This structure provides an additional verification of a Borrower's credit worthiness. Further, to ensure credit discipline and that our loans are being utilized for the purpose for which they are requested, we initially issue loans to groups within the *Sangam* on a staggered basis.

- *Village Level Lending and Collection.* Our approach to rural lending involves providing credit to Members in their village. Sangam meetings begin early in the morning in order not to interfere with the daily activities of our Members. We have developed a network that reaches each of the *Sangams* we lend to on a weekly basis. This allows us to regularly collect repayments on outstanding loans and disburse new loans, reinforce group stability, address community issues and eliminate the travel and time constraints that Members may face with other lenders.

Our Products

The diagram below illustrates our product suite, including current and pilot products.



Further, the table below sets out the relative composition of our total loan portfolio (net of securitization, assignment and managed transactions but including credit enhancements) by loan type, revenue for the quarter ended June 30, 2016 and financial years 2016, 2015 and 2014, and the outstanding principal amount and number of loans outstanding per product as of the dates specified below. The revenue numbers provided below only comprise interest income and loan processing fees.

Loan Type	Revenue for Q1FY17		Revenue for Financial Year 2016		Revenue for Financial Year 2015		Revenue for Financial Year 2014		Outstanding Principal Amount as of June 30, 2016		Number of Loans Outstanding as of June 30, 2016	
	(₹ in millions)	%	(₹ in millions)	%	(₹ in millions)	%	(₹ in millions)	%	(₹ in millions)	%		%
Income Generating Loans [α]	2,985.4	97.9%	9,947.3	96.9%	5,898.7	96.4%	4,078.7	95.6%	37,492.4	60.2%	2,743,888	50.4%
Long Term Loans [α]									9,652.9	15.5%	390,713	7.2%
Mid Term Loans									14,051.1	22.5%	1,458,895	26.8%
Sub-total	**2,985**	**97.9%**	**9,947.3**	**96.9%**	**5,898.7**	**96.4%**	**4,078.7**	**95.6%**	**61,196.4**	**98.2%**	**4,593,496.0**	**84.4%**
Mobile Phones	21.4	0.7%	86.2	0.8%	48.2	0.8%	37.2	0.9%	448.2	0.7%	340,030	6.3%
Solar Lamp	15.9	0.5%	57.9	0.6%	42.1	0.7%	3.4	0.1%	303.2	0.5%	301,892	5.5%
Sewing Machine	12.1	0.4%	27.7	0.3%	0.9	0.0%	-	0.0%	192.3	0.3%	94,073	1.7%
Bicycle	9.6	0.3%	15.6	0.2%	0.0	0.0%	-	0.0%	163.5	0.3%	89,632	1.6%
Water Purifier#	0.9	0.0%	3.1	0.0%	0.0	0.0%	-	0.0%	12.2	0.0%	13,860	0.3%
Bio-mass stove#	0.3	0.0%	5.2	0.1%	1.0	0.0%	-	0.0%	4.4	0.0%	5,570	0.1%
Two Wheeler#	0.0	0.0%	-	0.0%	-	0.0%	-	0.0%	2.4	0.0%	61	0.0%
Mixer grinder#	0.0	0.0%	-	0.0%	-	0.0%	-	0.0%	2.1	0.0%	975	0.0%
Solar Fan*	0.0	0.0%	0.0	0.0%	-	0.0%	-	0.0%	0.2	0.0%	136	0.0%
HealthCare#	0.0	0.0%	-	0.0%	-	0.0%	-	0.0%	0.1	0.0%	28	0.0%
Gold*	4.7	0.2%	121.5	1.2%	128.0	2.1%	147.2	3.4%	4.1	0.0%	237	0.0%
Housing*	-	0.0%	-	0.0%	0.7	0.0%	1.5	0.0%	-	0.0%	-	0.0%
Total	**3,050.4**	**100.0%**	**10,264.6**	**100.0%**	**6,119.5**	**100.0%**	**4,268.0**	**100.0%**	**62,329.0**	**100.0%**	**5,439,990.0**	**100.0%**

[α] *Income Generating Loans, Long Term Loans, Mid Term Loans and Short Term Loans qualify as income generating loans under the NBFC-SI Master Directions, as these loans are issued for the purpose of enterprise activities. These loans aggregated on our balance sheet to ₹61,196.4 million as of June 30, 2016, which represented 98.2% of our total loan portfolio as of such date. The NBFC-SI Master Directions stipulate that the aggregate amount of income generating loans should be at least 50.0% of total loans given by NBFC-MFIs.*

\# *We are offering these loan products on a pilot basis.*

* *We offered these loan products on a pilot basis for a limited period of time and no longer offer them. However, amounts remain outstanding from such loans.*

Fund-based Products

We currently offer twelve loan products, three as core Income-Generating Loans, Mid-Term Loans and Long-Term Loans, and eight for productivity loans, including four loan products that are being offered on a pilot basis. We also offer loans on a pilot basis for two-wheelers. We also issue moratoriums on all products on a case-by-case basis in the event of a floor or other disaster in the region that we determine makes our Borrows in the region unable to repay their loans on time. Brief details of these loan products are set forth below.

Income-Generating Loans

Income-Generating Loans ("**IGLs**") is our core loan product for use by women in rural areas and is intended to provide capital for their small businesses. The loans are made to Members for businesses such as running local retail shops called "*kirana*" stores, providing tailoring and other assorted trades and services, raising livestock, cottage production such as pottery, basket weaving and mat making, land and tree leasing, among others. Loans granted under the IGL program range from ₹9,100 to ₹20,010 for the first loan cycle. For subsequent cycles, loan amounts are determined by past credit history and increased each year in set increments up to a maximum of ₹29,565. The annual effective interest rate of the loans is currently 19.75%. In addition, we charge a non-refundable loan processing fee equal to 1.0% (excluding service tax) of the loan amount. The term of an IGL is 50 weeks. Principal and interest payments are due on a weekly, fortnightly or monthly basis during the loan term, subject to compliance with any applicable local law requirements. As of June 30, 2016, IGLs constituted 60.2% of our total loan portfolio with average outstanding amounts per loan of ₹13,664 and an average off-take of ₹21,336.

Long-Term Loans

We offer loans with a tenure of 104 weeks for income-generating activities ("**Long-Term Loans**" or "**LTLs**"), with the principal amount of a loan ranging from ₹30,915 to ₹49,785. The annual effective interest rate of the loan is currently 19.75%. In addition, we charge a non-refundable loan processing fee equal to 1.0% (excluding service tax) of the loan amount. Principal and interest payments are due on a weekly, fortnightly or monthly basis during the loan term, subject to compliance with any applicable local law requirements. As of June 30, 2016, LTLs constituted 15.5% of our total loan portfolio with average outstanding amounts per loan of ₹24,706 and an average off-take of ₹37,028.

Mid-Term Loans

Mid Term Loans ("**MTLs**") are provided for the same end use as an IGL, but become available any time after the completion of 20 weeks of an IGL cycle. The loan amount is smaller than an IGL and is designed to provide Borrowers who have obtained an IGL with additional capital while their IGL is still being paid off. Loan amounts range from ₹9,100 to ₹15,010. The annual effective interest rate of the loan is currently 19.75%. In addition, we charge a non-refundable loan processing fee equal to 1.0% (excluding service tax) of the loan amount. The term of the loan is 50 weeks. Principal and interest payments are due on a weekly, fortnightly or monthly basis during the loan term, subject to compliance with any applicable local law requirements. As of June 30, 2016, MTLs constituted 22.5% of our total loan portfolio with average outstanding amounts per loan of ₹9,631 and an average off-take of ₹14,698.

Productivity Loans

We currently offer certain loan products that Members can use to purchase products that we believe will increase the productivity of Members and their businesses. We are selective about the products for which we issue such loans. To ensure our loan is used for the purchase of the specified product, we first enter into a strategic relationship with the supplier of the product that we have selected and specify that the loan disbursement will be made directly to the supplier of the product rather than to the Member. We currently have eight products under this category.

Mobile Phone Loans. After a successful pilot program for financing of mobile phones for our Members, we currently offer this product in 16 states in India. The annual effective interest rate of the mobile phone loan program is currently 19.63% and the non-refundable loan processing fee is 0.99% (excluding service tax) of the amount of the loan provided. We are also paid a processing or referral fee by Microsoft Corporation (India) Private Limited and their distributors. The term of this loan is typically 25 weeks. The price of the mobile phones financed by us ranges from ₹2,150 to ₹2,800. Principal and interest payments are due on a weekly basis during the term of the loan. As of June 30, 2016, mobile phone loans constituted 0.7% of our total loan portfolio. We financed 0.2 million mobile phone purchases in the quarter ended June 30, 2016 and 0.7 million phone purchases in financial year 2016.

Solar Lamp Loans. In December 2013, we began providing financing for solar lamps on a pilot basis and currently offer such financing in 16 states. We associated with D.Light Energy Private Limited and Green Light Planet India Private Limited to make solar lamps available to our Members and we are paid a processing/referral fee by D.Light Private Limited and Green Light Planet India Private Limited. The annual effective interest rate of the solar lamps loan program is currently 19.70% and the non-refundable loan processing fee ranges from 0.93% to 0.97% (excluding service tax) of the amount of the loan provided. The term of this loan is typically 25 weeks. Principal and interest payments are due on a weekly basis during the

term of the loan. As of June 30, 2016, solar loans constituted 0.5% of our total loan portfolio. We financed 0.2 million solar lamps in the quarter ended June 30, 2016 and 0.5 million in financial year 2016.

Sewing Machine Loans. We have a considerable number of customers who seek loans for tailoring activities, and currently offer such loans in 16 states in India. In light of our customers' need for sewing machines, we associated with Usha International Limited and Singer India Limited for the financing of sewing machine to our Members. We are paid a processing/referral fee by Usha International Limited and Singer India Limited for these services. The annual effective interest rate of the sewing machine loan program is 19.70% and the non-refundable loan processing fee ranges from 0.91% to 0.99% (excluding service tax) of the amount of the loan provided. As of June 30, 2016, sewing machines constituted 0.3% of our total loan portfolio. We financed 0.04 million sewing machine purchases in the quarter ended June 30, 2016 and 0.1 million in financial year 2016.

Bicycle Loans. We associated with Hero Cycles Limited and Tube Investments of India Limited, a division of T.I. Cycles of India, to facilitate the purchase of bicycles by our Members, and we currently offer such loans in 12 states in India. We are paid a processing/referral fee by Hero Cycles Limited and T.I. Cycles of India for these services. The annual effective interest rate of the bicycle loan program is currently 19.70% and the non-refundable loan processing fee ranges from 0.91% to 0.99% (excluding service tax) of the amount of the loan provided. As of June 30, 2016, bicycle loans constituted 0.3% of our total loan portfolio. We financed 0.04 million bicycle purchases in the quarter ended June 30, 2016 and 0.1 million in financial year 2016.

Healthcare. As of June 30, 2016, we had 28 outstanding healthcare loans with total principal of ₹0.1 million. We currently are offering healthcare loans on a pilot basis. We view healthcare loans as productivity enhancing investments in human capital, the primary value-producing input in the micro-finance model.

Other Productivity Loans and Two-Wheelers. Apart from the above-mentioned loans, we also offer loans on a pilot basis for purchases of bio-mass stoves, water purifiers, mixer grinders and the financing of healthcare products, (sanitary napkins), for onward sale. We also offer loans for the purchase of two-wheelers on a pilot basis. We receive processing/ referral fees by manufacturers and distributors for these services. The annual effective interest rate for such products currently ranges from 19.60% to 19.75% and the non-refundable loan processing fee is 0.82% to 1.00% of the amount of the loan provided. The term of this loan is typically 25 weeks and the two-wheeler program has a loan term of 104 weeks. Principal and interest payments are due on a weekly basis during the term of the loan. As of June 30, 2016, these products constituted 0.03% of our total loan portfolio. Under the pilot program, we financed 0.1 million products in the financial year 2016 and 0.01 million in the quarter ended June 30, 2016.

Interest Rates

All of our loans (a) are denominated in Indian Rupees, (b) are offered at fixed interest rates, and (c) have principal and interest payable in weekly, fortnightly or monthly installments. The interest rates we charge to our Borrowers are principally based on our operating and funding costs, particularly our high personnel and administrative costs, which we believe are significantly higher than those of most commercial banks and traditional non-bank finance companies. We have in the past progressively reduced the interest rates we charge to our Borrowers whenever our costs have decreased, either as a result of economies of scale or lowered funding costs.

Non-Fund Based Products - Insurance Products

We administer group and master insurance policy products that are issued and underwritten by insurance companies based in India for the benefit of our Members.

Loan Cover Insurance

We administer term life insurance products issued and underwritten by insurance companies in India as a master policy holder. We require our Borrowers to purchase loan cover insurance provided by third party insurance companies concurrently with the issuance of any loan product, in order to reduce the risk of loss in the event of the death of the Borrower or her spouse. The insurance covers the entire original principal of the loan disbursed and is paid directly to us by the insurer in the event of a death. The proceeds of the insurance policy are paid by us to the beneficiary of the policy though we generally require that our loan be repaid by the beneficiary from the proceeds of such policy at the time of payment of proceeds of the insurance policy to the beneficiary. This product also results in providing additional monetary support to our Borrowers or their spouse in the event of death of the other.

Life Insurance

We have been administering a "group endowment" life insurance policy issued and underwritten by Bajaj Allianz Life Insurance Company Limited ("**Bajaj Allianz Life**") from July 2008 to our Members although we stopped enrolling new Members under this policy in April 2010. We are the master policy holder and issued a "certificate of insurance" which was issued by Bajaj Allianz Life to each Member enrolled in this scheme. The policy requires a weekly payment of ₹20 and has a

term of five years. Upon death, the beneficiary obtains the full sum assured of ₹5,000 plus the account value, which is equal to the aggregate of the premiums paid plus interest accrued, if any, less any charges for the administration of the policy. If death is deemed an accidental death, the beneficiary receives ₹10,000 plus the account value. Upon maturity in five years where no claim has occurred, the policyholder receives the account value. We facilitated the issuance of 2.8 million policies, facilitated the redemption of 2.7 million policies until June 30, 2016 and continue to administer and service the remaining 0.1 million policies.

Credit Application and Approval Process for our Micro-credit Products

We require each Member seeking a loan from us to submit an application in her weekly *Sangam* meeting that is managed by our *Sangam* Managers. New loan applications are only accepted at a *Sangam* meeting in which all five Members of the applicant's *Sangam* group are present and a minimum of 60.0% of the center Members are present. Once we have received the loan application, we review the information provided by the Member on items such as the purpose of the loan, the requested amount, and the relevant expertise of the Member in the business, as well as the experience, if any, we have had with prior loans the Member may have obtained from us. We use a standardized loan application form that must be signed by both the Member, group leader and the center leader, who serves as a witness.

We use the services provided by Equifax Credit Information Services Private Limited for seeking credit reports on customers who have applied for loans.

We approve new loans based on internal and external credit recommendations with respect to an applicant. This approval process follows the following steps:

- *Sangam consent.* Unanimous consent of all Members of the group present at the *Sangam* meeting to the issuance of the loan to the Member is required. We believe this serves to put the entire *Sangam* group on notice of the loan and the awareness that a default on the loan will prevent any other Member from obtaining a new loan.

- *Credit check.* We share the applicants' details with the credit bureau. After analyzing the applicants' indebtedness status and credit history, the credit bureau provides us with data relating to such applicants. We refer to the report of the credit bureau for loan disbursements.

- *Approval of loan application by the branch manager and branch credit manager.* For all the eligible applications, the branch manager and branch credit manager review the application based on various parameters such as occupational background, previous loan history, availability of proper know-your-customer data and other factors. If the branch staff unanimously agrees to grant the applicant a loan, the branch manager approves the loan and the funds are disbursed to the Member in the next weekly *Sangam* meeting.

Portfolio and Risk Management

The initial focus of our loan portfolio management efforts is on our *Sangam* Managers, who are given primary responsibility for both the issuance of loans and the collection of repayments from our Borrowers. We believe that these employees, who are personally involved with forming of groups, leading weekly *Sangam* meetings in the villages and providing financial services to individual Members, are an important factor in assisting us in our goal of attaining high repayment rates.

Assembling our Members together in groups and *Sangams* allows us to manage our loan portfolio efficiently. All Members of a group are required to attend the weekly *Sangam* meetings, during which loan repayments are made by our Borrowers. Our *Sangam* Managers maintain relationships with all the Members they manage in order to ensure and verify that repayments are made timely and correctly. *Sangam* Managers input data regarding loan disbursements and collection into our management information system on a daily basis. In the event of a late or missed repayment, the officer responsible for managing the loan and our branch managers commence a standardized collection process that includes a direct review with the group and the Borrower to determine the cause of the missed repayment and the solutions to remedy it.

We also regularly conduct checks or reviews of our Borrowers and the use of the funds they obtained from us as loans. We term these checks and reviews as loan utilization checks ("**LUCs**"). In an LUC, one of our *Sangam* Managers visits the Borrower's household or place of business to verify whether the loan funds received have been used for the purpose that the Borrower stated in her loan application and to evaluate the status of the Borrower's business. For every IGL loan from a first-time Borrower and LTL loan a Borrower obtains from us, we conduct 100% physical LUC within 30 days from the date of disbursement of the loan.

Risk Management

As a financial intermediary, we are exposed to risks that are particular to micro-credit lending and the environment in which we operate. We have identified and implemented comprehensive policies and procedures to assess, monitor and manage the risks we face. We seek to continuously improve our risk management processes to address the changing risk environment and

to ensure that our processes are sufficiently agile to adapt to the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis.

We have developed detailed processes for risk management. These processes rest 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.

We have identified the following as key risks:

Political Risk

We recognize political risk as one of the major risks facing the industry and believe that political risk can be mitigated through responsible lending and fair pricing by way of:

- Lowest cost lender – We offer our Borrowers the lowest interest rates among MFIs.
- Voluntary cap on return on assets from core lending – We have voluntarily capped our returns from core lending at 3%.
- Robust Customer Grievance Redressal mechanism with independent ombudsman – We have implemented toll-free customer service help lines available in seven languages and an independent ombudsman reachable through a toll-free helpline.
- Calibrated growth – Our growth strategy aims to meet requirements of our members and also address concerns of various stakeholders.

Concentration Risk

We seek to mitigate concentration risk in both our loan portfolio and borrowings through well-defined Geographic and Borrower dependence norms.

Geographic concentration norms. In order to mitigate the risk of external political, legal or regulatory interventions and non-payment risks, we have implemented the following concentration limits in any particular state, district or Branch:

Disbursement caps. The disbursement limits stipulate that:

- each state to entail less than 15% of our total disbursements (except the states of Karnataka and Odisha, which have a 20% limit);
- each state to entail less than 3% of our total disbursements (except districts in the states of Karnataka and Odisha, which have a 4% limit);
- each Branch to entail less than 1% of our total disbursements (except Branches in the states of Karnataka and Odisha have a 1.25% limit); and
- no disbursements may be made by Branches that have NPAs of more than 1% or collection efficiency of less than 95%.

Gross Loan Portfolio: The Gross Loan Portfolio/Net Worth limits stipulate that:

- no state's Gross Loan Portfolio will exceed 75% of our net worth (except states of Karnataka, Odisha and Maharashtra which have a 100% limit);
- no district's Gross Loan Portfolio will exceed 5% of our net worth (although up to 5% of the operating districts are subject to a higher limit of 10% of our net worth); and
- no Branch's Gross Loan Portfolio will exceed 1% of our net worth (although up to 5% of the operating branches are subject to a higher limit of 2% of our net worth).

Furthermore, our Gross Loan Portfolio concentration limits stipulate that no state's Gross Loan Portfolio will exceed 15% of our total loan portfolio (except the states of Karnataka and Odisha, which have a 20% limit).

Note: Caps are subject to tolerance of 10%.

Borrowing dependence norms. In order to reduce our reliance on any single credit provider, we have targeted a cap on borrowing from any single credit provider of 15% of total borrowings. We have made significant progress towards achieving this target, and reduced our dependence on our top five banks significantly from 74% of our total borrowings as of March 31, 2013 to 48% as of June 30, 2016.

Operational Risk

Our core business of providing unsecured loans in rural areas requires a high level of operational risk management. To mitigate operational risk, we have adopted the following strategies:

- *Integrated cash management system.* Our disbursements to, and collections from, Borrowers are predominantly in cash, making cash management an important element of our business. To reduce potential risks of theft, fraud and mismanagement, we have implemented an integrated cash management system since July 2009 which is operational in approximately 1,325 of our Branches as of June 30, 2016. The system uses an Internet banking software platform that interfaces with various banks to provide us with real-time cash information for the loan activities conducted at our Branches.

We believe this integrated system augments our management information systems and facilitates our bank reconciliations, audits and cash flow management. The system also reduces errors. We have adopted a cash investment policy that limits cash investments to interest-bearing fixed deposits. We do not invest our cash in any other instruments or securities.

- *Product and process design.* We have adopted a standardized approach to product design and operational procedures at our Branches and centers to enable predictability of transactions as a further risk mitigant.

- *ISO certified internal audit.* We have adequate controls and processes in place with respect to our operations. Our Internal Audit department monitors adherence to internal controls and processes and provides inputs for strengthening our risk management.

Liquidity risk

We place significant emphasis on liquidity management and maintain a bias towards high levels of liquidity in order to address operational requirements and corporate commitments. Along with our diversified funding strategy and favorable asset-liability maturity profile, we seek to ensure we have sufficient liquidity to meet our business requirements and promote risk mitigation.

Adequacy of Internal Control Systems

Our internal audit team monitors and reports on our operational and other processes and systems. As of June 30, 2016, our internal audit team consisted of 219 employees and a defined audit process that includes a Branch rating system linked to Branch manager, assistant Branch manager and *Sangam* Manager compensation incentives. In addition, to ensure independence from our operations, our internal audit team reports directly to the Audit Committee of our Board. Our internal audit procedures have received an ISO-9001:2008 certification for the quality of the internal audit process.

Our internal audit department monitors operational risks through its control mechanism and inspections of branches/offices. Based on internal control guidelines from the RBI and the Government of India, our Board of Directors and the Audit Committee of the Board oversee the Internal Control System to ensure better compliance at all levels.

Our internal control systems are appropriate for the nature of our business and the size and complexity of our operations. Internal controls are routinely tested and cover all branches, regional offices and the head office. Significant audit observations and suggestions for follow-up are reported to our Audit Committee.

The Audit Committee of the Board oversees our internal audit function. The Audit Committee reviews the adequacy and effectiveness of the internal control system and monitors the implementation of audit recommendations, including those related to strengthening our risk management policies and systems. The Audit Committee monitors compliance with inspection and audit reports of the RBI, other regulators and statutory auditors.

Distribution Network

Our fund-based and fee-based products are distributed by our Branch managers, assistant Branch managers and *Sangam* Managers, who use weekly *Sangam* meetings as a distribution platform. As of June 30, 2016, each of our *Sangam* Managers on an average managed 745 (690 outside the states of Andhra Pradesh and Telangana) Borrowers. As of June 30, 2016, we had 12,725 (12,047 outside the states of Andhra Pradesh and Telangana) Branch managers, assistant Branch managers and *Sangam* Managers, including trainees, who comprised 87.4% (87.1% outside the states of Andhra Pradesh and Telangana) of

our total workforce. As of June 30, 2016, we had 1,368 Branches and focused our operations in 16 states. Administrative support staff and management personnel at our area and regional offices provide support to our Branches.

The *Sangam* Managers are hired locally and trained so that they have a strong understanding of the local areas in which they will work. In many cases, our *Sangam* Managers come from the same villages our Members come from. However to avoid conflicts of interest, we ensure that the *Sangam* Managers are not appointed to their native village. We believe this has the additional benefit of creating additional employment in the rural villages in which we operate. We train each employee through a two-month program that covers both financing principles and field operations.

Our Andhra Pradesh and Telangana Business and Operations

From February 2016, we have stopped further incremental lending in Andhra Pradesh and Telangana. As of June 30, 2016, we have an outstanding loan portfolio of ₹57.1 million in Andhra Pradesh and Telangana.

Information Technology

We believe that we are a leader and innovator in the use of technology in the microfinance industry in India. With the assistance of selected technology vendors, we have built our technology platform into a business tool for achieving and maintaining high levels of customer service, enhancing operational efficiency and creating competitive advantages for our organization. The following components of our information technology systems have been adopted across the enterprise:

- As a part of our Enterprise Mobility strategy, we have provided tablets to our loan officers. Under our SMART Tab project, we deployed approximately 7,900 tablets across all our branches, and a help desk to assist loan officers to manage their devices. As a result, a number of back-office functions have been automated in the field at the point of delivery, which has allowed us to realize significant efficiencies in terms of reduced paper work and processing time. We have applied to patent the system and method for providing a distributed offline computing service platform for microfinance/banking. The Enterprise Mobility project was awarded the SKOCH Order-of-Merit Award, 2015 (qualifying among India's Best – 2015 in smart technology), SKOCH Award and Dataquest Business Technology Award, 2016 (for excellence in the implementation and use of technology for business benefits in the "mobility" category).

- Branch Health Monitor software was launched across the enterprise for raising any service request from branches. With strictly defined turn-around-times, it has significantly improved service quality for branches and client service.

- We migrated to a new internet service protocol, to IPV6 from IPV4, in order to have more efficient and secure features.

- We strengthened data analytics to gain insights regarding service delivery, process adherence and deviations and to better understand different patterns across the geographies. In addition, data analytics is used for analyzing loan proposal trends across geographies and to report on major KPIs.

- We emphasize employee training to promote the continuous growth and development of our organization and our employees. We launched Training Interface Module software for our training team to track in-house training schedules, attendance, online tests, monitoring and further certification of all employees.

- We implemented seamless integration processes with Credit Bureaus through web service technology to manage CB inquiries, resulting in faster service to clients.

In addition, we have implemented a number of innovative pilot programs on a more limited scale. We anticipate that many of these new technologies and process innovations will be adopted on a broader scale in the future.

Compliance with the NBFC-SI Master Directions

On November 18, 2013, the RBI registered our Company as an NBFC-MFI (with a revised certificate of registration being issued by RBI on July 14, 2016 to reflect our name change), which requires us to comply with the NBFC-SI Master Directions. Set out below is the current status of our compliance with certain key aspects of the NBFC-SI Master Directions. The former NBFC-MFI Directions have been replaced by and consolidated into the NBFC-SI Master Directions.

Criteria	NBFC-SI Master Directions	Our Compliance Status
Loan Portfolio – Qualifying Assets	At least 85.0% of net assets (*i.e.*, total assets excluding cash and bank balances and money market instruments) to be in the nature of "qualifying assets."	"Qualifying assets" constituted 94.7% of our net assets, as of June 30, 2016.

Criteria	NBFC-SI Master Directions	Our Compliance Status
Qualifying Assets – Income Generation	At least 50.0% of the aggregate amount of loans given by the MFIs to be given for income-generation activity.	Loans for income generating activities constituted 98.2% of our total loan portfolio, as of June 30, 2016.
Ticket Size	Individual loan amounts not to exceed ₹60,000 in the first cycle and ₹100,000 in subsequent cycles.	The maximum amount of loan for our micro-credit products is ₹49,785.
Indebtedness of Borrower	Total indebtedness of the borrower not to exceed ₹100,000.	We comply with this norm in relation to our micro-credit products.
Tenure of Loan	Tenure of loan to be at least 24 months for loan amounts in excess of ₹30,000 without prepayment penalty.	We comply with this norm in relation to our micro-credit products.
Collateral	Loan to be extended without collateral.	We comply with this norm for our micro-credit products.
Mode of Repayment	Loan to be repayable in weekly, fortnightly or monthly installments, at the choice of the Borrower.	We comply with this norm, subject to compliance with any local law requirements.
Margin Cap	Interest rates charged will be the lower of the cost of funds plus a margin of 10%, and the average base rate of the five largest commercial banks by assets multiplied by 2.75.	We charge interest at the rate of 19.75% on our micro-credit products. In addition, we charge a loan processing fee equal to 1.0% (excl. service tax) of the loan amount. As a result, we comply with the ceiling on margin.
Insurance Premium	The actual cost of insurance for group, livestock, life and health of borrower and spouse can be recovered. However, administrative charges can only be recovered as per the applicable guidelines issued by the IRDA.	Since January 2011, we collect only the actual cost of loan cover insurance. We comply with this norm in relation to collection of insurance premium.
Penalty	Borrowers not to be subject to penalties for delayed payments.	We comply with this norm.
Security Deposit	No security deposit or margin should be taken from the borrower.	We have not taken any security deposit or margin money from our Borrowers in respect of our micro-credit products.
Asset Classification	Asset for which interest or principal payment has remained overdue for a period of 90 days or more to be classified as a NPA.	We comply with this norm. We classify loans that remain overdue for more than 56 days as NPAs.
Loan Provisioning	Loan provision to be created for higher of: (a) 1% of the outstanding loan portfolio; or (b) 50% of the aggregate loan installments overdue for more than 90 days and less than 180 days; or (c) 100% of the aggregate loan installments overdue for 180 days or more (applicable from April 1, 2013).	We create a 50% provision for loans overdue for more than 56 days but less than 175 days (that we classify as "sub-standard loans") and write off the assets for loans overdue for more than 175 days (that we classify as "loss loan assets"). The aggregate loan provision will be maintained at higher of 1% of overall portfolio or sum of provisioning for sub-standard and loss assets.

For details in relation to the NBFC-SI Master Directions, see "Regulations and Policies – Non-Banking Financial Company – Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016, dated

September 1, 2016 (the "NBFC-SI Master Directions")" and for details in relation to provisioning norms adopted by us, see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," respectively.

Competition

We face our most significant organized competition from other MFIs, banks and state-sponsored social programs in India. We expect that small finance banks may emerge as another source of competition. In addition, many of our potential members in the lower income segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at much higher rates.

MFIs can largely be classified into two types: for-profit organizations and not-for-profit organizations. Organizations under a host of different legal forms may be covered under the MFI model, including trusts, societies, co-operatives, non-profit NBFCs registered under Section 25 of the Companies Act, 1956 and Section 8 of the Companies Act, 2013, and for-profit MFIs registered with the RBI as NBFCs. For-profit MFIs have obtained a majority of the market share both in terms of clients and in terms of loan portfolio. Other than us, the key for-profit MFIs operating in India are Janalaxmi, Ujjivan and Equitas.

Banks

We believe traditional commercial banks as well as regional rural and cooperative banks have generally not directly targeted the rural lower income segments of the population for new customers. However, some banks do participate in microfinance by financing the loan programs of SHGs often in partnership with NGOs. Banks also indirectly participate in microfinance by making loans and providing other sources of funding (such as securitization, assignment, loans under business correspondent mechanism) to MFIs. In addition, some commercial banks are beginning to directly compete with for-profit MFIs for lower income segment customers in certain geographies. Further, many MFIs have been granted in-principle small finance bank licenses. For further details, see "Industry Overview."

Grading and Credit Ratings

CARE has provided us with a grading of "MFI 1" or "MFI One" as an MFI, which is the highest obtainable grading on an eight point scale. In addition, we have a Corporate Governance Rating of "CGR2" by ICRA, the second highest available rating on a six point scale, which implies a "high level" of assurance on corporate governance matters. Our securitized transactions are rated as AA (SO). For further details, see Risk Factors – Any downgrade of our credit ratings or our grading as an MFI would increase our cost of borrowing and make our ability to raise new funds in the future or renew maturing debt more difficult."

Set forth below is certain information with respect to our credit ratings in respect of our outstanding indebtedness as of August 31, 2016.

Rating Instrument	Rating	Rating Agency	Rating Amount Limits (₹ in millions)
MFI Grading	MFI 1	CARE Ratings	N/A
Bank Loan Rating (Long-term facilities)	CARE A+	CARE Ratings	55,000
Bank Loan Rating (Short-term facilities)	CARE A1+	CARE Ratings	
Long-term Debt (NCD)	CARE A+	CARE Ratings	4,000
Short-term Debt (CP/NCD)	CARE A1+	CARE Ratings	2,000
Long-term Debt	ICRA A+	ICRA Limited	7,500^
Short-term Debt	ICRA A1+	ICRA Limited	
Securitization Pool	CARE AA (SO)	CARE Ratings	17,312*
	ICRA AA (SO)	ICRA Limited	13,331*

* Amount aggregates to - 5 transactions rated by CARE Ratings and 4 transactions rated by ICRA

^ Subject to long-term debt borrowings limit of ₹3,000 million

Properties

Registered Office and Headquarters

Our registered office is located in licensed premises at Unit no. 410, "Madhava," Bandra-Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra and the license of such property expires on September 30, 2016. Our head office is located in leased premises at 3rd Floor, My Home Tycoon, Block A, 6-3—1192, Kundanbagh, Begumpet, Hyderabad – 500 016, Andhra Pradesh and the lease of such property expires on March 4, 2024.

Other Properties

As of June 30, 2016, we had 26 regional offices, and 1,368 branches throughout India, respectively, that we occupy through leave and license or lease arrangements.

Employees

As of June 30, 2016, we had 14,559 (13,832 outside the states of Andhra Pradesh and Telangana) full-time employees. As of June 30, 2016, our 10,017 (9,481 outside the states of Andhra Pradesh and Telangana) *Sangam* Managers and trainee assistants comprised our lending and collections department, and executive, managerial and administrative support staff totaled 4,542.

We conduct periodic reviews of our employees' job performance and determine salaries and discretionary bonuses based upon those reviews and general market conditions. We believe that we have a good working relationship with our employees and we have not experienced any significant employee disputes. Our employees are not subject to any collective bargaining agreements or represented by labor unions.

We believe that our compensation and benefit packages are competitive with other companies in the microfinance industry. The compensation of our personnel is linked to both qualitative and quantitative aspects of performance. Each of our employees has individual targets based on strategic corporate goals. Our *Sangam* Managers are compensated with performance bonuses based on the number of new Members they manage, loan clients managed, data quality and adherence to Client Protection Principles. They are not compensated or incentivized on the basis of loan performance or the loan size. More senior employees such as area managers and above are also required to maintain a strong loan portfolio, increase our customer base and ensure service quality. When operational and financial targets are met, our employees are eligible to receive a bonus in accordance with our compensation program. We also grant employees that meet well-defined seniority or tenure metrics, options to purchase our equity shares. Additionally, we have employee stock option plans and an employee stock purchase scheme and have granted options to our employees pursuant to the plans. Our goal-oriented culture and incentive programs have contributed to developing a motivated workforce that is focused on building strong relationships with our Members and partners by delivering personalized customer service, growing profitability and striving for operational efficiencies. For details relating to our ESOPs, see "Capitalization Statement."

We have high rates of employee attrition. For the quarter ended June 30, 2016 our annualized attrition rate was 28.5% and for financial years 2016, 2015 and 2014, our employee attrition rate was 29.8%, 21.7%, and 31.5%, respectively. We define attrition as total employee terminations and resignations divided by the average employee headcount for the relevant time period. We believe these high attrition rates are the result of a mix of factors that include better job opportunities, personal or family concerns, higher education opportunities and terminations. We continue to focus on retention efforts and the implementation of new programs to decrease our attrition.

Intellectual Property

As of June 30, 2016, we had 12 trademarks in India, including the "Swarna Pushpam" logo in English. Our trademark registration application for the "Swarna Pushpam" logo in Telugu language is currently pending. We intend to seek trademarks on our current trade names in the future. See "Risk Factors—Risks Relating to our Business and the Microfinance Industry—Our inability to protect or use our intellectual property rights may adversely affect our business."

We have copyright certification of our anthem song titled "Udhte Jaayen Badte Jaayen." Our application for patent protection and for copyright registration in relation to "SKS Microfinance Enterprise Mobility" is pending registration."

Insurance

We maintain insurance policies that we believe are customary for companies operating in our industry. We maintain insurance policies covering our fixed assets and equipment, portable equipment's and third party products at branches, which protects us in the event of certain natural disasters or third-party injury, fidelity guarantee insurance policy, money insurance policy, group life insurance for employees and directors and officers liability insurance.

REGULATIONS AND POLICIES

The following description is a summary of certain sector specific key laws and regulations in India, which are applicable to our Company. The information provided below has been obtained from sources available in the public domain. The description of laws and regulations set out below may not be exhaustive, is only intended to provide general information, and is neither designed nor intended to be a substitute for professional legal advice. The statements below are based on current provisions of Indian law, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

I. Regulations applicable to NBFC-MFI

Reserve Bank of India Act, 1934 (the "RBI Act")

The RBI has been entrusted with the responsibility of regulating and supervising the activities of NBFCs by virtue of powers vested to it under Chapter III-B of the RBI Act. The RBI Act defines an NBFC as (a) a financial institution which is a company; (b) a non-banking institution which is a company and which is in the principal business of receiving deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or (c) such other non-banking institution or class of institutions as the RBI may, with the previous approval of the Central Government, and by notification in the Official Gazette, specify.

A company would be categorized as an NBFC if its financial assets are more than 50% of its total assets (netted off by intangible assets) and if its income from such financial assets is more than 50% of the gross income. Further, NBFCs are required to obtain a certificate of registration from the RBI and maintain net-owned funds as prescribed, prior to commencement of the business as a non banking financial institution.

Pursuant to Section 45IC of the RBI Act, every NBFC is required to transfer 20% of its net profit to a reserve fund annually, before declaring dividend. Appropriation of any sum from the reserve fund may be allowed for the purposes specified by RBI from time to time and any such appropriation is to be reported to RBI within 21 days from the date of its withdrawal or in such other time as may be allowed by RBI.

Non-banking Financial Company-Systemically Important Non-deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016 (the "NBFC-SI Master Directions")

RBI had constituted a sub-committee of the Central Board of Directors of the RBI in 2010 to study the issues concerning microfinance institutions under the chairmanship of Y.H. Malegam. The recommendations of the committee were accepted by the RBI in January 2011, pursuant to which the RBI issued NBFC-MFI Directions introducing a separate category of NBFC namely NBFC- MFI. The NBFC-MFI Directions have been repealed and replaced by NBFC-SI Master Directions on September 1, 2016 and accordingly, all circulars and directions issued to NBFC-MFIs under NBFC-MFI Directions have been consolidated and replaced by NBFC-SI Master Directions.

Under Chapter II of the NBFC-SI Master Directions, a NBFC-MFI means a non-deposit taking NBFC (other than a company licensed under Section 25 of the Companies Act, 1956 or Section 8 of the Companies Act, 2013) which satisfies the following conditions:

(i) Its minimum net owned funds are ₹ 50 million (except for NBFC-MFIs in north eastern region whose minimum net owned funds are ₹ 20 million);

(ii) its net assets of not less than 85% are in the nature of qualified assets; and

(iii) an NBFC which does not qualify as an NBFC-MFI shall not extend loans to micro finance sector, which in aggregate exceed 10% of its total assets.

For the purposes of NBFC-SI Master Directions, "net assets" are defined as total assets other than cash and bank balances and money market instruments. Criteria have also been prescribed for a loan to be classified as a "qualifying asset", which include *inter alia* the loan being disbursed in excess of ₹0.03 million shall be for a tenure of at least 24 months without prepayment penalty charges, every loan should be without collateral, any loan disbursed by the NBFC-MFI shall be to a borrower whose rural household annual income does not exceed ₹0.1 million or urban and semi-urban household income does not exceed ₹0.16 million, out of which the loan amount not exceeding ₹0.06 million should be disbursed in the first cycle and ₹0.1 million in subsequent cycles and the aggregate amount of loans, given for income generation, not being less than 50% of the total loans given by the MFIs.

Multiple lending, Over Borrowing and Ghost Borrowers:

NBFC-MFIs can lend to individual borrowers who are not members of a Joint Liability Group ("**JLG**"), Self Help Group ("**SHG**") or to borrowers that are members of a JLG or SHG, subject to the following restrictions:

(i) borrower cannot be a member of more than one SHG or JLG;

(ii) not more than two NBFC-MFIs can lend to the same borrower;

(iii) there must be a minimum moratorium period between the grant of the loan and the due date for the repayment of the first installment. The moratorium period shall not be less than the frequency of repayment;

(iv) recovery of loan given in violation of the regulations should be deferred till all prior existing loans are fully repaid; and

(v) all sanctioning and disbursement of loans should be done only at a central location and more than one individual should be involved in this function. In addition, there should be close supervision of the disbursement function.

Capital Adequacy Requirements, Asset Classification and Provisioning Requirement Norms

The NBFC-MFIs are required to maintain a CAR consisting of Tier I and Tier II capital which should not be less than 15% of its aggregate risk weighted assets. The total of Tier II Capital at any point of time, should not exceed 100% of Tier I capital.

The NBFC-MFIs are also required to comply with the following asset classification and provisioning norms:

Asset Classification Norms:

(i) A "standard asset" means the asset in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business;

(ii) A "non-performing asset" means an asset for which interest or principal payment has remained overdue for a period of 90 days or more.

Provisioning Norms:

The aggregate loan provision to be maintained by NBFC-MFIs at any point of time is required to be not less than the higher of:

(i) 1% of their outstanding loan portfolio; or

(ii) 50% of their 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.

Further, all provisions of chapter V of the NBFC-SI Master Directions which are not contrary to the provisioning norms are applicable to NBFC-MFIs.

Transparency in Interest Rates and pricing of credit

To ensure fair practice in lending, NBFC-MFIs are permitted to have only three components in the pricing of loans viz., the interest charge, the processing charge and the insurance premium (which includes the administrative charges in respect thereof). They are not permitted to charge penalty on delayed payments or to collect any security deposit/margin from their borrowers. In addition, NBFC-MFIs are subject to pricing stipulations in relation to the ceiling on margins, interest rates, processing fee, administrative charges, penalties and insurance premium. NBFC-MFIs are required to have a standard loan agreement, and provide borrowers with a loan card reflecting details of the loan in vernacular language. Further, the effective rate of interest charged by the NBFC-MFIs are required to be prominently displayed in all offices and websites of, and all literature issued by the NBFC-MFIs.

Every NBFC-MFI has to be a member of all credit information companies ("**CICs**") – presently four in number established under the CIC Regulation Act 2005, provide timely and accurate data to the CICs and use the data available with them to ensure compliance with the conditions regarding membership of SHG/JLG, level of indebtedness and sources of borrowing.

All NBFC-MFIs are encouraged to become member of at least one self-regulatory organization ("**SRO**") which is recognised by the RBI and will also have to comply with the Code of Conduct prescribed by the SRO. The

responsibility for compliance with all regulations prescribed for MFIs lies primarily with the NBFC-MFIs themselves. The industry associations/SROs also play a key role in ensuring compliance with the regulatory framework. In addition, banks lending to NBFC-MFIs also ensure that systems practices and lending policies in NBFC-MFIs are aligned to the regulatory framework.

II. Regulations Applicable to all NBFCs–SI

The regulations governing systemically important NBFCs are consolidated in NBFC-SI Master Directions. The NBFC-SI Master Directions govern, *inter alia*, deposit accepting and every systemically important non-deposit accepting NBFC including every NBFC – MFI with an asset size of ₹5,000 million and above.

Corporate Governance Norms

All NBFCs-SI are required to adhere to certain corporate governance norms as set out in Chapter XI of the NBFC-SI Master Directions, including constitution of an audit committee, a nomination committee, an asset liability management committee and risk management committee. The NBFCs will also have to ensure to put in place a 'fit and proper criteria' of the directors at the time of appointment in line with guidelines given at Annex IX of the NBFC-SI Master Directions. NBFCs are required to furnish to the RBI a quarterly statement within 15 days from the close of the quarter, on change of directors, and a certificate from the managing director of the NBFC that fit and proper criteria in selection of the directors has been followed. Further, all applicable NBFCs shall have to frame their internal guidelines on corporate governance with the approval of its board of directors, enhancing the scope of the guidelines without sacrificing the spirit underlying the above guidelines and it shall be published on the company's website, if any, for the information of various stakeholders. The NBFCs will also have to adhere to certain other norms in connection with disclosure, transparency and rotation of partners of the statutory auditors' audit firm.

Fair Practices Code

As a measure of customer protection and in order to bring in uniformity with regard to prepayment of various loans by borrowers of banks and NBFCs, it has been advised that NBFCs shall not charge foreclosure charges/pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

For recovery of loans, NBFCs should not resort to undue harassment. NBFCs shall also ensure that the staff is adequately trained to deal with the customers in an appropriate manner. The Fair Practice Code is contained in chapter VI of the NBFC-SI Master Directions.

NBFC-SI Prudential Norms

The NBFC-SI Prudential Norms are contained in chapter IV of the NBFC-SI Master Directions. The prudential norms are applicable to both NBFCs accepting/holding public deposits and every systemically important NBFC not accepting / holding public deposits and every NBFC-MFI, with an asset size of ₹5000 million and above as per the last audited balance sheet. In terms of the NBFC-SI Master Directions, every NBFC qualifying the test prescribed therein is required to comply with inter alia principles for specific income recognition, accounting, asset classification, provisioning and capital adequacy norms. All NBFC- SI are required to have policies framed by its board of directors in relation to matters viz. granting demand/call loans, investment by the NBFCs. The policy on demand / call loans should include (i) A cut-off date within which the repayment of demand or call loan shall be demanded or called up, (ii) The rate of interest which shall be payable on such loans; (iii) a cut-off date, for review of performance of the loan, not exceeding six months commencing from the date of sanction etc.

The NBFC-SI Master Directions prescribe provisioning norms for NBFC-SI which is to be complied in a progressive manner, and all NBFCs falling within the systemically important NBFC framework are required to make provisions for standard assets at 0.30% by the end of March 2016; 0.35% by the end of March 2017 and 0.40% by the end of March 2018 and thereafter, of the outstanding, which shall not be reckoned for arriving at net NPAs. Such provisions made towards standard assets will be included under the head 'contingent provisions against standard assets' in the balance sheet of the NBFC.

Further, the NBFC-SI Master Directions prescribe capital adequacy norms for NBFCs, whereby every NBFC shall maintain a minimum capital ratio consisting of Tier I and Tier II capital which shall not be less than 15% of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items. The total of Tier I capital, at any point of time, shall not be less than 8.5% by March 31, 2016 and 10% by March 31, 2017 for all applicable NBFCs (other than NBFC – MFI and infrastructure debt fund – non banking financial company). The total Tier II capital of NBFC-MFIs at any point of time, shall not exceed 100% of Tier I capital.

Guidelines on raising money through private placement of non convertible debentures by NBFCs (**"NCD Guidelines"**)

The NCD guidelines are contained in annex XIX of the NBFC-SI Master Directions and are applicable to issuance of non convertible debentures with a maturity period of more than one year, and prescribe among other things the issuance of private placement of NCDs in two separate categories, those with a maximum subscription of less than ₹10 million and those with a minimum subscription of ₹10 million and above per investor. There shall be no limit on the number of subscribers in respect of issuances with a minimum subscription of ₹10 million and above, and the option to create security in favour of subscribers will be with the issuers. Such unsecured debentures shall not be treated as public deposits as defined in NBFC-SI Master Directions. There shall be a limit of 200 subscribers for every financial year for issuance of NCDs with a maximum subscription of less than ₹10 million and such subscription shall be fully secured. An NBFC shall issue debentures only for deployment of funds on its own balance sheet and not to facilitate resource requests of group entities/parent company/associates. An NBFC shall not extend loans against the security of its own debentures (issued either by way of private placement or public issue).

Guidelines on Securitization of Standard Assets (the **"GSSA"**)

The RBI has consolidated GSSA in Annex XVIII of the NBFC-SI Master Directions. The GSSA *inter alia* imposes a restriction on the offering of credit enhancement in any form and liquidity facilities in the case of loan transfers through direct assignment of cash flows. Further, the GSSA provides that loans can only be assigned or securitized if the NBFC has held them in their books for a specified minimum period. The GSSA also provide a mandatory retention requirement for securitization and assignment transactions.

Approval for acquisition or transfer of control

The directions relating to acquisition or transfer of control for NBFCs are specified in Chapter X of the NBFC-SI Master Directions and are applicable to every NBFC, whether accepting deposits or every systemically important non – deposit accepting, and every NBFC –MFIs with an asset size of ₹5,000 million or above. In terms of the NBFC-SI Master Directions, prior written permission of the RBI (subject to certain exceptions) is required for: (a) any takeover or acquisition of control of an NBFC, which may or may not result in change in management; (b) any change in the shareholding of an NBFC, including progressive increases over time, which would result in acquisition/transfer of shareholding of 26% or more of the paid up equity capital of the NBFC; and (c) any change in the management of the NBFC which would result in change in more than 30% of the directors, excluding independent directors.

Master Directions- (Know Your Customer (KYC)) Directions, 2016 dated February 25, 2016 issued by the RBI ("RBI KYC Directions")

The RBI KYC Directions are applicable to every entity regulated by the RBI, specifically, scheduled commercial banks, regional rural banks, local area banks, primary (urban) co-operative banks, all financial institutions in India, NBFCs, miscellaneous non-banking companies and residuary non-banking companies, amongst others. In terms of the RBI KYC Directions, every entity regulated thereunder is required to formulate a KYC policy which is duly approved by the board of directors of such entity or a duly constituted committee thereof. The KYC policy formulated in terms of the RBI KYC Directions is required to include four key elements, being customer acceptance policy, risk management, customer identification procedures and monitoring of transactions. The RBI KYC Directions also prescribe detailed instructions in relation to, inter alia, the due diligence of customers, record management and reporting requirements to Financial Intelligence Unit – India.

The RBI KYC Directions have been modified on July 8, 2016 for sharing of KYC information with Central KYC Records Registry notified as an authorised entity for collecting, storing and sharing KYC information of the customers uniformly by the Central Government under PML and rules made thereunder.

Master Directions - Priority Sector Lending - Targets and Classification, dated July 7, 2016, issued by the RBI ("Priority Sector Lending Directions")

The Priority Sector Lending Directions observed that the bank credit extended to MFIs for on-lending purposes to individuals and members of SHGs or JLGs would be eligible to be categorised as priority sector advance under respective categories being agriculture, micro, small, medium enterprises and others, as indirect finances, provided not less than 85% of total assets (other than cash balances with banks and financial institutions, government securities and money market instruments) of MFIs are in the nature of "qualifying assets", the aggregate amount of loan, extended for income generating activity, is not less than 50%, of the total loans given by such MFIs, and the loans comply with the caps on margin, interest rate and other pricing guidelines.

For this purpose, a loan disbursed by MFIs will be treated as qualifying asset if:

(i) The loan is to be extended to a borrower whose household annual income in rural areas does not exceed ₹0.1 million while for non-rural areas it should not exceed ₹0.16 million;

(ii) The loan does not exceed ₹0.06 Million in the first cycle and ₹0.1 million in the subsequent cycles;

(iii) Total indebtedness of the borrower does not exceed ₹0.1 million;

(iv) Tenure of loan is not less than 24 months when loan amount exceeds ₹0.03 million with right to borrower of prepayment without penalty;

(v) The loan is without collateral; and

(vi) The loan is repayable by weekly, fortnightly or monthly installments at the choice of the borrower.

Master Circular dated July 1, 2015 issued by the RBI on returns to be submitted by NBFCs

The circular lists down detailed instructions in relation to submission of returns, including their periodicity, reporting time, due date, purpose and the requirement of filing such returns by various categories of NBFCs, including an NBFC-ND-SI.

Master Circular dated July 1, 2015 issued by the RBI – Frauds –Future approach towards monitoring of frauds in NBFCs

In order to prevent the incidence of frauds in NBFCs, the RBI established a reporting requirement to be followed by NBFCs, both NBFCs-Deposit taking and NBFCs-ND-SI. In terms of the circular, all NBFCs-ND-SI with asset size of ₹5,000 million and above deposit taking NBFCs shall disclose the amount related to fraud, reported in the company for the year in their balance sheets. NBFCs failing to report fraud cases to the RBI would be liable for penal action prescribed under the provisions of Chapter V of the RBI Act, 1934. Additionally, the circular provides for categorisation of frauds and the reporting formats in order to ensure uniformity in reporting.

Further, pursuant to a notification dated February 18, 2016, the RBI has revised the threshold for reporting of frauds and submission of quarterly progress reports on frauds to Central Fraud Monitoring Cell and the Regional Office of the RBI, Department of Non-Banking Supervision under whose jurisdiction the registered office of the NBFC falls.

Master Directions - External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers dated January 1, 2016 issued by the RBI ("ECB Directions")

NBFC-MFI can borrow by way of ECB from eligible lenders like multilateral financial institutions like Asian Development Bank, International Finance Corporation, regional financial institutions, overseas organizations, individuals among others up to USD 100 Million in the Financial Year. The minimum average maturity period for an ECB of up to USD 50 million should be 3 years and beyond USD 50 million and up to USD 100 Million should be 5 years.

NBFC-MFIs have to comply with following additional conditions for availing ECB: (i) They should have a satisfactory borrowing relationship for at least three years with an AD Category I bank in India, and (ii) They should have a certificate of due diligence on 'fit and proper' status from the AD Category I bank.

Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Act, 2011 (the "A.P. MFI Act")

On January 1, 2011, the Government of Andhra Pradesh enacted the A.P. MFI Act to regulate the money lending activities by microfinance institutions in the State. The A.P. MFI Act is applicable to any person or group of persons, partnership firm, a company registered under the provisions of the Companies Act, a NBFC, a society registered under the Andhra Pradesh Co-operative Societies Act, 1964 or the Andhra Pradesh Societies Registration Act, 2001 and the like, in whichever manner formed and by whatever name called, whose principal or incidental activity is to lend money or offer financial support to the low-income groups of population. A.P. MFI Act has been adopted by State of Telangana (formerly unified Andhra Pradesh) on June 1, 2016.

MFIs registered under the A.P. MFI Act are subject to several restrictions, including the following:

(i) MFIs operating in Andhra Pradesh are required to obtain a registration with the relevant registering authority in each district wherein the MFI has been conducting its business or proposes to conduct its business. Pending such registration, MFIs are not permitted to extend or recover any loans in Andhra Pradesh;

(ii) MFIs are prohibited from taking any security for the loan extended, from a borrower by way of pawn, pledge or other security;

(iii) The total interest payable on any loan is not permitted to exceed the principal amount recoverable from a borrower;

(iv) All recoveries of installments are to be made only at the designated offices of the Government of Andhra Pradesh and on a periodicity of not less than one month;

(v) MFIs cannot extend a loan to a SHG or its members where the SHG has an outstanding loan from a bank unless the MFI obtains the prior written approval from the relevant registering authority. Further, no member of an SHG shall be a member of more than one SHG;

(vi) MFIs are required to display the rates of interest charged by them in a conspicuous place in their premises in bold letters visible to the members of the public; and

(vii) MFI are not allowed to charge any other amount from the borrower except any charge prescribed under the rules for submission of an application for grant of a loan.

The validity of A.P. MFI Act has been challenged by various companies including us, and the matter is pending before the Supreme Court. For further details, see the section "Legal Proceedings" on page 187.

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the **"SARFAESI Act"**)

The SARFAESI Act focuses on improving the rights and simplifying the procedures for enforcement of security interest of banks and financial institutions and other specified secured creditors as well as asset reconstruction companies by providing that such secured creditors can take over management control of a borrower company upon default and/or sell assets without the intervention of courts, in accordance with the provisions of the SARFAESI Act. It also provides the legal framework for the securitization and reconstruction of financial assets.

GoI has on August 5, 2016 notified a list of NBFCs with the asset size of ₹5,000 million and above which includes our Company to whom provisions of the SARFAESI Act and rules made thereunder will be applicable. In terms of the notification, the notified financial institutions including our Company can enforce the security interest by selling the assets or takeover the management of the defaulting borrower where the default exceeds ₹10 million.

FDI in NBFCs

The Government has from time to time has made policy pronouncements on FDI through circulars, clarifications, press notes and press releases. The DIPP, issued the Consolidated FDI Policy by way of circular number D/o IPP F. No. 5(1)/2016-FC-1 dated June 7, 2016, which with effect from June 7, 2016, consolidates and supersedes all previous press notes, press releases, circulars and clarifications on FDI issued by the DIPP that were in force and effect as on June 7, 2016. Pursuant to the FDI Policy, 100% FDI is allowed in NBFCs under the automatic route.

III. Other Regulations

In addition to the above, our Company is required to comply with the provisions of the Companies Act, FEMA, labour laws, various tax related legislations and other applicable statutes for its day-to-day operations.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Directors

As per the Articles of Association and subject to the provisions of Section 149 of the Companies Act, 2013, the number of Directors shall not be less than three and more than 15, unless otherwise determined by our Company in the General Meeting. At present, our Company has eight Directors including one executive Director, six non-executive Independent Directors and one Nominee Director. At every AGM of our Company, one-third of our total number of Directors are liable to retire for the time being or, if their number is not three or multiple of three, then the number nearest to one-third shall retire from office. Pursuant to the provisions of the Companies Act, 2013, at least two-third of the total number of Directors excluding the Independent Directors, and Nominee Director appointed by SIDBI are liable to retire by rotation, with one-third of such number retiring at each annual general meeting. A retiring Director is eligible for re-election. Further, the Independent Directors may be appointed for a maximum of two terms of up to five consecutive years each. Any re-appointment of Independent Directors shall *inter alia* be on the basis of the performance evaluation report and on such appointment being approved by our Shareholders by way of special resolution. Our Directors are not required to hold any Equity Shares in our Company to qualify to be a Director.

The following table provides information about our Directors as of the date of this Placement Document:

Sr. No.	Name, Address, DIN, Term, Nationality and Occupation	Designation
1.	**P.H. Ravikumar** **Address:** 501 Yashowan Towers Behind Mahim Post Office T.H.Kataria Marg, Mahim (West) Mumbai 400 016 Maharashtra **DIN**: 00280010 **Term**: Appointed for a period of five years with effect from September 29, 2014 up to September 28, 2019 or 16th AGM to be held in the calendar year 2019, whichever is earlier **Nationality**: Indian **Occupation**: Professional	Non-Executive Chairman and Independent Director
2.	**M. Ramachandra Rao** **Address:** Plot No. 23, Ashwini Layout Jubilee Hills, Near Andhra Jyoti Office Hyderabad 500 033 Telangana **DIN**: 03276291 **Term**: Appointed for a period of five years with effect from October 4, 2013 up to October 3, 2018 **Nationality**: Indian **Occupation**: Company Executive	Managing Director and Chief Executive Officer
3.	**S. Balachandran** **Address**: Flat No. 301, Kunda Residency, Plot No. 168, Street No. 4, West Maredpally Nehrunagar, Hyderabad 500 026, Telangana **DIN**: 01962996 **Term**: Appointed for a period of five years with effect from September 29, 2014 up to September 28, 2019 or 16th AGM to be held in the calendar year 2019, whichever is earlier.	Independent Director

Sr. No.	Name, Address, DIN, Term, Nationality and Occupation	Designation
	Nationality: Indian **Occupation**: Professional	
4.	**Geoffrey Tanner Woolley** **Address:** 88 Weona Road, North Attleboro, MA 02760, United States of America **DIN:** 00306749 **Term:** Appointed for a period of five years with effect from September 29, 2014 up to September 28, 2019 or 16th AGM to be held in the calendar year 2019, whichever is earlier. **Nationality:** American **Occupation**: Service	Independent Director
5.	**Kartik Gopal Alai** **Address:** Flat No. 701, Raheja Majestic, Manmala Tank Road, Mahim West, Mumbai 400 016, Maharashtra **DIN:** 01757205 **Term:** Not liable to retire by rotation **Nationality:** Indian **Occupation**: Service	Nominee Director (SIDBI)
6.	**Dr. Punita Kumar Sinha** Address: 51 Gatehouse Road, Newton, MA, Massachusetts 02467-1320, United States of America **DIN:** 05229262 **Term**: Appointed for a period of five years with effect from March 23, 2015 up to March 22, 2020. **Nationality**: American **Occupation**: Professional	Independent Director
7.	**Rajender Mohan Malla** **Address**: C-4/19, Safdarjung Development Area, Hauz Khas, New Delhi 110 016, Delhi **DIN:** 00136657 **Term**: Appointed for a period of five years with effect from March 11, 2016 up to March 10, 2021. **Nationality**: Indian **Occupation**: Professional	Independent Director
8.	**Dr. Tarun Khanna** **Address:** 66, Druid Hill Road, Newton 02461, United	Independent Director

Sr. No.	Name, Address, DIN, Term, Nationality and Occupation	Designation
	States of America **DIN**: 01760700 **Term**: Appointed for a period of five years with effect from September 29, 2014 up to September 28, 2019 or 16th AGM to be held in the calendar year 2019, whichever is earlier. **Nationality**: Indian **Occupation**: Service	

Biographies of the Directors

P.H. Ravikumar, is the Non-Executive Chairman and Independent Director of our Company. He holds a bachelor's degree in commerce from Osmania University, Hyderabad and is an Associate of Indian Institute of Bankers, Mumbai and of Chartered Institute of Bankers, London. He is also an honorary fellow of the Chartered Institute of Securities and Investment, London. He has approximately 44 years of experience in the financial services sector, including around 32 years as a commercial banker, spanning retail, corporate and treasury banking areas in India and abroad and across public sector and private sector banks such as Bank of India and ICICI Bank. He was a key member of the founding team that established ICICI Bank and where he held the position of the senior general manager and head of emerging corporate and agri business. Subsequently, he was the founding managing director and chief executive officer of National Commodity & Derivatives Exchange Limited and of Invent Assets Reconstruction & Securitisation Private Limited, an asset reconstruction company regulated by RBI. He is a member of the board of directors of several listed and unlisted companies. He is the Chairman of Vastu Housing Finance Corporation Limited since January 25, 2014. He has been a member of our Board of Directors since March 22, 2006.

M. Ramachandra Rao, is the Managing Director and the Chief Executive Officer of our Company. He has completed his post graduation in management studies from BITS Pilani. He has 29 years of experience in retail financial services. He joined our Company as the Chief Operating Officer on October 24, 2006. He was previously associated with ING Vysya Life Insurance, Standard Chartered Bank, American Express and Esanda Finza & Leasing Limited as a senior executive. He has significant experience in managing operations in a large business environment, formulating business strategies and identifying new markets. He has been at the forefront in driving our Company's rural distribution reach and scale-up operations. He shouldered responsibility of combating the A.P. MFI crisis for us and insulating our non-A.P. operations from the contagion risk. He has been a member of our Board of Directors since October 4, 2010.

S. Balachandran, is an Independent Director of our Company. He holds a master's degree in science with second rank in the University and gold medal in the degree program. He joined Central Civil Services Group A of 1971 batch. He has 35 years of experience in the Government and Corporate Sector including an overseas assignment. Among the key positions held by him in the past are: Additional Member (Budget – Rank of Special Secretary to the Government) of the Ministry of Railways, Managing Director of the Indian Railway Finance Corporation, Joint Director in the office of the Comptroller and Auditor General of India. He was also a Director on the Boards of Oil & Natural Gas Corporation Limited ("ONGC"), Container Corporation of India, Dredging Corporation of India, PTC India Limited, PTC Energy Limited and ONGC Petro Additions Limited. He has been a nominee of SEBI in United Stock Exchange Limited and a nominee director in Railtel Limited and Pipavav Rail Corporation Limited. He has been a member of our Board of Directors since July 24, 2014.

Geoffrey Tanner Woolley, is an Independent Director of our Company. He holds a bachelor's degree in science in business management from Brigham Young University and master of business administration from the University of Utah. He co-founded Dominion Ventures, Kreos Partners and also holds the position of the chief executive officer of Unitus Impact, which is focused on creating livelihoods in emerging markets. He has been a member of our Board of Directors since March 22, 2006.

Kartik Gopal Alai, is a Nominee Director in our Company and is a Chief General Manager, SIDBI, Mumbai, is a career development banker. He holds a post graduate degree in commerce and a bachelor's degree in law and diploma in banking. He is also a qualified company secretary. He started his career in the country's apex development bank viz the Industrial Development Bank of India ("**IDBI**"). He has over 30 years of practical experience in development and financing of Micro, Small and Medium Enterprises (**"MSMEs"**) both in IDBI and SIDBI. He had extensive field level operational and promotional engagement with MSMEs and MFIs in major centers of the SIDBI. Presently he guides the business operations of SIDBI from the corporate level through a network of Regional Offices and also heads the Human Resources Development Department. Prior to this, he was the Country Head of the Equity & Risk Capital Vertical and Fund of Funds operations of

SIDBI. His past responsibilities also comprised Treasury Management. He was the nominee director of SIDBI on the boards of several assisted Corporates, Government Corporations, VC Funds etc. He has represented SIDBI in several international programmes on MSME financing and related topics. He has been a member of our Board of Directors since October 30, 2015.

Dr. Punita Kumar Sinha, is an Independent Director of our Company. She holds a Ph.D. and a masters in Finance from the Wharton School, University of Pennsylvania, undergraduate degree in chemical engineering with distinction from the Indian Institute of Technology, New Delhi, an MBA degree from Drexel University and is also a CFA Charter holder. She is a member of the CFA Institute and the Council on Foreign Relations. She is the Founder and Managing Partner, Pacific Paradigm Advisors, an independent investment advisory and management firm. Prior to founding Pacific Paradigm Advisors in 2012, Dr. Punita Kumar Sinha was Head of Blackstone Asia Advisors (BAA) L.L.C. and its Chief Investment Officer, and was a Senior Managing Director of The Blackstone Group L.P. She has 27 years of experience in fund management in emerging markets, being one of the first foreign investors into India. Before joining Blackstone, she was a Managing Director at Oppenheimer Asset Management Inc., Portfolio manager and Chief Investment Officer at The India Fund Inc, and Asia Tigers Fund Inc., and Senior Portfolio Manager at CIBC World Markets. She has also been a Portfolio Manager on the emerging markets team at Batterymarch (a Legg Mason company), and on the international equity team at Standish Ayer & Wood (a Bank of New York Mellon company). She has been a member of our Board of Directors since March 23, 2015.

Rajender Mohan Malla, is an Independent Director of our Company. He holds a post graduate degree in commerce, masters in business administration, and a post-graduation diploma in national management programme. He has over 40 years of experience in Banking Sector. He has been a member of the Certified Associate of Indian Institute of Bankers. He started his professional career as a banker in 1975 as an assistant manager at Syndicate Bank and subsequently was the Chairman and Managing Director of IDBI Bank. Post retirement, he was appointed as the Managing Director & Chief Executive Officer of PTC India Financial Services Limited, a subsidiary of PTC India Limited for about two years till May 2015. During his career spanning 40 years in the Banking Industry, Mr. Malla held top and significant decision-making positions in Banks, Financial Institutions & NBFCs in India viz., IDBI Bank Limited, SIDBI, IFCI, PTC India Financial Services Limited, IDBI (as Development Financial Institution) and Syndicate Bank. He has been a member of our Board of Directors since March 11, 2016.

Dr. Tarun Khanna, is an Independent Director of our Company. He holds a bachelor's degree in science in engineering from Princeton University, summa cum laude, Phi Beta Kappa, and a Ph.D. in business economics from Harvard University in 1993. He has approximately 23 years of experience as an author, educator, consultant and investor in emerging markets worldwide. He has been a member of our Board of Directors since February 1, 2008.

Relationship with other Directors

None of the Directors are related to each other.

Borrowing Powers of our Board of Directors

Our Company has resolved, by way of a special resolution passed by way of postal ballot dated July 21, 2016, that pursuant to the provisions of Section 180(1)(c) of Companies Act, 2013, our Board of Directors is authorised to borrow monies from banks or financial institutions and other persons, firms or bodies corporate, subject to a monetary limit of ₹ 125,000 million at any given point of time.

Interest of the Directors

All of our Non-Executive Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of reimbursement of expenses payable to them. Additionally, M. Ramachandra Rao may be deemed to be interested to the extent of remuneration and special award pay payable to him and the independent directors may be deemed to be interested to the extent of commission payable to them.

Other than as disclosed in this Placement Document, there were no outstanding transactions other than in the ordinary course of business undertaken by our Company, in which our Directors were interested parties.

There are no existing or potential conflicts of interest between any duties owed to our Company by our Directors and the private interests or external duties of our Directors. As part of their investment portfolio, certain of our Directors and executive officers may from time to time hold direct or beneficial interests in securities of our Company or other companies, with which our Company has engaged or may engage in transactions, including those in the ordinary course of business. Our Company does not believe that the holdings in such other companies create a conflict of interest because transactions typically engaged between the issuers of such securities and our Company are not likely to have a material effect on the prices of such securities.

One of our Directors, Kartik Gopal Alai is appointed by SIDBI as a nominee director on our Board of Directors.

All Directors may also be regarded as interested in the Equity Shares held by, or subscribed by and allotted to, the companies, firms and trust, in which they are interested as directors, members, partners or trustees.

Except as otherwise stated in this Placement Document in this regard, our Company has not entered into any contract, agreement or arrangement during the preceding two years from the date of this Placement Document in which any of our Directors are interested, directly or indirectly, and no payments have been made to them in respect of any such contracts, agreements, arrangements which are proposed to be made with them. Furthermore, our Directors have not taken any loans from our Company.

Shareholding of Directors

The shareholding of our Directors as of June 30, 2016, is set forth below:

Name	Shareholding in our Company	Percentage of Shareholding in our Company (%)
P. H. Ravikumar	26,000	0.02
M. Ramachandra Rao	194,166	0.15
Dr. Tarun Khanna	55,080	0.04
Geoffrey Tanner Woolley	1,000	Negligible

Options held by the Directors as of June 30, 2016:

The following ESOPs have been granted to our Directors under the ESOP 2008 (ID), ESOP 2010 and ESOP 2011, the details of which are set out below:

Name of the Director to whom employee stock options have been granted	Applicable ESOP plan	Number of Stock Options Granted	Number of Stock Options Vested and Unexercised as on June 30, 2016	Total number of Equity Shares that would be Issued as a result of full Exercise of Options already Vested
P.H. Ravikumar	ESOP 2008 (ID)	36,000	0	0
	ESOP 2010	100,000	0	0
	ESOP 2011	100,000	80,000	80,000
M. Ramachandra Rao	ESOP 2008	292,500	193,050	193,050
Geoffrey Tanner Woolley	ESOP 2008 (ID)	36,000	0	0
	ESOP 2010	100,000	67,000	67,000
	ESOP 2011	100,000	100,000	100,000
Dr. Tarun Khanna	ESOP 2008 (ID)	36,000	0	0
	ESOP 2010	100,000	67,000	67,000
	ESOP 2011	100,000	100,000	100,000

Pursuant to a resolution of our Shareholders passed at the AGM held on December 3, 2013, M. Ramachandra Rao was re-appointed as the Managing Director and the Chief Executive Officer of our Company with effect from October 4, 2013 for a period of five years. The remuneration payable to M. Ramachandra Rao has been revised through resolution dated May 4, 2016 passed by our Board of Directors and resolution dated July 21, 2016 passed by our Shareholders. The remuneration for the Financial Year 2017 includes (i) fixed salary of ₹ 24.01 million and (ii) special award pay of ₹ 12 million, with effect from April 1, 2016. The remuneration for the Financial Year 2018 includes (i) fixed salary of up to ₹32.5 million and (ii) performance bonus/ special award pay/ variable pay not exceeding 60% of the fixed salary. In addition, M. Ramachandra Rao is also entitled to car lease of ₹ 0.3 million per annum and other benefits such as health insurance, accidental insurance and life insurance of ₹ 0.002 million per annum as indicated in our Shareholders resolution dated October 4, 2013.

The following tables set forth the compensation paid by our Company to the Managing Director and Chief Executive Officer during the current Financial Year (to the extent applicable) and Financial Years 2016, 2015 and 2014:

(₹ million)

Financial Year	Salary	Perquisites and Allowances	Others	Total
2017 (up to June 30, 2016)	5.31	0.32	12.36	17.99
2016	16.99	1.01	10.61	28.62
2015	14.00	0.75	7.57	22.32
2014	11.10	0.70	4.01	15.81

Non-Executive Directors

None of the Non-Executive Directors (independent or nominee directors) are liable to retire by rotation. M. Ramachandra Rao, the Managing Director and Chief Executive Officer, is liable to retire by rotation.

Our Shareholders, by way of a special resolution passed at an AGM held on December 3, 2013, had approved annual payment to the Independent Directors of our Company, in addition to the sitting fees for attending the meetings of our Board of Directors or Committees thereof, a commission per Independent Director in a financial year or collectively upto one percent (1%) of the net profits of our Company.

The following tables set forth all compensation paid by our Company to the non-executive Directors during the current Financial Year (to the extent applicable) and the Financial Years 2016, 2015 and 2014:

Financial Year 2017 (payment made up to June 30, 2016)

(*₹ million*)

Name of the Directors	Commission	Sitting Fees	Total
P.H. Ravikumar	4.00	0.23	4.23
S. Balachandran	4.00	0.28	4.28
Geoffrey Tanner Woolley	4.00	0.25	4.25
Kartik Gopal Alai	-	0.15	0.15
Dr. Punita Kumar Sinha	4.00	0.20	0.20
Rajender Mohan Malla	-	0.10	0.10
Dr. Tarun Khanna	4.00	-	4.00

Financial Year 2016

(*₹ million*)

Name of the Directors	Commission	Sitting Fees	Total
P.H. Ravikumar	2.50	1.45	3.95
S. Balachandran	1.72	1.70	3.41
Geoffrey Tanner Woolley	2.50	0.85	3.35
Kartik Gopal Alai	-	0.15	0.15
Dr. Punita Kumar Sinha	0.06	0.60	0.66
Dr. Tarun Khanna	2.50	0.20	2.70

Financial Year 2015

(₹ million)

Name of the Directors	Commission	Sitting Fees	Total
P.H. Ravikumar	1.00	1.29	2.29
S. Balachandran	-	1.20	1.20
Geoffrey Tanner Woolley	1.00	0.69	1.69
P. Krishnamurthy	-	0.97	0.97
Dr. Tarun Khanna	1.00	0.09	1.09

Financial Year 2014

(*₹ million*)

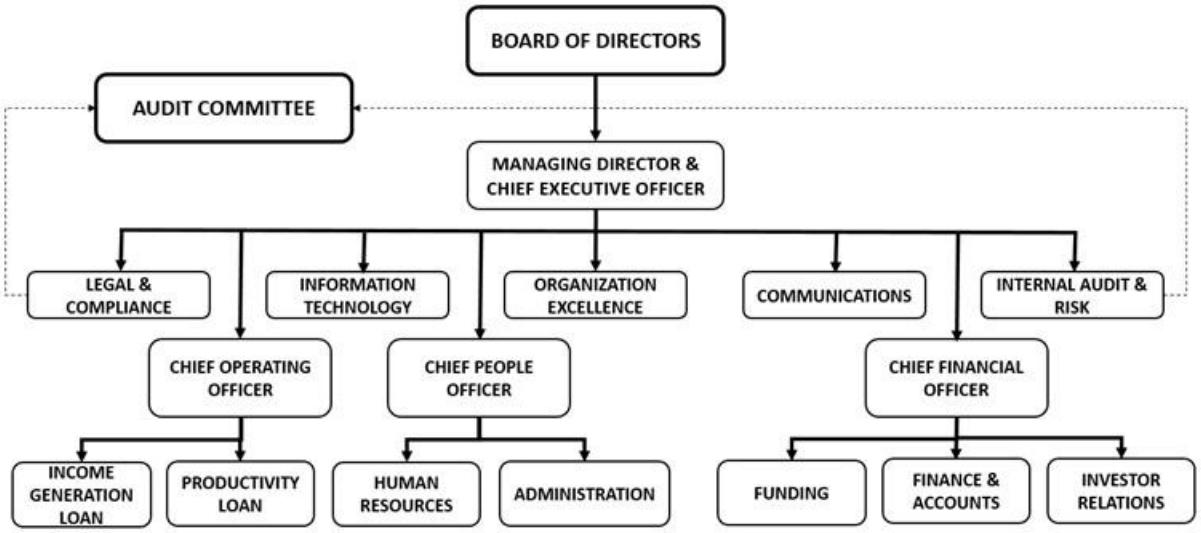
Name of the Directors	Commission	Sitting Fees	Total
P.H. Ravikumar	-	0.40	0.40
Geoffrey Tanner Woolley	-	0.14	0.14
P. Krishnamurthy	-	0.38	0.38
Dr. Tarun Khanna	-	0.06	0.06

Changes in our Board of Directors during the last three years

Name of the Director	Date of Change	Reasons for change
Ranjana Kumar	September 10, 2013	Resigned as a Director
M. Ramachandra Rao	October 4, 2013	Re-appointed as Managing Director and Chief Executive Officer
Dr. Tarun Khanna	December 3, 2013	Re-appointed as Director (liable to retire by rotation)
Geoffrey Tanner Woolley	December 3, 2013	Re-appointed as Director (liable to retire by rotation)
P.H. Ravikumar	December 3, 2013	Re-appointed as Non-Executive Chairman
P.H. Ravikumar	February 4, 2014	Re-designated from Non-Executive Chairman (interim) to Non-Executive Chairman
S. Balachandran	July 24, 2014	Appointed as Additional Director and Independent Director

Name of the Director	Date of Change	Reasons for change
P.H. Ravikumar	September 29, 2014	Appointed as an Independent Director and Chairman
Dr. Tarun Khanna	September 29, 2014	Appointed as an Independent Director
Geoffrey Tanner Woolley	September 29, 2014	Appointed as an Independent Director
S. Balachandran	September 29, 2014	Appointed as an Independent Director
Sumir Chadha	September 29, 2014	Re-appointed as Director (liable to retire by rotation)
Dr. Punita Kumar Sinha	March 23, 2015	Appointed as a Additional Director and Independent Director
Dr. Punita Kumar Sinha	September 29, 2015	Appointed as Director and Independent Director
Paresh D. Patel	September 23, 2015	Re-appointed as Director (liable to retire by rotation)
P. Krishnamurthy	October 15, 2015	Nomination withdrawn by SIDBI
Kartik Gopal Alai	October 30, 2015	Appointed as a Nominee Director (SIDBI)
Rajender Mohan Malla	March 11, 2016	Appointed as a Additional and Independent Director
Sumir Chadha	May 4, 2016	Resigned as a Director
Paresh D. Patel	July 21, 2016	Resigned as a Director
Rajendra Mohan Malla	July 21, 2016	Re-designated to Independent Director

Organizational Chart of our Company



Key Managerial Personnel

Our Company's key managerial personnel are as follows:

M. Ramachandra Rao, 52, is the Managing Director and the Chief Executive Officer of our Company. For details, see the section "Board of Directors and Senior Management – Biographies of the Directors" on pages 144 and 145.

K. V. Rao, 52, is the Chief Operating Officer of our Company. He is responsible for overall field operations of our Company. He joined our Company as Vice President in April 2007. He has a bachelor's degree in science from A C College, Guntur, Andhra Pradesh, and a post graduate degree in business administration from Institute for Social Sciences and Research, Vellore. He has overall experience of over 29 years and has worked with organizations such as Blue Dart, Esanda Finanz and Leasing Limited, Standard Chartered Bank and Sundaram Home Finance Limited (TVS group).

Ashish Damani, 37, is the Chief Financial Officer of our Company. He is responsible for fund raising, budgeting, forecasting, financial management, systems process development, accounting and taxation at our Company. He participated in the Accelerated General Management Program from IIM Ahmedabad and holds a post graduate diploma in business administration in finance management from Symbiosis Centre for Distance Learning, Pune. He was formerly Manager CMM with Fullerton India Credit Company Limited. He has a total work experience of approximately 15 years. He has been employed with our Company since December 1, 2006.

Rajendra Patil, 44, is the Company Secretary and Compliance Officer of our Company. He is an associate member of Institute of Company Secretaries of India and holds a master's degree in commercial law from the Mumbai University. He also holds a certificate of 'Certified Associate of Indian Institute of Bankers' (CAIIB) issued by Indian Institute of Banking and Finance. Prior to joining our Company, he was associated with RBL Bank Limited as its senior vice president – legal and compliance and was responsible for the entire gamut of secretarial and legal function of RBL Bank Limited. He has also worked with reputed companies such as Godrej Foods Limited, ICICI Bank Limited, CRISIL Limited and IDFC Limited. He

has an overall experience of around 21 years in the fields of corporate secretarial, compliance and legal function. He has been employed with our Company since April 2, 2014 and appointed as our Company Secretary and Compliance Officer with effect from May 2, 2014.

As of June 30, 2016, except as stated below, none of the key managerial personnel hold Equity Shares in our Company:

Name	Number of Equity Shares	Percentage of total number of outstanding Equity Shares (%)	Aggregate number of ESOPs granted	Aggregate number of ESOPs remaining unexercised
K. V. Rao	31,892	0.03	124,108	104,108
Ashish Damani	16,976	0.01	130,760	105,760
Rajendra Patil	-	-	74,000	53,580

For details of Equity Shares and ESOPs held by M. Ramachandra Rao, see "Board of Directors and Senior Management – Shareholding of Directors" on page 146.

Changes in the key managerial personnel during the last three years

Name	Date of appointment/ cessation	Reason
S. Dilli Raj	February 4, 2014	Appointed as the President of our Company and ceased as the Chief Financial Officer of our Company
K.V. Rao	February 4, 2014	Appointed as the Chief Operating Officer of our Company
Ashish Damani	February 4, 2014	Appointed as the Chief Financial Officer of our Company
Sudershan Pallap	May 2, 2014	Ceased as the Company Secretary and re-designated as Deputy Company Secretary
Rajendra Patil	May 2, 2014	Appointed as the Company Secretary
S. Dilli Raj	September 21, 2016	Resigned as the President of our Company

Interest of key managerial personnel

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of (i) the remuneration or benefits to which they are entitled to as per their terms of appointment; (ii) the Equity Shares held by them or their dependents in our Company; and (iii) number of options granted to them under the ESPS 2007, ESOP 2009 and ESOP 2011.

Other than as disclosed in this Placement Document, as of June 30, 2016, there were no outstanding transactions other than in the ordinary course of business undertaken by our Company in which the key managerial personnel were interested parties.

None of our Directors are related to any of the key managerial personnel of our Company.

Corporate Governance

Our Company has been complying with the requirements of all applicable corporate governance norms, including the SEBI Listing Regulations in relation to the constitution of our Board of Directors and committees thereof. The corporate governance framework is based on an effective independent Board, separation of the supervisory role of our Board of Directors from the executive management team and proper constitution of committees of our Board. Our Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas.

As the Chairman of our Company is a non-executive Director of our Company, at least one-third of our Board of Directors is required to consist of independent directors in accordance with Regulation 17(1) of SEBI Listing Regulations. Our Company is compliant with Regulation 17 of the SEBI Listing Regulations, as six of our Directors are eligible to be considered as independent directors under the SEBI Listing Regulations. The SEBI Listing Regulations requires every company to appoint one woman director on its Board. Our Company has appointed Dr. Punita Kumar Sinha as a woman director with effect from March 23, 2015.

Our Board of Directors has held five meetings during the Financial Year 2016 and has met twice during the Financial Year 2017 (to the extent applicable).

Committees of our Board of Directors

In accordance with the SEBI Listing Regulations, RBI regulations and the Companies Act including the rules made thereunder, our Company has constituted the following committees of our Directors:

1. Audit Committee;

2. Asset Liability Management Committee;

3. Corporate Social Responsibility Committee;

4. Nomination and Remuneration Committee;

5. Risk Management Committee; and

6. Stakeholders' Relationship Committee.

Other Confirmations

None of our Directors, Promoters or key managerial personnel of our Company has any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

Neither our Company, nor our Directors or Promoters have ever been identified as willful defaulters by any bank or financial institution or consortium thereof, in accordance with the guidelines on willful defaulters issued by the RBI.

Policy on disclosures and internal procedure for prevention of insider trading

The SEBI Insider Trading Regulations apply to our Company and its employees and require our Company to implement a code of internal procedures and conduct for the prevention of insider trading. Our Company has implemented a code of conduct for prevention of insider trading and procedure for fair disclosure of unpublished price sensitive information in accordance with the SEBI Insider Trading Regulations.

Related Party Transactions

For details in relation to the related party transactions entered by our Company during the last three Financial Years, as per the requirements under Accounting Standard 18 issued by the Institute of Chartered Accountants in India, see "Financial Statements" on page 199.

PRINCIPAL SHAREHOLDERS

The shareholding pattern of our Company as of June 30, 2016 is detailed in the table below:

Category of Shareholder	Nos. of shareholders	No. of fully paid up equity shares held	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957)As a % of (A+B+C2)	Number of equity shares held in dematerialised form
(A) Promoter & Promoter Group	1	2,627,111	2,627,111	2.06	2,627,111
(B) Public	51,796	124,885,703	124,885,703	97.93	123,107,101
(C) Non Promoter-Non Public	1	16,661	16,661	0.01	0
Grand Total	51,798	127,529,475	127,529,475	100.00	125,734,212

Statement showing shareholding of persons belonging to the "Promoter and Promoter Group" category as of June 30, 2016 is set out below:

Category of shareholder	Nos. of shareholders	No. of fully paid up equity shares held	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957)As a % of (A+B+C2)	Number of equity shares held in dematerialized form
A1) Indian				0.00	
A2) Foreign				0.00	
Any Other (specify)	1	2,627,111	2,627,111	2.06	2,627,111
Kismet Microfinance	1	2,627,111	2,627,111	2.06	2,627,111
Sub Total A2	1	2,627,111	2,627,111	2.06	2,627,111
A=A1+A2	1	2,627,111	2,627,111	2.06	2,627,111

Statement showing shareholding of persons belonging to the "Public" category and holding more than 1% of the total shareholding as of June 30, 2016 is set out below:

Category & Name of the Shareholders	No. of shareholder	No. of fully paid up equity shares held	Total no. shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	No of Voting Rights	Total as a % of Total Voting right	Number of equity shares held in dematerialised form (Not Applicable)
Amansa Holdings Private Limited	1	5,400,000	5,400,000	4.23	5,400,000	4.23	5,400,000
Sandstone Investment Partners I	1	5,159,502	5,159,502	4.05	5,159,502	4.05	5,159,502
Morgan Stanley Asia (Singapore) Pte	1	4,044,411	4,044,411	3.17	4,044,411	3.17	4,044,411
IDFC	3	3,534,384	3,534,384	2.77	3,534,384	2.77	35,34,384
Baron Emerging Markets Fund	1	3,500,000	3,500,000	2.74	3,500,000	2.74	3,500,000
Vinod Khosla	2	3,419,241	3,419,241	2.68	3,419,241	2.68	2,100,172
Indus India Fund (Mauritius) Limited	1	3,379,366	3,379,366	2.65	3,379,366	2.65	3,379,366
Morgan Stanley Mauritius Company Limited	1	2,700,842	2,700,842	2.12	2,700,842	2.12	2,700,842
TIAA-CREF FUNDS - TIAA CREF International Equity Fund	1	2,410,813	2,410,813	1.89	2,410,813	1.89	2,410,813
Tree Line Asia Master Fund (Singapore) PTE. Limited	1	2,357,076	2,357,076	1.85	2,357,076	1.85	2,357,076
GMO Emerging Domestic Opportunities Fund, A Series	1	2,207,970	2,207,970	1.73	2,207,970	1.73	2,207,970
Birla Sun Life Trustee Company Private Limited	14	2,201,617	2,201,617	1.73	2,201,617	1.73	2,201,617
Kismet SKS II	1	2,037,173	2,037,173	1.60	2,037,173	1.60	2,037,173
Goldman Sachs (Singapore) PTE	1	1,931,970	1,931,970	1.51	1,931,970	1.51	1,931,970
Amundi Funds Equity India	1	1,750,000	1,750,000	1.37	1,750,000	1.37	1,750,000
ICICI Prudential	3	1,699,477	1,699,477	1.33	1,699,477	1.33	16,99,477
Tree Line Asia Master Fund (Singapore) PTE. Limited	1	1,492,924	1,492,924	1.17	1,492,924	1.17	1,492,924
Small Industries	1	1,471,961	1,471,961	1.15	1,471,961	1.15	1,471,961

Category & Name of the Shareholders	No. of shareholder	No. of fully paid up equity shares held	Total no. shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	No of Voting Rights	Total as a % of Total Voting right	Number of equity shares held in dematerialised form (Not Applicable)
Development Bank Of India							
Merrill Lynch Capital Markets Espana S.A. S.V.	1	1,307,650	1,307,650	1.03	1,307,650	1.03	1,307,650
Max Life Insurance Company Limited	14	1,861,097	1,861,097	1.46	1,861,097	1.46	1,861,097

There are no Shareholders belonging to the “Public” category who hold more than 5% of the total shareholding as of June 30, 2016.

ISSUE PROCEDURE

Below is a summary, intended to provide a general outline of the procedures for the bidding, application, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of the same from our Company or the Lead Managers.

The investors are advised to inform themselves of any restrictions or limitations that may be applicable to them and are required to consult their respective advisers in this regard. Investors that apply in the Issue will be required to confirm and will be deemed to have represented to our Company, the Lead Managers and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Company and the Lead Managers and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares. See "Selling Restrictions" and "Transfer Restrictions".

Qualified Institutions Placement

The Issue is being made to QIBs in reliance upon Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013, through the mechanism of qualified institutions placement. Under Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013, a listed issuer in India may issue equity shares, non-convertible debt instruments along with warrants and convertible securities (other than warrants) to QIBs, provided, *inter alia*, that:

- a special resolution approving the qualified institutions placement has been passed by its shareholders. Such special resolution must specify (a) that the allotment of the Equity Shares is proposed to be made pursuant to the qualified institutions placement, and (b) the relevant date;
- equity shares of the same class of such issuer, which are proposed to be allotted through the qualified institutions placement or pursuant to conversion or exchange of eligible securities, are listed on a recognized stock exchange in India that has nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution;
- such issuer complies with the minimum public shareholding requirements set out in SCRR; and
- such issuer should have completed allotments with respect to any offer or invitation made, or should have withdrawn, or abandoned any invitation or offer made by the issuer.

At least 10.00% of the Equity Shares issued to QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other QIBs. A QIB has been specifically defined under Regulation 2(1)(zd) of the SEBI Regulations.

Investors are not allowed to withdraw their Bids after the closure of the Issue.

Prospective purchasers will be required to make certain certifications in order to participate in the Issue including that they are either (A) outside the U.S. and not a U.S. person and purchasing the Equity Shares in an offshore transaction (as defined in Regulation S) or (B) both a "qualified purchaser" as defined in the Investment Company Act and a "qualified institutional buyer" as defined in Rule 144A. For further details, see "Representations by investors" on page 3.

Additionally, there is a minimum pricing requirement under the SEBI Regulations. The issue price of the equity shares issued pursuant to the QIP shall not be less than the average of the weekly high and low of the closing prices of the issuer's equity shares of the same class quoted on the stock exchange during the two weeks preceding the relevant date. However, a discount of up to 5.00% of the floor price is permitted in accordance with the provisions of the SEBI Regulations.

The "relevant date" refers to the date of the meeting in which the board of directors or the committee of directors duly authorised by the board of the issuer decides to open the proposed issue and the "stock exchange" means any of the recognised stock exchanges in India in which the equity shares of the same class of the issuer are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

Securities must be allotted within 12 months from the date of the shareholders' resolution approving the QIP and also within the period of 60 days from the date of receipt of subscription money from the relevant QIBs. The securities issued pursuant to a QIP must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI Regulations and Form PAS-4, as prescribed under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014 as amended. The preliminary placement document and the placement document are private documents provided to select investors through serially numbered copies and are required to be placed on the website of the concerned stock exchange and of the issuer with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

The Issue was authorised and approved by our Board of Directors and our Shareholders on May 4, 2016 and July 21, 2016, respectively. Our Company has applied for and received the in-principle approval of BSE and NSE under Regulation 28(1) of the SEBI Listing Regulations for the listing of the Equity Shares on BSE and NSE. Our Company has also delivered a copy of the Preliminary Placement Document and has filed a copy of this Placement Document with the Stock Exchanges.

The minimum number of allottees for each qualified institutions placement shall not be less than:

- two, where the issue size is less than or equal to ₹ 2.5 billion; and
- five, where the issue size is greater than ₹ 2.5 billion.

No single allottee shall be allotted more than 50.00% of the issue size. QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee.

In terms of Regulation 89 of the SEBI Regulations, the aggregate of the proposed qualified institutions placement and all previous qualified institutions placements made in the same financial year shall not exceed five times the net worth of our Company as per its audited balance sheet of the previous Financial Year.

Equity Shares allotted to a QIB pursuant to the Issue shall not be sold for a period of one year from the date of allotment, except on the floor of the Stock Exchanges. Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

The Equity Shares offered hereby have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be Qualified Institutional Buyers (as defined in Rule 144A under the Securities Act) pursuant to Section 4(a)(2) under the Securities Act who are also "qualified purchasers" as defined in the Investment Company Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. For a description of certain restrictions on transfer of the Equity Shares, see the "Transfer Restrictions" on page 166.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Issue Procedure

1. Our Company and the Lead Managers shall circulate serially numbered copies of the Preliminary Placement Document and the Application Form, either in electronic or physical form, to QIBs and the Application Form will be specifically addressed to such QIBs. In terms of Section 42(7) of the Companies Act, 2013, our Company shall maintain complete records of QIBs to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched. Our Company will make the requisite filings with RoC and SEBI within the stipulated time period as required under the Companies Act, 2013.

2. The list of QIBs to whom the Application Form is delivered shall be determined by the Lead Managers in consultation with our Company. **Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such a QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

3. QIBs shall submit Bids for, and our Company shall issue and Allot to each Allottee at least such number of Equity Shares in the Issue which would aggregate to ₹ 20,000 calculated at the face value of the Equity Shares.

4. QIBs may submit an Application Form, including any revisions thereof, during the Bid / Issue Period to the Lead Managers.

5. QIBs will be required to indicate the following in the Application Form:

    a. a representation that it is either (i) outside the United States acquiring the Equity Shares in an offshore transaction under Regulation S, or (ii) an institutional investor in the United States that is a "qualified institutional buyer" as defined in Rule 144A and a "qualified purchaser" as defined in the Investment Company Act, and it has agreed to certain other representations set forth in the Application Form;

    b. an undertaking that they will deliver an offshore transaction letter to the Issuer prior to any sale of Equity Shares confirming that they will not re-offer, re-sell, pledge or otherwise transfer the Equity Shares, except

in an offshore transaction on a recognized Indian stock exchange in compliance with Regulation S under the Securities Act;

c. name of the QIB to whom the Equity Shares are to be Allotted;

d. number of the Equity Shares Bid for;

e. price at which they are agreeable to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit an Application Form at "Cut-off Price", which shall be any price as may be determined by our Company in consultation with the Lead Managers at or above the Floor Price. Our Company may offer a discount of not more than 5.00% on the Floor Price in terms of Regulation 85 of the SEBI Regulations; and

f. details of the depository accounts to which the Equity Shares should be credited.

Note: Each sub-account of an FII, other than a sub-account which is a foreign corporate or a foreign individual, will be considered as an individual QIB and separate Application Forms would be required from each such sub-account for submitting the Application Forms. FIIs or sub-accounts of FIIs are required to indicate the SEBI FII / sub-account registration number in the Application Form. The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

6. Once a duly completed Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid / Issue Closing Date. The Bid / Issue Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

7. Upon receipt of the Application Form, our Company, after closure of the Issue, shall determine the final terms, including the Issue Price and the number of the Equity Shares to be issued pursuant to the Issue in consultation with the Lead Managers. Upon determination of the Issue Price and the QIBs to whom Allocation shall be made, the Lead Managers on behalf of our Company will send the CANs, along with serially numbered Placement Document, to the QIBs who have been Allocated the Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIB to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of the Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-in Date as applicable to the respective QIB. **Please note that the Allocation will be at the absolute discretion of our Company and will be based on the recommendation of the Lead Managers.**

8. Pursuant to receiving a CAN, each QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to our Company's designated bank account by the Pay-in Date as specified in the CAN sent to the respective QIBs.

9. No payment shall be made by QIBs in cash. Please note that any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant QIBs applying for the Equity Shares and our Company shall keep a record of the bank account from where such payment for subscriptions have been received. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013.

10. Upon receipt of the application monies from the QIBs, our Company shall Allot the Equity Shares as per the details in the CAN sent to the QIBs. Our Company will intimate to the Stock Exchanges the details of the Allotment and apply for approvals of the Equity Shares for listing on the Stock Exchanges prior to crediting the Equity Shares into the Depository Participant accounts of the QIBs.

11. Upon receipt of the listing approval from the Stock Exchanges, our Company shall credit the Equity Shares into the Depository Participant accounts of the respective QIBs.

12. Our Company shall then apply for the final listing and trading permissions from the Stock Exchanges.

13. The Equity Shares that have been credited to the Depository Participant accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final listing and trading approvals from the Stock Exchanges. Upon receipt of the final listing and trading approval from the Stock Exchanges, our Company shall inform the QIBs who have received an Allotment of the receipt of such approval. Our Company and the Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final listing and trading permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI Regulations, and not otherwise excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations are eligible to invest in the Issue. Under Regulation 86(1)(b) of the SEBI Regulations, no Allotment shall be made, either directly or indirectly, to any QIB who is a promoter or any person related to the Promoter. Currently, the definition of a QIB includes:

1. Mutual funds, venture capital funds, alternate investment funds and foreign venture capital investors registered with SEBI;

2. Foreign Portfolio Investors other than Category III foreign portfolio investors;

3. Public financial institutions as defined in Section 2 (72) of the Companies Act, 2013;

4. Scheduled commercial banks;

5. Multilateral and bilateral development financial institutions;

6. State industrial development corporations;

7. Insurance companies registered with IRDAI;

8. Provident funds with minimum corpus of ₹ 2.5 billion;

9. Pension funds with minimum corpus of ₹ 2.5 billion;

10. National Investment Fund set up by Government of India, set up by resolution no. F. No. 2/3/2005-DDII, dated November 23, 2005;

11. Insurance funds set up and managed by army, navy or air force of the Union of India; and

12. Insurance funds set up and managed by the Department of Posts, India.

Foreign Portfolio Investors are permitted to participate in the Issue subject to compliance with applicable law and such that the shareholding of the Foreign Portfolio Investors does not exceed specified limits as prescribed under applicable law in this regard.

In terms of the SEBI (FPI) Regulations, purchase of equity shares of each company by a single FPI or an investor group shall be below 10.00% of the total issued capital of such company.

Non-resident QIBs can participate in the Issue under Schedule 1 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.

Under Regulation 86(1)(b) of the SEBI Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being our Company's promoter or any person related to our Company's promoter. QIBs which have all or any of the following rights shall be deemed to be persons related to our Company's promoter:

1. rights under a shareholders' agreement or voting agreement entered into with our Company's promoter or persons related to our Company's promoter;

2. veto rights; or

3. a right to appoint any nominee director on the Board.

Provided, however, that a QIB which does not hold any of the Equity Shares and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to a promoter.

Our Company and the Lead Managers are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Regulations.

A minimum of 10.00% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Note: *Affiliates or associates of the Lead Managers who are QIBs may participate in the Issue in compliance with applicable laws.*

Application Process

Application Form

QIBs shall only use the serially numbered Application Forms supplied by the Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of the Preliminary Placement Document.

By making a Bid (including the revision thereof) for the Equity Shares through Application Forms, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under "Representations by Investors", "Selling Restrictions" and "Transfer Restrictions" on pages 3, 163 and 166 respectively:

1. The QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI Regulations and not excluded under Regulation 86 of the SEBI Regulations, has a valid and existing registration under applicable laws of India and is eligible to participate in the Issue;

2. The QIB confirms that it is not a Promoter and is not a person related to the Promoters, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoters or promoter group or person related to the Promoters;

3. The QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoter, no veto rights or right to appoint any nominee director on the Board other than that acquired in the capacity of a lender not holding any Equity Shares, which shall not be deemed to be a person related to the Promoter;

4. The QIB acknowledges that it has no right to withdraw its Bid after the Bid / Issue Closing Date;

5. The QIB confirms that if the Equity Shares are Allotted through the Issue, it shall not, for a period of one year from Allotment, sell such the Equity Shares otherwise than on the floor of the Stock Exchanges;

6. The QIB confirms that the QIB is eligible to apply and hold the Equity Shares so Allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;

7. The QIB confirms that the Application Form would not result in triggering a tender offer under the Takeover Regulations;

8. The QIB confirms that to the best of its knowledge and belief, together with other QIBs in the Issue that belong to the same group or are under common control, the Allotment to the QIB shall not exceed 50.00% of the Issue Size. For the purposes of this statement:

    a. The expression "belongs to the same group" shall derive meaning from the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act, 1956;

    b. "Control" shall have the same meaning as is assigned to it under clause (e) of sub-regulation (1) of Regulation 2 of the Takeover Regulations.

9. The QIB confirms that it shall not undertake any trade in the Equity Shares credited into the beneficiary account maintained with the Depository Participant by the QIBs until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

10. The QIB acknowledges, represents and agrees that in the event its total interest in the paid-up share capital of our Company or voting rights in our Company, whether direct or indirect, beneficial or otherwise (any such interest, your "**Holding**"), when aggregated together with any existing Holding and/or Holding of any of the persons acting in concert, results in Holding of 5.00% or more of the total paid-up share capital of, or voting rights in, our Company a disclosure of the aggregate shareholding and voting rights will have to be made under the Takeover Regulations. In case such QIB is an existing shareholder who, together with persons acting in concert, holds 5.00% or more of the underlying paid up share capital of, or voting rights in our Company a disclosure will have to be made under the Takeover Regulations in the event of a change of 2% or more in the existing Holding of the QIB and persons acting in concert.

11. The QIB confirms that:

    a. If it is within the United States, it is a U.S. QIB who is, or are acquiring the Equity Shares for its own account or for the account of an institutional investor who also meets the requirement of a U.S. QIB, for investment purposes only and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not our affiliate or a person acting on behalf of such an affiliate;

    b. If it is outside the United States, it is purchasing the Equity Shares in an offshore transaction in reliance on Regulation S under the U.S. Securities Act, and is not our affiliate or a person acting on behalf of such an affiliate;

It has read and understood, and by making a Bid for the Equity Shares through the Application Forms and pursuant to the terms of this Placement Document, will be deemed to have made the representations, warranties and agreements made under "Notice to Investors", "Representations by Investors", "Selling Restrictions" and "Transfer Restrictions" on page 1, 3, 163, and 166.

QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD FOR THIS PURPOSE, ELIGIBLE SUB ACCOUNTS OF AN FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

IF SO REQUIRED BY THE LEAD MANAGERS, THE QIB SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE LEAD MANAGERS TO EVIDENCE THEIR STATUS AS A QIB.

IF SO REQUIRED BY THE LEAD MANAGERS, THE ESCROW AGENT OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER ISSUE CLOSURE, THE QIB SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE KNOW YOUR CUSTOMER (KYC) NORMS.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by a QIB shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for its share of the Allotment (as indicated by the CAN) and becomes a binding contract on the QIB upon issuance of the CAN by us in favour of the QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the name of the QIB, the price and the number of the Equity Shares applied for. The Application Form shall be submitted to the Lead Managers either through electronic form or through physical delivery at the following address:

Name of the Lead Manager	Address	Contact Person	Email	Phone (Telephone and Fax)
Credit Suisse Securities (India) Private Limited	10th Floor, Ceejay House Plot F, Shivsagar Estate Dr. Annie Besant Road Worli Mumbai 400 018	Abhay Agarwal	list.csprojectsrinidhi@credit-suisse.com	Tel: (91 22) 6777 3810 Fax: (91 22) 6777 3820

Name of the Lead Manager	Address	Contact Person	Email	Phone (Telephone and Fax)
Kotak Mahindra Capital Company Limited	1st Floor, 27 BKC, Plot No. 27, G Block Bandra Kurla Complex Bandra (East)	Karl Sahukar	bfil.qip@kotak.com	Tel: (91 22) 4336 0000 Fax: (91 22) 6713 2447
Motilal Oswal Investment Advisors Private Limited	Motilal Oswal Tower Rahimtullah Sayani Road Opposite Parel ST Depot Prabhadevi, Mumbai 400 025	Subodh Mallya / Subrat Panda	Bfil.qip2016@motilaloswal.com	Tel: (91 22) 3980 4200 Fax: (91 22) 3980 4315
YES Securities (India) Limited	IFC, Tower 1 & 2, Unit no. 602 A, 6th Floor, Senapati Bapat Marg, Elphinstone Road, Mumbai 400 013	Mukesh Garg	dlproject.srinidhi@yessecuritiesltd.in	Tel: (91 22) 3347 9612 Fax: (91 22) 2421 4508

The Lead Managers shall not be required to provide any written acknowledgement of the same.

Permanent Account Number or PAN

Each QIB must mention its Permanent Account Number ("PAN") allotted under the IT Act in the Application Form. A copy of each QIB's PAN card is required to be submitted with the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. QIBs should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build up of the book

The QIBs shall submit their Bids (including the revision of bids) for the Equity Shares within the Bid / Issue Period to Lead Managers and cannot be withdrawn after the Bid/Issue Closing Date. The book shall be maintained by the Lead Managers.

Price discovery, terms and allocation

Our Company, in consultation with the Lead Managers, shall determine the Issue Price which shall be at or above the Floor Price. Our Company may offer a discount of not more than 5.00% on the Floor Price in terms of Regulation 85 of the SEBI Regulations.

After finalisation of the Issue Price, our Company will update the Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

Our Company shall determine the Allocation in consultation with the Lead Managers on a discretionary basis and in compliance with Chapter VIII of the SEBI Regulations.

Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10.00% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR COMPANY IN CONSULTATION WITH THE LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF THE EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY IN CONSULTATION WITH THE LEAD MANAGERS AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER THE BANK NOR THE LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASON FOR ANY SUCH NON-ALLOCATION.

Confirmation of Allotment Notice of CAN

Based on the Application Forms received, our Company, in consultation with the Lead Managers, in their sole and absolute discretion, decide the QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such the Equity Shares by the Pay-in Date in their respective names shall be notified to such QIBs. Additionally, the CAN will include details of the relevant Escrow Account for transfer of funds if done electronically, address where the application money needs to be sent, Pay-in Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective QIB's account, as applicable to the respective QIBs ("**Designated Date**").

The QIBs, who have been allotted Equity Shares, would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the CAN to the QIBs shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Lead Managers and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

Bank Account for Payment of Application Money

Our Company has opened the Escrow Account with IDFC Bank Limited, acting as the Escrow Agent in terms of the arrangement among our Company, the Lead Managers and the Escrow Agent. The QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-in Date as mentioned in the respective CAN.

If the payment is not made favouring the Escrow Account within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

In case of cancellations or default by the QIBs, our Company and the Lead Managers have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion, subject to the compliance with the requirement of ensuring that the Application Forms are sent to QIBs.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of the Escrow Account as per the payment instructions provided in the CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques are liable to be rejected.

Closing Date and Allotment of the Equity Shares

Our Company will endeavor to complete the Allotment of Equity Shares by the probable Closing Date for those QIBs who have paid subscription money as stipulated in the respective CANs. The Equity Shares will not be Allotted unless the QIBs pay the Issue Price to the Escrow Account as stated above.

In accordance with the SEBI Regulations, the Equity Shares will be issued and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013 and the Depositories Act.

Our Company, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment of the Equity Shares, our Company will apply for final listing and trading approvals from the Stock Exchanges. In the event of any delay in the receipt of listing or trading approvals or cancellation of the Issue, no interest or penalty would be payable by us or the Lead Managers.

In the case of QIBs who have been Allotted more than 5.00% of the Equity Shares in the Issue, our Company shall disclose the name and the number of the Equity Shares Allotted to such QIB to the Stock Exchanges and the Stock Exchanges will make the same available on their website. Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014. If a QIB is Allotted any Equity Shares, our Company is required to disclose details such as your name, address and the number of Equity Shares Allotted to the RoC and the SEBI.

In the event that our Company is unable to issue and Allot the Equity Shares offered in this Issue or on cancellation of this Issue, within 60 days from the date of receipt of application money, our Company shall repay the application money within 15 days from expiry of 60 days, failing which our Company shall repay that money with interest at the rate of 12% per annum from expiry of the sixtieth day. The application money to be refunded by our Company shall be refunded to the same bank account from which application money was remitted by the QIBs.

Other Instructions

Right to Reject Applications

Our Company, in consultation with the Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Company and the Lead Managers in relation to the rejection of Bids shall be final and binding.

Equity Shares in Dematerialised form with the Depositories

The Allotment of the Equity Shares shall be only in dematerialised form (i.e., not in physical certificates but represented by the statement issued through the electronic mode).

A QIB applying for the Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either of the Depositories prior to making the Bid. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with the Depositories. The Stock Exchanges have electronic connectivity with the Depositories.

The trading of the Equity Shares would be in dematerialised form only for all QIBs in the respective demat segment of the Stock Exchanges.

Our Company will not be responsible or liable for the delay in the credit of the Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the QIBs.

PLACEMENT

Placement Agreement

The Lead Managers have entered into a placement agreement with our Company (the "**Placement Agreement**"), pursuant to which the Lead Managers have agreed to manage the Issue and to act as placement agents in connection with the proposed Issue and procure subscription for Equity Shares to be placed with the QIBs, pursuant to Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013.

The Placement Agreement contains customary representations, warranties and indemnities from our Company and the Lead Managers, and it is subject to termination in accordance with the terms contained therein.

This Placement Document has not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than QIBs. No assurance can be given on liquidity or sustainability of trading market for the Equity Shares (including the Equity Shares) post the Issue.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on BSE and NSE. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

In connection with the Issue, the Lead Managers (or their affiliates) may, for their own accounts, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Lead Managers may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions.

The Lead Managers and their affiliates may engage in transactions with and perform services for our Company in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Company, for which they have received compensation and may in the future receive compensation.

Credit Suisse Securities (India) Private Limited was one of the book running lead managers for our Company's initial public offering in 2010. Additionally, Credit Suisse Securities (India) Private Limited was one of the joint global co-ordinators and book runners for the qualified institutions placement undertaken by our Company in 2012. Further, Credit Suisse Securities (India) Private Limited was the global co-ordinator and book running lead manager and Kotak Mahindra Capital Company Limited was one of the book running lead managers for the qualified institutions placement undertaken by our Company in 2014.

Lock-up

Our Company has agreed that it will not, without the prior written consent of the Lead Managers, from the date of the Placement Agreement and for a period of up to 90 days from the Closing Date, directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for the Equity Shares; or (c) announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of the Equity Shares, or such other securities, in cash or otherwise, provided, however, that the foregoing restrictions shall not be applicable to (i) any grant of options by our Company under the ESOPs; or (ii) any issue or allotment of the Equity Shares by our Company pursuant to the exercise of any options awarded under the ESOPs; (iii) any issuance, sale, transfer or disposition of Equity Shares by our Company to the extent such issuance, sale, transfer or disposition is required by Indian law.

SELLING RESTRICTIONS

The distribution of this Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who may come into possession of this Placement Document are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

General

No action has been or will be taken in any jurisdiction by our Company or the Lead Managers that would permit a public offering of the Equity Shares or the possession, circulation or distribution of this Placement Document or any other material relating to our Company or the Equity Shares in the Issue in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares in the Issue may not be offered or sold, directly or indirectly and neither this Placement Document nor any other offering material or advertisements in connection with the Equity Shares issued pursuant to the Issue may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on our Company or the Lead Managers. The Issue will be made in compliance with the SEBI Regulations. Each subscriber of the Equity Shares in the Issue will be required to make, or will be deemed to have made, as applicable, the acknowledgments and agreements as described in "Transfer Restrictions" on page 166.

Australia. This Placement Document is not a disclosure document under Chapter 6D of the Corporations Act 2001 (the "**Australian Corporations Act**"), has not been lodged with the Australian Securities & Investments Commission and does not purport to include the information required of a disclosure document under the Australian Corporations Act. (i) The offer of Equity Shares under this Placement Document is only made to persons to whom it is lawful to offer Equity Shares without disclosure to investors under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in Section 708 of the Australian Corporations Act; (ii) this Placement Document is made available in Australia to persons as set forth in clause (i) above; and (iii) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (ii) above and agrees not to sell or offer for sale within Australia any Equity Share sold to the offeree within 12 months after their transfer to the offeree under this Placement Document.

Dubai. This Placement Document relates to an Exempt Offer in accordance with the Markets Rules of the Dubai Financial Services Authority ("**DFSA**"). This Placement Document is intended for distribution only to persons of a type specified in the Markets Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Placement Document nor taken steps to verify the information set forth herein and has no responsibility for this Placement Document. The securities to which this Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this Placement Document you should consult an authorised financial advisor.

European Economic Area. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **"Relevant Member State"**), each Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **"Relevant Implementation Date"**) it has not made and will not make an offer of the Equity Shares which are the subject of the offering contemplated by the Preliminary Placement Document and this Placement Document to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Lead Manager nominated by the Company for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Equity Shares shall require the Issuer or any Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State.

Hong Kong. No Equity Shares have been offered or sold, and no Equity Shares may be offered or sold, in Hong Kong by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal agent; or to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong. No document, invitation or advertisement relating to the Equity Shares has been issued or may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to the Equity Shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

India. This Placement Document may not be distributed directly or indirectly in India or to residents of India and any Equity Shares may not be offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to eligible QIBs and is not an offer to the public. This Placement Document is neither a public issue nor a prospectus under the Companies Act or an advertisement and should not be circulated to any person other than to whom the offer is made. This Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India. The equity shares to be issued pursuant to the Preliminary Placement Document and this Placement Document will be on a private placement basis within the meaning of Section 42 of the Companies Act since the invitation or offer is to be made to QIBs.

Japan. The offering of the Equity Shares has not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the "**Financial Instruments and Exchange Law**"). No Equity Shares have been offered or sold, and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and otherwise in compliance with the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial ordinances of Japan.

Singapore. Each of the Lead Managers has acknowledged that this Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Lead Managers has represented and agreed that it has not offered or sold any Equity Shares issued pursuant to the Issue or caused such Equity Shares to be made the subject of an invitation for subscription or purchase and will not offer or sell such Equity Shares issued pursuant to the Issue or cause such Equity Shares to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will they circulate or distribute, this Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Equity Shares issued pursuant to the Issue, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 by a relevant person which is:

- a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation to the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except:

- to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

- where no consideration is or will be given for the transfer;

- where the transfer is by operation of law; or

- as specified in Section 276(7) of the SFA.

Switzerland. This Placement Document does not constitute an issue prospectus pursuant to Art. 652a of the Swiss Code of Obligations. The Equity Shares will not be listed on the SWX Swiss Exchange, and therefore, this Placement Document does

not comply with the disclosure standards of the Listing Rules of the SWX Swiss Exchange. Accordingly, the Equity Shares may not be offered to the public in or from Switzerland, but only to a selected and limited group of investors, which do not subscribe the Shares with a view to distribution to the public. The investors will be individually approached by one of the LMs. This Placement Document is personal to each offeree and does not constitute an offer to any other person. This Placement Document may only be used by those persons to whom it has been handed out in connection with the offer described herein and may neither directly nor indirectly be distributed or made available to other persons without the express consent of our Company. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

United Arab Emirates. This Placement Document is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (the "**UAE**"). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE exchange. the Issue, the Equity Shares and interests therein do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise. This Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Equity Shares may not be offered or sold directly or indirectly to the public in the UAE.

United Kingdom. Each Lead Manager has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Equity Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom.

United States of America. The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act except for these purposes, U.S. persons include persons who would otherwise have been excluded from such term solely by virtue of Rule 902(k)(1)(viii)(B) or Rule 902(k)(2)(i)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States and to U.S. Persons only to persons who are qualified institutional buyers (as defined in Rule 144A under the Securities Act and referred to in this Placement Document as "U.S. QIBs") who are also "qualified purchasers" as defined in the United States Investment Company Act of 1940, as amended and the related rules, and referred to in this Placement Document as "Qualified Purchasers" pursuant to applicable exemptions under the Securities Act and the Investment Company Act, and (b) outside the United States to non-U.S. persons in an "offshore transaction" in reliance on Regulation S.

TRANSFER RESTRICTIONS

Investors are advised to consult with legal counsel prior to purchasing any Equity Shares or making any resale, pledge or transfer of such Equity Shares.

Purchasers are not permitted to sell the Equity Shares Allotted pursuant to the Issue for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. Additionally, purchasers are deemed to have represented, agreed and acknowledged as below with respect to purchase and sale of Equity Shares.

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act except for these purposes, U.S. persons include persons who would otherwise have been excluded from such term solely by virtue of Rule 902(k)(1)(viii)(B) or Rule 902(k)(2)(i)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Each purchaser of the Equity Shares in the United States or a U.S. person is deemed to have represented, agreed and acknowledged as follows:

1. You confirm that:

   - you are a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) and a "qualified purchaser" (as defined in Section 2(a)(51) of the Investment Company Act);
   - you are not a broker-dealer which owns and invests on a discretionary basis less than US$25 million in securities of unaffiliated companies;
   - you are not a participant-directed employee plan, such as a plan (including a 401(k) plan) described in subsection (a)(1)(i)(D), (E) or (F) of Rule 144A;
   - you were not formed for the purpose of investing in our Company; and
   - you are not an affiliate of our Company or a person acting on behalf of an affiliate of our Company.

2. You are an institution that, in the normal course of business, invests in or purchases securities similar to the Equity Shares and not with a view to distribution, and you, and any accounts for which the you are acting, (a) are a sophisticated investor that has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of its investment in the Equity Shares, and (b) are able to bear the economic risk, and sustain a complete loss, of such investment in the Equity Shares. If you are acquiring the Equity Shares as a fiduciary or agent for one or more investor accounts,

   - each such account is both a "qualified institutional buyer" and a "qualified purchaser";
   - you have sole investment discretion with respect to each account; and
   - you have full power and authority to make the representations, warranties, agreements, undertakings and acknowledgements contained herein on behalf of each such account.

3. You will base your investment decision on a copy of the Preliminary Placement Document and this Placement document. You acknowledge that neither our Company nor any of its affiliates nor any other person (including the Lead Managers) or any of their respective affiliates have made or will make any representations, express or implied, to you with respect to our Company, the Issue, the Equity Shares or the accuracy, completeness or adequacy of any financial or other information concerning our Company, the Issue or the Equity Shares, other than (in the case of our Company and its affiliates only) the information contained in the Preliminary Placement Document and this Placement document. You acknowledge that you have not relied on and will not rely on any investigation by, or on any information contained in any research reports prepared by, the Lead Managers or any of their respective affiliates.

4. You understand that our Company expects that, for U.S. federal income tax purposes, it will be considered a "passive foreign investment company" for the current year and that there will be certain consequences under U.S. tax laws resulting from an investment in the Equity Shares, and you will make such investigation and consult such tax and other advisors with respect thereto as you deem appropriate. You will satisfy yourself concerning, without limitation, the effects of U.S. federal, state and local income tax laws and foreign tax laws on your investment in the Equity Shares.

5. Any Equity Shares you acquire will be for your own account (or for the account of an investor who is both a "qualified institutional buyer" and "qualified purchaser" as to which you exercise sole investment discretion and have authority to make the statements contained in this document) for investment purposes, and not with a view to the resale or distribution within the meaning of the U.S. federal securities laws, subject to the understanding that the disposition of its property shall at all times be and remain within its control.

6. You understand that the Equity Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Equity Shares have not been and will not be registered under the Securities Act or under the securities laws of any state or other jurisdiction of the United States and that our Company has not been and will not be registered as an investment company under the Investment Company Act in reliance on sections 3(c)(7) thereof and that you will not be entitled to the benefits of that act. You understand that our Company has elected to impose the transfer and offering restrictions with respect to persons in the United States and U.S. persons described herein so that our Company will have no obligation to register as an investment company under the Investment Company Act. You understand that the transfer restrictions will remain in effect until our Company determines, in its sole discretion, to remove them.

7. You acknowledge and agree that you are not purchasing the Equity Shares as a result of any general solicitation or general advertising (as defined in Regulation D under the Securities Act) or directed selling efforts (as defined in Regulation S under the Securities Act).

8. You understand that the Equity Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, and you agree that such securities may not be deposited into any unrestricted depository facility established or maintained by any depository bank.

9. You agree, on your own behalf and on behalf of any accounts for which you are acting, that you will not reoffer, resell, pledge or otherwise transfer the Equity Shares, except in an offshore transaction on a recognised Indian stock exchange in compliance with Regulation S under the Securities Act.

10. You agree that, prior to any sale of the Equity Shares, you shall notify the purchaser of such Equity Shares or the executing broker, as applicable, (a) of any transfer restrictions that are applicable to the Equity Shares being sold, (b) that the Equity Shares have not been and will not be registered under the Securities Act, and (c) that our Company has not been and will not be registered as an investment company under the Investment Company Act.

11. You understand and acknowledge that our Company shall have no obligation to recognize any offer, sale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described herein and that our Company may make notation on its records or give instructions to any transfer agent of the Equity Shares.

12. You understand that the foregoing representations, warranties, agreements, undertakings and acknowledgements are required in connection with United States and other securities laws and that our Company, the Lead Managers and their respective affiliates, and others are entitled to rely upon the truth and accuracy of the representations, warranties, agreements, undertakings or acknowledgements contained herein. You agree that if any of the representations, warranties, agreements, undertakings and acknowledgements made herein are no longer accurate, you shall promptly notify our Company and the Lead Managers in writing. All representations, warranties, agreements, undertakings and acknowledgements you have made in this document shall survive the execution and delivery hereof.

Each other purchaser of the Equity Shares is deemed to have represented, agreed and acknowledged as follows:

1. You are not a U.S. person (as defined in Regulation S under the Securities Act except for these purposes, U.S. persons include persons who would otherwise have been excluded from such term solely by virtue of Rule 902(k)(1)(viii)(B) or Rule 902(k)(2)(i)) and you are outside the United States.

2. You are not an affiliate of our Company or a person acting on behalf of an affiliate of our Company.

3. You are not purchasing the Equity Shares as a result of any directed selling efforts (as defined in Regulation S under the Securities Act), or any general solicitation or general advertising (as defined in Regulation D under the Securities Act).

4. You will base your investment decision on a copy of the Preliminary Placement Document or this placement document relating to the Issue. You acknowledge that neither our Company nor any of its affiliates nor any other person (including the Lead Managers) or any of their respective affiliates have made or will make any representations, express or implied, to you with respect to our Company, the Issue, the Equity Shares or the accuracy, completeness or adequacy of any financial or other information concerning our Company, the Issue or the Equity Shares, other than (in the case of our Company and its affiliates only) the information contained in the Preliminary Placement Document or this placement document relating to the Issue. You acknowledge that you have

not relied on and will not rely on any investigation by, or on any information contained in any research reports prepared by, the Lead Managers or any of their respective affiliates.

5. You acknowledge (or if acting for the account of another person, such person has confirmed that you acknowledge) that, the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and that our Company has not registered as an investment company under the Investment Company Act in reliance on sections 3(c)(7) thereof and that it will not be entitled to the benefits of that act. You understand that our Company has elected to impose the transfer and offering restrictions as described herein so that our Company will have no obligation to register as an investment company under the Investment Company Act. You understand that the transfer restrictions will remain in effect until our Company determines, in its sole discretion, to remove them.

6. You agree, on your own behalf and on behalf of any accounts for which you are acting, that you will not reoffer, resell, pledge or otherwise transfer the Equity Shares, except in an offshore transaction on a recognised Indian stock exchange in compliance with Regulation S under the Securities Act.

7. None of you, any of your affiliates nor any person acting on behalf of you or any of your affiliates, has made or shall make any directed selling efforts (as defined in Regulation S under the Securities Act), or any general solicitation or general advertising (as defined in Regulation D under the Securities Act), with respect to the Equity Shares.

8. You agree that, prior to any sale of the Equity Shares, you shall notify the purchaser of such Equity Shares or the executing broker, as applicable, (a) of any transfer restrictions that are applicable to the Equity Shares being sold, (b) that the Equity Shares have not been and will not be registered under the Securities Act and (c) that our Company has not been will not be registered as an investment company under the Investment Company Act.

9. You understand and acknowledge that our Company shall have no obligation to recognize any offer, sale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described herein and that our Company may make notation on its records or give instructions to any transfer agent of the Equity Shares.

You understand that the foregoing representations, warranties, agreements, undertakings and acknowledgements are required in connection with United States and other securities laws and that our Company, the Lead Managers and their respective affiliates, and others are entitled to rely upon the truth and accuracy of the representations, warranties, agreements, undertakings or acknowledgements contained herein. You agree that if any of the representations, warranties, agreements, undertakings and acknowledgements made herein are no longer accurate, you shall promptly notify our Company and the Lead Managers in writing. All representations, warranties, agreements, undertakings and acknowledgements you have made in this document shall survive the execution and delivery hereof.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Company or the Lead Managers or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the SCRA and the SCRR. SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the SCR (SECC) Regulations on June 20, 2012, which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Regulations along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

Listing and Delisting of Securities

The listing of securities on a recognised Indian stock exchange is regulated by applicable Indian law including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by the SEBI, the listing agreements entered into by our Company with the Stock Exchanges and the SEBI Listing Regulations. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non compliance with any conditions or breach of company's obligations under the Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend the bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognised stock exchange.

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Minimum Level of Public Shareholding

Pursuant to an amendment of the SCRR in June 2010, all listed companies (except public sector undertakings) were required to maintain a minimum public shareholding of 25%. However, pursuant to a subsequent amendment to the SCRR in November 2014, a public company seeking to get a particular class or kind of securities listed shall offer and allot to the public (i) at least 25% of such class or kind of securities issued by the company, if the post issue capital is less than or equal to ₹1,600,00,00,000, (ii) at least such percentage of such class or kind of securities issued by the company equivalent to ₹4,00,00,00,000, if the post issue capital of the company is more than ₹16,000,000,000 but less than or equal to ₹40,00,00,00,000 or (iii) at least 10% of such class or kind of securities issued by the company, if the post issue capital of the company is above ₹40,00,00,00,000. In case of (ii) and (iii) above, the public shareholding is required to be increased to 25% within a period of three years from the date of listing of the securities. In this regard, SEBI has provided several mechanisms to comply with this requirement. Where the public shareholding in a listed company falls below 25% at any time, such company shall bring the public shareholding to 25% within a maximum period of 12 months from the date of such the public shareholding having fallen below the 25% threshold.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10.00%, 15.00% and 20.00%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative

markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of BSE or the CNX NIFTY of NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20.00% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

BSE

Established in 1875, it is the oldest stock exchange in India. The BSE became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. It has evolved over the years into its present status as one of the premier stock exchanges of India.

NSE

NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. It has evolved over the years into its present status as one of the premier stock exchanges of India. NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000.

Internet-based Securities Trading and Services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI. NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of NSE.

Trading Hours

Trading on both NSE and BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m. that has been introduced recently). BSE and NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, BSE replaced its open outcry system with BSE On-line Trading facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called NEAT, which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies are governed by the Takeover Regulations which provide specific regulations in relation to substantial acquisition of shares and takeover. Since we are an Indian listed company, the provisions of the Takeover Regulations apply to us.

Insider Trading Regulations

The SEBI Insider Trading Regulations, 2015 have been notified to prohibit and penalise insider trading in India.

An insider is, *inter alia*, prohibited from trading in securities of a listed or proposed to be listed company when in possession of unpublished price sensitive information ("**UPSI**") and to provide access to any person including other insiders to the above referred UPSI except where such communication is for legitimate purposes, performance of duties or discharge of legal obligations. UPSI shall include any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities.

The SEBI Insider Trading Regulations, 2015 also provide disclosure obligations for promoters, directors, key managerial personnel and employees, with respect to their shareholding in the company, and the changes therein. The definition of "insider" means any person who is a connected person or is in possession of or having access to unpublished price sensitive information. The terms "connected person" means any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.

The board of directors of all listed companies are required to formulate and publish on the company's website a code of procedure for fair disclosure of UPSI along with a code of conduct for its employees for compliances with the Insider Trading Regulations.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

DESCRIPTION OF THE EQUITY SHARES

The following is information relating to the Equity Shares including a brief summary of the Memorandum and Articles of Association, the Companies Act, 1956 and the Companies Act, 2013. Prospective investors are urged to read the Memorandum and Articles of Association carefully, and consult with their advisers, as the Memorandum and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

Authorised Capital

The authorised share capital of our Company is ₹ 1,700,000,000 divided into 157,000,000 Equity Shares of ₹ 10 each and 13,000,000 Preference Shares of ₹ 10 each.

Dividends

Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of its shareholders at the AGM of shareholders held within six months of the closing of each financial year. The shareholders have the right to decrease but not increase the dividend amount recommended by the board of directors. Dividends are declared on per share basis and distributed and paid to shareholders. The Companies Act provides that shares of a company of the same class must receive equal dividend treatment. These distributions and payments are required to be deposited into a separate bank account within five days of the declaration of such dividend and paid to shareholders within 30 days of the AGM where the resolution for declaration of dividends is approved.

The Companies Act states that any dividends that remain unpaid or unclaimed after that period is to be transferred to a special bank account. Any money that remains unclaimed for seven years from the date of the transfer is to be transferred by our Company to a fund, called the Investor Education and Protection Fund, created by the Government of India. The Articles authorise our Board of Directors to declare interim dividends, the amount of which must be deposited in a separate bank account within five days and paid to our Shareholders within 30 days of the declaration. Under the Companies Act, final dividends payable can be paid only in cash or by cheque, or by warrant, or in any other electronic mode to the registered shareholder at a record date fixed prior to the relevant AGM, or to his order or to the order of his banker.

Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings calculated under Indian GAAP, the Companies Act permits our Board of Directors, subject to the approval of our Shareholders, to distribute to our Shareholders, in the form of fully paid-up bonus shares, an amount transferred from our Company's free reserves, securities premium account or the capital redemption reserve account. These bonus equity shares must be distributed to Shareholders in proportion to the number of Equity Shares owned by them.

Bonus shares can only be issued if our Company has not defaulted in payments of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus or principal or interest payments on fixed deposits or debt securities issued by it. Bonus shares may not be issued in lieu of dividend. Further, listed companies are also required to follow the SEBI Regulations for issuance of bonus shares.

Pre-Emptive Rights and Issue of Additional Shares

Subject to the provisions of the Companies Act, our Company may increase its share capital by issuing new shares on such terms and with such rights as it may determine. According to Section 62 of the Companies Act, 2013 such new shares shall be offered to existing shareholders in proportion to the amount paid up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined. After such date our Board of Directors may dispose of the shares offered in respect of which no acceptance has been received which shall not be disadvantageous to our Shareholders. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person subject to the provisions of FEMA 20, if applicable.

Under the provisions of Section 62(1)(c) of the Companies Act, 2013, new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash of for a consideration other than cash, in the event a special resolution to that effect is passed by our shareholders in a general meeting. In addition, our Company will also be required to comply with the SEBI Regulations.

General Meetings of our Shareholders

There are two types of General Meetings of our Shareholders:

- AGM and;
- an EGM.

Our Company must hold its AGM within six months after the expiry of each financial year provided that not more than 15 months shall elapse between the AGM and next one, unless extended by the Registrar of Companies at its request for any special reason for a period not exceeding three months. Our Board of Directors may convene an EGM when necessary and is required to call an EGM at the request of shareholder(s) holding in the aggregate not less than one tenth of our Company's paid-up share capital (carrying a right to vote in respect of the relevant matter on the date of receipt of the requisition).

Notices, either in writing or through electronic mode, convening a meeting setting out the date, day, hour, place and agenda of the meeting must be given to members at least 21 clear days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received, in writing or electronic mode, from not less than 95.00% of the shareholders entitled to vote. Unless the Articles of Association provide for a larger number, (i) five shareholders present in person, if the number of shareholders as on the date of meeting is not more than 1,000; (ii) 15 shareholders present in person, if the number of shareholders as on the date of the meeting is more than 1,000 but up to 5,000; and (iii) 30 shareholders present in person, if the number of shareholders as on the date of meeting exceeds 5,000, shall constitute a quorum for a general meeting of our Company, whether AGM or EGM. The quorum requirements applicable to shareholder meetings under the Companies Act have to be physically complied with.

A company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the memorandum of association, the issuing of shares with different voting or dividend rights, a variation of the rights attached to a class of shares or debentures or other securities, buy-back of shares, giving loans or extending guarantees in excess of limits prescribed, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in the company's general meeting. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Postal ballot includes voting by electronic mode.

Voting Rights

Section 108 of the Companies Act and Rule 20 of the Companies (Management and Administration) Rules, 2014 deal with the exercise of right to vote by members by electronic means. In terms of Rule 20, every listed company (other than a company referred to in Chapters XB or XC of the SEBI Regulations) is required to provide to its members facility to exercise their right to vote at general meetings by electronic means. The Ministry of Corporate Affairs, has clarified that voting by show of hands would not be allowable in cases where Rule 20 is applicable.

Transfer of shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. Our Company has entered into an agreement for such depository services with the NSDL and CDSL. SEBI requires that the shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Our Company shall keep a book in which every transfer or transmission of shares will be entered.

Pursuant to the SEBI Listing Regulations, in the event our Company has not effected the transfer of shares within 15 days or where our Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of 15 days, it is required to compensate the aggrieved party for the opportunity loss caused during the period of the delay. The Equity Shares shall be freely transferable, subject to applicable laws.

Liquidation Rights

Subject to the rights of depositors, creditors and employees, in the event of winding up of our Company, the holders of the Equity Shares are entitled to be repaid the amounts of capital paid up or credited as paid up on these Equity Shares. All surplus assets remaining belong to the holders of the Equity Shares in proportion to the amount paid up or credited as paid up on these Equity Shares, respectively, at the commencement of the winding up.

CERTAIN TAX CONSIDERATIONS

TAXATION: STATEMENT OF TAX BENEFITS

General Tax Benefits to the Company

1. Dividends earned are exempt from tax in accordance with and subject to the provisions of section 10(34) read with section 115-O of the Income-tax Act, 1961 (herein after referred to as 'the Act'). However, as per section 94(7) of the Act, losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

2. Income by way of interest, premium on redemption or other payment on notified securities, bonds, certificates issued by the Central Government is exempt from tax under section 10(15) of the Act in accordance with and subject to the conditions and limits as may be specified in notifications.

3. The depreciation rates in respect of Motor Cars is 15%, furniture & fittings is 10%, Intangible assets is 25%, Computers including computer software 60%, Buildings (Residential) is 5% and Buildings (Others) is 10%.

4. The excess of the amount of tax paid under section 115JB of the Act over the amount of tax payable by the company on its total income computed in accordance with the other provisions of the Act for any assessment year beginning on or after 1st April 2006 will be available as credit for ten years succeeding the Assessment Year in which Minimum Alternate Tax ('MAT') credit becomes allowable in accordance with the provisions of section 115JAA of the Act.

5. Income earned from investment in units of a specified Mutual Fund is exempt from tax under section 10(35) of the Act. However, as per section 94(7) of the Act, losses arising from the sale/ redemption of units purchased within three months prior to the record date (for entitlement to receive income) and sold within nine months from the record date, will be disallowed to the extent such loss does not exceed the amount of income claimed exempt.

6. Further, as per section 94(8) of the Act, if an investor purchases units within three months prior to the record date for entitlement of bonus, and is allotted bonus units without any payment on the basis of holding original units on the record date and such person sells/ redeems the original units within nine months of the record date, then the loss arising from sale/ redemption of the original units will be ignored for the purpose of computing income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus units.

7. Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred in relation to tax exempt income is not a tax deductible expenditure. Further, the Central Board of Direct Taxes has notified a prescribed methodology for disallowance under Rule 8D of the Income-tax Rules, 1962. The prescribed methodology becomes applicable where the Indian Revenue authorities are not satisfied with the correctness of the taxpayer's claim having regard to its accounts.

8. Under section 36(1)(viia)(d) of the Act, a deduction is allowed in respect of any provision for bad and doubtful debts made by a non-banking financial company not exceeding five percent of the total income (computed before making any deduction under this clause and chapter VI-A).

9. Under section 36(1)(vii) of the Act, any bad debt or part thereof written off as irrecoverable in the accounts is allowable as a deduction from the total income, the deduction is restricted to the amount that exceeds the credit balance in the provision for bad and doubtful debts account made under section 36(1)(viia) of the Act.

10. Where shares are held by the company as a 'capital asset', gains arising from transfer of such shares shall be taxed under the head "Capital gains".

11. If the company invests in the equity shares of another company, as per the provisions of section 10(38) of the Act, any income arising from transfer of a long-term capital asset being an equity share (i.e. listed equity shares held for more than 12 months) in a company is not includible in the total income, if the transaction is chargeable to Securities Transaction tax ('STT').

12. If the long-term capital gains ('LTCG') are not exempt under section 10(38) of the Act, taxable long-term capital gains would arise. In accordance with and subject to the provisions of section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of consideration:

    (a) Cost of acquisition/ improvement of the shares as adjusted by the cost inflation index notified by the Central Government; and

(b) Expenditure incurred wholly and exclusively in connection with the transfer of shares

Indexation may be available in the computation of capital gains.

13. Under section 112 of the Act, long-term capital gains on transfer of listed equity shares to the extent not exempt under section 10(38) of the Act would be subject to tax at a rate of 20% (plus applicable surcharge and education cess[1]) with indexation benefit. However, as per the proviso to section 112(1) of the Act, if the tax on long-term capital gains resulting from transfer of listed securities or units to the extent not exempt under section 10(38) or zero coupon bonds calculated at the rate of 20% (with indexation benefit) exceeds the tax on long-term gains computed at the rate of 10% (without indexation benefit), then such gains are chargeable to tax at a concessional rate of 10% without allowance of indexation benefit.

14. Under section 54EC of the Act, long-term capital gain arising on sale of the shares other than the sale referred to in section 10(38) of the Act is exempt from tax to the extent the same is invested for a minimum period of three years in a 'long-term specified asset' within a period of six months from the date of such transfer (upto a maximum limit of Rs 50 lakhs during the financial year in which the asset is transferred and in the subsequent financial year.).

However, if the company transfers or converts the long-term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long-term specified asset is transferred or converted into money.

A "long-term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2007 by the:

- National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988; or
- Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

15. In accordance with section 111A of the Act, the tax on capital gains arising from the transfer (on or after 1 October 2004) of a short-term asset being an equity share in a company or a unit of an equity oriented fund, is chargeable to tax at the rate of 15% (plus applicable surcharge and education cess), where such transaction is chargeable to STT. Where the provisions of section 111A of the Act are not applicable to the short-term capital gains, the tax will be chargeable at the rate of 30% (plus applicable surcharge and education cess) as applicable. Cost indexation benefits would not be available in computing the short-term capital gain.

16. As per section 74 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off only against long-term capital gains. Balance loss, if any, could be carried forward for eight years, for claiming set-off against subsequent year's long-term capital gains. In case of loss under the head "Profit and Gains from Business or Profession", it can be set-off against other income and the excess loss after set-off can be carried forward for set-off-against business income of the next eight Assessment Years.

17. The unabsorbed depreciation, if any, can be adjusted against any other income and can be carried forward indefinitely for set-off against the income of future years.

18. As per Section 115-O of the Act,the Company distributing the dividend will be liable to pay DDT at 15% on the grossed up amount of dividend (plus applicable surcharge and cess) on the total amount declared, distributed or paid as dividends i.e. effective rate of 17.65 % (plus applicable surcharge and cess) on distributed grossed up amount of dividend.

For removing the cascading effect of DDT, provisions of sub-section (1A) to section 115-O of the Act, provides that the domestic company will be allowed to set off the dividend received from its subsidiary company during the financial year, while computing the DDT if :

- The dividend is received from its domestic subsidiary and the subsidiary has paid the DDT on such dividend ; or
- The dividend is received from a foreign subsidiary and the company has paid tax under section 115BBD.

[1] Education Cess will include Secondary Higher Education Cess

For this purpose a company shall be subsidiary of another company, if such other company, holds more than 50% in nominal value of the equity share of the company.

However, the same amount of dividend shall not be taken into account for reduction more than once.

19. As per the provisions of 115BBD of the Act, dividend received by an Indian company from a specified foreign company (i.e. in which the nominal value of equity shareholding of Indian company is 26% or more) would be taxable at a concessional rate of 15% on gross basis (plus applicable surcharge & education cess).

20. As per the provisions of section 80JJAA of the Act, if the gross total income of the Company includes any profits or gains derived from business to whom section 44AB applies, then a deduction of 30% of additional employee cost to the new regular workmen employed by the Company can be claimed for three assessment years starting with the year in which the employment is provided subject to the following conditions:

- The business should not be formed by splitting up, or the reconstruction, of an existing business.

  However, business can be formed as a result of re-establishment, reconstruction or revival by the assessee of the business in circumstances and within the period specified in section 33B.

- The business should not be acquired by the assessee by way of transfer from any other person or as a result of any business reorganization

- The assessee furnishes along with the return of income the report of the accountant, as defined in the Explanation below sub-section (2) of section 288 giving such particulars in the report as may be prescribed.

Tax Rates

The tax rate is 30%. The surcharge on income-tax is 7% where the total income exceeds Rs. 10 million and 12% where the total income exceeds Rs 100 million. Education cess is 3% on aggregate of income-tax and surcharge.

General Tax Benefits to the Shareholders of the Company Under the Income-tax Act 1961

It has been presumed that the shares of the company will be held by the shareholders as a 'capital asset' and therefore gains arising from transfer of such shares shall be taxed under the head "Capital gains".

Residents

1. Dividends earned on equity shares of the domestic company are exempt from tax in accordance with and subject to the provisions of section 10(34) read with section 115-O of the Act. Accordingly, dividends paid by the company are not subject to deduction of tax at source. Further, no deduction is allowed in respect of expenditure incurred in relation to earning of income which is not chargeable to tax e.g. dividends exempt under Section 10(34) of the Act. The expenditure relatable to 'exempt income' needs to be determined in accordance with the provisions specified in Section 14A of the Act read with Rule 8D of the Income Tax Rules, 1962 ('Rules') if AO is not satisfied with the correctness of the claim made by the taxpayer.

   However, the provisions of section 10(34) of the Act shall not be applicable to dividend chargeable to tax in the hands of shareholders under section 115BBDA of the Act.

   Section 115BBDA provides that, with effect from Assessment Year 2017-18, any income by way of dividend in excess of Rs. 10 lakh received from one or more domestic companies during the year shall be chargeable to tax in the case of an individual, Hindu undivided family ('HUF') or a firm who is resident in India, at the rate of ten percent. The taxation of dividend income in excess of ten lakh rupees shall be on gross basis.

2. As per section 94(7) of the Act, losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

3. Equity shares of a listed company held as capital asset for a period of more than 12 months preceding the date of transfer will be treated as a long-term capital asset.

4. Further in respect of any other capital assets (other than shares of unlisted companies), if the period of holding is less than or equal to thirty six ('36') months, the assets will be considered as short term assets and if the period of holding exceeds thirty six months, the assets will be classified as long term capital assets. In case of shares of unlisted companies, if the period of holding is less than or equal to twenty four ('24') months, the same will be considered as short term asset and if the period of holding exceeds twenty four months, the unlisted shares will be classified as long term capital asset.

5. Long-term capital gain arising on sale of equity shares is fully exempt from tax in accordance with the provisions of section 10(38) of the Act, where the sale is made on a recognized stock exchange and the transaction is chargeable to STT.

6. Taxable long-term capital gains would arise if not exempt under section 10(38) or any other section of the Act to a resident shareholder where the listed equity shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of consideration:

   (a) Cost of acquisition/ improvement of the shares as adjusted by the cost inflation index notified by the Central Government; and

   (b) Expenditure incurred wholly and exclusively in connection with the transfer of shares

   Indexation may be available in the computation of capital gains.

7. Under section 112 of the Act, long-term capital gains on transfer of listed equity shares to the extent not exempt under section 10(38) of the Act would be subject to tax at a rate of 20% (plus applicable surcharge and education cess[2]) with indexation benefit. However, as per the proviso to section 112(1) of the Act, if the tax on long-term capital gains resulting from transfer of listed securities or units to the extent not exempt under section 10(38) or zero coupon bonds calculated at the rate of 20% (with indexation benefit) exceeds the tax on long-term gains computed at the rate of 10% (without indexation benefit), then such gains are chargeable to tax at a concessional rate of 10% without allowance of indexation benefit.

8. Under section 54EC of the Act, long-term capital gain arising on the transfer of shares of the Company other than the sale referred to in section 10(38) of the Act is exempt from tax to the extent the same is invested for a minimum period of three years in a 'long-term specified asset' within a period of six months from the date of such transfer (upto a maximum limit of Rs 50 lakhs during the financial year in which the asset are transferred and in the subsequent financial year).

   However, if the shareholder transfers or converts the long-term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long-term specified asset is transferred or converted into money.

   A "long-term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2007 by the:

   - National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988; or
   - Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

9. In accordance with section 54F of the Act, long-term capital gains arising on the transfer of the equity shares of the Company held by an individual and on which STT is not payable, shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years. Such benefit will not be available if the individual-

   - owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
   - purchases another residential house within a period of one year after the date of transfer of the shares; or
   - constructs another residential house within a period of three years after the date of transfer of the shares; and
   - the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

   If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

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[2] Education Cess will include Secondary Higher Education Cess

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

10. Short-term capital gains on the transfer of equity shares, where the shares are held for a period of not more than 12 months would be taxed at 15% (plus applicable surcharge and education cess), where the sale is made on a recognized stock exchange and the transaction is chargeable to STT. In all other cases, the short-term capital gains would be taxed at the normal rates of tax (plus applicable surcharge and education cess) applicable to the resident investor. Cost indexation benefits would not be available in computing the short-term capital gain.

11. As per the provision of section 71(3) of the Act, if there is a loss under the head "Capital Gains", it cannot be set-off with income under any other head. Section 74 of the Act provides that the short-term capital loss can be set-off against both Short-term and Long-term capital gain. But Long-term capital loss cannot be set-off against short-term capital gain. The unabsorbed short-term capital loss can be carried forward for next eight assessment years and can be set off against any capital gains in subsequent years. The unabsorbed long-term capital loss can be carried forward for next eight assessment years and can be set off only against long-term capital gains in subsequent years.

Non-Residents including Non Resident Indians (NRIs) and Foreign Institutional Investors (FIIs)

Non-Residents

1. Dividends earned on equity shares of the domestic company are exempt from tax in accordance with and subject to the provisions of section 10(34) read with section 115-O of the Act. Accordingly, dividends paid by the company are not subject to deduction of tax at source. As per section 115-O of the Act, DDT at the rate of 17.65% (plus applicable surcharge and education cess) is applicable on the total amount distributed or declared or paid as dividend.

2. As per section 94(7) of the Act, losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

3. Capital assets may be categorised into short-term capital assets and long-term capital assets, based on the period of holding. As per the provisions of section 2(42A) capital asset being listed securities or unit of the Unit Trust of India or a unit of equity oriented fund or zero coupon bond, held by an assessee for a period less than or equal to twelve ('12') months are considered to be short term capital asset and if the period of holding exceeds 12 months, they will be considered as long term capital assets.

4. Further in respect of any other capital assets (other than shares of unlisted companies), if the period of holding is less than or equal to thirty six ('36') months, the assets will be considered as short term assets and if the period of holding exceeds thirty six months, the assets will be classified as long term capital assets. In case of shares of unlisted companies, if the period of holding is less than or equal to twenty four ('24') months, the same will be considered as short term asset and if the period of holding exceeds twenty four months, the unlisted shares will be classified as long term capital asset.

5. Long-term capital gain arising on sale of Company's equity shares is fully exempt from tax in accordance with the provisions of section 10(38) of the Act, where the sale is made on a recognized stock exchange and the transaction is chargeable to STT.

6. Under Section 112 of the Act, long-term capital gains on transfer of listed equity share to the extent not exempt under Section 10(38) of the Act would be subject to tax at a rate of 20% (plus applicable surcharge and cess) with indexation benefits. The indexation benefits are however not available in case the shares or debentures of an Indian company are acquired in foreign currency. In such a case, the capital gains shall be computed in the manner specified in first proviso to section 48. As per the first proviso of section 48 of the Act, where the shares are acquired in foreign currency by a non-resident, the capital gains arising on transfer need to be computed by converting the cost of acquisition, expenditure incurred in connection with such transfer and full value of consideration received or accruing as a result of transfer, into the same foreign currency in which the shares are originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on the dates stipulated.

   If the tax payable on transfer of listed securities or units exceeds 10% of the LTCG before giving effect to first proviso of S. 48 of the Act, the excess tax shall be ignored for the purpose of computing the tax payable by the non-resident.

7. Further, LTCG arising from transfer of unlisted securities is chargeable to tax at 10% (plus applicable surcharge and cess) without indexation and foreign exchange fluctuation benefit.

8. Under section 54EC of the Act, long-term capital gain arising on the transfer of shares of the Company other than the sale referred to in section 10(38) of the Act is exempt from tax to the extent the same is invested for a minimum period of three years in a 'long-term specified asset' within a period of six months from the date of such transfer (up to a maximum limit of Rs 50 lakhs during the financial year in which the asset is transferred and the subsequent financial year).

However, if the shareholder transfers or converts the long-term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long-term specified asset is transferred or converted into money.

A "long-term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2007 by the:

- National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988; or
- Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

9. In accordance with section 54F of the Act, long-term capital gains arising on the transfer of the equity shares of the Company held by an individual and on which STT is not payable, shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years. Such benefit will not be available if the individual-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- purchases another residential house within a period of one year after the date of transfer of the shares; or
- constructs another residential house within a period of three years after the date of transfer of the shares; and
- the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

10. Short-term capital gains on the transfer of listed equity shares where the shares are held for a period of not more than 12 months would be taxed at 15% (plus applicable surcharge and education cess), where the sale is made on a recognized stock exchange and the transaction is chargeable to STT. In all other cases, the short-term capital gains would be taxed at the normal rates of tax (plus applicable surcharge and education cess) applicable to the investor. Cost indexation benefits would not be available in computing the short-term capital gain.

NRIs

A NRI has the option to be governed by the provisions of Chapter XII-A of the Income-tax Act, 1961 which reads as under:

1. In accordance with section 115E of the Act, income from investment or income from long-term capital gains of an asset other than specified asset (as defined in section 115C(f) of the Act) shall be taxable at the rate of 20% (plus applicable surcharge and education cess). Income by way of long-term capital gains in respect of a specified asset, shall be chargeable at 10% (plus applicable surcharge and education cess).

2. Under provisions of Section 115F of the Act, any long term capital gains arising from the transfer of a foreign exchange asset arising to a NRI shall be exempt from tax if the whole or any part of the net consideration is reinvested in any specified assets within six months of the date of the transfer. If only a part of the net consideration is reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax as 'capital gains' subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition. The taxability shall arise in the year in which the transfer or conversion, as the case may be, takes place.

For the purpose of aforesaid clauses "Non-Resident Indian" means an Individual, being a citizen of India or a person of Indian origin who is not a "resident". A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.

3. As per the provisions of Section 115G of the Act, NRIs are not required to file a return of income under Section 139(1) of the Act, if the income chargeable under the Act consists of only investment income or capital gains income or both; and provided tax deductible at source has been deducted there from as per the provisions of Chapter XVII-B of the Act.

4. As per the provision of Section 115H of the Act, where a person who is NRI in any previous year, becomes assessable as resident in India in respect of total income of any subsequent year, the provisions of Chapter XII-A shall continue to apply to him in relation to the investment income derived from any foreign exchange asset being an assets specified under sub clause (ii), (iii), (iv) or (v) of Section 115(C)(f) for that assessment year and for every subsequent assessment year until there is transfer or conversion of such asset into money. For this provision to apply, NRI is required to file a declaration along with his return of income for the assessment year in which he becomes assessable as resident in India.

5. In accordance with section 115-I of the Act, where a Non-Resident Indian opts not to be governed by the provisions of Chapter XII-A for any assessment year, his total income for that assessment year will be computed and tax will be charged according to the other provisions of the Act.

FIIs

1. In accordance with section 115AD of the Act, FIIs will be taxed at 10% (plus applicable surcharge and education cess) on long-term capital gains (computed without indexation of cost and foreign exchange fluctuation), subject to meeting conditions specified in section 90 and the tax treaty, if any, if STT is not payable on the transfer of the shares and at 15% (plus applicable surcharge and education cess) in accordance with section 111A of the Act on short-term capital gains arising on the sale of the shares of the Company which is subject to STT. If the provisions of section 111A of the Act are not applicable to the short-term capital gains, then the tax will be charged at the rate of 30% plus applicable surcharge and education cess, as applicable.

2. Under section 196D(2) of the Act, no deduction of tax at source will be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD of the Act.

3. Further, capital gains arising to foreign companies have been specifically excluded from the applicability of MAT, subject to conditions.

4. As per the provisions of section 90 of the Act, the Non Resident shareholder has an option to be governed by the provisions of the tax treaty, if they are more beneficial than the domestic law wherever India has entered into Double Taxation Avoidance Agreement with the relevant country for avoidance of double taxation of income.

Mutual Funds

1. Under section 10(23D) of the Act, exemption is available in respect of income (including capital gains arising on transfer of shares of the Company) of a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or such other Mutual fund set up by a public sector bank or a public financial institution or authorized by the RBI and subject to the conditions as the Central Government may specify by notification. However, the Mutual Funds shall be liable to pay tax on distributed income to unit holders under Section 115R of the Act.

Venture Capital Companies/Funds

1. In terms of section 10(23FB) of the Act, income of:-

   Venture Capital company which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992; and

   Venture Capital Fund ('VCF') (other than investment fund as specified u/s 115UB of the Act[3]), operating under a registered trust deed or a venture capital scheme made by Unit Trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992, from investment in a Venture Capital Undertaking ('VCU'), is exempt from income-tax.

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[3] Investment fund means any fund established in India in the form of trust or Company or LLP or a body corporate which has been granted a certificate of registration as a category I or category II Alternative investment fund and is regulated under SEBI (Alternative Investment Fund) Regulations 2012

2. As per the provisions of section 115U of the Act, income received by the investor out of investments in the VCF (other than investment fund as specified u/s 115UB of the Act) shall be chargeable to the income-tax in the same manner as if such person had directly made the investments directly in the VCU.

Tax Deduction at Source

1. No income-tax is deductible from income by way of capital gains under the present provisions of the Act, in case of residents.

   However as per the provisions of section 195 of the Act, any income by way of capital gains, payable to non-residents (except long-term capital gains exempt under section 10(38) of the Act), may fall within the ambit of the provisions of tax deduction at source, subject to the provisions of the relevant tax treaty. Accordingly, income-tax may have to be deducted at source in the case of non-resident at the rate under the domestic tax laws or under the tax treaty, whichever is beneficial to the assessee unless a lower tax withholding certificate is obtained from the tax authorities.

2. Under section 196D of the Act, no deduction of tax at source shall be made in respect of capital gains arising on sale proceeds to FIIs on transfer of shares (including shares of the company).

Notes

1. The above Statement of Tax Benefits sets out the provisions of law (i.e. the Act as amended by the Finance Act 2016) presently in force in India, in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

2. The above Statement of Tax Benefits sets out some of the possible tax benefits available to the Company and its shareholders under the current Income tax laws (i.e. the Act as amended by the Finance Act 2016) presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

3. The above statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefits under any other law. Further, the above summary is subject to ICDS impact and the same needs to be evaluated separately.

4. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her/ its own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

5. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the DTAA, if any, between India and the country in which the non-resident has fiscal domicile.

6. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint shareholders.

7. The tax rates (including rates for tax deduction at source) mentioned in this Statement is applicable for AY 2017-18.

8. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of certain material U.S. federal income tax consequences to certain U.S holders (as defined below) of purchasing, owning and disposing of Equity Shares acquired pursuant to this Issue. This summary does not address alternative minimum tax considerations, any aspect of U.S. federal non-income tax laws, such as U.S. federal estate and gift tax laws, or state, local or non-U.S. tax laws, and does not purport to be a comprehensive description of all of the U.S. tax considerations that may be relevant to a particular person's decision to acquire Equity Shares.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

The discussion applies to you only if you acquire the Equity Shares in this Issue and you hold the Equity Shares as capital assets for U.S. federal income tax purposes (generally, for investment). This section does not apply to you if you are a member of a special class of holders subject to special tax rules, including:

- a broker;
- a dealer in securities, commodities or foreign currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a bank or other financial institution;
- a tax-exempt organization;
- an insurance company;
- a regulated investment company;
- an investor who is a U.S. expatriate, former U.S. citizen or former long term resident of the United States;
- a mutual fund;
- an individual retirement or other tax-deferred account;
- a holder that actually or constructively owns 10% or more, by voting power, of the Company's voting stock;
- a partnership or other pass-through entity for U.S. federal income tax purposes;
- a holder that holds Equity Shares as part of a straddle, hedging, constructive sale, conversion or other integrated transaction for U.S. federal income tax purposes; or
- a U.S. holder (as defined below) whose functional currency is not the U.S. Dollar.

This section is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), existing and proposed income tax regulations issued under the Code, legislative history, and judicial and administrative interpretations thereof, all as of the date hereof. All of the foregoing are subject to change at any time, and any change could be retroactive and could affect the accuracy of this discussion. In addition, the application and interpretation of certain aspects of the passive foreign investment company ("**PFIC**") rules, referred to below, require the issuance of regulations which in many instances have not been promulgated and which may have retroactive effect. There can be no assurance that any of these regulations will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. This discussion is not binding on the U.S. Internal Revenue Service ("**IRS**") or the courts. No ruling has been or will be sought from the IRS with respect to the positions and issues discussed herein, and there can be no assurance that the IRS or a court will not take a different position concerning the U.S. federal income tax consequences of an investment in the Equity Shares or that any such position would not be sustained.

You are a "U.S. holder" if you are a beneficial owner of Equity Shares that acquired the shares pursuant to this Issue and you are:

- a citizen or resident of the United States;
- a U.S. domestic corporation, or other entity treated as a domestic corporation for U.S. federal income tax purposes;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if (1) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorised to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

In addition, this discussion is limited to U.S. holders who are not resident in India for purposes of the Income Tax Treaty between the United States and India.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of the Equity Shares, the U.S. tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of the Equity Shares that is a partnership and partners in such a partnership should consult their own tax advisors concerning the U.S. federal income tax consequences of purchasing, owning and disposing of Equity Shares.

The Company is likely to be treated as a PFIC for U.S. federal income tax purposes for the current taxable year and future taxable years. However, no assurance can be given that the Company will or will not be considered a PFIC in the current or future years. The determination whether or not the Company is a PFIC is a factual determination that is made annually based on the types of income it earns and the value of its assets. Assuming the Company is a PFIC, U.S. holders of Equity Shares would be subject to special rules and a variety of potentially adverse tax consequences under the Code.

Taxation of Dividends

U.S. Holders. Subject to the PFIC rules below, if you are a U.S. holder you must include in your gross income the gross amount of any distributions of cash or property (other than certain pro rata distributions of Equity Shares) with respect to Equity Shares, to the extent the distribution is paid by the Company out of its current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A U.S. holder will include the dividend income at the time of actual or constructive receipt. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non- taxable return of capital to the extent of your basis in the Equity Shares and thereafter as capital gain from the sale or exchange of such Equity Shares. Notwithstanding the foregoing, the Company does not intend to maintain calculations of its earnings and profits as determined for U.S. federal income tax purposes. Consequently, distributions generally will be reported as dividend income for U.S. information reporting purposes.

You should not include the amount of any Indian tax paid by the Company with respect to the dividend payment, as that tax is, under Indian law, a liability of the Company and not the shareholders, unless you are a U.S. corporation that owns 10% or more of the voting stock of the Company and also claims a foreign tax credit against your U.S. tax liability for your share of income taxes paid by the Company. The dividend is ordinary income that you must include in income when you receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Subject to the PFIC rules described below, dividends paid by a non-U.S. corporation generally will be taxed at the preferential tax rates applicable to long-term capital gain of non-corporate taxpayers if (a) such non-U.S. corporation is eligible for the benefits of certain U.S. treaties or the dividend is paid by such non-U.S. corporation with respect to stock that is readily tradable on an established securities market in the United States, (b) the U.S. holder receiving such dividend is an individual, estate, or trust, and (c) such dividend is paid on shares that have been held by such U.S. holder for at least 61 days during the 121-day period beginning 60 days before the "ex-dividend date." If the requirements of the immediately preceding paragraph are not satisfied, a dividend paid by a non-U.S. corporation to a U.S. holder, including a U.S. holder that is an individual, estate, or trust, generally will be taxed at ordinary income tax rates (and not at the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. holder should consult its own tax advisor regarding the dividend rules.

Dividends received generally will be income from non-U.S. sources, which may be relevant in calculating your U.S. foreign tax credit limitation. Such non-U.S. source income generally will be "passive category income", or in certain cases "general category income", which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you. You should consult your own tax advisor to determine the foreign tax credit implications of owning the Equity Shares.

The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. Dollar value of the Indian Rupee payments made, determined at the spot Indian Rupee/U.S. Dollar exchange rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. Dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. Dollars will be treated as ordinary income or loss. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Sale, Exchange or other Disposition of Equity Shares

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell, exchange or otherwise dispose of your Equity Shares, you will generally recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. Dollar value of the amount realized and your tax basis, determined in U.S. Dollars, in your Equity Shares. Gain or loss recognized on such a sale, exchange or other disposition of Equity Shares generally will be long-term capital gain if the U.S. holder has held the Equity Shares for more than one year. Long-term capital gains of U.S. holders who are individuals (as well as certain trusts and estates) are generally taxed at a maximum rate of 20%. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes, unless it is attributable to an office or other fixed place of business outside the United States and certain other conditions are met. Your ability to deduct capital losses is subject to limitations.

Medicare Tax

Certain U.S. holders who are individuals, estates or trusts are required to pay a 3.8% Medicare surtax on all or part of that holder's "net investment income", which includes, among other items, dividends on, and capital gains from the sale or other

taxable disposition of, the Equity Shares, subject to certain limitations and exceptions. Prospective investors should consult their own tax advisors regarding the effect, if any, of this surtax on their ownership and disposition of the Equity Shares.

PFIC Considerations

The Code provides special rules regarding certain distributions received by U.S. persons with respect to, and sales, exchanges and other dispositions, including pledges, of, shares of stock in a PFIC. A foreign corporation will be treated as a PFIC for any taxable year in which either: (i) at least 75 percent of its gross income is "passive income" or (ii) at least 50 percent of its gross assets during the taxable year (based on the average of the fair market values of the assets determined at the end of each quarterly period) are "passive assets," which generally means that they produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, rents, royalties, gains from commodities and securities transactions, and gains from assets that produce passive income. A special rule allows banks to treat their banking business income as non-passive. To qualify for this rule, a bank must satisfy certain requirements regarding its licensing and activities. The Company does not believe that it currently meets these requirements and therefore, the Company's interest income will be treated as passive income. In determining whether a foreign corporation is a PFIC, a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

The Company is likely to be treated as a PFIC at the end of each taxable year. However this determination is dependent upon a number of factors, some of which are beyond the Company's control, including the amount and nature of the Company's income, as well as on the market valuation of the Company's assets and the Company's spending schedule for its cash balances and the proceeds of the Issue, and because certain aspects of the PFIC rules are not entirely certain, there can be no assurance that the Company is or is not a PFIC or that the IRS will agree with our conclusion regarding our PFIC status.

A U.S. holder that holds stock in a foreign corporation during any taxable year in which the corporation qualifies as a PFIC is subject to special tax rules with respect to (a) any gain realized on the sale, exchange or other disposition of the stock and (b) any "excess distribution" by the corporation to the holder, unless the holder elects to treat the PFIC as a "qualified electing fund" ("**QEF**") or makes a "mark-to-market" election, each as discussed below. An "excess distribution" is that portion of a distribution with respect to PFIC stock that exceeds 125% of the average of such distributions over the preceding three-year period or, if shorter, the U.S. holder's holding period for its shares. Excess distributions and gains on the sale, exchange or other disposition of stock of a corporation which was a PFIC at any time during the U.S. holder's holding period are allocated ratably to each day of the U.S. holder's holding period. Amounts allocated to the taxable year in which the disposition occurs and amounts allocated to any period in the shareholder's holding period before the first day of the first taxable year that the corporation was a PFIC will be taxed as ordinary income (rather than capital gain) earned in the taxable year of the disposition. Amounts allocated to each of the other taxable years in the U.S. holder's holding period are not included in gross income for the year of the disposition, but are subject to a special tax (equal to the highest ordinary income tax rates in effect for those years, and increased by an interest charge at the rate applicable to income tax deficiencies) that is added to the regular tax for the taxable year in which the disposition occurs. The preferential U.S. federal income tax rates for dividends and long-term capital gain of individual U.S. holders (as well as certain trusts and estates) would not apply, and special rates would apply for calculating the amount of the foreign tax credit with respect to excess distributions. In addition, a U. S. holder who acquires shares in a PFIC from a decedent generally will not receive a "stepped-up" fair market value tax basis in such shares but, instead, will receive a tax basis equal to the decedent's basis, if lower.

If a corporation is a PFIC for any taxable year during which a U.S. holder holds shares in the corporation, then the corporation generally will continue to be treated as a PFIC with respect to the holder's shares, even if the corporation no longer satisfies either the passive income or passive asset tests described above, unless the U.S. holder terminates this deemed PFIC status by electing to recognize gain, which will be taxed under the excess distribution rules as if such shares had been sold on the last day of the last taxable year for which the corporation was a PFIC.

The excess distribution rules may be avoided if a U.S. holder makes a QEF election effective beginning with the first taxable year in the holder's holding period in which the corporation is a PFIC. A U.S. holder that makes a QEF election is required to include in income its pro rata share of the PFIC's ordinary earnings and net capital gain as ordinary income and long-term capital gain, respectively, subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. A U.S. holder whose QEF election is effective after the first taxable year during the holder's holding period in which the corporation is a PFIC will continue to be subject to the excess distribution rules for years beginning with such first taxable year for which the QEF election is effective.

In general, a U.S. holder makes a QEF election by attaching a completed IRS Form 8621 to a timely filed (taking into account any extensions) U.S. federal income tax return for the year beginning with which the QEF election is to be effective. In certain circumstances, a U.S. holder may be able to make a retroactive QEF election. A QEF election can be revoked only with the consent of the IRS. In order for a U.S. holder to make a valid QEF election, the corporation must annually provide or make available to the holder certain information. The Company does not intend to provide to U.S. holders the information required to make a valid QEF election and the Company currently makes no undertaking to provide such information.

As an alternative to making a QEF election, a U.S. holder may make a "mark-to-market" election with respect to its PFIC shares if the shares meet certain minimum trading requirements. If a U.S. holder makes a valid mark- to-market election for the first tax year in which such holder holds (or is deemed to hold) stock in a corporation and for which such corporation is determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above in respect of its stock. Instead, a U.S. holder that makes a mark-to-market election will be required to include in income each year an amount equal to the excess of the fair market value of the shares that the holder owns as of the close of the taxable year over the holder's adjusted tax basis in the shares. The U.S. holder will be entitled to a deduction for the excess, if any, of the holder's adjusted tax basis in the shares over the fair market value of the shares as of the close of the taxable year; provided, however, that the deduction will be limited to the extent of any net mark-to-market gains with respect to the shares included by the U.S. holder under the election for prior taxable years. The U.S. holder's basis in the shares will be adjusted to reflect the amounts included or deducted pursuant to the election. Amounts included in income pursuant to a mark-to- market election, as well as gain on the sale, exchange or other disposition of the shares, will be treated as ordinary income. The deductible portion of any mark-to-market loss, as well as loss on a sale, exchange or other disposition of shares to the extent that the amount of such loss does not exceed net mark-to-market gains previously included in income, will be treated as ordinary loss.

The mark-to-market election applies to the taxable year for which the election is made and all subsequent taxable years, unless the shares cease to meet applicable trading requirements (described below) or the IRS consents to its revocation. The excess distribution rules generally do not apply to a U.S. holder for tax years for which a mark-to-market election is in effect. However, if a U.S. holder makes a mark-to-market election for PFIC stock after the beginning of the holder's holding period for the stock, a coordination rule applies to ensure that the holder does not avoid the tax and interest charge with respect to amounts attributable to periods before the election.

A mark-to-mark election is available only if the shares are considered "marketable" for these purposes. Shares will be marketable if they are regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission or on a non-U.S. exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. For these purposes, shares will be considered regularly traded during any calendar year during which they are traded, other than in negligible quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded. Each U.S. holder should ask its own tax advisor whether a mark-to-market election is available or desirable.

If the Company were to be treated as a PFIC in a taxable year and owned shares in another PFIC (a "**lower–tier PFIC**"), a U.S. holder would also be subject to the PFIC rules with respect to its indirect ownership of the lower-tier PFIC.

A U.S. holder of PFIC stock must generally file an IRS Form 8621 annually. A U.S. holder must also provide such other information as may be required by the U.S. Treasury Department if the U.S. holder (i) receives certain direct or indirect distributions from a PFIC, (ii) recognizes gain on a direct or indirect disposition of PFIC stock, or (iii) makes certain elections (including a QEF election or a mark-to-market election) reportable on IRS Form 8621.

U.S. holders are urged to consult their tax advisors as to the Company's status as a PFIC, and, if the Company is treated as a PFIC, as to the effect on them of, and the reporting requirements with respect to, the PFIC rules and the desirability of making, and the availability of, either a QEF election or a mark-to-market election with respect to our Equity Shares. The Company provides no advice on taxation matters.

Information with Respect to Foreign Financial Assets

In addition, a U.S. holder that is an individual or, in certain cases, an entity, may be subject to certain reporting obligations with respect to Equity Shares if the aggregate value of these and certain other "specified foreign financial assets" exceeds $50,000. If required, this disclosure is made by filing Form 8938 with the IRS. Significant penalties can apply if U.S. holders are required to make this disclosure and fail to do so. In addition, a U.S. holder should consider the possible obligation to file a Form TD F 90-22.1—Foreign Bank and Financial Accounts Report as a result of holding Equity Shares. U.S. holders are thus encouraged to consult their U.S. tax advisors with respect to these and other reporting requirements that may apply to their acquisition of Equity Shares.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to distributions made on our Equity Shares within the U.S. to a non-corporate U.S. holder and to the proceeds from the sale, exchange, redemption or other disposition of Equity Shares by a non-corporate U.S. holder to or through a U.S. office of a broker. Payments made (and sales or other dispositions effected at an office) outside the U.S. will be subject to information reporting in limited circumstances.

In addition, backup withholding of U.S. federal income tax may apply to such amounts if the U.S. holder fails to provide an accurate taxpayer identification number (or otherwise establishes, in the manner provided by law, an exemption from backup withholding) or to report dividends required to be shown on the U.S. holder's U.S. federal income tax returns.

Backup withholding is not an additional income tax, and the amount of any backup withholding from a payment to a U.S. holder will be allowed as credit against the U.S. holder's U.S. federal income tax liability provided that the appropriate returns are filed.

The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Issue, and is not tax advice. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Equity Shares, including the applicability of the U.S. federal, state and local tax laws or non-tax laws, foreign tax laws, and any changes in applicable tax laws and any pending or proposed legislation or regulations.

LEGAL PROCEEDINGS

Our Company is subject to various legal proceedings from time to time, mostly arising in the ordinary course of its business. As of the date of this Placement Document, except as disclosed hereunder, our Company is not involved in any material governmental, legal or arbitration proceedings or litigation and our Company is not aware of any pending or threatened material governmental, legal or arbitration proceedings or litigation relating to our Company which, in either case, to the extent quantifiable exceeds the amount of ₹30.0 million or may have a significant effect on the performance of our Company. Our Company has no outstanding defaults in relation to statutory dues payable, dues payable to holders of any debentures and interest thereon, and in respect of deposits and interest thereon, defaults in repayment of loans from any bank or financial institution and interest thereon.

Litigation involving our Company

(A) ***Cases filed against our Company***

Criminal Cases

1. Kiran Raparthi ("**Complainant**"), an ex-employee of our Company, as a counter to the complaint filed (case number CC 1601/2012) against him by our Company, filed a criminal case (bearing number 1269 of 2014) before XIV Additional Chief Metropolitan Magistrate, Hyderabad, against our Company and its officials namely, M. Ramachandra Rao, Srinivas Reddy Vudumula, Murali MRM. For further details, see "Legal Proceedings – Litigation involving our Company – Cases filed by our Company – Criminal Cases filed by our Company" on page 188.

(B) ***Notices received***

(i) ***Under the A.P.-MFI Ordinance and A.P.-MFI Act***

1. Our Company has received 15 show cause notices from the relevant registering authorities in various districts in Andhra Pradesh, since the enactment of the microfinance regulations in the state of Andhra Pradesh in October 2010. It has been alleged in the show cause notices that our Company violated various provisions of the A.P.-MFI Ordinance and the A.P.-MFI Act relating to, among other things, (a) resorting to coercive methods of recovery; (b) propagating that weekly repayments are beneficial to the SHG members as opposed to monthly repayments; and (c) inadequately maintaining details of borrowers, insurance and rates of interest. Our Company has filed replies to these notices and has not received any further communication from the relevant registering authorities in this regard.

   The registrations under the AP MFI Act were not renewed since the receipt of order of Supreme Court dated March 18, 2013. Subsequently, our Company has received notices from DRDA directing us to comply with requirements under AP MFI Act and rules framed thereunder. Our Company submitted our responses and requisite information and documents as required. The matter is currently pending

2. Our Company received a show cause notice bearing number MFI/372/2012 dated April 19, 2012 from the Registering Authority, DRDA-IKP, Mahabubnagar alleging that our Company has been collecting repayments from the borrowers at their house and it has not been displaying the rate of interest charged by it, thereby violating the provisions of the A.P.-MFI Act. Our Company in its reply dated April 24, 2012 denied the above mentioned allegations and stated that our Company had not violated any of the provisions of the A.P.- MFI Act. Further, the Registering Authority, DRDA- IKP, Mahabubnagar by its letter no. MFI/372/2012 dated May 25, 2012 cancelled the registration of our Company granted under the A.P.-MFI Act to conduct operations in Mahabubnagar district. In this regard, our Company had filed a writ petition (W.P. 17977 of 2012) dated June 15, 2012 before the Andhra Pradesh High Court requesting the court to set aside the order issued by the Registering Authority, DRDA-IKP, Mahabubnagar and held the same to be violative of Articles 14 and 21 of the Constitution of India, 1950, the A.P.-MFI Act and the A.P.-MFI Rules.

   On June 20, 2012, the A.P. High Court passed an interlocutory order suspending the order issued by the Registering Authority, DRDA-IKP, Mahabubnagar, stating that no valid reasons have been recorded in cancelling the registration as contemplated under Section 5 of the A.P.-MFI Act. The matter is currently pending.

(ii) ***Other Notices***

Our Company received a notice dated March 28, 2011 from the Registering Authority, Hingoli, Maharashtra, under the Bombay Money Lenders Act, 1946 requiring our Company to maintain a record of the recovery of the loan from the customers and submit certain documents in relation to alleged unlawful collections. Our Company vide its letter

dated March 29, 2011 submitted that our Company being an NBFC registered with the RBI, provisions of the Bombay Money Lenders Act, 1946 ("**BMLA**") are not applicable. Our Company applied to the relevant authority seeking exemption from the applicability of the BMLA, and a response from the authority is awaited in this regard. The matter is currently pending.

(C) ***Cases filed by our Company***

(i) ***Criminal Cases filed by our Company***

1. Our Company had filed an FIR dated July 21, 2011 before the police station, Bhavnagar against Rajeshbhai Manilal Panchal, Hitendrasinh Hardevsingh Sarvaiya and Yogeshbhai Hanubhai Khuman under Sections 406, 409, 420, 465, 201 and 114 of the IPC. The accused had prepared false loan documents for poor women and have collected the disbursed amounts for their own personal benefits on July 13, 2011. Subsequently, the police has framed the charge-sheet bearing number 183 of 2011 dated December 27, 2011 setting out that between the period ranging from June 1, 2011 to July 13, 2011 the accused have caused frauds of ₹ 5 million and ₹ 5.3 million in two of the branches of our Company in Bhavnagar respectively, amounting to a total of ₹ 10.3 million. The matter is currently pending before the court of the Chief Judicial Magistrate, Bhavnagar.

   During the course of police investigation an amount of ₹1.12 million was recovered from 17 accused. Our Company preferred an application for refund / handing over the seized amount of ₹1.12 million before the Ninth Additional Chief Judicial Magistrate ("**CJM**"), Bhavnagar which was rejected by the CJM through an order dated February 5, 2015. Subsequently, our Company preferred a Criminal Revision Application in the Court of Principal District and Sessions Court, Bhavnagar on September 30, 2015 which concurred with the trial court's order. Subsequently, our Company filed a special criminal application before the High Court of Gujarat. The matter is currently pending.

2. Our Company has lodged an FIR dated September 6, 2012 before the police station, Sakleshpura, District Hassan against Punit Kumar, Madhu Sidappa, Sathish Kumar and Raghavendra Natraj (collectively the "**Accused**") for criminal breach of trust, cheating and dishonestly inducing delivery of property, falsification of accounts, forgery, making of false documents and causing disappearance of evidence under Sections 406, 420, 477A, 463, 464 and 201 of the IPC. The FIR states that the Accused had prepared false loan documents for the purpose of seeking loans for women societies and collected the disbursed amounts for their own personal benefits thereby misusing funds, cheating and absconding and also burnt important documents relating to our Company. The Accused filed a petition dated September 26, 2012 bearing number 843 of 2012 before the Additional Sessions Judge at Hassan for seeking anticipatory bail for the alleged offences registered under the FIR, however, the same was rejected by the Additional Sessions Judge. In relation to the aforementioned FIR, the police had framed the charge-sheet dated November 21, 2012 wherein it is provided that between the period ranging from August 25, 2012 to August 31, 2012 the accused had caused frauds of ₹ 5.3 million in Sakleshpura. The Senior Civil Judge and Judicial Magistrate First Class at Sakleshpura passed an order dated June 3, 2013 pursuant to the criminal complaint (463 of 2012) dated May 28, 2013 directing the accused to release the money, amounting to ₹ 0.13 million that was seized, to the branch manager of our Company. The matter is currently pending before the court of the Senior Civil Judge and Judicial Magistrate First Class, Sakleshpura.

3. Our Company filed a complaint on March 29, 2012 numbered 2322 of 2012 before the XI Additional Chief Metropolitan Magistrate at Secunderabad against Kiran Raparthi, former Assistant Manager (Administration) of our Company for offences including cheating, cheating and dishonestly inducing delivery of property, dishonest misappropriation of property and criminal breach of trust under Sections 417, 418, 420, 403 and 408 of the IPC while dealing with vendors of our Company in his course of employment with our Company. The complaint was forwarded to the police station at Begumpet, Hyderabad, for investigation. Upon verification by XI Additional Chief Metropolitan Magistrate, Secunderabad, it was found that PS Begumpet had registered a crime against Kiran Raparthi and the same was received by the XI Additional Chief Metropolitan Magistrate, Secunderabad on April 1, 2012 and the same was pending for investigation. After investigation, PS Begumpet filed a charge sheet dated July 16, 2012 before XI Additional Chief Metropolitan Magistrate. On receipt of the charge sheet, a criminal complaint bearing no. 1601 of 2012 was filed in the court of the XI Additional Chief Metropolitan Magistrate, Secunderabad. The trial was completed and the Court on August 26, 2016 convicted the accused for the offence under Section 418 of IPC and sentenced to pay a fine of ₹ 0.005 million in default to payment of fine and simple imprisonment for six months.

   On November 17, 2012 Kiran Raparthi ("**Complainant**") registered an FIR against our Company and its officials viz. M. Ramachandra Rao, Srinivas Reddy Vudumula, M.R.M. Murali. In furtherance of the FIR, the Complainant filed a complaint before XIV Additional Chief Metropolitan Magistrate, Hyderabad, against our Company and its officials viz. M. Ramachandra Rao, Srinivas Reddy Vudumula, M.R.M.

Murali. The Complainant alleged *inter – alia* that our Company officials wrongfully confined him at their office, obtained confession statement from the Complainant, threatened dire consequences, snatched away the valuables from the Complainant and asked him to resign. The Complainant further alleged that the accused have committed various offences under Sections 340, 348 and 506 of IPC. The final report was filed by the sub – inspector of police and the case was referred as lack of evidence. It was also noted that earlier the Complainant had also filed and FIR and a case in the A.P. Human Rights Commission, holding the case to be a vexatious one in both cases. Subsequently, pursuant to a criminal revision application our Company obtained orders from Andhra Pradesh High court to dispense with the presence of the Company in the trial court. The matter is currently pending.

(ii) Civil Cases filed by our Company

1. The Society for Elimination for Rural Poverty, Department of Rural Development, Government of Andhra Pradesh, represented by its chief executive officer ("**SERP**") had issued a letter bearing number MFI/LAND-GENDER/SERP/2012 dated March 3, 2012 (the "**SERP Letter**") requesting the superintendents of police of various districts in A.P. to give directions to the concerned station house officers to expedite the process of filing the charge sheets by reopening the cases against the MFIs in connection with 76 alleged suicide related deaths in A.P. wherever required by March 26, 2012. The SERP Letter also communicated to the district collectors to review the progress in respect of reopening of the cases and filing of the charge sheets against the MFIs. Further, the SERP Letter intimated that no proper investigation had been conducted in respect of the filing of charge sheets against the MFIs and that the SERP will support the reopening of the cases and filing of the charge sheets. Our Company filed a writ petition (W.P. 7849 of 2012) dated March 20, 2012 before the A.P. High Court against the SERP and others, challenging the SERP Letter. Our Company has stated that SERP does not have the jurisdiction or authority to issue such directions as contained in the SERP Letter and has further stated that the interference of the SERP in the statutory process of investigation, which is required by law to be independent and uninfluenced under the Cr.P.C., are in violation of Articles 14 and 21 of the Constitution of India, 1950. The A.P. High Court has through its order dated March 21, 2012 in W.P.M.P. No. 9946 of 2012 in W.P. No. 7849 of 2012 granted interim suspension of the operation of the SERP Letter, subject to the retention of the right of SERP to proceed with investigations if any crimes are registered against our Company in accordance with law. The matter is currently pending.

2. Our Company filed a writ petition (W.P. 25891 of 2010) before the A.P. High Court on October 18, 2010 for declaring the A.P.-MFI Ordinance as unconstitutional and violative of Articles 14, 19, 20 and 21 of the Constitution of India and being beyond the legislative competence of the Andhra Pradesh Government.

   The A.P. High Court through its interim order dated October 22, 2010 (the "**Interim Order**") directed our Company to apply for registration under the A.P.-MFI Ordinance, in the prescribed format within one week from the date of the Interim Order and also directed the Government of Andhra Pradesh to take appropriate actions for facilitation of the aforesaid registration. The Interim Order also stated that pending registration, our Company was free to carry on its business with due adherence to Sections 9 and 16 of the A.P.-MFI Ordinance which pertained to the maximum permissible amount to be recovered from the borrowers and compliance with prohibition on coercive action. Further, the A.P. High Court, by way of the Interim Order, also directed our Company to file the returns in relation to disbursement and repayment after every 48 hours with the relevant authority failing which the Government of Andhra Pradesh was at liberty to initiate appropriate action against our Company but arrests would be deferred till the next date of hearing before the bench of the A.P. High Court.

   The A.P. High Court modified the Interim Order on October 29, 2010 per the representation of the Government of Andhra Pradesh allowing the grant of provisional registration and also extended the time period for submission of Form 1 and for filing of the aforesaid returns by 15 days and one week respectively.

   On December 7, 2010, our Company filed a petition (W.P. M.P. 39410 of 2010) before the A.P. High Court, seeking pre-emptory directions to certain officials of the Government of Andhra Pradesh to accord provisional registrations to our Company. On December 13, 2010 the A.P. High Court without deciding this petition (W.P.M.P. 39410 of 2010) directed that it should be listed along with the main matter. Our Company aggrieved by the said orders dated October 22, 2010, October 29, 2010 and December 13, 2010 filed a Special Leave Petition ("**SLP**") (SLP (Civil) 14958-14962 of 2011) before the Supreme Court. The Supreme Court, through its final order dated September 26, 2011 in the SLP, directed the A.P. High Court to dispose off the matter, preferably by January 31, 2012, and also directed the parties to complete their pleadings before the A.P. High Court by the end of October 2011.

   Thereafter, after hearing arguments of all parties, the AP High Court passed order on February 11, 2013 in W.P. 25891/2010 observing that "*The Government of Andhra Pradesh may, therefore, examine the matter,*

whether, in the wake of introduction of Micro Finance Institutions (Development and Regulation) Bill, 2012 in the Lok Sabha by the Union of India, which is more comprehensive than the impugned Act, dealing every activity of the micro finance institutions, and, which is likely to be passed by the Parliament, is it necessary to have the impugned enactment also on the statute book and a decision may accordingly be taken after the Central enactment comes into operation. The writ petitions are disposed of accordingly. However, the interim orders, dated 22.10.2010, as modified by order, dated 29.10.2010, shall continue to operate for a period of six weeks and no coercive steps against the petitioners be taken during the said period."

Being aggrieved by the aforesaid order of the AP High Court, our Company preferred SLP (SLP 10475 of 2013) before the Supreme Court of India. The Supreme Court of India passed an order dated March 18, 2013 allowing continuation of the Interim Orders subject to further orders of the Supreme Court and reiterated the position that no coercive steps should be taken against our Company if it strictly complies with the Interim Orders. This matter is currently pending.

3. The Government of Karnataka issued an order dated January 5, 2012 (the "**Withdrawal Order**") withdrawing the exemption granted to our Company on May 25, 2007 from compliance with the Karnataka Money-Lenders Act, 1961. Subsequent to withdrawal of the exemption by the Government of Karnataka, the Office of the Deputy Registrar of Cooperative Societies, Tumkur, had issued an order dated March 30, 2012 (the "**Prohibition Order**") directing our Company to restrain from undertaking money lending activities in Tumkur district of Karnataka. Our Company filed a writ petition (W.P. 11891 of 2012) dated April 13, 2012 before the Karnataka High Court against the Government of Karnataka and others (the "**Respondents**") challenging the validity of the Withdrawal Order and the Prohibition Order as violative of principles of natural justice. The petition stated that the Withdrawal Order and the Prohibition Order resulted in shutting down of the business operations of our Company in parts of Karnataka causing irreparable damage. Our Company also prayed for an interim relief staying the operation of the Withdrawal Order and the Prohibition Order. The Karnataka High Court, through its order dated April 19, 2012, directed the Respondents to maintain status quo regarding further action to be initiated, until the next date of hearing. Subsequently, the Karnataka High Court, through its order dated December 11, 2012, extended the interim relief till January 7, 2013 (the "**Interim Order**"). On June 20, 2013, the relief granted by the Interim Order was extended until next date of hearing.

The Karnataka High Court on July 17, 2012, while hearing a public interest litigation (W.P. 6876 of 2012) observed that the issues raised in this public interest litigation has also been raised in several other writ petitions pending before the Karnataka High Court and directed that all such petitions be clubbed together. On June 22, 2015 the Court disposed off the writ petition and stated that all the connected matters are filed by private individuals and they are segregated and shall be placed before appropriate bench.

Subsequently, the Interim Order has been extended from time to time and on October 24, 2013 the matter was adjourned by the Karnataka High Court on the ground that a similar issue is pending before the Supreme Court of India. Thereafter, the matter underwent several adjournments and is currently pending before the Karnataka High Court.

4. Our Company filed a writ petition (W.P. 20148 of 2010) before the A.P. High Court against the inclusion of the name of our Company in the circular bearing no. TPMU/144/2010 dated July 26, 2010 issued by the Project Office of Integrated Tribal Development Authority, Utnoor, Adilabad District to initiate action against money lenders if they are operating in contravention of the A.P. Money Lenders Regulations.The A.P. High Court through its order dated August 16, 2010 stated that the petitioner is a company registered under the Companies Act, 1956 and is also permitted by the RBI to function as an NBFC and the definitions under the A.P. Money Lenders Regulations exempted the bank or a company registered under the Companies Act, 1956 from the definition of the "money lenders". The A.P. High Court issued an interim suspension against the circular till further orders to the extent our Company was concerned. On March 13, 2012, the DRDA (the respondent) filed a counter affidavit praying to vacate the interim orders and dismiss the writ petition. The matter is currently pending.

5. Our Company received a letter bearing number 602/LM/09 dated August 7, 2009 from the Assistant Project Manager, DRDA-IKP, Dhammapet alleging that our Company was in violation of the provisions of the A.P. Money Lenders Regulations. The letter further stated that the provisions of the A.P. Money Lenders Regulations needed to be complied with by our Company within a week of the receipt of the notice, failing which, action would be initiated against our Company. A reply to the above letter was sent by our Company on February 16, 2010 stating that there was no requirement for registration under the provisions of the A.P. Money Lenders Regulations. Subsequently, our Company filed a writ petition (W.P. 4363 of 2010) before the A.P. High Court against the district collector of Khammam and others challenging the aforementioned letter issued by the Assistant Project Manager, DRDA-IKP, Dhammapet and the proceeding initiated by the Assistant Project Manager, DRDA-IKP, Dhammapet in this regard. The A.P. High Court granted interim suspension of the said proceedings in the writ petition miscellaneous petition (W.P. M.P. 5641 of 2010) and

the aforesaid writ petition on February 24, 2010. Thereafter, the A.P. High Court further extended the interim order on May 5, 2010. Prior to the extension of the interim order on May 5, 2010, another notice dated March 12, 2010 was received by our Company from the Project Manager, DRDA-IKP, Dhammapet. Our Company, by way of its reply dated March 23, 2010, stated that our Company was entitled to conduct its business in the scheduled area of Dhammapet Division in view of relevant provisions in the A.P. Money Lenders Regulations. Our Company also stated that since the relevant notice was issued in furtherance of the letter bearing number 602/LM/09, it shall fall within the scope of the interim order of the A.P. High Court. The matter is currently pending.

6. Our Company has filed a writ petition (W.P. 11343 of 2010) dated May 10, 2010 before the A.P. High Court against the District Collector/Agent to the Government, Khammam, the Agency Divisional Officer, Bhadrachalam and the Tehsildar, Dummugudem. The petition has been filed pursuant to the alleged arbitrary seizure of the premises of our Company situated at Bhadrachalam, A.P. without any prior notice by an order of the Tehsildar, Dummugudem Mandal on May 5, 2010, despite the A.P. High Court having extended the suspension of the proceeding letter until further orders. The petition has been filed to (i) declare the said action of seizure as illegal, arbitrary, violative of principles of natural justice, the provisions of the A.P. Money Lenders Regulations and the Constitution of India; (ii) direct the respondents to not interfere with the business of our Company; and (iii) suspend the operations of the proceedings of the Tehsildar, Dummugudem Mandal pursuant to which the premises of our Company was sealed. The A.P. High Court in its show cause notice dated May 12, 2010 asked the respondents as to why the said matter should not be admitted and also allowed interim suspension of the order dated May 5, 2010 stating that the order was passed without any jurisdiction. The matter is currently pending.

7. Our Company received a show cause notice on February 4, 2009 from the office of the Assistant Medical Officer of Health, Greater Hyderabad Municipal Corporation, Secunderabad Circle, A.P. The said notice was sent pursuant to the alleged violation of municipal laws in relation to the former registered office of our Company situated at Maruthi Mansion, including not having a valid trade license for the use of the premises, not providing required parking and unauthorized conversion of permitted usage of the building. The notice required our Company to show cause as to why action should not be taken against it for the above violations within one week failing which appropriate orders would be passed against it. The registered office of our Company was shifted to Ashok Raghupati Chamber. Pursuant to the same, our Company filed two recovery suits bearing numbers O.S. No. 69 of 2010 against Ajay Modi, Ashwin Modi, Sangeetha Modi and Varsha Modi and O.S. No. 70 of 2010 against Maruti Infraventures Private Limited amongst others (together the "**Landlords**") before the First Additional Chief Judge, City Civil Court, Secunderabad, alleging non-compliance of certain terms of the lease deed including non-compliance with the statutory regulations and approvals by the landlords and fraud. Further, the recovery suits also alleged certain non-compliances by the Landlords in relation to the terms of the lease arrangement and fulfilment of statutory obligations pertaining to the leased premises. Additionally, in the said recovery suits, our Company also claimed recovery of the security deposit paid by it to the Landlords and certain other expenses incurred by our Company towards installation of transformer and cable and shifting of the registered office to Ashok Raghupati Chamber.

   The civil suit O.S. No. 70 of 2010 was transferred from the First Additional Chief Judge, City Civil Court, Secunderabad to Twenty-Seventh Additional Chief Judge, City Civil Court, Secunderabad on October 21, 2013. Recording of evidence has commenced in O.S. No. 70 of 2010 and has yet to commence in O.S. No. 69 of 2010. The matter is currently pending.

(D) ***Tax Proceedings***

(i) ***Direct Tax Proceedings***

1. Our Company received an assessment order dated March 7, 2014 for the assesment year 2011 - 2012 from the Additional Commissioner of Income Tax, Range 3, Hyderabad. The said assessment order disallowed provision for standard and non-performing assets, employee's stock option expenditure and notional interest on interest free loan to Employees Welfare Trust. The demand raised on the said amount is ₹ 235.04 million. Our Company paid ₹ 171.32 million and refunds adjusted for ₹ 63.72 million under protest. Subsequently our Company filed an appeal against the aforesaid order with the CIT (Appeals) on April 4, 2014. The CIT (Appeals), through its order (the "**Appeal Order**") dismissed the aforesaid appeal on ESOP expenses claimed based on the exercise, provision for standard and non-performing assets and redirected the matter of notional interest on advance given to Employee Welfare Trust to the Assessing Officer. Subsequently, our Company filed an appeal before the ITAT against the Appeal Order. The matter is pending.

2. Our Company received a demand order dated June 30, 2015 (the "**Demand Order**") under sections 201(1) and 201(1A) of the I.T. Act, from the Deputy Commissioner Of Income Tax TDS Circle 2(1), Hyderabad.

The Demand Order imposed a TDS on perquisite value and non-compete fee of Vikram Krishna Akula in F Y 2011-12 for ₹ 53.84 million and interest for ₹ 7.17 million. Our Company considered TDS on perquisite value and non- compete in FY 2012-13 and paid ₹ 53.84 million. Our Company filed a stay petition before the Commissioner of Income Tax, Range – 2 on July 30, 2015 and also filed an appeal against the order with the Commissioner of Income Tax (Appeals) – II ("**CIT (Appeals) – II**") on July 30, 2015. The Deputy Commissioner of Income Tax TDS Circle 2(1), Hyderabad granted stay on the Demand Order until September 30, 2016 through its order dated April 18, 2016. The matter is currenlty pending.

(ii) Indirect Tax Proceedings

1. Our Company received a show cause notice dated October 15, 2011 issued by the Commissioner of Customs, Central Excise and Service Tax, Hyderabad – II, Commissionerate to show cause among other things, as to why service tax on taxable service category of "banking and other financial services" during the period from 2006-07 to September 2010 should not be paid by our Company and irregular availment of CENVAT credit for the period of April 2006 to September 2010. Our Company provided its response to the aforesaid show cause notice. Subsequently, our Company received a demand order dated March 31, 2013 (issued on May 27, 2013) (the "**Demand Order**") issued by the Commissioner of Customs, Central Excise and Service Tax, Hyderabad III Commissionerate (the "**Commissioner**"), which among other things, held that (i) our Company is liable to pay service tax on taxable service category of "banking and other financial services" and (ii) our Company had irregularly availed CENVAT credit. The Commissioner imposed a demand of ₹118.03 million along with interest and penalty. Our Company filed an appeal dated August 30, 2013 against the Demand Order before the CESTAT, Bangalore along with a stay petition. The CESTAT, Bangalore, through its order dated February 3, 2015, granted a waiver of pre-deposit and stay of further proceedings for recovery. The matter is currently pending.

2. Our Company received a show cause notice dated October 20, 2012 issued by the Commissioner of Customs, Central Excise and Service Tax, Hyderabad – II, Commissionerate to show cause among other things, as to why income from asset assignment for the year financial year 2007-08 to 2011-12 should not be reckoned as service charges towards services rendered by our Company. Our Company provided its response to the aforesaid show cause notice. Subsequently, our Company received a demand order dated November 26, 2013 (the "**Demand Order**") issued by the Commissioner of Customs, Central Excise and Service Tax, Hyderabad I Commissionerate, which held that the aforesaid income from asset assignment should be reckoned as service charges and imposed a demand of service tax of ₹342.49 million along with interest and equivalent penalty. Our Company filed an appeal against the Demand Order before the CESTAT, Bangalore along with a stay petition on February 26, 2014. The CESTAT, Bangalore, through its order dated April 30, 2015 directed our Company to pay an amount of ₹30.00 million, which has been paid by our Company and granted stay for the balance amount. The matter is currently pending.

3. Our Company received a show cause cum demand notice dated December 11, 2012 issued by the Commissioner of Customs, Central Excise and Service Tax, Hyderabad – II, Commissionerate (the "**Commissioner**") to show cause among other things, as to why service tax on taxable service category of "banking and other financial services" should not be paid by our Company and irregular availment of CENVAT credit on health insurance policies for the period of October 2010 to March 2012. Our Company provided its response to the aforesaid show cause notice. Subsequently, our Company received a demand order dated November 26, 2015 (the "**Demand Order**") issued by the Commissioner, which held that (i) our Company is liable to pay service tax on taxable service category of "banking and other financial services" and (ii) demand of irregular availment of CENVAT credit was dropped. The Commissioner imposed a demand of service tax of ₹53.41 million along with penalty of ₹5.00 million and applicable interest. Our Company filed an appeal against the Demand Order before the CESTAT, Bangalore. The matter is currently pending.

4. Our Company received three show cause notices dated May 15, 2014, September 19, 2014 and April 9, 2015 (together the "**Notices**") issued by various Commissioners of the Service Tax Department to show cause among other things, as to why service tax on taxable service category of "banking and other financial services" under income from asset assignment for various periods should not be paid by our Company. Our Company provided its response to the Notices. Subsequently, our Company received a demand order dated November 30, 2015 (the "**Demand Order**") issued by the Commissioner of Customs, Central Excise and Service Tax, Hyderabad – I, Commissionerate, which imposed a service tax of ₹140.91 million alongwith applicable interest and penalty. Our Company filed an appeal against the Demand Order before the CESTAT. The matter is currently pending.

5. Our Company received a show cause cum demand notice dated April 5, 2016 (the "**Notice**") issued by the Principal Commissioner of Service Tax to show cause as to why service tax of ₹82.51 million, on taxable service category of "banking and other financial services" under income from securitization / assignment of

loans for the period April 2014 to March 2015 should not be paid by our Company. The matter is currently pending. Our Company has filed its reply to the Notice.

In addition to the tax proceedings disclosed above which involve an amount exceeding ₹ 30 million, our Company is involved in various other tax proceedings which arise in the ordinary course of business of our Company.

(E) ***Certain Other Matters***

1. As of the date of this Placement Document, our Company has filed 1,606 FIRs before various police stations and has also initiated certain criminal proceedings which are pending before various courts in relation to *inter alia* cash embezzlement, theft, robbery, burglary and disbursement of fake loan amount. These matters are currently pending.

2. T. Dhanlakshmi (the "**Complainant**") filed a complaint dated October 7, 2010 with the sub-inspector of police at Gopalapuram police station. Based on the allegations set out in the said complaint, an FIR dated October 7, 2010 was registered at Gopalapuram Police Station, West Godavari District, Andhra Pradesh against Sambasiva Rao (field assistant of our Company, unit office, Devarapalli) and others for an offence of abetment of suicide under the IPC. The complaint alleges that the accused and two others, who were reportedly agents of our Company, visited the Complainant's house on October 6, 2010 and forced the Complainant and her husband to pay certain outstanding dues. The Complainant further alleged that her husband, Venkata Giri Babu, committed suicide by way of consumption of poison on the same day due to the coercive recovery of certain outstanding dues by Sambasiva Rao and the others. A chargesheet was filed entailing the offences of criminal trespass, criminal intimidation and abetment of suicide before the Second Additional Judicial Magistrate First Class at Kovvur, West Godavari District against Sambasiva Rao and the names of the other accused as per the FIR had been deleted. Sambasiva Rao was arrested and ordered to be released on bail by the A.P. High Court through its order dated November 1, 2010, subject to execution of a personal bond for a sum of ₹ 0.01 million with two sureties for sum of ₹ 0.01 million each to the satisfaction of the Second Additional Judicial Magistrate First Class at Kovvur, West Godavari District. The matter is currently pending.

3. Sudhershan, S/o Dada Rao ("**Petitioner**"), an ex-employee of our Company, had filed a Criminal Petition which has been numbered as Cr.R.P. 972 of 2015 before High Court of Karnataka. In this matter, on May 5, 2008, the Petitioner along with another field assistant visited State Bank of Mysore and withdrew ₹0.52 million. The branch manager handed over an amount of ₹0.29 million, under proper acknowledgement, to the Petitioner to distribute the amount to two Women Associations in Bagali village, Chamrajanagar Taluk. But the Petitioner returned to the office and informed that he had lost the cash *en route*. Consequently, the matter was reported to the police and an FIR was registered on May 6, 2008 against the Petitioner. The Petitioner was arrested and police seized an amount of ₹0.045 million and recorded confession statement. The Petitioner was released on bail. Charges were framed for an offence of criminal breach of trust and cheating and dishonestly inducing delivery of property and the case was registered (C.C. No. 290 of 2010), wherein the learned Senior Civil Judge and Judicial Magistrate First Class, at Tirumakuddu Narasipura, by an order dated December 20, 2013 convicted the Petitioner for the offence of criminal breach of trust and sentenced him to undergo simple imprisonment for a period of one year and to pay fine of ₹ 0.01 million and in the event of default to undergo simple imprisonment for three months. Aggrieved by the said order the Petitioner filed an appeal before Third Additional Sessions Judge at Mysore and on July 13, 2015 the Court dismissed the appeal and the conviction order of learned Senior Civil Judge & Judicial Magistrate First Class was confirmed. Against the said order the Petitioner has filed the Crl.R.P. 972 of 2015 before the High Court of Karnataka The matter is pending disposal.

(F) ***Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act in the last three years***

1. SKS Trust Advisors Private Limited ("**STAPL**") has filed a complaint before the Registrar of Companies (RoC) alleging (i) discrepancy in the date of receipt of the proxy form and the board resolution between the proxy register and the cover letter of Sandstone Investment Partners ("**Sandstone**") and Kumaon Investments Holdings; (ii) the person executing the proxy form on behalf of Sandstone was not a director of Sandstone; (iii) refusal by the Secretary of our Company to provide clarifications to STAPL's queries in respect of the discrepancies in the dates; and (iv) failure to verify the signatures in proxy forms. Pursuant to its letter, the RoC directed our Company to furnish its comments, clarifications or explanations within seven days of receipt of letter and provide relevant documentary evidence, if any. Our Company received such complaint on April 15, 2014 and in its letter dated April 22, 2014 requested that our Company be permitted to provide a detailed response by April 29, 2014. Our Company in its reply dated April 28, 2014 denied all allegations of STAPL as baseless aimed at harassing our Company. Our Company provided relevant documents and stated that (i) there was no discrepancy and that the proxy register referred to the date on which the proxy was received by e-mail, while the physical receipt of the proxy form and board

resolution took place on another date, although within the prescribed period; (ii) our Company had made adequate inquiry in respect of the persons acting on behalf of Sandstone and representations made by such entities; (iii) STAPL had on no occasion in the past requested for clarifications from company secretary of our Company in respect of the discrepancy in the date of receipt of the proxy form and the board resolution between the proxy register and the cover letter of Sandstone and Kumaon Investments Holdings; and (iv) that our Company has no obligation under law to verify the signatures of the directors on the proxy forms. The matter is currently pending.

(G) ***Other regulatory actions taken against our Company in the last three years***

1. Our Company received summons (AP/RO/HYD/52172/C-1/T-1/2011/7834) dated March 30, 2011 (the "**Summons**") issued by the Regional Provident Fund Commissioner-1, Barkatpura, Hyderabad (the "**Regional Provident Fund Commissioner**"), pursuant to an inspection conducted by the Enforcement Officer, to appear in relation to non-payment of dues as per the provisions of the Minimum Wages Act, 1948 for the period from April 2009 to September 2010. Our Company filed a writ petition (W.P. 17562 of 2011) dated June 23, 2011 before the A.P. High Court against the summons seeking suspension of proceedings and issue of directions or order or writ declaring that the summons is illegal, arbitrary, unjust and in gross violation of the principles of natural justice. The Regional Provident Fund Commissioner filed its counter affidavit before the A.P. High Court. The A.P. High Court passed an order dated July 20, 2011 and directed the Regional Provident Fund Commissioner to consider the objections raised by our Company as a preliminary issue and to pass appropriate orders as per law before proceeding further in the matter.

   Subsequently, our Company submitted an affidavit dated August 9, 2011 before the Regional Provident Fund Commissioner. The Regional Provident Fund Commissioner passed an order dated September 21, 2011 (the "**Impugned Order**") stating that he had the jurisdiction under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 to conduct an enquiry against our Company.

   Our Company has filed a writ petition (W.P. 27792 of 2011) dated October 9, 2011 before the A.P. High Court challenging the Impugned Order. Our Company has also filed an application (W.P.M.P. No. 34278 of 2011) as part of the earlier writ petition before the A.P. High Court seeking interim stay on all further proceedings including conduct of enquiry pursuant to the Impugned Order. The A.P. High Court by its order dated October 11, 2011 has directed issuance of notice to the Regional Provident Fund Commissioner and granted interim - stay on all further action by Regional Provident Fund Commissioner. Consequently the Regional Provident Fund Commissioner filed a counter- affidavit dated December 6, 2011 before the A.P. High Court. Further, the Regional Provident Fund Commissioner has also filed an application dated January 23, 2012 before the A.P. High Court seeking vacation of the interim stay granted by the A.P. High Court by its order dated October 11, 2011. The matter is currently pending.

(H) ***Material Fraud Committed against our Company in the past three years***

Following are the details of material fraud committed against our Company in the past three years:

Nature of Fraud	Amount involved in Financial Year 2016 (in ₹ million)	Amount involved in Financial Year 2015 (in ₹ million)	Amount involved in Financial Year 2014 (in ₹ million)
Cash embezzlement by our employees	5.3	2	9.3
Loans given to non-existent borrowers on basis of fictitious documents created by our employees	13.1	0.3	6.3
Misappropriation of cash by an external party	0.3	0.2	0.4
Outstanding balance (net of recovery) written off	8.7	1.4	8.4

In relation to the frauds committed against our Company, our Company initiates investigation in relation to the reported frauds and take legal action. Further, in relation to frauds committed by our employees, our Company typically terminates the services of such employees involved in the frauds.

Further, the following outstanding balance (net of recovery) for the last three years have been written off: (i) ₹ 8.4 million has been written off for Financial Year 2014; (ii) ₹ 1.4 million has been written off for Financial Year 2015; and (iii) ₹ 8.7 million has been written off for Financial Year 2016.

(I) ***Litigation involving the Promoters***

There is no litigation or legal action pending or taken by any ministry or department of the Government or statutory authority against any of our Promoters during the last three years immediately preceding the year of the circulation of this Placement Document and any direction issued by such ministry or department of the Government or statutory authority upon conclusion of such litigation or legal action.

STATUTORY AUDITORS

Our Company's current statutory auditors are S. R. Batliboi & Co. LLP, Chartered Accountants, who have audited the financial statements as of and for the financial years ended March 31, 2014, 2015 and 2016, included in this Placement Document, and are the statutory auditors with respect to our Company as required by the Companies Act, 2013 and in accordance with the guidelines issued by the ICAI.

S.R. Batliboi & Co. LLP has conducted limited review of the unaudited condensed financial statements as at and for the three month period ended June 30, 2016 in accordance with Standards on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" included in this Placement Document. For details of these auditors, see "*General Information*" on page 198.

LEGAL MATTERS

Certain legal matters in connection with the Issue will be passed upon for us by Cyril Amarchand Mangaldas with respect to matters of Indian law.

Certain legal matters in connection with the Issue will be passed upon for the Lead Managers by S&R Associates with respect to matters of Indian law and by Sidley Austin LLP with respect to matters of U.S. federal securities laws.

Each of Cyril Amarchand Mangaldas, S&R Associates and Sidley Austin LLP does not make, or purport to make, any statement in this document and is not aware of any statement in this document which purports to be based on a statement made by it and each of them makes no representation, express or implied, regarding, and takes no responsibility for, any statement in or omission from this document.

GENERAL INFORMATION

1. Our Company obtained its certificate of incorporation on September 22, 2003 under the name "SKS Microfinance Private Limited". A fresh certificate of incorporation dated May 20, 2009 was issued to our Company upon change of name to "SKS Microfinance Limited". Another fresh certificate of incorporation dated June 13, 2016 was issued to our Company upon change of name to Bharat Financial Inclusion Limited. The CIN of our Company is L65999MH2003PLC250504. The registered office of our Company was shifted to Unit No. 410, Madhava, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, with effect from September 25, 2013. The RoC issued a certificate of registration for change of registered office of our Company on December 10, 2013.

2. Our Company received a certificate of registration (No. N-09.00415) under Section 45IA of the RBI Act, 1934 from the RBI dated January 20, 2005 to commence or carry on the business of non -banking financial institution without accepting public deposits. Our Company received a new Certificate of Registration under Section 45IA of the RBI Act, 1934 from the RBI dated June 3, 2009 to carry on the business of non-banking financial institution without accepting public deposits subsequent to change of name to "SKS Microfinance Limited". Subsequently, our Company received a certificate of registration under Section 45IA of the RBI Act, 1934 from the RBI dated November 18, 2013 reclassifying our Company as an NBFC-MFI. As a result of change in name of our Company to Bharat Financial Inclusion Limited, our Company has obtained a fresh certificate of registration dated July 14, 2016 under Section 45-IA of RBI Act.

3. Our Board of Directors, through the resolution passed at its meeting on May 4, 2016 and our Shareholders, through special resolution passed at the Annual General Meeting held on July 21, 2016, approved the Issue of Equity Shares for an aggregate amount not exceeding ₹ 7,500 million.

4. Our Company has received in-principle approvals in terms of Regulation 28 of the SEBI Listing Regulations from each of BSE and NSE on September 22, 2016, to list the Equity Shares on the Stock Exchanges.

5. Copies of the Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday between 10.00 a.m. to 1.00 p.m. (except public holidays), at the Registered Office during the Bid/Issue Period.

6. Except as disclosed in this Placement Document, our Company has obtained necessary consents, approvals and authorizations required in connection with the Issue.

7. Except as disclosed in this Placement Document, there has been no material adverse change in our Company's financial condition since June 30, 2016, the date of the latest financial statements, prepared in accordance with Indian GAAP, included herein.

8. Except as disclosed in this Placement Document, there are no legal or arbitration proceedings against or affecting our Company or its assets or revenues, nor is our Company aware of any pending or threatened legal or arbitration proceedings, which are, or might be, material in the context of the Issue.

9. Our Company's statutory auditors, S.R. Batliboi & Co. LLP, Chartered Accountants have audited the financial statements for the financial years ended March 31, 2014, 2015 and 2016 included in this Placement Document. The unaudited condensed financial statements as at and for the three month period ended June 30, 2016 have been reviewed by S.R. Batliboi & Co. LLP in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

10. Our Company confirms that it is in compliance with the minimum public shareholding requirements as required under Securities (Contracts) Regulation Rules, 1957.

11. The Floor Price for the Equity Shares under the Issue is ₹ 769.95 which has been calculated in accordance with Chapter VIII of the SEBI Regulations.

FINANCIAL STATEMENTS

S.R. BATLIBOI & CO. LLP
Chartered Accountants

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai-400 028, India
Tel : +91 22 6192 0000
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Report on Review of Interim Financial Information

To
The Board of Directors
Bharat Financial Inclusion Limited
(formerly known as SKS Microfinance Limited)

Introduction
We have reviewed the accompanying condensed balance sheet of Bharat Financial Inclusion Limited ("the Company") as of June 30, 2016 and the related condensed statements of profit & loss and cash flows for the three-month period then ended ("the condensed financial statements"). The condensed financial statements have been prepared by the Company in connection with the proposed offering of equity shares in a Qualified Institutions Placement, in accordance with the provisions of Chapter VIII of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended. Management is responsible for the preparation and presentation of this interim financial information in accordance with the requirements of Accounting Standard 25 "Interim Financial Reporting" specified under the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review
We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the requirements of Accounting Standard 25 "Interim Financial Reporting" specified under the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016.

Other matters - restriction of use
We have also issued a limited review report dated July 21, 2016 for the purposes of reporting under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the aforesaid period. This report on the condensed financial statements is issued solely for the use of management of the Company in connection with the proposed offering of equity shares in a Qualified Institutions Placement in accordance with the provisions of Chapter VIII of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended, and should not be used or referred to for any other purpose, or distributed to any other person, without our prior written consent.

For S.R. BATLIBOI & CO. LLP
ICAI Firm registration number: 301003E/E300005
Chartered Accountants

Shrawan

per Shrawan Jalan
Partner
Membership No.: 102102
Mumbai
September 21, 2016

Bharat Financial Inclusion Limited
(Formerly known as "SKS Microfinance Limited")
Unaudited Condensed Balance Sheet as at June 30, 2016

(Amount in Rupees unless otherwise stated)

	30-Jun-16 (Unaudited)	31-Mar-16 (Audited)
Equity and liabilities		
Shareholders' funds		
Share capital	1,275,294,750	1,273,111,060
Reserves and surplus	14,983,695,607	12,556,839,779
	16,258,990,357	**13,829,950,839**
Share application money pending allotment	6,132,569	24,546
Non-current liabilities		
Long-term borrowings	20,328,410,226	21,687,374,496
Long-term provisions	234,939,802	208,926,876
	20,563,350,028	**21,896,301,372**
Current liabilities		
Short-term borrowings	5,893,333,036	6,443,173,705
Other current liabilities	32,649,037,469	28,607,034,440
Short-term provisions	956,391,565	760,527,095
	39,498,762,070	**35,810,735,240**
TOTAL	**76,327,235,024**	**71,537,011,997**
Assets		
Non-current assets		
Fixed assets		
Property, Plant and Equipment	172,863,986	114,164,875
Intangible assets	44,498,393	36,147,887
Intangible assets under development	15,103,716	14,215,576
Non-current investments	2,000,000	2,000,000
Deferred tax assets	-	-
Long-term loans and advances	5,208,701,195	4,135,391,693
Other non-current assets	1,768,261,443	1,792,671,537
	7,211,428,733	**6,094,591,568**
Current assets		
Trade receivables	146,780,017	63,682,166
Cash and bank balances	8,875,956,421	17,662,827,632
Short-term loans and advances	58,889,894,394	46,080,225,445
Other current assets	1,203,175,459	1,635,685,186
	69,115,806,291	**65,442,420,429**
TOTAL	**76,327,235,024**	**71,537,011,997**

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

As per our report of even date

For S. R. BATLIBOI & CO. LLP
ICAI Firm registration number : 301003E/E300005
Chartered Accountants

per Shrawan Jalan
Partner
Membership No.102102

Date: SEPTEMBER 21, 2016
Mumbai

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

M.R.Rao
Managing Director and
Chief Executive Officer

Ashish Damani
Chief Financial Officer

Hyderabad

Bharat Financial Inclusion Limited Hyderabad

Bharat Financial Inclusion Limited
(Formerly known as "SKS Microfinance Limited")
Unaudited Condensed Statement of profit and loss for the period April 1, 2016 to June 30, 2016

(Amount in Rupees unless otherwise stated)

	For the period April 1, 2016 to June 30, 2016 (Unaudited)	For the period April 1, 2015 to June 30, 2015 (Unaudited)
Income		
Revenue from operations	3,689,592,308	2,408,571,167
Other income	451,590,590	417,870,749
Total revenue (I)	**4,141,182,898**	**2,826,441,916**
Expenses		
Employee benefit expenses	948,964,342	708,551,843
Finance costs	1,360,852,362	1,007,802,949
Other expenses	298,853,897	233,323,066
Depreciation and amortization expenses	21,651,445	9,855,913
Provisions and write-offs	120,274,332	71,981,511
Total expenses (II)	**2,750,596,378**	**2,031,515,282**
Profit before tax (III)=(I)-(II)	**1,390,586,520**	**794,926,634**
Tax expenses		
Current tax (MAT)	318,832,789	183,370,206
MAT credit entitlement	(1,287,356,500)	-
Total tax expense (IV)	**(968,523,711)**	**183,370,206**
Profit after tax (III)-(IV)	**2,359,110,231**	**611,556,428**
Earnings per Share		
Basic (Rs.) (not annualized)	**18.52**	**4.84**
Diluted (Rs.) (not annualized)	**18.29**	**4.77**
Nominal value of share (Rs.)	**10.00**	**10.00**

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

As per our report of even date

For S. R. BATLIBOI & CO. LLP
ICAI Firm registration number : 301003E/E300005
Chartered Accountants

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

per Shrawan Jalan
Partner
Membership No.102102

Mumbai

SEPTEMBER 21, 2016

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

M.R.Rao
Managing Director and
Chief Executive Officer

Ashish Damani
Chief Financial Officer

Hyderabad

Bharat Financial Inclusion Limited Hyderabad

Bharat Financial Inclusion Limited
(Formerly known as "SKS Microfinance Limited")
Unaudited Condensed Cash Flow Statement for the period April 1, 2016 to June 30, 2016

	For the period April 1, 2016 to June 30, 2016	For the period April 1, 2015 to June 30, 2015
	(Unaudited)	(Unaudited)
A. Net cash used in operating activities	(11,247,231,405)	(8,905,899,606)
B. Net cash flow used in investing activities	(90,119,084)	(21,686,856)
C. Net cash from financing activities	2,353,265,561	2,274,873,540
Net increase/ (decrease) in cash and cash equivalents (A)+(B)+(C)	**(8,984,084,928)**	**(6,652,712,922)**
Cash and cash equivalents at the beginning of the period	16,603,243,146	14,374,638,127
Cash and cash equivalents at the end of the period	**7,619,158,218**	**7,721,925,205**
Composition of cash and cash equivalents:		
Cash on hand	416,644,468	313,577,188
Balances with banks:		
On current accounts	4,202,513,750	2,738,348,017
On deposit accounts	5,972,803,720	6,862,792,532
Cash and bank balances	**10,591,961,938**	**9,914,717,737**
Less: Balances in bank deposits placed with banks marked as lien against term loans and as cash collateral towards assignment / securitisation	(2,972,803,720)	(2,192,792,532)
Cash and cash equivalents at the end of the period	**7,619,158,218**	**7,721,925,205**

As per our report of even date

For S. R. BATLIBOI & CO. LLP
ICAI Firm registration number : 301003E/E300005
Chartered Accountants

Shrawan

per Shrawan Jalan
Partner
Membership No.102102

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Date: SEPTEMBER 21, 2016
Mumbai

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

M.R.Rao
Managing Director and
Chief Executive Officer

Ashish Damani
Chief Financial Officer

Hyderabad

Bharat Financial Inclusion Limited Hyderabad

Notes to Unaudited Condensed Balance Sheet as at June 30, 2016 and Condensed Statement of Profit and Loss for the period April 1, 2016 to June 30, 2016 ('Condensed Financial Statements')

1. **Statement of Significant Accounting Policies**

The interim condensed financial statements have been prepared in accordance with Accounting Standard (AS) 25 - "Interim Financial Reporting", notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The accounting policies applied by the Company for preparation of the condensed financial statements are consistent with those adopted in financial statements for the year ended March 31, 2016.

2. **Details of issuance of equity and potential equity shares during the period**

a) **April 1, 2016 to June 30, 2016**

Issue of equity shares:
The Company issued 218,369 equity shares of Rs.10 each pursuant to exercise of stock options granted to the employees.

Issue of potential equity shares:
The Company granted 42,500 stock options to its employees.

b) **April 1, 2015 to June 30, 2015**

Issue of equity shares:
The Company issued 173,902 equity shares of Rs.10 each pursuant to exercise of stock options granted to the employees.

Issue of potential equity shares:
The Company granted 21,500 stock options to its employees.

3. **Contingent liabilities not provided for**

Particulars	June 30, 2016	March 31, 2016
Credit enhancements provided by the Company towards securitisation (including cash collaterals, principal and interest subordination)	3,593,488,253	3,785,994,487
Performance security provided by the Company pursuant to business correspondent agreement	820,528,735	862,232,673
Tax on items disallowed by the Income Tax department not acknowledged as debt by the Company *	218,400	212,550

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

4. The net deferred tax asset amounting to Rs.3,077,080,746 as at June 30, 2016 has not been recognized. The said sum of Rs.3,077,080,746 will be available to offset tax on future taxable income.

5. The Company has provided for minimum alternate tax ('MAT') liability of Rs.318,832,789 for the quarter ended June 30, 2016. Unrecognised MAT credit of Rs.968,523,711 as at March 31, 2016 and Rs.318,832,789 for the quarter ended June 30, 2016, aggregating Rs.1,287,356,500 has been recognized as an asset on the balance sheet.as there is convincing evidence that the Company will pay normal income tax during the period for which MAT credit is allowed to be carried forward.

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Bharat Financial Inclusion Limited Hyderabad

Bharat Financial Inclusion Limited Hyderabad

6. The Company operates in a single reportable segment i.e. financing, which has similar risks and returns for the purpose of AS 17 on 'Segment Reporting'. The Company operates in a single geographical segment i.e. domestic.

7. Figures for the previous periods have been regrouped/ rearranged wherever necessary to conform to current period presentation.

For and on behalf of the Board of Directors of
Bharat Financial Inclusion Limited

M. R. Rao
Managing Director and
Chief Executive Officer

Bharat Financial Inclusion Limited Hyderabad

Ashish Damani
Chief Financial Office

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

S.R. BATLIBOI & CO. LLP
Chartered Accountants

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai-400 028, India
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INDEPENDENT AUDITOR'S REPORT

To the Members of SKS Microfinance Limited

Report on the Financial Statements

We have audited the accompanying financial statements of SKS Microfinance Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, 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. 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, 2016, 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;

   (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, 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, 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.

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

per Viren H. Mehta
Partner
Membership Number: 048749

Hyderabad
May 4, 2016

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

Re: 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 granted 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 from the public.

(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 generally 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 outstanding 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 (Rs.)	Amount paid (Rs.)	Period to which its relates	Forum where dispute is pending
Income tax Act, 1961	Income tax	77,927,037	53,837,948	Assessment Years 2010-11 and 2012-13	The Commissioner of Income Tax (Appeals)
Chapter V of the Finance Act, 1994	Service Tax	654,845,273*	44,574,205**	Financial years 2006-07 to 2013-14	Customs Excise & Service Tax Appellate Tribunal ('CESTAT')

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

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to a financial institution, bank, debenture holders or government.

(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 and 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 not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

(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.

(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/E300005
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.: 048749

Hyderabad
May 4, 2016

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 SKS Microfinance Limited

We have audited the internal financial controls over financial reporting of SKS Microfinance Limited ("the Company") as of March 31, 2016 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, both 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, 2016, 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/E300005
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.: 048749

Hyderabad
May 4, 2016

SKS Microfinance Limited
Balance Sheet as at March 31, 2016

(Amount in Rupees unless otherwise stated)

	Notes	31-Mar-16	31-Mar-15
Equity and liabilities			
Shareholders' funds			
Share capital	3	1,273,111,060	1,262,924,930
Reserves and surplus	4	12,556,839,779	9,201,633,570
		13,829,950,839	**10,464,558,500**
Share application money pending allotment	5	24,546	64,800
Non-current liabilities			
Long-term borrowings	6	22,687,374,496	10,572,211,910
Long-term provisions	7	208,926,876	127,184,909
		22,896,301,372	**10,699,396,819**
Current liabilities			
Short-term borrowings	8	6,443,173,705	6,096,276,475
Other current liabilities	9	27,607,034,440	19,271,887,706
Short-term provisions	7	760,527,095	455,073,842
		34,810,735,240	**25,823,238,023**
TOTAL		**71,537,011,997**	**46,987,258,142**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	10	114,164,875	51,505,818
Intangible assets	11	36,147,887	38,019,928
Intangible assets under development		14,215,576	12,447,576
Non-current investments	12	2,000,000	2,000,000
Deferred tax assets	13	-	-
Long-term loans and advances	14	4,135,391,693	2,448,460,510
Other non-current assets	15	1,792,671,537	1,252,264,079
		6,094,591,568	**3,804,697,911**
Current assets			
Trade receivables	16	63,682,166	34,169,498
Cash and bank balances	17	17,662,827,632	15,367,730,515
Short-term loans and advances	14	46,080,225,445	27,135,519,718
Other current assets	15	1,635,685,186	645,140,500
		65,442,420,429	**43,182,560,231**
TOTAL		**71,537,011,997**	**46,987,258,142**

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

per Viren H. Mehta
Partner
Membership No.048749

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Date: - 4 MAY 2016
Place: Hyderabad

For and on behalf of the Board of Directors of
SKS Microfinance Limited

P.H. Ravikumar
Non-Executive Chairman

M.R.Rao
Managing Director and
Chief Executive Officer

S.Dilli Raj
President

Ashish Damani
Chief Financial Officer

Rajendra Patil
Company Secretary

SKS MICROFINANCE LIMITED Hyderabad

Place: Hyderabad

SKS Microfinance Limited
Statement of profit and loss for the year ended March 31, 2016

(Amount in Rupees unless otherwise stated)

	Notes	31-Mar-16	31-Mar-15
Income			
Revenue from operations	18	11,691,340,741	7,239,568,175
Other income	19	1,515,387,250	791,088,168
Total revenue (I)		**13,206,727,991**	**8,030,656,343**
Expenses			
Employee benefit expenses	20	2,923,691,210	2,318,537,910
Finance costs	21	4,845,734,781	2,790,451,852
Other expenses	22	1,028,320,971	839,933,356
Depreciation and amortization expenses	23	83,643,995	45,612,324
Provisions and write-offs	24	386,414,751	100,456,998
Total expenses (II)		**9,267,805,708**	**6,094,992,440**
Profit before tax (III)=(I)-(II)		**3,938,922,283**	**1,935,663,903**
Tax expenses			
Current tax (MAT)		909,107,324	59,416,387
Excess provision of tax relating to earlier years (net)		-	(395,920)
Total tax expense (IV)		**909,107,324**	**59,020,467**
Profit after tax (III)-(IV)		**3,029,814,959**	**1,876,643,436**
Earnings per equity share			
[Nominal value of share Rs.10 (Mareb 31, 2015: Rs.10)]	25		
Basic (Computed on the basis of total profit for the year)		**23.90**	**15.22**
Diluted (Computed on the basis of total profit for the year)		**23.58**	**15.04**

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

per Viren H. Mehta
Partner
Membership No.048749

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Place: Hyderabad
Date: 4 MAY 2016

For and on behalf of the Board of Directors of
SKS Microfinance Limited

P.H. Ravikumar
Non-Executive Chairman

M.R.Rao
Managing Director and
Chief Executive Officer

S.Dilli Raj
President

Ashish Damani
Chief Financial Officer

Rajendra Patil
Company Secretary

SKS MICROFINANCE LIMITED Hyderabad

Place: Hyderabad

SKS Microfinance Limited
Cashflow statement for the year ended March 31, 2016

(Amount in Rupees unless otherwise stated)

	31-Mar-16	31-Mar-15
Cash flow from operating activities		
Profit before tax	3,938,922,283	1,935,663,903
Adjustments to reconcile profit before tax to net cash flows:		
Interest on shortfall in payment of advance income tax	-	6,078,501
Depreciation and amortization	83,643,995	45,612,324
Provision for employee benefits	66,929,670	38,271,997
(Profit) / loss on sale of fixed assets	(770,575)	(495,322)
Stock option expenditure	110,277,578	106,334,775
Contingent provision against standard assets	193,565,814	120,947,422
Provision for non-performing assets	11,779,202	(1,779,602,571)
Portfolio loans and other balances written off	63,790,855	1,756,038,528
Provision and loss on securitized / managed portfolio	117,278,880	3,073,619
Other provisions and write offs	46,610,003	31,987,634
Operating profit before working capital changes	4,632,027,705	2,263,910,810
Movements in working capital :		
Increase / (decrease) in other current liabilities	2,296,379,913	318,995,725
Decrease / (increase) in trade receivables	(29,512,668)	(8,441,113)
Decrease / (increase) in loans and advances	(20,722,045,769)	(13,842,075,260)
Decrease / (increase) in other current assets	(990,544,686)	(66,006,058)
Decrease / (increase) in other non-current assets	(7,594,852)	(18,047,435)
Decrease / (increase) in Margin money deposit (net)	(599,304,704)	346,150,233
Cash generated from / (used in) operations	(15,420,595,061)	(11,005,513,098)
Direct taxes paid (net of refunds)	(927,191,189)	(111,955,405)
Net cash flow from / (used in) operating activities (A)	(16,347,786,250)	(11,117,468,503)
Cash flows from investing activities		
Purchase of fixed assets, including capital work in progress and capital advances	(148,670,507)	(47,715,256)
Proceeds from sale of fixed assets	1,333,938	1,629,929
Net cash flow from / (used in) investing activities (B)	(147,336,569)	(46,085,327)
Cash flows from financing activities		
Proceeds from issuance of equity share capital (including share application money)	225,259,548	4,047,790,428
Share issue expenses	-	(147,473,658)
Long-term borrowings (net) (including non-convertible debentures)	18,151,571,060	14,712,974,343
Short-term borrowings (net) (including commercial paper)	346,897,230	2,772,771,723
Net cash flow from / (used in) financing activities (C)	18,723,727,838	21,386,062,836
Net increase / (decrease) in cash and cash equivalents (A + B + C)	2,228,605,019	10,222,509,006
Cash and cash equivalents at the beginning of the year	14,374,638,127	4,152,129,121
Cash and cash equivalents at the end of the year (refer note 17)	16,603,243,146	14,374,638,127

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

per Viren H. Mehta
Partner
Membership No.048749

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Place: Hyderabad
Date: 4 MAY 2016

For and on behalf of the Board of Directors of
SKS Microfinance Limited

P.H. Ravikumar
Non-Executive Chairman

M.R.Rao
Managing Director and
Chief Executive Officer

S.Dilli Raj
President

Ashish Damani
Chief Financial Officer

Rajendra Patil
Company Secretary

SKS MICROFINANCE LIMITED Hyderabad

Place: Hyderabad

1. Corporate information

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 organized as Joint Liability Groups ('JLG'). The Company has its operation spread across 18 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 and the provisions of the RBI as applicable to a NBFC-MFI and Systemically Important NBFC-ND. 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 securitization / 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 recognized in the statement of profit and loss account net of any losses when redeemed in cash. Interest retained under assignment of loan receivables is recognized on realization basis over the life of the underlying loan portfolio.

v. All other income is recognised on an accrual basis.

SKS MICROFINANCE LIMITED Hyderabad

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

c. Tangible fixed assets

All tangible assets 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

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)

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value of the leased property and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are recognised as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs are capitalised. A leased asset is depreciated on a straight-line basis over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

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.

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.

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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 recognized 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.

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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.

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 Non-Banking Financial Company – Micro Finance Institutions (NBFC-MFIs) Directions, dated December 02, 2011, as amended from time to time ('the NBFC-MFI Directions').

ii. Loans and advances other than portfolio loans are classified as standard, sub-standard, doubtful and loss assets in accordance with the Systemically Important Non – Banking financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 issued vide Notification No. DNBR. 009/ CGM (CDS) -2015 dated March 27, 2015 ('the NBFC-ND-SI Prudential Norms').

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	Written off

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%	0.30%
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-ND-SI Prudential Norms.

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-MFI Directions. 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 with the NBFC-MFI Directions 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-ND-SI Prudential Norms.

iii. Provision on securitized / 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, where the tenure of the loan is completed and in the opinion of the management any amount is not recoverable, are written off.

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(Amount in Rupees unless otherwise stated)

3. Share capital	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)
Authorized shares		
142,000,000 (March 31, 2015: 142,000,000) equity shares of Rs.10/- each	1,420,000,000	1,420,000,000
13,000,000 (March 31, 2015: 13,000,000) preference shares of Rs.10/- each	130,000,000	130,000,000
Issued, subscribed and fully paid-up shares		
127,311,106 (March 31, 2015: 126,292,493) equity shares of Rs.10/- each fully paid up	1,273,111,060	1,262,924,930
Total issued, subscribed and fully paid-up share capital	**1,273,111,060**	**1,262,924,930**

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

	31-Mar-16		31-Mar-15	
	No. of Shares	(Rupees)	No. of Shares	(Rupees)
At the beginning of the year	126,292,493	1,262,924,930	108,212,962	1,082,129,620
Issued during the year – Stock options	1,018,613	10,186,130	408,997	4,089,970
Issued during the year - Qualified Institutional Placement	-	-	17,670,534	176,705,340
Outstanding at the end of the year	**127,311,106**	**1,273,111,060**	**126,292,493**	**1,262,924,930**

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of Rs.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 2,719,961 shares (March 31, 2015: 2,871,772) 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% shares in the Company as at March 31, 2016

Equity shares of Rs.10 each fully paid	As at March 31, 2015	
	No. of Shares	% holding in the class
Morgan Stanley Asia (Singapore) PTE	6,907,651	5.47%
IDFC Premier Equity Fund	6,488,100	5.14%

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

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

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Notes to financial statements for the year ended March 31, 2016 *(Amount in Rupees unless otherwise stated)*

4. Reserves and surplus	31-Mar-16	31-Mar-15
Securities premium account		
Balance as per the last financial statements	19,093,074,377	15,325,687,947
Add: additions on Qualified Institutional Placement	-	3,799,164,810
Add: additions on stock option exercised (cash premium)	215,113,672	67,765,508
Add: transferred from stock options outstanding (non-cash premium)	110,166,191	47,929,770
Less: share issue expenses	-	(147,473,658)
Closing Balance	**19,418,354,240**	**19,093,074,377**
Employee stock options outstanding		
Balance as per the last financial statements	251,472,842	196,926,761
Add / (Less): compensation options granted/modified/lapsed/forfeited during the year	110,277,578	106,334,776
Less: amount transferred towards options expired unexercised	(4,273,477)	(3,858,925)
Less: transferred to securities premium on exercise of stock options	(110,166,191)	(47,929,770)
Closing Balance	**247,310,752**	**251,472,842**
Statutory reserve		
Balance as per the last financial statements	1,288,270,608	912,941,921
Add: amount transferred from surplus balance in the statement of profit and loss	605,962,992	375,328,687
Closing Balance	**1,894,233,600**	**1,288,270,608**
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	(11,431,184,257)	(12,925,549,691)
Less: Adjustment of carrying amount of the tangible assets in accordance with schedule II of the Companies Act, 2013	-	(10,808,240)
Add: amount transferred towards options expired unexercised	4,273,477	3,858,925
Add: Profit/ (Loss) for the year	3,029,814,959	1,876,643,436
Less: transferred to Statutory Reserve [@ 20% of profit after tax as required by section 45-IC of Reserve Bank of India Act, 1934]	(605,962,992)	(375,328,687)
Net surplus/ (deficit) in the statement of profit and loss	**(9,003,058,813)**	**(11,431,184,257)**
Total reserves and surplus	**12,556,839,779**	**9,201,633,570**

5. Share application money pending allotment	31-Mar-16	31-Mar-15
Share application money pending allotment on exercise of options	24,546	64,800
	24,546	**64,800**

	Non-current portion		Current maturities	
6. Long-term borrowings	**31-Mar-16**	**31-Mar-15**	**31-Mar-16**	**31-Mar-15**
Debentures (Refer note below)				
1,000 (March 31, 2015 : 1,000), Series 1, 11.48% Secured, Redeemable, Non-Convertible Debentures of Rs. 1,000,000 each redeemable at par on March 30, 2018	1,000,000,000	1,000,000,000	-	-
1,000 (March 31, 2015 : 1,000), Series 2, 11.48% Secured, Redeemable, Non-Convertible Debentures of Rs. 1,000,000 each redeemable at par on March 30, 2018	1,000,000,000	1,000,000,000	-	-
1,000 (March 31, 2015 : Nil), Series 3, 11.95% Secured, Redeemable, Non-Convertible Debentures of Rs. 1,000,000 each redeemable at par on May 15, 2018	1,000,000,000	-	-	-
1,000 (March 31, 2015 : Nil), Series 4, 11.95% Secured, Redeemable, Non-Convertible Debentures of Rs. 1,000,000 each redeemable at par on May 15, 2018	1,000,000,000	-	-	-
Term loans				
Indian rupee loan from banks (secured)	15,883,564,972	7,545,516,963	20,504,557,886	15,174,029,568
Indian rupee loan from financial institutions (secured)	2,223,809,525	1,025,541,126	1,301,731,605	950,649,346
Indian rupee loan from non banking financial companies (secured)	579,999,999	1,153,821	360,000,000	5,202,103
	22,687,374,496	**10,572,211,910**	**22,166,289,491**	**16,129,881,017**
The above amount includes				
Secured borrowings	22,687,374,496	10,572,211,910	22,166,289,491	16,129,881,017
Amount disclosed under the head "other current liabilities" (note 9)	-	-	(22,166,289,491)	(16,129,881,017)
Net amount	**22,687,374,496**	**10,572,211,910**	**-**	**-**

Notes:

1. The Series 1 non-convertible debentures have Put Option, which if exercised, shall be redeemed on March 30, 2017 or September 30, 2017.
2. The Series 2 non-convertible debentures have Put Option, which if exercised, shall be redeemed on April 30, 2017 or October 30, 2017.
3. The Series 3 non-convertible debentures have Put Option, which if exercised, shall be redeemed on May 15, 2017.
4. The Series 4 non-convertible debentures have Put Option, which if exercised, shall be redeemed on August 15, 2017.
5. Interest on the Series 1 & Series 2 non-convertible debentures at the fixed rate of approx.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-16	31-Mar-15
a) Loans secured by hypothecation (exclusive charge) of portfolio loans	15,521,602,720	9,236,752,745
b) Loans secured by hypothecation (exclusive charge) of portfolio loans and margin money deposits	29,332,061,267	17,465,340,182
Total outstanding	**44,853,663,987**	**26,702,092,927**

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6. Long-term borrowings (Contd.)

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

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 (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	
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
		12	360,000,000	12	360,000,000	7	220,000,000	-	-	940,000,000
	10.51%-11.00%	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
		10	666,666,670	12	800,000,004	8	533,333,344	-	-	2,000,000,018
	11.01%-11.50%	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
		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
	11.51%-12.00%	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	75,000,000	1	6,250,000	-	-	-	-	81,250,000
		12	136,363,636	-	-	-	-	-	-	136,363,636
	12.51%-13.00%	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

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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 (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	
Quarterly repayment schedule										
1-3 Yrs	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	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
	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

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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 (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	
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**

6. Long-term borrowings (Contd.)

Terms of repayment of long term borrowings (term loans and non convertible debenture) as on March 31, 2015

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 (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	
Monthly repayment schedule										
1-3 Yrs	11.00%-11.50%	9	432,000,000	6	288,000,000	-	-	-	-	720,000,000
	11.51%-12.00%	12	166,666,667	6	83,333,333	-	-	-	-	250,000,000
		12	166,666,667	6	83,333,333	-	-	-	-	250,000,000
		12	1,714,285,714	2	285,714,286	-	-	-	-	2,000,000,000
		11	68,750,000	12	75,000,000	1	6,250,000	-	-	150,000,000
		10	113,636,364	12	136,363,636	-	-	-	-	250,000,000
	12.01%-12.50%	12	750,000,000	-	-	-	-	-	-	750,000,000
		8	777,777,778	10	972,222,222	-	-	-	-	1,750,000,000
		12	133,333,328	-	-	-	-	-	-	133,333,328
		11	611,111,111	-	-	-	-	-	-	611,111,111
		8	500,000,000	-	-	-	-	-	-	500,000,000
		6	857,142,857	-	-	-	-	-	-	857,142,857
		9	1,285,714,286	-	-	-	-	-	-	1,285,714,286
	12.51%-13.00%	3	42,857,143	-	-	-	-	-	-	42,857,143
		12	433,333,333	-	-	-	-	-	-	433,333,333
		12	171,428,571	12	171,428,571	11	157,142,857	-	-	500,000,000
		10	257,575,758	12	309,090,909	11	283,333,333	-	-	850,000,000
		10	45,454,545	12	54,545,455	11	50,000,000	-	-	150,000,000
		2	214,285,714	-	-	-	-	-	-	214,285,714
		12	80,000,000	2	13,333,333	-	-	-	-	93,333,333
		9	600,000,000	-	-	-	-	-	-	600,000,000
		12	200,000,000	2	33,333,333	-	-	-	-	233,333,333
	13.01%-14.00%	10	476,190,472	-	-	-	-	-	-	476,190,472
	14.01%-14.50%	4	2,758,250	-	-	-	-	-	-	2,758,250
		12	2,443,853	5	1,153,826	-	-	-	-	3,597,679
Quarterly repayment schedule										
1-3 Yrs	11.51%-12.00%	4	360,000,000	1	90,000,000	-	-	-	-	450,000,000
		4	40,000,000	1	10,000,000	-	-	-	-	50,000,000
		4	280,000,000	4	280,000,000	2	140,000,000	-	-	700,000,000
		4	40,000,000	4	40,000,000	2	20,000,000	-	-	100,000,000
		3	321,428,571	3	321,428,571	1	107,142,849	-	-	749,999,991
		2	50,000,000	4	100,000,000	4	100,000,000	-	-	250,000,000
	12.01%-12.50%	4	166,666,667	4	166,666,667	-	-	-	-	333,333,333
		4	250,000,000	2	125,000,000	-	-	-	-	375,000,000
		4	500,000,000	4	500,000,000	-	-	-	-	1,000,000,000
		3	272,727,273	4	363,636,364	4	363,636,364	-	-	1,000,000,000
		4	166,666,667	1	41,666,667	-	-	-	-	208,333,333
		3	150,000,000	4	200,000,000	3	150,000,000	-	-	500,000,000

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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		
		No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	Total
Quarterly repayment schedule										
1-3 Yrs	12.51%-13.00%	4	142,857,143	-	-	-	-	-	-	142,857,143
		4	142,857,143	-	-	-	-	-	-	142,857,143
		4	285,714,286	1	71,428,571	-	-	-	-	357,142,857
		4	371,428,571	2	185,714,286	-	-	-	-	557,142,857
		4	85,714,286	2	42,857,143	-	-	-	-	128,571,429
		4	500,000,000	2	250,000,000	-	-	-	-	750,000,000
		4	250,000,000	3	187,500,000	-	-	-	-	437,500,000
		4	83,600,000	4	83,600,000	3	61,900,000	-	-	229,100,000
		4	166,672,000	4	166,672,000	3	124,988,000	-	-	458,332,000
		4	83,336,000	4	83,336,000	2	41,660,000	-	-	208,332,000
	13.01%-13.50%	3	93,750,000	-	-	-	-	-	-	93,750,000
		3	56,250,000	-	-	-	-	-	-	56,250,000
		4	75,000,000	-	-	-	-	-	-	75,000,000
		4	60,000,000	-	-	-	-	-	-	60,000,000
		4	165,000,000	-	-	-	-	-	-	165,000,000
		4	200,000,000	3	150,000,000	-	-	-	-	350,000,000
		4	333,400,000	4	333,400,000	2	166,500,000	-	-	833,300,000
		4	233,380,000	4	233,380,000	2	116,550,000	-	-	583,310,000
		4	100,020,000	4	100,020,000	2	49,950,000	-	-	249,990,000
Bullet repayment schedule										
3 Yrs	12.10%	-	-	-	-	1	2,000,000,000	-	-	2,000,000,000
Total			**16,129,881,017**		**6,633,158,507**		**3,939,053,403**		-	**26,702,092,927**

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7. Provisions	Long-term 31-Mar-16	Long-term 31-Mar-15	Short-term 31-Mar-16	Short-term 31-Mar-15
Provision for employee benefits				
Provision for gratuity (refer note 31)	148,801,718	95,102,270	-	-
Provision for leave benefits	-	-	62,577,482	49,347,260
	148,801,718	**95,102,270**	**62,577,482**	**49,347,260**
Other provisions				
Provision for taxation (Net of advance tax)	-	-	17,177,436	17,177,436
Contingent provision against standard assets (refer note 33)	38,145,942	21,882,625	439,370,789	262,068,291
Provision for non-performing assets (refer note 33)	21,979,216	10,200,014	-	-
Provision for securitised / managed portfolio (refer note 2.1 (s) (iii))	-	-	241,401,388	126,480,855
	60,125,158	**32,082,639**	**697,949,613**	**405,726,582**
	208,926,876	**127,184,909**	**760,527,095**	**455,073,842**

8. Short-term borrowings	31-Mar-16	31-Mar-15
Loan repayable on demand		
Cash credit from banks	1,326,219,834	1,235,466,368
Other loans and advances		
Indian rupee loan from banks (secured)	2,220,000,000	3,065,000,000
Indian rupee loan from non banking financial companies (secured)	-	901,403,893
Commercial paper	2,896,953,871	894,406,214
	6,443,173,705	**6,096,276,475**
The above amount includes		
Secured borrowings	3,409,078,493	5,139,401,965

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 current liabilities	31-Mar-16	31-Mar-15
Employee benefits payable	243,141,478	185,511,480
Payable towards securitisation / assignment transactions	2,466,057,696	1,796,176,141
Expenses payable	92,882,955	70,254,358
Other payable	350,159,376	161,891,541
Other liabilities		
Current maturities of long-term borrowings (refer note 6)	22,166,289,491	16,129,881,017
Interest accrued but not due on borrowings	377,578,176	101,846,187
Interest accrued and due on borrowings	-	63,530,296
Statutory dues payable	36,752,930	26,718,071
Unrealised gain on securitisation transactions	1,237,381,570	424,910,209
Unamortized income		
Unamortized fee income	636,790,768	311,168,406
	27,607,034,440	**19,271,887,706**

SKS MICROFINANCE LIMITED Hyderabad

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10. Tangible assets	Furniture and fixtures	Computers	Office equipments	Vehicles	Total
Cost					
At April 1, 2014	118,435,980	195,793,158	54,234,234	304,376	368,767,748
Additions	2,338,174	17,886,230	6,101,733	1,544,141	27,870,278
Disposals	(2,871,557)	(5,435,703)	(3,949,874)	-	(12,257,134)
At March 31, 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**
Depreciation					
At April 1, 2014	100,379,522	174,044,667	25,757,554	128,785	300,310,528
Charge for the year	5,744,781	13,929,183	21,341,048	75,195	41,090,207
Disposals	(2,807,564)	(5,086,972)	(2,947,419)	-	(10,841,955)
At March 31, 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**
Impairment loss					
At April 1, 2014	182,828	915,594	1,498,439	-	2,596,861
Charge for the year	-	(106,260)	(174,307)	-	(280,567)
At March 31, 2015	**182,828**	**809,334**	**1,324,132**	**-**	**2,316,294**
Charge for the year	-	(23,983)	(411,392)	-	(435,375)
At March 31, 2016	**182,828**	**785,351**	**912,740**	**-**	**1,880,919**
Net Block					
At March 31, 2015	**14,403,030**	**24,547,473**	**10,910,778**	**1,644,537**	**51,505,818**
At March 31, 2016	**16,416,938**	**78,576,909**	**18,161,375**	**1,009,653**	**114,164,875**

All assets have been recognized at cost

11. Intangible assets	Computer software	Total
Gross block		
At April 1, 2014	187,308,705	187,308,705
Addition	22,437,396	22,437,396
At March 31, 2015	**209,746,101**	**209,746,101**
Addition	16,560,358	16,560,358
At March 31, 2016	**226,306,459**	**226,306,459**
Amortization		
At April 1, 2014	156,395,816	156,395,816
Charge for the year	15,330,357	15,330,357
At March 31, 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**
Net block		
At March 31, 2015	**38,019,928**	**38,019,928**
At March 31, 2016	**36,147,887**	**36,147,887**

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(Amount in Rupees unless otherwise stated)

12. Non-current investments	31-Mar-16	31-Mar-15
Non-trade investments (valued at cost)		
Investment in equity instruments (unquoted)		
200,000 (March 31, 2015 : 200,000) Equity shares of Rs.10/- each fully paid-up in Alpha Micro Finance Consultants Private Limited	2,000,000	2,000,000
	2,000,000	**2,000,000**
Aggregate amount of unquoted investments	2,000,000	2,000,000

13. Deferred tax asset	31-Mar-16	31-Mar-15
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	21,656,815	16,773,134
Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	15,274,439	19,132,071
Impact of accumulated tax losses and unabsorbed depreciation	3,260,003,277	4,695,288,289
Impact of provision for standard and non performing assets	268,434,517	154,726,119
Others	229,558	68,583
Deferred tax asset	**3,565,598,606**	**4,885,988,195**
Deferred tax asset recognised	-	-

The deferred tax asset amounting to Rs.3,565,598,606 as at March 31, 2016 has not been recognized (refer note 2.1 (l)). The said sum of Rs.3,565,598,606 will be available to offset tax on future taxable income.

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Notes to financial statements for the year ended March 31, 2016 *(Amount in Rupees unless otherwise stated)*

		Non-current		Current	
14. Loans and advances		**31-Mar-16**	**31-Mar-15**	**31-Mar-16**	**31-Mar-15**
A. Portfolio Loans					
Joint liability group loans					
Unsecured, considered good*		3,593,031,504	2,188,262,541	44,333,543,391	25,678,906,608
Unsecured, considered doubtful**		36,744,741	18,693,542	-	-
		3,629,776,245	**2,206,956,083**	**44,333,543,391**	**25,678,906,608**
Individual loans					
Secured, considered good*		-	-	201,185,956	487,726,853
Secured, considered doubtful**		4,025,434	4,480,560	-	-
		4,025,434	**4,480,560**	**201,185,956**	**487,726,853**
		3,633,801,679	**2,211,436,643**	**44,534,729,347**	**26,166,633,461**
Joint liability group loans placed as collateral towards securitisation / assignment transaction (refer note 40 (d))					
Unsecured, considered good*		221,562,718	-	1,374,769,469	862,800,579
Unsecured, considered doubtful**		634,636	523,120	-	-
		222,197,354	**523,120**	**1,374,769,469**	**862,800,579**
	(A)	**3,855,999,033**	**2,211,959,763**	**45,909,498,816**	**27,029,434,040**

* 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)

B. Security deposits					
Unsecured, considered good		39,355,533	38,251,183	-	-
	(B)	**39,355,533**	**38,251,183**	**-**	**-**
C. Advances recoverable in cash or kind					
Unsecured, considered good		51,728,988	6,500,578	129,258,640	74,469,929
Unsecured, considered doubtful		32,864,710	32,262,628	-	-
		84,593,698	**38,763,206**	**129,258,640**	**74,469,929**
Provision for doubtful advances		(32,864,710)	(32,262,628)	-	-
	(C)	**51,728,988**	**6,500,578**	**129,258,640**	**74,469,929**
D. Other loans and advances (unsecured, considered good)					
Loans to SKS Microfinance Employees Benefit Trust (refer note 35)		27,444,750	48,969,462	-	-
Advance fringe benefit tax (net of provision)		937,183	937,183	-	-
Advance income tax (net of provision)		159,926,206	141,842,341	-	-
Prepaid expenses		-	-	41,467,989	31,615,749
	(D)	**188,308,139**	**191,748,986**	**41,467,989**	**31,615,749**
Total (A+B+C+D)		**4,135,391,693**	**2,448,460,510**	**46,080,225,445**	**27,135,519,718**

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SKS Microfinance Limited

Notes to financial statements for the year ended March 31, 2016 *(Amount in Rupees unless otherwise stated)*

	Non Current		Current	
15. Other assets	**31-Mar-16**	**31-Mar-15**	**31-Mar-16**	**31-Mar-15**
Non-current bank balances (refer note 17)	1,756,317,904	1,223,505,298	-	-
Interest accrued but not due on portfolio loans	-	-	101,271,629	108,263,174
Interest accrued and due on portfolio loans	-	-	2,090,774	9,231,151
Interest accrued but not due on deposits placed with banks	36,353,633	28,758,781	85,017,383	50,660,716
Interest strip on securitisation transactions	-	-	1,237,381,583	424,910,209
Unbilled revenue	-	-	157,095,442	52,075,250
Others-unsecured, considered good	-	-	52,828,375	-
	1,792,671,537	**1,252,264,079**	**1,635,685,186**	**645,140,500**

	Current	
16. Trade receivables	**31-Mar-16**	**31-Mar-15**
Outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	62,606,085	34,169,498
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	1,076,081	-
	63,682,166	**34,169,498**

	Non-current		Current	
17. Cash and bank balances	**31-Mar-16**	**31-Mar-15**	**31-Mar-16**	**31-Mar-15**
Cash and cash equivalents				
Balances with banks				
On current accounts	-	-	4,118,461,204	4,896,142,382
Deposits with original maturity of less than three months	-	-	12,200,000,000	9,000,000,000
Cash on hand	-	-	284,781,942	478,495,745
	-	-	**16,603,243,146**	**14,374,638,127**
Other bank balances				
Margin money deposit (refer note (a) below)	1,756,317,904	1,223,505,298	1,059,584,486	993,092,388
	1,756,317,904	**1,223,505,298**	**1,059,584,486**	**993,092,388**
Amount disclosed under non-current assets (refer note 15)	**(1,756,317,904)**	**(1,223,505,298)**		
	-	-	**17,662,827,632**	**15,367,730,515**

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

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18. Revenue from operations	31-Mar-16	31-Mar-15
Interest income on portfolio loans	9,538,854,573	5,664,537,532
Excess interest spread on securitization / income from assignment (refer note 2.1 (b) (iv) & 40 (d & f))	1,103,015,705	667,547,446
Other operating revenue		
Loan processing fees	725,778,792	455,002,586
Recovery against loans written off	146,897,792	263,824,773
Interest on margin money deposits*	176,793,879	188,655,838
	11,691,340,741	**7,239,568,175**

* 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 securitization.

19. Other income	31-Mar-16	31-Mar-15
Interest on fixed deposits	385,805,444	253,079,627
Other fee income	1,119,770,406	531,913,971
Profit on sale of assets	770,575	495,322
Miscellaneous income	9,040,825	5,599,248
	1,515,387,250	**791,088,168**

20. Employee benefit expenses	31-Mar-16	31-Mar-15
Salaries and bonus / incentives	2,444,815,365	1,978,260,855
Leave benefits	28,564,487	25,945,779
Contribution to provident fund	87,930,813	60,470,402
Contribution to Employee State Insurance Corporation	33,757,294	28,183,640
Gratuity expenses (refer note 31)	89,093,298	40,244,836
Staff welfare expenses	131,725,068	89,458,181
Stock option expenditure	107,804,885	95,974,217
	2,923,691,210	**2,318,537,910**

21. Finance costs	31-Mar-16	31-Mar-15
Interest		
On term loans from banks	3,382,650,662	2,220,625,342
On term loans from financial institutions	264,183,013	142,004,825
On term loans from non banking financial companies	107,676,532	95,617,336
On bank overdraft facility	35,170,401	47,847,455
On debentures	452,264,137	1,326,027
On commercial paper	429,142,407	60,504,064
On shortfall in payment of advance income tax	-	6,078,501
Other finance costs	168,978,468	211,026,575
Bank charges	5,669,161	5,421,727
	4,845,734,781	**2,790,451,852**

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22. Other expenses	31-Mar-16	31-Mar-15
Rent	155,975,638	142,192,035
Rates and taxes	3,834,788	4,179,187
Insurance	18,201,595	18,569,603
Repairs and maintenance		
Plant and machinery	54,681,505	26,529,555
Others	84,214,194	74,700,913
Electricity charges	28,653,878	25,688,302
Travelling and conveyance	351,165,396	282,429,640
Communication expenses	69,393,949	58,892,473
Printing and stationery	56,012,758	61,536,397
Legal and professional fees	99,379,104	70,129,965
Directors' sitting fees	5,490,000	4,230,000
Directors stock option expenditure	2,472,693	10,360,558
Auditors' remuneration (refer details below)	12,556,886	10,166,838
Other provisions and write off	46,610,003	31,987,634
CSR expenditure	19,344,705	1,500,000
Miscellaneous expenses	20,333,879	16,840,256
	1,028,320,971	**839,933,356**

Payment to auditors	31-Mar-16	31-Mar-15
As auditor:		
Audit fee	7,845,000	5,445,000
Limited review	3,150,000	3,150,000
In other capacity:		
Other services (certification fees)	440,000	450,000
Reimbursement of expenses	1,121,886	1,121,838
	12,556,886	**10,166,838**

23. Depreciation and amortization expense	31-Mar-16	31-Mar-15
Depreciation of tangible assets	65,211,596	30,281,967
Amortization of intangible assets	18,432,399	15,330,357
	83,643,995	**45,612,324**

24. Provisions and write-offs	31-Mar-16	31-Mar-15
Contingent provision against standard assets (refer note 33)	193,565,814	120,947,422
Provision for non-performing assets (refer note 33)	11,779,202	(1,779,602,571)
Portfolio loans and other balances written off	63,790,855	1,756,038,528
Provision and loss on securitized / managed portfolio (refer note 2.1 (s) (iii))	117,278,880	3,073,619
	386,414,751	**100,456,998**

25. Earnings per share (EPS)	31-Mar-16	31-Mar-15
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Net Profit for calculation of basic EPS	3,029,814,959	1,876,643,436
Net Profit for calculation of diluted EPS	3,029,814,959	1,876,643,436
	No. of shares	**No. of shares**
Weighted average number of equity shares in calculating basic EPS	**126,777,718**	**123,299,110**
Effect of dilution:		
Stock options granted under ESOP	1,696,125	1,459,555
Weighted average number of equity shares in calculating diluted EPS	**128,473,843**	**124,758,665**

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26. Segment information

The Company operates in a single reportable 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. 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 Mr. K.V. Rao, Chief Operating Officer Mr. Ashish Damani, Chief Financial Officer Mr. Rajendra Patil, Company Secretary

b. Related party transactions

Transactions during the year	31-Mar-16	31-Mar-15
Salary, incentives and perquisites		
– Mr. M. R. Rao	28,617,601	22,320,729
– Mr. S. Dilli Raj	23,484,106	17,733,095
– Mr. K.V. Rao	9,393,692	7,310,086
– Mr. Ashish Damani	6,691,740	5,348,975
– Mr. Rajendra Patil	6,519,607	4,835,264

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. Capital and other commitments

Estimated amounts of contracts remaining to be executed on capital account (net of advances) and not provided:

Particulars	March 31, 2016	March 31, 2015
For development of computer software	1,781,424	1,425,424
For purchase of computer and computer peripherals	-	172,750
Maintenance cost for computers	3,808,000	-

29. Contingent liabilities not provided for

Particulars	March 31, 2016	March 31, 2015
Credit enhancements provided by the Company towards securitisation (including cash collaterals, principal and interest subordination)	3,785,994,487	2,216,270,453
Performance security provided by the Company pursuant to business correspondent agreement	862,232,673	477,749,783
Tax on items disallowed by the Income Tax department not acknowledged as debt by the Company *	212,550	5,475,348

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

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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, 2016, 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	Rs.109.95	Rs.150.00	Rs.300	Rs.300	Rs.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

Exercise period extended upto May 2, 2016 and June 14, 2016 for plan III (a) and III (c) respectively.

Particulars	Plan III (f)	Plan III (g)	Plan III (h)	Plan III (i)	Plan III (j)	Plan III (k)	Plan III (l)
Date of grant	Sep 7, 2011	Mar 22, 2013	Aug 23, 2013	Oct 23, 2013	Feb 04, 2014	April 28, 2014	August 16, 2014
Date of Board approval	Sep 7, 2011	Mar 22, 2013	Aug 23, 2013	Oct 23, 2013	Feb 04, 2014	April 28, 2014	August 16, 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	Dec 07, 2011	Nov 08, 2008
Number of options granted	1,486,329	119,112	15,760	11,564	58,000	50,000	2,082,200
Exercise price	Rs.229.40	Rs.150	Rs.113	Rs.160.45	Rs.174.95	Rs.253.65	Rs.264.75
Method of settlement	Equity	Equity	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	25 % equally at the end of each year	End of year 1 – 33% End of year 2 – 33% End of year 3 – 34%
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	On or before April 27, 2019	On or before August 15, 2018
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 2008 ESOP 2009 ESOP 2010	ESOP 2011	ESOP 2011	ESOP 2011	ESOP 2011	ESOP 2011	ESOP 2008

Particulars	Plan III (m)	Plan III (n)	Plan III (o)	Plan III (p)	Plan III (q)	Plan III (r)	Plan III (s)
Date of grant	October 29, 2014	January 30, 2015	May 04, 2015	July 22, 2015	October 30, 2015	February 04, 2016	February 13, 2016
Date of Board approval	October 29, 2014	January 30, 2015	May 04, 2015	July 22, 2015	October 30, 2015	February 04, 2016	February 13, 2016
Date of shareholder's approval	Dec 07, 2011	Dec 07, 2011	Dec 07, 2011	Dec 07, 2011	Dec 07, 2011	Dec 07, 2011	Dec 07, 2011
Number of options granted	87,000	93,500	21,500	45,500	3,000	66,000	4,500
Exercise price	Rs.316.15	Rs.426.85	Rs.470.05	Rs.529.15	Rs.433.40	Rs.548.45	Rs.495.65
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	25 % equally at the end of each year	25 % equally at the end of each year
Exercise period	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	On or before February 03, 2021	On or before February 12, 2021
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 2011	ESOP 2011	ESOP 2011	ESOP 2011	ESOP 2011	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.

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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 Fair value of options granted	Weighted average share price during the exercise period (in Rs.) ^
Plan II (b)	01-Feb-08	70.67	15,000	-	15,000	-	-	-	-	17.72	484.01
Plan II (c)	10-Nov-08	70.67	3,000	-	3,000	-	-	-	-	52.14	484.01
Plan II (d)	29-Jul-09	300.00	18,000	-	18,000	-	-	-	-	21.57	582.18
Plan II (e)	01-Feb-10	300.00	45,000	-	45,000	-	-	-	-	72.53	503.65
Plan II (f)	23-Nov-11	109.95	245,000	-	111,000	-	134,000	134,000	1.6	77.23	465.01
Plan II (g)	12-Mar-13	150.00	300,000	-	-	-	300,000	300,000	1.9	71.81	-
Plan III (a)	03-Nov-09	300.00	139,870	-	134,370	4,200	1,300	1,300	0.1	41.18	463.48
Plan III (b)	15-Dec-09	150.00	168,031	-	158,726	9,305	-	-	-	115.30	478.01
Plan III (c)	15-Dec-09	300.00	105,700	-	65,400	-	40,300	40,300	0.2	69.29	501.07
Plan III (d)	04-May-10	150.00	618	-	618	-	-	-	-	233.75	471.84
Plan III (e)	04-May-10	300.00	3,000	-	2,735	-	265	265	0.1	152.53	499.60
Plan III (f)	07-Sep-11	229.40	448,683	-	264,375	18,915	165,393	165,393	0.4	146.73	480.41
Plan III (g)	22-Mar-13	150.00	101,370	-	36,202	-	65,168	65,168	2.0	57.43	494.37
Plan III (h)	23-Aug-13	113.00	6,178	-	3,090	-	3,088	-	2.4	57.37	432.83
Plan III (i)	23-Oct-13	160.45	11,564	-	5,782	-	5,782	-	2.6	76.08	519.08
Plan III (j)	04-Feb-14	174.95	58,000	-	10,550	-	47,450	18,450	2.8	91.52	444.83
Plan III (k)	28-Apr-14	253.65	50,000	-	12,500	-	37,500	-	3.1	128.14	456.17
Plan III (l)	16-Aug-14	264.75	2,064,100	-	116,315	35,090	1,912,695	559,236	2.4	109.40	491.33
Plan III (m)	29-Oct-14	316.15	87,000	-	14,500	29,000	43,500	-	3.6	145.08	469.02
Plan III (n)	30-Jan-15	426.85	93,500	-	1,125	15,000	77,375	18,500	3.8	188.68	519.08
Plan III (o)	04-May-15	470.05		21,500	-	-	21,500	-	4.1	188.39	-
Plan III (p)	22-Jul-15	529.15		45,500	-	8,000	37,500	-	4.3	221.67	-
Plan III (q)	30-Oct-15	433.40		3,000	-	-	3,000	-	4.6	186.16	-
Plan III (r)	04-Feb-16	548.45		66,000	-	29,000	37,000	-	4.8	227.53	-
Plan III (s)	13-Feb-16	495.65		4,500	-	-	4,500	-	4.9	217.59	-
			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.

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The details of all grants in operation during financial year 2014-15 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 Fair value of options granted	Weighted average share price during the exercise period (in Rs.) ^
Plan II (b)	01-Feb-08	70.67	15,000	-	-	-	15,000	15,000	0.8	17.72	-
Plan II (c)	10-Nov-08	70.67	3,000	-	-	-	3,000	3,000	0.8	52.14	-
Plan II (d)	29-Jul-09	300.00	18,000	-	-	-	18,000	18,000	0.3	21.57	-
Plan II (e)	01-Feb-10	300.00	49,500	-	4,500	-	45,000	45,000	0.8	72.53	363.25
Plan II (f)	23-Nov-11	109.95	300,000	-	55,000	-	245,000	245,000	2.7	77.23	301.12
Plan II (g)	12-Mar-13	150.00	300,000	-	-	-	300,000	198,000	2.9	71.81	-
Plan III (a)	03-Nov-09	300.00	160,590	-	14,020	6,700	139,870	139,870	0.6	41.18	412.07
Plan III (b)	15-Dec-09	150.00	407,367	-	210,568	28,768	168,031	168,031	0.6	115.30	385.63
Plan III (c)	15-Dec-09	300.00	125,240	-	3,000	16,540	105,700	105,700	0.6	69.29	361.03
Plan III (d)	04-May-10	150.00	1,648	-	898	132	618	408	1.1	233.75	401.71
Plan III (e)	04-May-10	300.00	3,000	-	-	-	3,000	2,400	1.1	152.53	-
Plan III (f)	07-Sep-11	229.40	618,483	-	119,404	50,396	448,683	448,683	1.4	146.37	409.90
Plan III (g)	22-Mar-13	150.00	107,548	-	2,039	4,139	101,370	66,904	3.0	57.43	273.08
Plan III (h)	23-Aug-13	113.00	15,760	-	-	9,582	6,178	1,545	3.4	57.37	-
Plan III (i)	23-Oct-13	160.45	11,564	-	-	-	11,564	2,891	3.6	76.08	-
Plan III (j)	04-Feb-14	174.95	58,000	-	-	-	58,000	14,500	3.9	91.52	-
Plan III (k)	28-Apr-14	253.65	-	50,000	-	-	50,000	-	4.1	128.14	-
Plan III (l)	16-Aug-14	264.75	-	2,082,200	-	18,100	2,064,100	-	3.4	109.40	-
Plan III (m)	29-Oct-14	316.15	-	87,000	-	-	87,000	-	4.6	145.08	-
Plan III (n)	30-Jan-15	426.85	-	93,500	-	-	93,500	-	4.8	188.68	-
Total			**2,194,700**	**2,312,700**	**409,429**	**134,357**	**3,963,614**	**1,474,932**			

Plan II (b & c) - Exercise period ending on February 1, 2013, extended upto February 1, 2016.
Plan II (d) - Original exercise period ending on July 29, 2014, extended upto July 29, 2015.
Plan II (e) - Original exercise period ending on February 01, 2015, extended upto February 01, 2016.
Plan III (a) - Original exercise period ending on November 02, 2014, extended upto November 02, 2015
Plan III (b) - Notice of exercise received for 432 options, however the allotment was pending as on March 31, 2015

^ 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.

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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 (o)	Plan III (p)	Plan III (q)	Plan III (r)	Plan III (s)
Share price on the date of grant (Rs.)	463.80	536.85	431.20	538.35	538.35
Exercise price (Rs.)	470.05	529.15	433.40	548.45	548.45
Expected volatility (%)	40.64	39.67	44.82	44.22	44.22
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 - 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
Risk-free interest rate (%)	Vest 1 - 7.89 Vest 2 - 7.88 Vest 3 - 7.88 Vest 4 - 7.88	Vest 1 - 8.02 Vest 2 - 8.00 Vest 3 - 8.01 Vest 4 - 8.06	Vest 1 - 7.69 Vest 2 - 7.73 Vest 3 - 7.78 Vest 4 - 7.84	Vest 1 - 7.58 Vest 2 - 7.64 Vest 3 - 7.73 Vest 4 - 7.80	Vest 1 - 7.59 Vest 2 - 7.66 Vest 3 - 7.75 Vest 4 - 7.83
Fair value of the option	Vest 1 - 166.80 Vest 2 - 181.89 Vest 3 - 195.91 Vest 4 - 208.96	Vest 1 - 196.93 Vest 2 - 214.08 Vest 3 - 230.17 Vest 4 - 245.50	Vest 1 - 165.38 Vest 2 - 179.89 Vest 3 - 193.37 Vest 4 - 205.98	Vest 1 - 201.33 Vest 2 - 219.55 Vest 3 - 236.66 Vest 4 - 252.57	Vest 1 – 193.45 Vest 2 - 210.27 Vest 3 – 225.99 Vest 4 - 240.64
Weighted average fair value	188.39	221.67	186.16	227.53	217.59

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.

Stock options modified during the year (incremental fair value calculated using the Black-Scholes Model):

Particulars	Before	After	Before	After
Details of the plan	Plan III (a)		Plan III (c)	
Share price on the date of modification (Rs.)	431.20	431.20	449.55	449.35
Exercise price (Rs.)	300.00	300.00	300.00	300.00
Expected volatility (%)	44.23	44.23	43.47	43.47
Life of the options granted (years)	0.003	0.5	0.003	0.5
Risk-free interest rate (%)	7.24	7.24	7.30	7.30
Expected dividend rate (%)	0.00	0.00	0.00	0.00
Fair value of the option	131.26	147.11	149.61	164.1
Incremental fair value		15.85		14.49

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, 2016	For the year ended March 31, 2015
Directors stock option expenditure	2,472,693	10,360,558
Employees stock option expenditure	107,804,885	95,974,217
Subtotal	**110,277,578**	**106,334,775**
Total compensation cost pertaining to equity-settled employee share based payment	110,277,578	106,334,775

Particulars	As at March 31, 2016	As at March 31, 2015
Stock options outstanding (gross)	327,939,283	429,975,441
Deferred compensation cost outstanding	(80,628,531)	(178,502,599)
Stock options outstanding (net)	247,310,752	251,472,842

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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 Rs.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, 2016	For the year ended March 31, 2015
Current service cost	17,218,235	13,793,687
Interest cost on benefit obligation	9,494,099	7,999,270
Expected return on plan assets	(2,011,060)	(1,535,443)
Net actuarial (gain) / loss recognised in the year	64,392,024	19,987,322
Net employee benefit expense	89,093,298	40,244,836
Actuary return on plan assets*	4,158,694	1,544,268

* Represents expected return as determined by the actuary for financial year 2015-16.

Balance Sheet

Details of provision for gratuity:

Particulars	Gratuity	
	March 31, 2016	March 31, 2015
Defined benefit obligation	200,488,343	118,085,811
Fair value of plan assets	(51,686,625)	(22,983,541)
Plan liability	**148,801,718**	**95,102,270**

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

Particulars	Gratuity	
	March 31, 2016	March 31, 2015
Opening defined benefit obligation	118,085,811	87,519,363
Interest cost	9,494,049	7,999,270
Current service cost	17,218,235	13,793,687
Benefits paid	(10,849,460)	(11,222,656)
Actuarial (gains) / losses on obligation	66,539,658	19,996,147
Closing defined benefit obligation	**200,488,343**	**118,085,811**

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

Particulars	Gratuity	
	March 31, 2016	March 31, 2015
Opening fair value of plan assets	**22,983,541**	**17,648,775**
Expected return	2,011,060	1,535,443
Contributions by employer	35,393,850	15,013,154
Benefits paid	(10,849,460)	(11,222,656)
Actuarial gains / (losses)	2,147,634	8,825
Closing fair value of plan assets	**51,686,625**	**22,983,541**

The Company expects to contribute Rs.27,800,000 (March 31, 2015: Rs. 26,944,219) to gratuity in the next year.

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

Particulars	Gratuity	
	March 31, 2016	March 31, 2015
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, 2016	March 31, 2015
Discount rate	7.84%	8.04%
Expected rate of return on assets	8.75%	8.75%
Salary escalation rate per annum	12.5% for the first two years and 7% there after	10% 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-16	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12
Defined benefit obligation	200,488,343	118,085,811	87,519,363	78,251,840	79,421,404
Plan assets	51,686,625	22,983,541	17,648,775	27,981,896	37,575,021
Surplus / (deficit)	(148,801,718)	(95,102,270)	(69,870,588)	(50,269,944)	(41,846,383)
Experience adjustments on plan liabilities	57,600,983	19,996,147	11,391	(14,046,486)	(17,347,115)
Experience adjustments on plan assets	2,147,634	8,825	(940,135)	(210,115)	(1,148,560)

32. Expenditure in foreign currency (on accrual basis)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Professional fees*	1,711,644	17,359,063
Travelling expenses	512,571	2,041,582
Membership and subscriptions	226,450	216,300
Total	**2,450,665**	**19,616,945**

*Professional fees include an amount of Rs.Nil (Previous year:Rs.11,584,063) 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 two foreign directors (Previous year: Rs.5,000,000) 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.

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33. 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**

Loan portfolio and provision for standard and non-performing assets as at March 31, 2015:

Asset classification	Portfolio loans outstanding (Gross)		Provision for standard and non-performing assets				Portfolio loans outstanding (Net)	
	As at March 31, 2015	As at March 31, 2014	As at March 31, 2014	Provision made during the year	Provision written back during the year	As at March 31, 2015	As at March 31, 2015	As at March 31, 2014
Standard assets	29,217,696,581	15,400,920,668	163,003,494	120,947,422	-	283,950,916	28,933,745,665	15,237,917,174
Sub-standard assets	22,260,955	16,635,844	2,879,145	7,033,616	-	9,912,761	12,348,194	13,756,700
Doubtful assets	1,436,267	2,572,000	514,400	-	227,147	287,253	1,149,014	2,057,600
Loss assets	-	1,786,409,040	1,786,409,040	-	1,786,409,040	-	-	-
Total	**29,241,393,803**	**17,206,537,553**	**1,952,806,079**	**127,981,038**	**1,786,636,187**	**294,150,930**	**28,947,242,873**	**15,253,731,474**

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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.

Description	March 31, 2016	March 31, 2015
Operating lease expenses recognised in the statement of profit and loss	155,975,638	142,192,035
Minimum lease obligations		
Not later than one year	16,499,080	3,487,746
Later than one year but not later than five years	3,221,648	5,721,624

Vehicles:
The Company has taken certain vehicles on cancellable operating lease. Total lease expense under cancellable operating lease during the year was Rs.20,334,349 (Previous year: Rs. 12,431,034).

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 Rs.27,444,750 (March 31, 2015: Rs. 48,969,462).

36. In the financial years 2013-14 and 2015-16, the Company has received four 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 Rs.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 Rs.118,091,538 (plus penalty and interest, as applicable).

During the financial year 2015-16, the Company received a stay order from CESTAT for the demand raised in the previous year for Rs.342,493,571 (plus penalty and interest, as applicable) against pre-deposit of Rs.30,000,000. Further, the Company has received two orders on similar matters aggregating Rs.194,322,736 (plus penalty and interest, as applicable). The Company has filed an appeal before the CESTAT against these orders.

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, 2016.

37. The Company has provided for minimum alternate tax ('MAT') liability of Rs.909,107,324 for the year ended March 31, 2016. The MAT credit entitlement amounting to Rs. 968,523,711 as at March 31, 2016 has not been recognized as an asset on the balance sheet. The said sum of Rs. 968,523,711 will be available to offset future normal tax liability of the Company.

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, 2016, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

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40. Additional disclosures required by the RBI

a. Capital to Risk Assets Ratio ('CRAR'):

Particulars		March 31, 2016	March 31, 2015
i)	CRAR (%)	23.07%	31.69%
ii)	CRAR – Tier I Capital (%)	23.07%	31.69%
iii)	CRAR – Tier II Capital (%)	0.00%	0.00%
iv)	Amount of subordinated debt raised as Tier-II capital	-	-
v)	Amount raised by issue of Perpetual Debt Instruments	-	-

b. Investments:

(Rupees in crore)

Particulars			March 31, 2016	March 31, 2015
(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,	-	-
(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, 2016 (March 31, 2015: 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:

(Rupees in crore)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Total number of loans securitized	1,488,135	1,637,891
Total book value of loans securitized	2,139.32	1,432.54
Total book value of loans securitized including loans placed as collateral	2,319.92	1,558.66
Sale consideration received for loans securitized	2,139.32	1,432.54
Excess interest spread recognised in the statement of profit and loss	86.83	66.75
Particulars	**As at March 31, 2016**	**As at March 31, 2015**
Credit enhancements provided and outstanding (Gross):		
Interest subordination	123.74	42.49
Principal subordination	157.92	86.33
Cash collateral	114.14	102.03

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(Rupees in crore)

Sr. No.	Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
1.	No. of SPVs sponsored by the NBFC for securitisation transactions during the year	7	8
2.	Total amount of securitised assets as per the books of the SPVs sponsored by the NBFC as on the date of balance sheet:	1,885.96	1,089.56
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	157.92	86.33
	-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	-	-
	a) On-balance sheet exposures		
	i) Exposure to own securitisations		
	-First loss	237.88	144.52
	-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.

f. Details of assignment transactions undertaken:

Particulars	March 31, 2016	March 31, 2015
No. of accounts	395,710	-
Aggregate value (net of provision) of accounts sold	481.23	-
Aggregate consideration	481.23	-
Additional consideration realized 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.

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h. Asset Liability Management

Maturity pattern of certain Assets and Liabilities as on March 31, 2016:

(Rupees 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 provision on NPA*

Maturity pattern of certain Assets and Liabilities as on March 31, 2015:

(Rupees 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 *	330.35	294.56	296.80	794.75	997.09	241.86	1.85	0.11	**2,957.38**
Investments	-	-	-	-	-	-	-	0.2	**0.2**
Borrowings	321.17	158.33	209.33	608.96	924.81	1057.22	-	-	**3,279.84**
Foreign currency assets	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-

** net of provision 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.

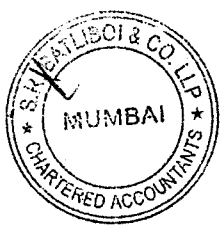
l. Registration obtained from other financial sector regulators:

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:

(Rupees 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
MFI Grading	CARE Ratings	29-Mar-16	MFI 1	See Note-1	N/A
Bank Loan Rating (Long-term facilities)	CARE Ratings	08-Mar-16*	CARE A+	See Note-2	4,500.00
Bank Loan Rating (Short-term facilities)	CARE Ratings	08-Mar-16*	CARE A1+		
Long-term Debt (NCD)	CARE Ratings	30-Jun-15	CARE A+	See Note-2	400.00
Short-term Debt (CP/NCD)	CARE Ratings	30-Jun-15	CARE A1+	29-Jun-16	200.00
Short-term Debt (CP)	ICRA	05-Oct-15	ICRA A1+	04-Dec-16	750.00
Securitisation	CARE Ratings	12-Jun-15	AA (SO)	15-Mar-17	83.65
Securitisation	CARE Ratings	24-Nov-15	AA (SO)	15-Jul-17	243.08
Securitisation	ICRA	04-Dec-15	AA (SO)	12-Sep-17	372.47
Securitisation	CARE Ratings	30-Jan-16	AA (SO)	15-Nov-17	651.80
Securitisation	ICRA	26-Feb-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

Note-1: MFI Grading is a one-time assessment of the Company and it is not kept under surveillance.
Note-2: the Rating is subject to annual surveillance till final repayment / redemption of rated facilities.
* last date of revalidation during the year.

o. Provisions and Contingencies (shown under the head expenditure in Statement of Profit and Loss)

(Rupees in crore)

Particulars	March 31, 2016	March 31, 2015
Provisions for depreciation on Investment	-	-
Provision made towards Income tax	90.91	6.51
Provision towards NPA	1.18	(177.96)
Provision for standard Assets	19.36	12.09
Provision for securitised / managed portfolio	11.49	(0.04)
Provision for leave benefits	2.86	2.59
Provision for gratuity	8.91	4.02
Provision for advances recoverable in cash or kind	0.06	0.08
Provision for Impairment loss	(0.04)	(0.03)

p. Draw down from Reserves:
There has been no draw down from reserves during the year ended March 31, 2016 (previous year: Nil).

q. Concentration of Advances, Exposures and NPAs:

(Rupees in crore)

Particulars	March 31, 2016	March 31, 2015
Concentration of Advances		
Total advances to twenty largest borrowers	0.26	0.26
(%) of advances to twenty largest borrowers to total advances	0.01%	0.01%
Concentration of Exposures		
Total exposure to twenty largest borrowers/customers	0.27	0.26
(%) of exposure to twenty largest borrowers/customers to total exposure	0.01%	0.01%
Concentration of NPAs		
Total exposure to top four NPA accounts	0.04	0.04

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r. Sector-wise NPAs

Sector	(%) of NPAs to total advances in that sector as at March 31, 2016	(%) of NPAs to total advances in that sector as at March 31, 2015
Agriculture and allied activities	0.08%	0.07%
MSME	-	-
Corporate borrowers	-	-
Services	0.07%	0.06%
Unsecured personal loans	-	-
Auto loans	-	-
Other personal loans	1.96%	0.91%

s. Movement of NPAs

(Rupees in crore)

Particulars		March 31, 2016	March 31, 2015
(i)	Net NPAs to Net Advances (%)	0.04%	0.05%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance ^	2.37	180.56
	(b) Additions during the year	18.59	2.19
	(c) Reductions during the year (incl. loans written off)	(16.82)	(180.38)
	(d) Closing balance	4.14	2.37
(iii)	Movement of Net NPAs		
	(a) Opening balance	1.35	1.58
	(b) Additions during the year	8.97	1.20
	(c) Reductions during the year	(8.38)	(1.43)
	(d) Closing balance	1.94	1.35
(iv)	Movement of provisions for NPAs		
	(a) Opening balance	1.02	178.98
	(b) Provisions made during the year	9.62	0.99
	(c) Write-off / write-back of excess provisions	(8.44)	(178.95)
	(d) Closing balance	2.20	1.02

^ Opening balance of NPAs include amount of Rs.Nil (Previous year: Rs.178.64 crore) representing portfolio in the state of Andhra Pradesh which had been fully provided for.

t. Disclosure of Customer Complaints

Particulars		For the year ended March 31, 2016	For the year ended March 31, 2015
(i)	No. of complaints pending at the beginning of the year	1,464	239
(ii)	No. of complaints received during the year	17,164	13,474
(iii)	No. of complaints redressed during the year	18,060	12,249
(iv)	No. of complaints pending at the end of the year	568	1,464

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.

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MUMBAI CHARTERED ACCOUNTANTS

u. Information on instances of fraud

Instances of fraud for the year ended March 31, 2016:

(Rupees in crore)

Nature of fraud	No. of cases	Amount of fraud	Recovery	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

Instances of fraud for the year ended March 31, 2015:

(Rupees in crore)

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount written-off
Cash embezzlement^	21	0.20	0.10	0.10
Loans given against fictitious documents	9	0.06	0.04	0.03
Fraud by borrowers	2	0.02	-	0.02

^Includes one case of security misappropriation amounting to Rs.0.02 crore which has been recovered.

v. Information on Net Interest Margin:

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Average interest (a)	21.42%	22.84%
Average effective cost of borrowing (b)	11.84%	13.16%
Net interest margin (a-b)	9.58%	9.68%

w. Outstanding of loans against security of gold as a percentage to total assets is 0.29% (March 31, 2015: 1.05%).

41. 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
SKS Microfinance Limited

P. H. Ravikumar
Non-Executive Chairman

M. R. Rao
Managing Director and
Chief Executive Officer

S. Dilli Raj
President

Ashish Damani
Chief Financial Officer

Rajendra Patil
Company Secretary

SKS MICROFINANCE LIMITED Hyderabad

DELOITTE & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of SKS Microfinance Limited

Report on the Financial Statements

We have audited the accompanying financial statements of SKS Microfinance Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2015, 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. 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 but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the effectiveness of such controls. 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, 2015, 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, 2015 ("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 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;

   (e) On the basis of written representations received from the directors as on March 31, 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015, from being appointed as a director in terms of Section 164 (2) of the Act;

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

      i. The Company 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 outstanding long-term contracts including derivative contracts as at March 31, 2015 for which there were any material foreseeable losses; and

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

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

per Viren H. Mehta
Partner
Membership No.: 048749
Hyderabad
May 4, 2015

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

Re: 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.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 4(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 or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a) and (b) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

(v) The Company has not accepted any deposits from the public.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, 2013, for the products/services of the Company.

(vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, 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.

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

Name of the Statute	Nature of dues	Amount under dispute*(Rs.)	Amount paid (Rs.)	Period to which its relates	Forum where dispute is pending
Chapter V of the Finance Act, 1994	Service Tax	460,522,537	Nil	Financial years 2006-07 to 2011-12	Customs Excise & Service Tax Appellate Tribunal ('CESTAT')
	Interest on service tax dues mentioned above	434,786,212			
	Penalty on service tax dues mentioned above	460,537,537			

* Includes a demand of Rs.351,926,175 (including interest and penalty) against which the Company has received a stay order dated February 3, 2015 from the CESTAT.

(d) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder.

(viii) The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has not incurred cash losses in the current and immediately preceding financial year.

(ix) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xi) Based on the information and explanation given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilization have been gainfully invested in liquid assets payable on demand.

(xii) We have been informed that during the year there were instances of misappropriation of cash and gold (pledged as collateral) by the employees of the Company aggregating Rs.2,014,725; loans given to non-existent borrowers on the basis of fictitious documentation created by the employees of the Company aggregating Rs.643,681; and misrepresentation by certain borrowers for obtaining loans aggregating Rs.161,600. As informed, services of employees involved have been terminated and the Company is in the process of taking legal action against the employees and the borrowers. The outstanding balance (net of recovery) aggregating Rs.1,415,527 has been written off.

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

per Viren H. Mehta
Partner
Membership No.: 048749
Hyderabad
May 4, 2015

SKS Microfinance Limited
Balance Sheet as at March 31, 2015

(Amount in Rupees unless otherwise stated)

	Notes	31-Mar-15	31-Mar-14
Equity and liabilities			
Shareholders' funds			
Share capital	4	1,262,924,930	1,082,129,620
Reserves and surplus	5	9,201,633,570	3,510,006,938
		10,464,558,500	4,592,136,558
Share application money pending allotment	6	64,800	-
Non-current liabilities			
Long-term borrowings	7	10,572,211,910	3,002,070,202
Long-term provisions	8	127,184,909	1,862,151,448
		10,699,396,819	4,864,221,650
Current liabilities			
Short-term borrowings	9	6,096,276,475	3,323,504,752
Other current liabilities	10	19,271,887,706	11,806,546,938
Short-term provisions	8	455,073,842	385,552,732
		25,823,238,023	15,515,604,422
TOTAL		46,987,258,142	24,971,962,630
Assets			
Non-current assets			
Fixed assets			
Tangible assets	11	51,505,818	65,860,359
Intangible assets	12	38,019,928	30,912,889
Intangible assets under development		12,447,576	15,039,988
Non-current investments	13	2,000,000	2,000,000
Deferred tax assets	14	-	-
Long-term loans and advances	15	2,448,460,510	2,292,684,559
Other non-current assets	16	1,252,264,079	328,513,303
		3,804,697,911	2,735,011,098
Current assets			
Trade receivables	17	34,169,498	25,728,385
Cash and bank balances	18	15,367,730,515	6,397,075,083
Short-term loans and advances	15	27,135,519,718	15,235,013,622
Other current assets	16	645,140,500	579,134,442
		43,182,560,231	22,236,951,532
TOTAL		46,987,258,142	24,971,962,630
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
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.048749

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Date: 4 MAY 2015
Place: Hyderabad

For and on behalf of the Board of Directors of
SKS Microfinance Limited

P.H. Ravikumar
Non-Executive Chairman

M.R.Rao
Managing Director and
Chief Executive Officer

S.Dilli Raj
President

Ashish Damani
Chief Financial Officer

Rajendra Patil
Company Secretary

Place: Hyderabad

SKS Microfinance Limited Hyderabad

SKS Microfinance Limited
Statement of profit and loss for the year ended March 31, 2015

(Amount in Rupees unless otherwise stated)

	Notes	31-Mar-15	31-Mar-14
Income			
Revenue from operations	19	7,239,568,175	5,189,918,403
Other income	20	791,088,168	258,434,910
Total revenue (I)		8,030,656,343	5,448,353,313
Expenses			
Employee benefit expenses	21	2,318,537,910	1,655,632,711
Finance costs	22	2,790,451,852	2,142,214,375
Other expenses	23	839,933,356	765,527,459
Depreciation and amortization expenses	24	45,612,324	40,756,383
Provisions and write-offs	25	100,456,998	145,712,570
Total expenses (II)		6,094,992,440	4,749,843,498
Profit before tax (III)=(I)-(II)		1,935,663,903	698,509,815
Tax expenses			
Current tax (MAT)		59,416,387	-
Excess provision of tax relating to earlier years (net)		(395,920)	-
Total tax expense (IV)		59,020,467	-
Profit after tax (III)-(IV)		1,876,643,436	698,509,815
Earnings per equity share			
[Nominal value of share Rs.10 (March 31, 2014: Rs.10)]	26		
Basic (Computed on the basis of total profit for the year)		15.22	6.45
Diluted (Computed on the basis of total profit for the year)		15.04	6.44
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
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.048749

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Place: Hyderabad
Date: 4 MAY 2015

For and on behalf of the Board of Directors of
SKS Microfinance Limited

P.H. Ravikumar
Non-Executive Chairman

M.R.Rao
Managing Director and
Chief Executive Officer

S.Dilli Raj
President

Ashish Damani
Chief Financial Officer

Rajendra Patil
Company Secretary

SKS Microfinance Limited Hyderabad

Place: Hyderabad

SKS Microfinance Limited
Cashflow statement for the year ended March 31, 2015

(Amount in Rupees unless otherwise stated)

	31-Mar-15	31-Mar-14
Cash flow from operating activities		
Profit before tax	1,935,663,903	698,509,815
Adjustments to reconcile profit before tax to net cash flows:		
Interest on shortfall in payment of advance income tax	6,078,501	16,358,708
Depreciation and amortization	45,612,324	40,756,383
Provision for employee benefits	38,271,997	26,436,079
(Profit) / loss on sale of fixed assets	(495,322)	(319,996)
Stock option expenditure	106,334,775	(10,332,968)
Contingent provision against standard assets	120,947,422	132,325,317
Provision for non-performing assets	(1,779,602,571)	(792,543,557)
Portfolio loans and other balances written off	1,756,038,528	696,936,611
Loss from assignment of loans	3,073,619	108,994,199
Other provisions and write offs	31,987,634	40,917,041
Operating profit before working capital changes	2,263,910,810	958,037,632
Movements in working capital :		
Increase / (decrease) in other current liabilities	318,995,725	698,865,577
Decrease / (increase) in trade receivables	(8,441,113)	(20,172,097)
Decrease / (increase) in loans and advances	(13,842,075,260)	(2,578,736,143)
Decrease / (increase) in other current assets	(66,006,058)	(197,157,483)
Decrease / (increase) in other non-current assets	(18,047,435)	9,787,010
Cash generated from / (used in) operations	(11,351,663,331)	(1,129,375,504)
Direct taxes paid (net of refunds)	(111,955,405)	(195,096,890)
Net cash flow from / (used in) operating activities (A)	(11,463,618,736)	(1,324,472,394)
Cash flows from investing activities		
Purchase of fixed assets, including capital work in progress and capital advances	(47,715,256)	(40,738,404)
Proceeds from sale of fixed assets	1,629,929	1,612,923
Margin money deposit (net)	346,150,233	(196,366,887)
Net cash flow from / (used in) investing activities (B)	300,064,906	(235,492,368)
Cash flows from financing activities		
Proceeds from issuance of equity share capital (including share application money)	4,047,790,428	39,600
Share issue expenses	(147,473,658)	-
Long-term borrowings (net) (including non-convertible debentures)	14,712,974,343	1,510,501,916
Short-term borrowings (net) (including commercial paper)	2,772,771,723	(2,381,708,034)
Net cash flow from / (used in) financing activities (C)	21,386,062,836	(871,166,518)
Net increase / (decrease) in cash and cash equivalents (A + B + C)	10,222,509,006	(2,431,131,280)
Cash and cash equivalents at the beginning of the year	4,152,129,121	6,583,260,401
Cash and cash equivalents at the end of the year (refer note 18)	14,374,638,127	4,152,129,121

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
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.048749

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Place: Hyderabad
Date: 4 MAY 2015

For and on behalf of the Board of Directors of
SKS Microfinance Limited

P.H. Ravikumar
Non-Executive Chairman

M.R.Rao
Managing Director and
Chief Executive Officer

S.Dilli Raj
President

Ashish Damani
Chief Financial Officer

Rajendra Patil
Company Secretary

Place: Hyderabad

SKS Microfinance Limited Hyderabad

1. Corporate information

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 organized as Joint Liability Groups ('JLG'). The Company has its operation spread across 16 states.

In addition to the core business of providing micro-credit, the Company uses its distribution channel to provide certain 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 and loans against gold as collateral.

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 with Rule 7 of the Companies (Accounts) Rules, 2014 and the provisions of the RBI as applicable to a NBFC-MFI and NBFC-ND-SI. The financial statements have been prepared on an accrual basis and under the historical cost convention except interest on loans which have been classified as non-performing assets and are accounted for on realisation basis.

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

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 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 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 recognized in the statement of profit and loss account net of any losses when redeemed in cash.

v. All other income is recognised on an accrual basis.

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

SKS Microfinance Limited Hyderabad

c. Tangible fixed assets

All fixed assets are stated at cost less 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 (also refer note 3).

f. Impairment

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)

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value of the leased property and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are recognised as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs are capitalised. A leased asset is depreciated on a straight-line basis over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

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.

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

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

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.

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

SKS Microfinance Limited Hyderabad

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 recognized 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 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.

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

SKS Microfinance Limited Hyderabad

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.

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 SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The 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.

With effect from October 28, 2014 the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 have become applicable to the Company and measurement and disclosure of the employee share-based payments is done accordingly.

r. Classification of loan portfolio

i. Loans to JLG 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 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 Non-Banking Financial Company – Micro Finance Institutions (NBFC-MFIs) Directions, December 02, 2011, as amended from time to time ('the NBFC-MFI Directions').

ii. Loans and advances other than loans to JLG are classified as standard, sub-standard, doubtful and loss assets in accordance with the Systemically Important Non – Banking financial (Non-Deposit Accepting or Holding) Companies

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

SKS Microfinance Limited Hyderabad

Prudential Norms (Reserve Bank) Directions, 2015 issued vide Notification No. DNBR. 009/ CGM (CDS) -2015 dated March 27, 2015 ('the NBFC-ND-SI Prudential Norms').

s. **Provisioning policy for loan portfolio**

i. Provisioning policy for loans to JLG:

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 upto 25 weeks	50%
Loss assets	Overdue for more than 25 weeks	Written off

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%	0.25%
Above 1% to 1.5%	0.50%
Above 1.5% to 2%	0.75%
Above 2%	1.00%

Note 2: The overall provision for JLG determined as per the above mentioned provisioning policy is subject to the provision prescribed in the NBFC-MFI Directions. These Directions require the total provision for JLG 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 with the NBFC-MFI Directions is classified and disclosed in the Balance Sheet alongwith the contingent provision for standard assets.

ii. Loans and advances other than loans to JLG are provided for at the higher of management estimates and provision required as per the NBFC-ND-SI Prudential Norms.

iii. Provision for losses arising under securitisation / managed arrangements is made as higher of the incurred loss and provision as per the Company's provisioning policy for JLG loans mentioned in (i) above and subject to the maximum guarantee given in respect of these arrangements.

iv. All overdue loans, where the tenure of the loan is completed and in the opinion of the management any amount is not recoverable, are written off.

3. **Change of Estimates**

In accordance with the requirements of Schedule II to the Companies Act, 2013, the Company has re-assessed the useful lives and residual values of its fixed assets and:

i. An amount of Rs.10,808,240 has been charged to the opening balance of the retained earnings in respect of assets whose remaining useful life is nil as at April 1, 2014, and;

ii. An amount of Rs.17,342,399 has been charged to the statement of profit and loss for the year ended March 31, 2015 representing the additional depreciation on the carrying value of the assets as at April 1, 2014 due to change in useful life of asset.

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(Amount in Rupees unless otherwise stated)

4. Share capital	31-Mar-15	31-Mar-14
Authorized shares		
142,000,000 (March 31, 2014: 122,000,000) equity shares of Rs.10/- each	1,420,000,000	1,220,000,000
13,000,000 (March 31, 2014: 13,000,000) preference shares of Rs.10/- each	130,000,000	130,000,000
Issued, subscribed and fully paid-up shares		
126,292,493 (March 31, 2014: 108,212,962) equity shares of Rs.10/- each fully paid up	1,262,924,930	1,082,129,620
Total issued, subscribed and fully paid-up share capital	**1,262,924,930**	**1,082,129,620**

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

Equity shares

	31-Mar-15		31-Mar-14	
	No. of Shares	Rs. in lakhs	No. of Shares	Rs. in lakhs
At the beginning of the year	108,212,962	1,082,129,620	108,212,698	1,082,126,980
Issued during the year – Stock options	408,997	4,089,970	264	2,640
Issued during the year - Qualified Institutional Placement	17,670,534	176,705,340	-	-
Outstanding at the end of the year	**126,292,493**	**1,262,924,930**	**108,212,962**	**1,082,129,620**

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of Rs.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 2,871,772 shares (March 31, 2014: 2,462,755) 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

Equity shares of Rs.10 each fully paid	As at March 31, 2015	
	No. of Shares	% holding in the class
Morgan Stanley Asia (Singapore) PTE	6,907,651	5.47%
IDFC Premier Equity Fund	6,488,100	5.14%

Equity shares of Rs.10 each fully paid	As at March 31, 2014	
	No. of Shares	% holding in the class
Sandstone Investment Partners I	8,341,792	7.71%
Westbridge Ventures II, LLC (Formerly Sequoia Capital India II, LLC)	6,573,914	6.07%
Merrill Lynch Capital Markets Espana S.A S.V	6,112,173	5.65%
Kismet Microfinance	5,634,809	5.21%

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

(e) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, refer note 31.

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Notes to financial statements for the year ended March 31, 2015 *(Amount in Rupees unless otherwise stated)*

5. Reserves and surplus	31-Mar-15	31-Mar-14
Securities premium account		
Balance as per the last financial statements	15,325,687,947	15,325,589,911
Add: additions on Qualified Institutional Placement	3,799,164,810	-
Add: additions on stock option exercised (cash premium)	67,765,508	36,960
Add: transferred from stock options outstanding (non-cash premium)	47,929,770	61,076
Less: share issue expenses	(147,473,658)	-
Closing Balance	**19,093,074,377**	**15,325,687,947**
Employee stock options outstanding*		
Balance as per the last financial statements	196,926,761	207,320,805
Add / (Less): compensation options granted/modified/lapsed/forfeited during the year	106,334,776	(10,332,968)
Less: amount transferred towards options expired unexercised	(3,858,925)	-
Less: transferred to securities premium on exercise of stock options	(47,929,770)	(61,076)
Closing Balance	**251,472,842**	**196,926,761**
Statutory reserve		
Balance as per the last financial statements	912,941,921	773,239,958
Add: amount transferred from surplus balance in the statement of profit and loss	375,328,687	139,701,963
Closing Balance	**1,288,270,608**	**912,941,921**
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	(12,925,549,691)	(13,484,357,543)
Less: Adjustment of carrying amount of the tangible assets in accordance with schedule II of the Companies Act, 2013	(10,808,240)	-
Add: amount transferred towards options expired unexercised	3,858,925	-
Add: Profit/ (Loss) for the year	1,876,643,436	698,509,815
Less: transferred to Statutory Reserve [@ 20% of profit after tax as required by section 45-IC of Reserve Bank of India Act, 1934]	(375,328,687)	(139,701,963)
Net surplus/ (deficit) in the statement of profit and loss	**(11,431,184,257)**	**(12,925,549,691)**
Total reserves and surplus	**9,201,633,570**	**3,510,006,938**

*Pursuant to applicability of the SEBI (Share Based Employee Benefits) Regulations, 2014, the manner of presentation of "Employee Stock Option Outstanding Account" under the head "Reserves and Surplus" has been changed. Such change has been carried out in respect of current as well as previous year.

6. Share application money pending allotment	31-Mar-15	31-Mar-14
Share application money pending allotment on exercise of options	64,800	-
	64,800	**-**

	Non-current portion		Current maturities	
7. Long-term borrowings	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
Debentures (Refer note below)				
1,000 (March 31, 2014 : Nil), Series 1, 11.48% Secured, Redeemable, Non-Convertible Debentures of Rs. 1,000,000 each redeemable at par on March 30, 2018	1,000,000,000	-	-	-
1,000 (March 31, 2014 : Nil), Series 2, 11.48% Secured, Redeemable, Non-Convertible Debentures of Rs. 1,000,000 each redeemable at par on March 30, 2018	1,000,000,000	-	-	-
Term loans				
Indian rupee loan from banks (secured)	7,545,516,963	2,519,523,795	15,174,029,568	7,807,813,149
Indian rupee loan from financial institutions (secured)	1,025,541,126	476,190,482	950,649,346	1,169,666,607
Indian rupee loan from non banking financial companies (secured)	1,153,821	6,355,925	5,202,103	9,568,626
	10,572,211,910	**3,002,070,202**	**16,129,881,017**	**8,987,048,382**
The above amount includes				
Secured borrowings	10,572,211,910	3,002,070,202	16,129,881,017	8,987,048,382
Amount disclosed under the head "other current liabilities" (note 10)	-	-	(16,129,881,017)	(8,987,048,382)
Net amount	**10,572,211,910**	**3,002,070,202**	**-**	**-**

Notes

1. The Series 1 non-convertible debentures have Put Option, which if exercised, shall be redeemed on March 30, 2017 or September 30, 2017.
2. The Series 2 non-convertible debentures have Put Option, which if exercised, shall be redeemed on April 30, 2017 or October 30, 2017.
3. Interest on the Series 1 & Series 2 non-convertible debentures at the fixed rate of approx.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-15	31-Mar-14
a) Loans secured by hypothecation (exclusive charge) of portfolio loans	9,236,752,745	6,247,761,512
b) Loans secured by hypothecation (exclusive charge) of portfolio loans and margin money deposits	17,465,340,182	5,741,357,072
Total outstanding	**26,702,092,927**	**11,989,118,584**

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Notes to financial statements for the year ended March 31, 2015

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7. Long-term borrowings (Contd.)

Terms of repayment of long term borrowings (term loans and non convertible debenture) as on March 31, 2015

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		
		No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	Total
Monthly repayment schedule										
1-3 Yrs	11.00%-11.50%	9	432,000,000	6	288,000,000	-	-	-	-	720,000,000
	11.51%-12.00%	12	166,666,667	6	83,333,333	-	-	-	-	250,000,000
		12	166,666,667	6	83,333,333	-	-	-	-	250,000,000
		12	1,714,285,714	2	285,714,286	-	-	-	-	2,000,000,000
		11	68,750,000	12	75,000,000	1	6,250,000	-	-	150,000,000
		10	113,636,364	12	136,363,636	-	-	-	-	250,000,000
	12.01%-12.50%	12	750,000,000	-	-	-	-	-	-	750,000,000
		8	777,777,778	10	972,222,222	-	-	-	-	1,750,000,000
		12	133,333,328	-	-	-	-	-	-	133,333,328
		11	611,111,111	-	-	-	-	-	-	611,111,111
		8	500,000,000	-	-	-	-	-	-	500,000,000
		6	857,142,857	-	-	-	-	-	-	857,142,857
		9	1,285,714,286	-	-	-	-	-	-	1,285,714,286
	12.51%-13.00%	3	42,857,143	-	-	-	-	-	-	42,857,143
		12	433,333,333	-	-	-	-	-	-	433,333,333
		12	171,428,571	12	171,428,571	11	157,142,857	-	-	500,000,000
		10	257,575,758	12	309,090,909	11	283,333,333	-	-	850,000,000
		10	45,454,545	12	54,545,455	11	50,000,000	-	-	150,000,000
		2	214,285,714	-	-	-	-	-	-	214,285,714
		12	80,000,000	2	13,333,333	-	-	-	-	93,333,333
		9	600,000,000	-	-	-	-	-	-	600,000,000
		12	200,000,000	2	33,333,333	-	-	-	-	233,333,333
	13.01%-14.00%	10	476,190,472	-	-	-	-	-	-	476,190,472
	14.01%-14.50%	4	2,758,250	-	-	-	-	-	-	2,758,250
		12	2,443,853	5	1,153,826	-	-	-	-	3,597,679
Quarterly repayment schedule										
1-3 Yrs	11.51%-12.00%	4	360,000,000	1	90,000,000	-	-	-	-	450,000,000
		4	40,000,000	1	10,000,000	-	-	-	-	50,000,000
		4	280,000,000	4	280,000,000	2	140,000,000	-	-	700,000,000
		4	40,000,000	4	40,000,000	2	20,000,000	-	-	100,000,000
		3	321,428,571	3	321,428,571	1	107,142,849	-	-	749,999,991
		2	50,000,000	4	100,000,000	4	100,000,000	-	-	250,000,000
	12.01%-12.50%	4	166,666,667	4	166,666,667	-	-	-	-	333,333,333
		4	250,000,000	2	125,000,000	-	-	-	-	375,000,000
		4	500,000,000	4	500,000,000	-	-	-	-	1,000,000,000
		3	272,727,273	4	363,636,364	4	363,636,364	-	-	1,000,000,000
		4	166,666,667	1	41,666,667	-	-	-	-	208,333,333
		3	150,000,000	4	200,000,000	3	150,000,000	-	-	500,000,000
	12.51%-13.00%	4	142,857,143	-	-	-	-	-	-	142,857,143
		4	142,857,143	-	-	-	-	-	-	142,857,143
		4	285,714,286	1	71,428,571	-	-	-	-	357,142,857
		4	371,428,571	2	185,714,286	-	-	-	-	557,142,857
		4	85,714,286	2	42,857,143	-	-	-	-	128,571,429
		4	500,000,000	2	250,000,000	-	-	-	-	750,000,000
		4	250,000,000	3	187,500,000	-	-	-	-	437,500,000
		4	83,600,000	4	83,600,000	3	61,900,000	-	-	229,100,000
		4	166,672,000	4	166,672,000	3	124,988,000	-	-	458,332,000
		4	83,336,000	4	83,336,000	2	41,660,000	-	-	208,332,000
	13.01%-13.50%	3	93,750,000	-	-	-	-	-	-	93,750,000
		3	56,250,000	-	-	-	-	-	-	56,250,000
		4	75,000,000	-	-	-	-	-	-	75,000,000
		4	60,000,000	-	-	-	-	-	-	60,000,000
		4	165,000,000	-	-	-	-	-	-	165,000,000
		4	200,000,000	3	150,000,000	-	-	-	-	350,000,000
		4	333,400,000	4	333,400,000	2	166,500,000	-	-	833,300,000
		4	233,380,000	4	233,380,000	2	116,550,000	-	-	583,310,000
		4	100,020,000	4	100,020,000	2	49,950,000	-	-	249,990,000
Bullet repayment schedule										
3 Yrs	12.10%	-	-	-	-	1	2,000,000,000	-	-	2,000,000,000
Total			**16,129,881,017**		**6,633,158,507**		**3,939,053,403**		-	**26,702,092,927**

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7. Long-term borrowings (Contd.)

Terms of repayment of long term borrowings (term loans) as on March 31, 2014

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 (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	
Monthly repayment schedule										
1-3 Yrs	11.50%-12%	4	307,692,308	-	-	-	-	-	-	307,692,308
		5	192,307,692	-	-	-	-	-	-	192,307,692
	12% -13%	1	12,500,000	-	-	-	-	-	-	12,500,000
		11	157,142,857	3	42,857,143	-	-	-	-	200,000,000
		12	1,285,714,286	2	214,285,714	-	-	-	-	1,500,000,000
		10	125,000,000	-	-	-	-	-	-	125,000,000
		10	66,666,667	12	80,000,000	2	13,333,333	-	-	160,000,000
		2	41,666,667	-	-	-	-	-	-	41,666,667
		3	50,000,000	-	-	-	-	-	-	50,000,000
		11	392,857,143	-	-	-	-	-	-	392,857,143
		8	923,076,923	-	-	-	-	-	-	923,076,923
	13%-13.50%	5	83,333,335	-	-	-	-	-	-	83,333,335
		3	500,000,000	-	-	-	-	-	-	500,000,000
		7	875,000,000	-	-	-	-	-	-	875,000,000
		8	88,900,030	-	-	-	-	-	-	88,900,030
		4	83,333,336	-	-	-	-	-	-	83,333,336
		4	83,333,335	-	-	-	-	-	-	83,333,335
	13.50%-14%	9	150,000,000	-	-	-	-	-	-	150,000,000
		12	625,000,004	-	-	-	-	-	-	625,000,004
		11	523,809,524	10	476,190,476	-	-	-	-	1,000,000,000
Above 3 Yrs	11% - 11.50%	5	41,666,635	-	-	-	-	-	-	41,666,635
		5	41,666,635	-	-	-	-	-	-	41,666,635
	13%-15%	1	3,000,000	-	-	-	-	-	-	3,000,000
		12	7,452,800	4	2,758,250	-	-	-	-	10,211,050
		12	2,115,826	12	2,443,853	5	1,153,813	-	-	5,713,492
Quarterly repayment schedule										
1-3 Yrs	11.5%-12%	4	360,000,000	4	360,000,000	1	90,000,000	-	-	810,000,000
		4	40,000,000	4	40,000,000	1	10,000,000	-	-	90,000,000
	12% -13%	4	166,666,667	4	166,666,667	1	41,666,667	-	-	375,000,000
		2	125,000,000	-	-	-	-	-	-	125,000,000
		3	187,500,000	-	-	-	-	-	-	187,500,000
		3	107,142,857	4	142,857,143	-	-	-	-	250,000,000
		3	107,142,857	4	142,857,143	-	-	-	-	250,000,000
		3	150,000,000	4	200,000,000	3	150,000,000	-	-	500,000,000
	13% -14%	4	125,000,000	3	93,750,000	-	-	-	-	218,750,000
		4	75,000,000	3	56,250,000	-	-	-	-	131,250,000
		4	75,000,000	4	75,000,000	-	-	-	-	150,000,000
		4	60,000,000	4	60,000,000	-	-	-	-	120,000,000
		4	165,000,000	4	165,000,000	-	-	-	-	330,000,000
		2	50,000,000	-	-	-	-	-	-	50,000,000
	14% -15%	2	83,000,000	-	-	-	-	-	-	83,000,000
		2	100,000,000	-	-	-	-	-	-	100,000,000
		2	100,000,000	-	-	-	-	-	-	100,000,000
Above 3 Yrs	12%-12.50%	2	122,360,000	-	-	-	-	-	-	122,360,000
		3	125,000,000	4	166,666,667	4	166,666,667	1	41,666,667	500,000,000
Total			**8,987,048,382**		**2,487,583,055**		**472,820,480**		**41,666,667**	**11,989,118,584**

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(Amount in Rupees unless otherwise stated)

8. Provisions	Long-term 31-Mar-15	Long-term 31-Mar-14	Short-term 31-Mar-15	Short-term 31-Mar-14
Provision for employee benefits				
Provision for gratuity (refer note 32)	95,102,270	69,870,588	-	-
Provision for leave benefits	-	-	49,347,260	36,306,945
	95,102,270	**69,870,588**	**49,347,260**	**36,306,945**
Other provisions				
Provision for taxation (Net of advance tax)	-	-	17,177,436	61,800,924
Contingent provision against standard assets (refer note 34)	21,882,625	2,478,275	262,068,291	160,525,219
Provision for non-performing assets (refer note 34)	10,200,014	1,789,802,585	-	-
Provision for securitised / managed portfolio (refer note 2.1 (s) (iii))	-	-	126,480,855	126,919,644
	32,082,639	**1,792,280,860**	**405,726,582**	**349,245,787**
	127,184,909	**1,862,151,448**	**455,073,842**	**385,552,732**

9. Short-term borrowings	31-Mar-15	31-Mar-14
Loan repayable on demand		
Cash credit from banks	1,235,466,368	970,276,117
Other loans and advances		
Indian rupee loan from banks (secured)	3,065,000,000	1,914,166,667
Indian rupee loan from non banking financial companies (secured)	901,403,893	439,061,968
Commercial paper	894,406,214	-
	6,096,276,475	**3,323,504,752**
The above amount includes		
Secured borrowings	5,139,401,965	3,292,311,203

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

10. Other current liabilities	31-Mar-15	31-Mar-14
Employee benefits payable	185,511,480	70,957,108
Payable towards securitisation transactions	1,796,176,141	1,798,361,121
Expenses payable	70,254,358	26,993,857
Other payable	161,891,541	252,157,889
Other liabilities		
Current maturities of long-term borrowings (refer note 7)	16,129,881,017	8,987,048,382
Interest accrued but not due on borrowings	101,846,187	62,356,608
Interest accrued and due on borrowings	63,530,296	15,569,907
Statutory dues payable	26,718,071	12,469,960
Unrealised gain on securitisation transactions	424,910,209	371,504,412
Unamortized income		
Unamortized fee income	311,168,406	209,127,694
	19,271,887,706	**11,806,546,938**

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11. Tangible assets	Furniture and fixtures	Computers	Office equipments	Vehicles	Assets on lease (Computers)	Total
Cost						
At April 1, 2013	124,033,255	193,779,328	53,490,847	304,376	22,581,051	394,188,857
Additions	779,651	3,283,536	2,798,185	-	-	6,861,372
Disposals	(6,376,926)	(1,269,706)	(2,054,798)	-	-	(9,701,430)
At March 31, 2014	118,435,980	195,793,158	54,234,234	304,376	22,581,051	391,348,799
Additions	2,338,174	17,886,230	6,101,733	1,544,141	-	27,870,278
Disposals	(2,871,557)	(5,435,703)	(3,949,874)	-	-	(12,257,134)
At March 31, 2015	117,902,597	208,243,685	56,386,093	1,848,517	22,581,051	406,961,943
Depreciation						
At April 1, 2013	102,363,988	161,911,313	22,183,776	67,443	20,159,646	306,686,166
Charge for the year	4,070,280	13,195,287	4,662,463	61,342	2,421,405	24,410,777
Disposals	(6,054,746)	(1,061,933)	(1,088,685)	-	-	(8,205,364)
At March 31, 2014	100,379,522	174,044,667	25,757,554	128,785	22,581,051	322,891,579
Charge for the year	5,744,781	13,929,183	21,341,048	75,195	-	41,090,207
Disposals	(2,807,564)	(5,086,972)	(2,947,419)	-	-	(10,841,955)
At March 31, 2015	103,316,739	182,886,878	44,151,183	203,980	22,581,051	353,139,831
					-	
Impairment loss						
At April 1, 2013	200,453	916,562	1,682,985	-	-	2,800,000
Charge for the year	(17,625)	(968)	(184,546)	-	-	(203,139)
At March 31, 2014	182,828	915,594	1,498,439	-	-	2,596,861
Charge for the year	-	(106,260)	(174,307)	-	-	(280,567)
At March 31, 2015	182,828	809,334	1,324,132	-	-	2,316,294
Net Block						
At March 31, 2014	17,873,630	20,832,897	26,978,241	175,591	-	65,860,359
At March 31, 2015	14,403,030	24,547,473	10,910,778	1,644,537	-	51,505,818

All assets have been recognized at cost

12. Intangible assets	Computer software	Total
Gross block		
At April 1, 2013	167,163,661	167,163,661
Addition	20,145,044	20,145,044
At March 31, 2014	187,308,705	187,308,705
Addition	22,437,396	22,437,396
At March 31, 2015	209,746,101	209,746,101
Amortization		
At April 1, 2013	140,050,210	140,050,210
Charge for the year	16,345,606	16,345,606
At March 31, 2014	156,395,816	156,395,816
Charge for the year	15,330,357	15,330,357
At March 31, 2015	171,726,173	171,726,173
Net block		
At March 31, 2014	30,912,889	30,912,889
At March 31, 2015	38,019,928	38,019,928

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(Amount in Rupees unless otherwise stated)

13. Non-current investments	31-Mar-15	31-Mar-14
Non-trade investments (valued at cost)		
Investment in equity instruments (unquoted)		
200,000 (March 31, 2014 : 200,000) Equity shares of Rs.10/- each fully paid-up in Alpha Micro Finance Consultants Private Limited	2,000,000	2,000,000
	2,000,000	**2,000,000**
Aggregate amount of unquoted investments	2,000,000	2,000,000

14. Deferred tax asset	31-Mar-15	31-Mar-14
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	16,773,134	12,340,731
Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	19,132,071	17,452,366
Impact of accumulated tax losses and unabsorbed depreciation	4,695,288,289	4,803,425,269
Impact of amortisation of share issue expenses	-	26,784,729
Impact of provision for standard and non performing assets	154,726,119	718,468,830
Others	68,583	84,930
Deferred tax asset	**4,885,988,195**	**5,578,556,855**
Deferred tax asset recognised	-	-

The deferred tax asset amounting to Rs.4,885,988,195 as at March 31, 2015 has not been recognized (refer note 2.1 (l)). The said sum of Rs.4,885,988,195 will be available to offset tax on future taxable income.

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Notes to financial statements for the year ended March 31, 2015

(Amount in Rupees unless otherwise stated)

15. Loans and advances		Non-current 31-Mar-15	Non-current 31-Mar-14	Current 31-Mar-15	Current 31-Mar-14
A. Portfolio Loans					
Joint liability group loans					
Unsecured, considered good*		2,188,262,541	247,827,496	25,678,906,608	13,929,800,736
Unsecured, considered doubtful**		18,693,542	1,707,397,822	-	-
		2,206,956,083	1,955,225,318	25,678,906,608	13,929,800,736
Individual loans					
Secured, considered good*		-	-	487,726,853	543,629,103
Secured, considered doubtful**		4,480,560	98,107,296	-	-
		4,480,560	98,107,296	487,726,853	543,629,103
		2,211,436,643	2,053,332,614	26,166,633,461	14,473,429,839
Joint liability group loans placed as collateral towards securitisation transaction (refer note 40 (d))					
Unsecured, considered good*		-	-	862,800,579	679,663,334
Unsecured, considered doubtful**		523,120	111,766	-	-
		523,120	111,766	862,800,579	679,663,334
	(A)	2,211,959,763	2,053,444,380	27,029,434,040	15,153,093,173

* Represents standard assets in accordance with Company's asset classification policy (refer note 2.1 (s) & 34)

** Represents non-performing assets in accordance with Company's asset classification policy (refer note 2.1 (s) & 34)

B. Security deposits					
Unsecured, considered good		38,251,183	37,990,516	-	-
	(B)	38,251,183	37,990,516	-	-
C. Advances recoverable in cash or kind					
Unsecured, considered good		6,500,578	6,534,482	74,469,929	55,452,915
Unsecured, considered doubtful		32,262,628	31,442,728	-	-
		38,763,206	37,977,210	74,469,929	55,452,915
Provision for doubtful advances		(32,262,628)	(31,442,728)	-	-
	(C)	6,500,578	6,534,482	74,469,929	55,452,915
D. Other loans and advances (unsecured, considered good)					
Loans to SKS Microfinance Employees Benefit Trust (refer note 36)		48,969,462	54,168,606	-	-
Advance fringe benefit tax (net of provision)		937,183	937,183	-	-
Advance income tax (net of provision)		141,842,341	139,609,392	-	-
Prepaid expenses		-	-	31,615,749	26,467,534
	(D)	191,748,986	194,715,181	31,615,749	26,467,534
Total (A+B+C+D)		2,448,460,510	2,292,684,559	27,135,519,718	15,235,013,622

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(Amount in Rupees unless otherwise stated)

16. Other assets	Non Current 31-Mar-15	Non Current 31-Mar-14	Current 31-Mar-15	Current 31-Mar-14
Non-current bank balances (refer note 18)	1,223,505,298	317,801,957	-	-
Interest accrued but not due on portfolio loans	-	-	108,263,174	73,961,540
Interest accrued and due on portfolio loans	-	-	9,231,151	12,351,702
Interest accrued but not due on deposits placed with banks	28,758,781	10,711,346	50,660,716	86,749,281
Interest strip on securitisation transactions	-	-	424,910,209	371,504,412
Unbilled revenue	-	-	52,075,250	25,342,494
Others-unsecured, considered good	-	-	-	9,225,013
	1,252,264,079	328,513,303	645,140,500	579,134,442

17. Trade receivables	Current 31-Mar-15	Current 31-Mar-14
Outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	34,169,498	25,728,385
	34,169,498	25,728,385

The Company does not have any trade receivables outstanding for a period exceeding six months from the date they are due for payment

18. Cash and bank balances	Non-current 31-Mar-15	Non-current 31-Mar-14	Current 31-Mar-15	Current 31-Mar-14
Cash and cash equivalents				
Balances with banks				
On current accounts	-	-	4,896,142,382	4,012,334,365
Deposits with original maturity of less than three months	-	-	9,000,000,000	-
Cash on hand	-	-	478,495,745	139,794,756
	-	-	14,374,638,127	4,152,129,121
Other bank balances				
Margin money deposit (refer note (a) below)	1,223,505,298	317,801,957	993,092,388	2,244,945,962
	1,223,505,298	317,801,957	993,092,388	2,244,945,962
Amount disclosed under non-current assets (refer note 16)	(1,223,505,298)	(317,801,957)		
	-	-	15,367,730,515	6,397,075,083

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

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19. Revenue from operations	31-Mar-15	31-Mar-14
Interest income on portfolio loans	5,664,537,532	3,930,491,268
Excess interest spread on securitization (refer note 2.1 (b) (iv) & 40 (d))	667,547,446	557,013,966
Other operating revenue		
Loan processing fees	455,002,586	337,535,323
Recovery against loans written off	263,824,773	178,265,915
Interest on margin money deposits*	188,655,838	186,611,931
	7,239,568,175	**5,189,918,403**

* 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 securitization.

20. Other income	31-Mar-15	31-Mar-14
Interest on fixed deposits	253,079,627	67,835,277
Other fee income	531,913,971	188,217,521
Profit on sale of assets	495,322	319,996
Miscellaneous income	5,599,248	2,062,116
	791,088,168	**258,434,910**

21. Employee benefit expenses	31-Mar-15	31-Mar-14
Salaries and bonus / incentives	1,978,260,855	1,493,262,322
Leave benefits	25,945,779	19,285,668
Contribution to provident fund	60,470,402	51,527,132
Contribution to Employee State Insurance Corporation	28,183,640	26,359,199
Gratuity expenses (refer note 32)	40,244,836	19,600,644
Staff welfare expenses	89,458,181	68,474,015
Stock option expenditure	95,974,217	(22,876,269)
	2,318,537,910	**1,655,632,711**

Employee benefit expenses include termination benefits of Rs.Nil for the period ended March 31, 2015 (March 31, 2014: Rs.20,821,941)

22. Finance costs	31-Mar-15	31-Mar-14
Interest		
On term loans from banks	2,220,625,342	1,649,564,916
On term loans from financial institutions	142,004,825	175,896,250
On term loans from non banking financial companies	95,617,336	37,677,525
On bank overdraft facility	47,847,455	58,349,933
On debentures	1,326,027	-
On commercial paper	60,504,064	-
On shortfall in payment of advance income tax	6,078,501	16,358,708
Finance charges for leased assets	-	103,834
Other finance costs	211,026,575	201,672,841
Bank charges	5,421,727	2,590,368
	2,790,451,852	**2,142,214,375**

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Notes to financial statements for the year ended March 31, 2015 *(Amount in Rupees unless otherwise stated)*

23. Other expenses	31-Mar-15	31-Mar-14
Rent	142,192,035	135,279,346
Rates and taxes	4,179,187	2,613,066
Insurance	18,569,603	20,673,158
Repairs and maintenance		
Plant and machinery	26,529,555	12,538,367
Others	74,700,913	70,300,785
Electricity charges	25,688,302	24,338,218
Travelling and conveyance	282,429,640	254,613,158
Communication expenses	58,892,473	46,185,348
Printing and stationery	61,536,397	37,492,756
Legal and professional fees	70,129,965	78,104,323
Directors' sitting fees	4,230,000	1,020,000
Directors stock option expenditure	10,360,558	12,543,301
Auditors' remuneration (refer details below)	10,166,838	9,290,875
Other provisions and write off	31,987,634	40,917,041
Miscellaneous expenses	18,340,256	19,617,717
	839,933,356	**765,527,459**

Payment to auditors	31-Mar-15	31-Mar-14
As auditor:		
Audit fee	5,445,000	4,950,000
Limited review	3,150,000	2,850,000
In other capacity:		
Other services (certification fees)	450,000	580,000
Reimbursement of expenses	1,121,838	910,875
	10,166,838	**9,290,875**

24. Depreciation and amortization expense	31-Mar-15	31-Mar-14
Depreciation of tangible assets	30,281,967	24,410,777
Amortization of intangible assets	15,330,357	16,345,606
	45,612,324	**40,756,383**

25. Provisions and write-offs	31-Mar-15	31-Mar-14
Contingent provision against standard assets (refer note 34)	120,947,422	132,325,317
Provision for non-performing assets (refer note 34)	(1,779,602,571)	(792,543,557)
Portfolio loans and other balances written off	1,756,038,528	696,936,611
Provision and loss on securitized / managed portfolio (refer note 2.1 (s) (iii))	3,073,619	108,994,199
	100,456,998	**145,712,570**

26. Earnings per share (EPS)	31-Mar-15	31-Mar-14
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Net Profit for calculation of basic EPS	1,876,643,436	698,509,815
Net Profit for calculation of diluted EPS	1,876,643,436	698,509,815
	No. of shares	**No. of shares**
Weighted average number of equity shares in calculating basic EPS	**123,299,110**	**108,212,728**
Effect of dilution:		
Stock options granted under ESOP	1,459,555	255,385
Weighted average number of equity shares in calculating diluted EPS	**124,758,665**	**108,468,113**

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27. Segment information

The Company operates in a single reportable 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. The Company operates in a single geographical segment i.e. domestic.

28. 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 (w.e.f. February 4, 2014; Chief Financial Officer till February 4, 2014) Mr. Ashish Damani, Chief Financial Officer (w.e.f. February 4, 2014) Mr. Rajendra Patil, Company Secretary (w.e.f. May 2, 2014) Mr. K.V. Rao, Chief Operating Officer (w.e.f February 4, 2014)

b. Related party transactions

Transactions during the year	31-Mar-15	31-Mar-14
Salary, incentives & perquisites – Mr. M. R. Rao	22,320,729	15,810,800
Salary, incentives & perquisites – Mr. S. Dilli Raj	17,733,095	12,341,674
Salary, incentives & perquisites – Mr. Ashish Damani^	5,348,975	624,947
Salary, incentives & perquisites – Mr. Rajendra Patil	4,835,264	-
Salary, incentives & perquisites – Mr. K.V. Rao*	7,310,086	886,647

^Represents salary, incentives & perquisites from the date of appointment as Chief Financial Officer.
*Represents salary, incentives & perquisites from the date of appointment as Chief Operating Officer.

Note: As 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.

29. Capital and other commitments

Estimated amounts of contracts remaining to be executed on capital account (net of capital advances) and not provided:

Particulars	March 31, 2015	March 31, 2014
For development of computer software	1,425,424	8,551,012
For purchase of computer and computer peripherals	172,750	1,380,000

30. Contingent liabilities not provided for

Particulars	March 31, 2015	March 31, 2014
Credit enhancements provided by the Company towards securitisation (including cash collaterals, principal and interest subordination)	2,216,270,453	2,317,185,220
Performance security provided by the Company pursuant to business correspondent / service provider agreement	477,749,783	327,026,873
Tax on items disallowed by the Income Tax department not acknowledged as debt by the Company *	5,475,348	9,578,882

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

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31. 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) while 'a', 'b', 'c', 'd', 'e', 'f', 'g', 'h', 'i', 'j' are the different grants made under these plans. During the year ended March 31, 2015, the following series were in operation:

Particulars	Plan II (b)	Plan II (c)	Plan II (d)	Plan II (e)	Plan II (f)	Plan II (g)
Date of grant	Feb 1, 2008	Nov 10, 2008	July 29, 2009	Feb 1, 2010	Nov 23, 2011	Mar 12, 2013
Date of Board approval	Oct 15, 2007	Oct 15, 2007	Oct 15, 2007	Jan 5, 2010	Nov 23, 2011	Mar 12, 2013
Date of shareholder's approval	Jan 16, 2008	Jan 16, 2008	Jan 16, 2008	Jan 8, 2010	Jul 16, 2010	Dec 07, 2011
Number of options granted	15,000	6,000	18,000	90,000	300,000	400,000
Exercise price	Rs.70.67	Rs.70.67	Rs.300	Rs.300	Rs.109.95	Rs. 150
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity
Vesting period	**Immediate	*Immediate	*Immediate	25% equally at the end of each year	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%
Exercise period	36 months from the date of vesting***	36 months from the date of vesting***	36 months from the date of vesting****	60 months from the date of grant***	36 months from the date of vesting	On or before Mar 11, 2018
Vesting conditions	Refer note 1	Refer note 1	Refer note 1	Refer note 1	Refer note 1	Refer note 1
Name of the plan	ESOP 2008-ID	ESOP 2008-ID	ESOP 2008-ID	ESOP 2008-ID	ESOP 2010	ESOP 2011

* 1/3rd of the options can be exercised within first twelve months from grant date; another 1/3rd of the options can be exercised within twenty four months from grant date and the rest being exercised within thirty six months from grant date.

** ½ of the options can be exercised within twenty four months from grant date; another ½ of the options can be exercised within thirty six months from grant date.

*** Exercise period extended up to February 1, 2016.

**** Exercise period extended up to July 29, 2015.

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Particulars	Plan III (a)	Plan III (b)	Plan III (c)	Plan III (d)	Plan III (e)	Plan III (f)	Plan III (g)
Date of grant	Nov 3, 2009	Dec 15, 2009	Dec 15, 2009	May 4, 2010	May 4, 2010	Sep 7, 2011	Mar 22, 2013
Date of Board approval	July 29, 2009	Nov 4, 2009	Nov 4, 2009	May 4, 2010	May 4, 2010	Sep 7, 2011	Mar 22, 2013
Date of shareholder's approval	Sep 30, 2009	Dec 10, 2009	Dec 10, 2009	Dec 10, 2009	Dec 10, 2009	Nov 8, 2008, Sep 30, 2009, July 16, 2010	Dec 07, 2011
Number of options granted	514,750	1,313,160	568,000	4,340	6,000	1,486,329	119,112
Exercise price	Rs.300	Rs.150	Rs.300	Rs.150	Rs.300	Rs.229.40	Rs.150
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Vesting period	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	20 % equally at the end of each year	20 % equally at the end of each year	50 % equally at the end of each year	End of year 1 – 33% End of year 2 – 33% End of year 3 – 34%
Exercise period	60 months from the date of grant*	72 months from the date of grant	72 months from the date of grant	72 months from the date of grant	72 months from the date of grant	36 months from the date of vesting	On or before Mar 21, 2018
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 2009	ESOP 2009	ESOP 2009	ESOP 2009	ESOP 2009	ESOP 2008 ESOP 2009 ESOP 2010	ESOP 2011

* Exercise period extended upto November 1, 2015

Particulars	Plan III (h)	Plan III (i)	Plan III (j)	Plan III (k)	Plan III (l)	Plan III (m)	Plan III (n)
Date of grant	Aug 23, 2013	Oct 23, 2013	Feb 04, 2014	April 28, 2014	August 16, 2014	October 29, 2014	January 30, 2015
Date of Board approval	Aug 23, 2013	Oct 23, 2013	Feb 04, 2014	April 28, 2014	August 16, 2014	October 29, 2014	January 30, 2015
Date of shareholder's approval	Dec 07, 2011	Dec 07, 2011	Dec 07, 2011	Dec 07, 2011	Nov 08, 2008	Dec 07, 2011	Dec 07, 2011
Number of options granted	15,760	11,564	58,000	50,000	2,082,200	87,000	93,500
Exercise price	Rs.113	Rs.160.45	Rs.174.95	Rs.253.65	Rs.264.75	Rs.316.15	Rs.426.85
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	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
Exercise period	On or before Aug 22, 2018	On or before Oct 22, 2018	On or before Feb 03, 2019	On or before April 27, 2019	On or before August 15, 2018	On or before October 28, 2019	On or before January 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 2011	ESOP 2011	ESOP 2011	ESOP 2008	ESOP 2011	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.

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The details of **Plan II (b)** have been summarised below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	15,000	70.67	15,000	70.67
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	15,000	70.67	15,000	70.67
Exercisable at the end of the year	15,000	70.67	15,000	70.67
Weighted average remaining contractual life (years)*	0.8	-	1.8	-
Weighted average fair value of options granted	-	17.72	-	17.72

* Exercise period ending on February 1, 2013, extended upto February 1, 2016.

The details of **Plan II (c)** have been summarised below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	3,000	70.67	3,000	70.67
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	3,000	70.67	3,000	70.67
Exercisable at the end of the year	3,000	70.67	3,000	70.67
Weighted average remaining contractual life (years)*	0.8	-	1.8	-
Weighted average fair value of options granted	-	52.14	-	52.14

* Exercise period ending on February 1, 2013, extended upto February 1, 2016.

The details of **Plan II (d)** have been summarised below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	18,000	300.00	18,000	300.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	18,000	300.00	18,000	300.00
Exercisable at the end of the year	18,000	300.00	18,000	300.00
Weighted average remaining contractual life (in years)*	0.3	-	0.3	-
Weighted average fair value of options granted	-	21.57	-	21.57

* Original exercise period ending on July 29, 2014, extended upto July 29, 2015.

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The details of **Plan II (e)** have been summarised below:

Particulars	**As at March 31, 2015**		**As at March 31, 2014**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	49,500	300.00	49,500	300.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	4,500	300.00	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	45,000	300.00	49,500	300.00
Exercisable at the end of the year	45,000	300.00	49,500	300.00
Weighted average remaining contractual life (in years)*	0.8	-	0.8	-
Weighted average fair value of options granted	-	72.53	-	72.53

The weighted average share price on the date of exercise of stock options was Rs.363.25.

*Original exercise period ending on February 01, 2015, extended upto February 01, 2016.

The details of **Plan II (f)** have been summarised below:

Particulars	**As at March 31, 2015**		**As at March 31, 2014**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	300,000	109.95	300,000	109.95
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	55,000	109.95	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	245,000	109.95	300,000	109.95
Exercisable at the end of the year	245,000	109.95	198,000	109.95
Weighted average remaining contractual life (in years)	2.7	-	3.7	-
Weighted average fair value of options granted	-	77.23	-	77.23

The weighted average share price during the period was Rs.301.12.

The details of **Plan II (g)** have been summarised below:

Particulars	**As at March 31, 2015**		**As at March 31, 2014**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	300,000	150.00	400,000	150.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	100,000	150.00
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	300,000	150.00	300,000	150.00
Exercisable at the end of the year	198,000	150.00	99,000	150.00
Weighted average remaining contractual life (in years)	2.9	-	3.9	-
Weighted average fair value of options granted	-	71.81	-	71.81

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The details of **Plan III (a)** have been summarised below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	160,590	300.00	192,190	300.00
Granted during the year	-	-	-	-
Forfeited during the year	6,700	300.00	31,600	300.00
Exercised during the year	14,020	300.00	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	139,870	300.00	160,590	300.00
Exercisable at the end of the year	139,870	300.00	160,590	300.00
Weighted average remaining contractual life (in years)*	0.6	-	0.6	-
Weighted average fair value of options granted	-	41.18	-	41.18

The weighted average share price during the period was Rs.412.07.

* Original exercise period ending on November 02, 2014, extended upto November 02, 2015.

The details of **Plan III (b)** have been summarised below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	407,367	150.00	556,319	150.00
Granted during the year	-	-	-	-
Forfeited during the year	28,768	150.00	148,952	150.00
Exercised during the year	210,568	150.00	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	168,031	150.00	407,367	150.00
Exercisable at the end of the year	168,031	150.00	315,101	150.00
Weighted average remaining contractual life (in years)	0.6	-	1.6	-
Weighted average fair value of options granted	-	115.30	-	115.30

Notice of exercise received for 432 options, however the allotment is pending as on March 31, 2015.
The weighted average share price during the period was Rs.385.63.

The details of **Plan III (c)** have been summarised below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	125,240	300.00	153,540	300.00
Granted during the year	-	-	-	-
Forfeited during the year	16,540	300.00	28,300	300.00
Exercised during the year	3,000	300.00	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	105,700	300.00	125,240	300.00
Exercisable at the end of the year	105,700	300.00	104,040	300.00
Weighted average remaining contractual life (in years)	0.6	-	1.6	-
Weighted average fair value of options granted	-	69.29	-	69.29

The weighted average share price during the period was Rs.361.03.

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The details of **Plan III (d)** have been summarised below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	1,648	150.00	2,704	150.00
Granted during the year	-	-	-	-
Forfeited during the year	132	150.00	792	150.00
Exercised during the year	898	150.00	264	150.00
Expired during the year	-	-	-	-
Outstanding at the end of the year	618	150.00	1,648	150.00
Exercisable at the end of the year	408	150.00	964	150.00
Weighted average remaining contractual life (in years)	1.1	-	2.1	-
Weighted average fair value of options granted	-	233.75	-	233.75

The weighted average share price during the period was Rs.401.71 (previous year: Rs.173.47)

The details of **Plan III (e)** have been summarised below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	3,000	300	3,000	300
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	3,000	300	3,000	300
Exercisable at the end of the year	2,400	300	1800	300
Weighted average remaining contractual life (in years)	1.1	-	2.1	-
Weighted average fair value of options granted	-	152.53	-	152.53

The details of **Plan III (f)** have been summarised below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	618,483	229.40	806,099	229.40
Granted during the year	-	-	-	-
Forfeited during the year	50,396	229.40	187,616	229.40
Exercised during the year	119,404	229.40	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	448,683	229.40	618,483	229.40
Exercisable at the end of the year	448,683	229.40	618,483	229.40
Weighted average remaining contractual life (in years)	1.4	-	2.4	-
Weighted average fair value of options granted	-	146.37	-	146.37

The weighted average share price during the period was Rs.409.90.

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The details of **Plan III (g)** have been summarised below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	107,548	150.00	119,112	150.00
Granted during the year	-	-	-	-
Forfeited during the year	4,139	150.00	11,564	150.00
Exercised during the year	2,039	150.00	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	101,370	150.00	107,548	150.00
Exercisable at the end of the year	66,904	150.00	35,491	150.00
Weighted average remaining contractual life (in years)	3.0	-	4.0	-
Weighted average fair value of options granted	-	57.43	-	57.43

The weighted average share price on the date of exercise of stock options was Rs.273.08.

The details of **Plan III (h)** have been summarised below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	15,760	113.00	-	-
Granted during the year	-	-	15,760	113.00
Forfeited during the year	9,582	113.00	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	6,178	113.00	15,760	113.00
Exercisable at the end of the year	1,545	113.00	-	-
Weighted average remaining contractual life (in years)	3.4	-	4.4	-
Weighted average fair value of options granted	-	57.37	-	57.37

The details of **Plan III (i)** have been summarised below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	11,564	160.45	-	-
Granted during the year	-	-	11,564	160.45
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	11,564	160.45	11,564	160.45
Exercisable at the end of the year	2,891	160.45	-	-
Weighted average remaining contractual life (in years)	3.6	-	4.6	-
Weighted average fair value of options granted	-	76.08	-	76.08

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The details of **Plan III (j)** have been summarised below:

Particulars	**As at March 31, 2015**		**As at March 31, 2014**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	58,000	174.95	-	-
Granted during the year	-	-	58,000	174.95
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	58,000	174.95	58,000	174.95
Exercisable at the end of the year	14,500	174.95	-	-
Weighted average remaining contractual life (in years)	3.9	-	4.9	-
Weighted average fair value of options granted	-	91.52	-	91.52

The details of **Plan III (k)** have been summarised below:

Particulars	**As at March 31, 2015**		**As at March 31, 2014**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	50,000	253.65	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	50,000	253.65	-	-
Exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)	4.1	-	-	-
Weighted average fair value of options granted	-	128.14	-	-

The details of **Plan III (l)** have been summarised below:

Particulars	**As at March 31, 2015**		**As at March 31, 2014**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	2,082,200	264.75	-	-
Forfeited during the year	18,100	264.75	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	2,064,100	264.75	-	-
Exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)	3.4	-	-	-
Weighted average fair value of options granted	-	109.40	-	-

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The details of **Plan III (m)** have been summarised below:

Particulars	**As at March 31, 2015**		**As at March 31, 2014**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	87,000	316.15	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	87,000	316.15	-	-
Exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)	4.6	-	-	-
Weighted average fair value of options granted	-	145.08	-	-

The details of **Plan III (n)** have been summarised below:

Particulars	**As at March 31, 2015**		**As at March 31, 2014**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	93,500	426.85	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	93,500	426.85	-	-
Exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)	4.8	-	-	-
Weighted average fair value of options granted	-	188.68	-	-

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Details of exercise price for stock options outstanding as at March 31, 2015:

Series	Range of exercise prices	Number of options outstanding (31-Mar-15)	Number of options outstanding (31-Mar-14)	Weighted average remaining contractual life of options (in years) (31-Mar-15)	Weighted average remaining contractual life of options (in years) (31-Mar-14)	Weighted average exercise price
Options outstanding as on 31-Mar-15 and 31-Mar-14:						
Plan II(b)	70.67	15,000	15,000	0.8	1.8	70.67
Plan II (c)	70.67	3,000	3,000	0.8	1.8	70.67
Plan II (d)	300.00	18,000	18,000	0.3	0.3	300.00
Plan II (e)	300.00	45,000	49,500	0.8	0.8	300.00
Plan II (f)	109.95	245,000	300,000	2.7	3.7	109.95
Plan II (g)	150.00	300,000	300,000	2.9	3.9	150.00
Plan III (a)	300.00	139,870	160,690	0.6	0.6	300.00
Plan III (b)	150.00	168,031	407,367	0.6	1.6	150.00
Plan III (c)	300.00	105,700	125,140	0.6	1.6	300.00
Plan III (d)	150.00	618	1,648	1.1	2.1	150.00
Plan III (e)	300.00	3,000	3,000	1.1	2.1	300.00
Plan III (f)	229.40	448,683	618,483	1.4	2.4	229.40
Plan III (g)	150.00	101,370	107,548	3.0	4.0	150.00
Plan III (h)	113.00	6,178	15,760	3.4	4.4	113.00
Plan III (i)	160.45	11,564	11,564	3.6	4.6	160.45
Plan III (j)	174.95	58,000	58,000	3.9	4.9	174.95
Options granted during the year and outstanding as on 31-Mar-15:						
Plan III (k)	253.65	50,000	-	4.1	-	253.65
Plan III (l)	264.15	2,064,100	-	3.4	-	264.15
Plan III (m)	316.15	87,000	-	4.6	-	316.15
Plan III (n)	426.85	93,500	-	4.8	-	426.85

Stock options granted during the year:

Plan III (k): The weighted average fair value of stock options granted during the year was Rs.128.14. The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Tranche vesting in FY 2015-16	Tranche vesting in FY 2016-17	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19
Share price on the date of grant (Rs.)	253.80	253.80	253.80	253.80
Exercise price (Rs.)	253.65	253.65	253.65	253.65
Expected volatility (%)	55.43	55.43	55.43	55.43
Life of the options granted (years)	3.0	3.5	4.0	4.5
Risk-free interest rate (%)	8.75	8.79	8.82	8.85
Expected dividend rate (%)	0	0	0	0
Fair value of the option	114.97	124.32	132.76	140.50

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Plan III (l): The weighted average fair value of stock options granted during the year was Rs.109.40. The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Tranche vesting in FY 2015-16	Tranche vesting in FY 2016-17	Tranche vesting in FY 2017-18
Share price on the date of grant (Rs.)	262.00	262.00	262.00
Exercise price (Rs.)	264.75	264.75	264.75
Expected volatility (%)	49.57	49.57	49.57
Life of the options granted (years)	2.5	3.0	3.5
Risk-free interest rate (%)	8.73	8.73	8.73
Expected dividend rate (%)	0	0	0
Fair value of the option	99.35	109.64	118.92

Plan III (m): The weighted average fair value of stock options granted during the year was Rs.145.08. The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Tranche vesting in FY 2015-16	Tranche vesting in FY 2016-17	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19
Share price on the date of grant (Rs.)	316.00	316.00	316.00	316.00
Exercise price (Rs.)	316.15	316.15	316.15	316.15
Expected volatility (%)	48.11	48.11	48.11	48.11
Life of the options granted (years)	3.00	3.5	4.0	4.5
Risk-free interest rate (%)	8.32	8.34	8.35	8.37
Expected dividend rate (%)	0.00	0.00	0.00	0.00
Fair value of the option	129.45	140.49	150.53	159.85

Plan III (n): The weighted average fair value of stock options granted during the year was Rs.188.68. The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Tranche vesting in FY 2015-16	Tranche vesting in FY 2016-17	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19
Share price on the date of grant (Rs.)	436.00	436.00	436.00	436.00
Exercise price (Rs.)	426.85	426.85	426.85	426.85
Expected volatility (%)	43.48	43.48	43.48	43.48
Life of the options granted (years)	3.0	3.5	4.0	4.5
Risk-free interest rate (%)	7.73	7.73	7.73	7.73
Expected dividend rate (%)	0.00	0.00	0.00	0.00
Fair value of the option	168.43	182.68	195.74	207.86

Volatility of the share price of the Company has been calculated as the standard deviation of the closing prices for a period of one year ending on the date of grant.

Stock options modified during the year (incremental fair value calculated using the Black-Scholes Model):

Particulars	Before	After	Before	After	Before	After
Details of the plan	Plan II (d)		Plan II (e)		Plan III (a)	
Share price on the date of modification (Rs.)	278.20	278.20	436.00	436.00	351.25	351.25
Exercise price (Rs.)	300.00	300.00	300.00	300.00	300.00	300.00
Expected volatility (%)	52.33	52.33	43.28	43.28	48.71	48.71
Life of the options granted (years)	0.003	1.0	0.003	1.0	0.003	1.0
Risk-free interest rate (%)	7.99	7.99	7.73	7.73	8.29	8.29
Expected dividend rate (%)	0.00	0.00	0.00	0.00	0.00	0.00
Fair value of the option	-	58.09	136.06	169.80	51.32	104.95
Incremental fair value		58.09		33.74		53.63

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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, 2015	For the year ended March 31, 2014
Directors stock option expenditure	10,360,558	12,543,301
Employees stock option expenditure	95,974,217	(22,876,269)
Subtotal	**106,334,775**	**(10,332,968)**
Total compensation cost pertaining to equity-settled employee share based payment	106,334,775	(10,332,968)

Particulars	As at March 31, 2015	As at March 31, 2014
Stock options outstanding (gross)	429,975,441	217,828,594
Deferred compensation cost outstanding	(178,502,599)	(20,901,833)
Stock options outstanding (net)	251,472,842	196,926,761

32. 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. 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, 2015	For the year ended March 31, 2014
Current service cost	13,793,687	14,823,396
Interest cost on benefit obligation	7,999,270	6,260,147
Expected return on plan assets	(1,535,443)	(2,434,425)
Net actuarial (gain) / loss recognised in the year	19,987,322	951,526
Past service cost	-	-
Net employee benefit expense	40,244,836	19,600,644
Return on plan assets*	1,544,268	1,482,899

** Represents expected return as determined by the actuary for financial year 2014-15.*

Balance Sheet

Details of provision for gratuity:

Particulars	Gratuity	
	March 31, 2015	March 31, 2014
Defined benefit obligation	118,085,811	87,519,363
Fair value of plan assets	(22,983,541)	(17,648,775)
Plan liability	**95,102,270**	**69,870,588**

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

Particulars	Gratuity	
	March 31, 2015	March 31, 2014
Opening defined benefit obligation	87,519,363	78,251,840
Interest cost	7,999,270	6,260,147
Current service cost	13,793,687	14,823,396
Benefits paid	(11,222,656)	(11,827,411)
Actuarial (gains) / losses on obligation	19,996,147	11,391
Closing defined benefit obligation	**118,085,811**	**87,519,363**

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

Particulars	Gratuity	
	March 31, 2015	March 31, 2014
Opening fair value of plan assets	17,648,775	27,981,896
Expected return	1,535,443	2,434,425
Contributions by employer	15,013,154	0
Benefits paid	(11,222,656)	(11,827,411)
Actuarial gains / (losses)	8,825	(940,135)
Closing fair value of plan assets	**22,983,541**	**17,648,775**

The Company expects to contribute Rs.26,944,219 (March 31, 2014: Rs. 12,649,458) 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, 2015	March 31, 2014
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, 2015	March 31, 2014
Discount rate	8.04%	9.14%
Expected rate of return on assets	8.75%	8.70%
Salary escalation rate per annum	10% for the first two years and 7% there after	10% 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-15	31-Mar-14	31-Mar-13	31-Mar-12	31-Mar-11
Defined benefit obligation	118,085,811	87,519,363	78,251,840	79,421,404	68,883,615
Plan assets	22,983,541	17,648,775	27,981,896	37,575,021	39,825,147
Surplus / (deficit)	(95,102,270)	(69,870,588)	(50,269,944)	(41,846,383)	(29,058,468)
Experience adjustments on plan liabilities	19,996,147	11,391	(14,046,486)	(17,347,115)	4,648,214
Experience adjustments on plan assets	8,825	(940,135)	(210,115)	(1,148,560)	(2,044,673)

33. **Expenditure in foreign currency** (on accrual basis)

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Professional fees*	17,359,063	9,325,755
Travelling expenses	2,041,582	278,009
Membership and subscriptions	216,300	190,500
Software maintenance	-	133,403
Total	**19,616,945**	**9,927,667**

*Professional fees include an amount of Rs.11,584,063 (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. Also includes an amount of Rs.5,000,000 (Previous year: Rs.2,000,000) towards provision for commission to independent directors.

34. Loan portfolio and provision for standard and non-performing assets as at March 31, 2015:

Asset classification	Portfolio loans outstanding (Gross)		Provision for standard and non-performing assets				Portfolio loans outstanding (Net)	
	As at March 31, 2015	As at March 31, 2014	As at March 31, 2014	Provision made during the year	Provision written back during the year	As at March 31, 2015	As at March 31, 2015	As at March 31, 2014
Standard assets	29,217,696,581	15,400,920,668	163,003,494	120,947,422	-	283,950,916	28,933,745,665	15,237,917,174
Sub-standard assets	22,260,955	16,635,844	2,879,145	7,033,616	-	9,912,761	12,348,194	13,756,700
Doubtful assets	1,436,267	2,572,000	514,400	-	227,147	287,253	1,149,014	2,057,600
Loss assets	-	1,786,409,040	1,786,409,040	-	1,786,409,040	-	-	-
Total	**29,241,393,803**	**17,206,537,553**	**1,952,806,079**	**127,981,038**	**1,786,636,187**	**294,150,930**	**28,947,242,873**	**15,253,731,474**

Loan portfolio and provision for standard and non-performing assets as at March 31, 2014:

Asset classification	Portfolio loans outstanding (Gross)		Provision for standard and non-performing assets				Portfolio loans outstanding (Net)	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2013	Provision made during the year	Provision written back during the year	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Standard assets	15,400,920,668	12,271,270,996	30,678,178	132,325,316	-	163,003,494	15,237,917,174	12,240,592,818
Sub-standard assets*	16,635,844	199,793,127	149,534,844	-	146,655,699	2,879,145	13,756,700	50,258,283
Doubtful assets*	2,572,000	27,894,437	27,894,437	-	27,380,037	514,400	2,057,600	-
Loss assets*	1,786,409,040	2,404,916,860	2,404,916,860	-	618,507,820	1,786,409,040	-	-
Total	**17,206,537,553**	**14,903,875,420**	**2,613,024,319**	**132,325,316**	**792,543,556**	**1,952,806,079**	**15,253,731,474**	**12,290,851,101**

Note:
Figures as at March 31, 2013 in the above table does not include loans placed as collateral towards securitisation / assignment transaction amounting to Rs.404,892,002, as the provisioning thereof is done collectively alongwith the loan asset securitized / assigned.

Figures as at March 31, 2014 in the above table include loans placed as collateral towards securitisation / assignment transaction amounting to Rs.679,775,100 and provision thereon of Rs.6,797,751.

*Non-performing assets include amount of Rs.1,786,409,040 representing portfolio in the state of Andhra Pradesh which has been fully provided for.

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35. 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. 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.

Description	March 31, 2015	March 31, 2014
Operating lease expenses recognised in the statement of profit and loss	142,192,035	135,279,346
Minimum lease obligations		
Not later than one year	3,487,746	2,042,490
Later than one year but not later than five years	5,721,624	3,297,102
Later than five years	-	-

Vehicles:
The Company has taken certain vehicles on cancellable operating lease. Total lease expense under cancellable operating lease during the year was Rs.12,431,034 (Previous year: Rs.8,989,979).

36. 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 Rs.48,969,462 (March 31, 2014: Rs. 54,168,606).

37. In the financial year 2013-14, the Company had received two 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 aggregated to Rs.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'). During the year, the CESTAT has issued a stay order against pre-deposit of demand made in one of the aforesaid two demand orders of Rs.118,091,538 (plus penalty and interest, as applicable).

Based on the merits of the case, 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, 2015.

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 30 and 37 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, 2015, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

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40. Additional disclosures required by the RBI

a. Capital to Risk Assets Ratio ('CRAR'):

Particulars		March 31, 2015	March 31, 2014
i)	CRAR (%)	31.69%	27.19%
ii)	CRAR – Tier I Capital (%)	31.69%	27.19%
iii)	CRAR – Tier II Capital (%)	0.00%	0.00%
iv)	Amount of subordinated debt raised as Tier-II capital	-	-
v)	Amount raised by issue of Perpetual Debt Instruments	-	-

The modifications to the NBFC-MFI directions issued by RBI vide its circular no.RBI/2012-13/161 DNBS (PD) CC.No.300 /03.10.038/2012-13 dated August 3, 2012 have specified that provision made towards portfolio in the state of Andhra Pradesh should be in accordance with extant NBFC prudential norms and such provision should be added back notionally to the net owned funds for the purpose of calculation of the capital to risk assets ratio ('CRAR') and would be progressively reduced by 20% each year, over 5 years i.e. from March 31, 2013 to March 31, 2017. As per the progressive reduction 80% of provisioning made towards portfolio in the state of Andhra Pradesh has been notionally reckoned as a part of net own funds. Had the amount of provision mentioned above not been added back to the net owned funds, the CRAR as at March 31, 2014 would have been 20.66%.

b. Investments:

(Rupees in crore)

Particulars			March 31, 2015	March 31, 2014
(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,	-	-
(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, 2015 (March 31, 2014: Nil).

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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:

(Rupees in crore)

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Total number of loans securitized/assigned	1,637,891	2,089,215
Total book value of loans securitized/assigned	1,432.54	1,693.15
Total book value of loans securitized/assigned including loans placed as collateral	1,558.66	1,817.34
Sale consideration received for loans securitized/assigned	1,432.54	1,693.15
Excess interest spread recognised in the statement of profit and loss	66.75	55.70
Particulars	**As at March 31, 2015**	**As at March 31, 2014**
Credit enhancements provided and outstanding (Gross):		
Interest subordination	42.49	37.15
Principal subordination	86.33	67.98
Cash collateral	102.03	156.78

(Rupees in crore)

Sr. No.	Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
1.	No. of SPVs sponsored by the NBFC for securitisation transactions during the year	8	13
2.	Total amount of securitised assets as per the books of the SPVs sponsored by the NBFC as on the date of balance sheet:	1,089.56	1,205.04
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	86.33	67.98
	-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	-	-
	a) On-balance sheet exposures		
	i) Exposure to own securitisations		
	-First loss	144.52	193.93
	-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.

f. Details of assignment transactions undertaken:

The Company has not undertaken assignment transactions in the current and previous year.

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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, 2015:

(Rupees 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 *	330.35	294.56	296.80	794.75	997.09	241.86	1.85	0.11	**2,957.38**
Investments	-	-	-	-	-	-	-	0.2	**0.2**
Borrowings	321.17	158.33	209.33	608.96	924.81	1057.22	-	-	**3,279.84**
Foreign currency assets	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-

** net of provision on NPA*

Maturity pattern of certain Assets and Liabilities as on March 31, 2014:

(Rupees 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 *	179.6	164.3	138.1	433.5	607.9	48.1	2.0	0.2	**1,573.8**
Investments	-	-	-	-	-	-	-	0.2	**0.2**
Borrowings	234.4	128.1	151.4	330.1	382.5	300.6	4.2	-	**1,531.3**
Foreign currency assets	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-

** net of provision 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 15.

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.

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n. Ratings assigned by credit rating agencies and migration of ratings during the year:

(Rupees 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	30-Mar-15*	CARE A+	*See Note-1*	2,800.00
Bank Loan Rating (Short-term facilities)	CARE Ratings	30-Mar-15*	CARE A1+		
Short-term Debt (CP/NCD)	CARE Ratings	19-Mar-15*	CARE A1+	17-Mar-16	200.00
Long-term Debt (NCD)	CARE Ratings	30-Mar-15	CARE A+	*See Note-1*	200.00
Long-term Debt	ICRA	24-Mar-15	[ICRA] A+	*See Note-1*	300.00
Short-term Debt	ICRA	24-Mar-15	[ICRA] A1+	*See Note-1*	
MFI Grading	CARE Ratings	13-Mar-15	MFI 1	*See Note-2*	N/A
Securitisation	CARE Ratings	16-Oct-14	CARE AA (SO)	15-Aug-16	297.27
Securitisation	CARE Ratings	30-Dec-14	CARE AA (SO)	20-Aug-16	70.50
Securitisation	CARE Ratings	14-Jan-15	CARE AA (SO)	20-Oct-16	282.53
Securitisation	ICRA	30-Jan-15	ICRA AA (SO)	12-Oct-16	74.57
Securitisation	ICRA	27-Feb-15	ICRA AA (SO)	15-Aug-16	80.84
Securitisation	CARE Ratings	24-Feb-15	CARE AA (SO)	15-Sep-16	218.92
Securitisation	CARE Ratings	16-Mar-15	CARE AA (SO)	20-Dec-16	96.26
Securitisation	CARE Ratings	23-Mar-15	CARE AA (SO)	12-Dec-16	311.64

Note-1: the Rating is subject to annual surveillance till final repayment / redemption of rated facilities.
Note-2: MFI Grading is a one-time assessment of the Company and it is not kept under surveillance.
** last date of revalidation during the year.*

o. Provisions and Contingencies (shown under the head expenditure in Statement of Profit and Loss)

(Rupees in crore)

Particulars	March 31, 2015	March 31, 2014
Provisions for depreciation on Investment	-	-
Provision made towards Income tax	6.51	1.64
Provision towards NPA	(177.96)	(79.25)
Provision for Standard Assets	12.09	13.23
Provision on securitised / managed portfolio	(0.04)	10.83
Provision for leave benefits	2.59	1.93
Provision for gratuity	4.02	1.96
Provision for Advances recoverable in cash or kind	(0.08)	(0.48)
Provision for Impairment loss	(0.03)	(0.02)

p. Draw down from Reserves:
There has been no draw down from reserves during the year ended March 31, 2015 (previous year: Nil).

q. Concentration of Advances, Exposures and NPAs:

(Rupees in crore)

Particulars	March 31, 2015	March 31, 2014
Concentration of Advances		
Total advances to twenty largest borrowers	0.26	0.20
(%) of advances to twenty largest borrowers to total advances	0.01%	0.01%
Concentration of Exposures		
Total exposure to twenty largest borrowers/customers	0.26	0.22
(%) of exposure to twenty largest borrowers/customers to total exposure	0.01%	0.01%
Concentration of NPAs		
Total exposure to top four NPA accounts	0.04	0.06

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r. Sector-wise NPAs

Sector	(%) of NPAs to total advances in that sector as at March 31, 2015	(%) of NPAs to total advances in that sector as at March 31, 2014^
Agriculture and allied activities	0.07%	4%
MSME	-	-
Corporate borrowers	-	-
Services	0.06%	15%
Unsecured personal loans	-	-
Auto loans	-	-
Other personal loans	0.91%	15%

^Non-performing assets include amount of Rs.178.64 crore representing portfolio in the state of Andhra Pradesh which had been fully provided for.

s. Movement of NPAs

(Rupees in crore)

Particulars		March 31, 2015	March 31, 2014
(i)	Net NPAs to Net Advances (%)	0.05%	0.10%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance^	180.56	263.26
	(b) Additions during the year	2.19	1.59
	(c) Reductions during the year (incl. loans written off)	(180.38)	(84.29)
	(d) Closing balance	2.37	180.56
(iii)	Movement of Net NPAs	-	-
	(a) Opening balance	1.58	5.03
	(b) Additions during the year	1.20	1.28
	(c) Reductions during the year	(1.43)	(4.73)
	(d) Closing balance	1.35	1.58
(iv)	Movement of provisions for NPAs	-	-
	(a) Opening balance	178.98	258.23
	(b) Provisions made during the year	0.99	0.31
	(c) Write-off / write-back of excess provisions	(178.95)	(79.56)
	(d) Closing balance	1.02	178.98

^Opening balance of NPAs include amount of Rs.178.64 crore (Previous year: Rs.257.64 crore) representing portfolio in the state of Andhra Pradesh which had been fully provided for.

t. Disclosure of Customer Complaints

Particulars		No. of complaints
(i)	No. of complaints pending at the beginning of the year	239
(ii)	No. of complaints received during the year	13,474
(iii)	No. of complaints redressed during the year	12,249
(iv)	No. of complaints pending at the end of the year	1,464

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, 2015:

(Rupees in crore)

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount written-off
Cash embezzlement^	21	0.20	0.10	0.10
Loans given against fictitious documents	9	0.06	0.04	0.03
Fraud by borrowers	2	0.02	-	0.02

^Includes one case of security misappropriation amounting to Rs.0.02 crore which has been recovered.

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Instances of fraud for the year ended March 31, 2014:

(Rupees in crore)

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount written-off
Cash embezzlement	49	0.93	0.53	0.40
Loans given against fictitious documents	20	0.63	0.21	0.42
Fraud by borrowers	8	0.04	0.00	0.04

v. Information on Net Interest Margin:

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Average interest (a)	22.84%	20.98%
Average effective cost of borrowing (b)	13.16%	13.98%
Net interest margin (a-b)	9.68%	7.00%

w. Outstanding of loans against security of gold as a percentage to total assets is 1.05% (March 31, 2014: 2.24%).

41. 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
SKS Microfinance Limited

P. H. Ravikumar
Non-Executive Chairman

M. R. Rao
Managing Director and
Chief Executive Officer

S. Dilli Raj
President

Ashish Damani
Chief Financial Officer

Rajendra Patil
Company Secretary

SKS Microfinance Limited Hyderabad

BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Members of SKS Microfinance Limited

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

(b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act, read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs; and

   (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

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

per Viren H. Mehta
Partner
Membership No.: 048749

Mumbai
April 28, 2014

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

Re: SKS Microfinance Limited ('the Company')

(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) There was no disposal of a substantial part of fixed assets during the year.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 4(ii) of the Order are not applicable to the Company.

(iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii) (a) to (d) of the Order are not applicable to the Company and hence not commented upon.

(b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii) (e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

(v) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, for the products of the Company.

(ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, the dues outstanding of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess on account of dispute, are as follows:

Name of the Statute	Nature of dues	Amount under dispute (Rs.)	Amount paid* (Rs.)	Period to which its relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	2,312,820	Nil	Financial Year 2006-07	The Additional Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	235,044,690	150,000,000 #	Financial Year 2010-11	The Commissioner of Income Tax (Appeals)
Chapter V of the Finance Act, 1994	Service Tax	460,522,537	Nil	Financial years 2006-07 to 2011-12	Customs Excise & Service Tax Appellate Tribunal
	Interest on service tax dues mentioned above	323,148,403			
	Penalty on service tax dues mentioned above	460,537,537			

* The Company has paid the amount under protest.

\# Stay order received from the Commissioner of Income Tax for payment of the balance amount of Rs.85,044,690 till September 30, 2014.

(x) *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth.* The Company has not incurred cash loss during the year. *In the immediately preceding financial year, the Company had incurred cash loss.*

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions and banks. The Company did not have any outstanding dues in respect of debentures during the year.

(xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilization have been gainfully invested in liquid assets payable on demand.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised money by public issue of shares during the current year.

(xxi) We have been informed that during the year there were instances of *cash embezzlements by the employees of the Company aggregating Rs.9,285,788; loans given to non-existent borrowers on the basis of fictitious documentation created by the employees of the Company aggregating Rs.6,260,275; and misrepresentation by certain borrowers for obtaining loans aggregating Rs.387,900.* As informed, services of employees involved have been terminated and the Company is in the process of taking legal action against the employees and the borrowers. The outstanding balance (net of recovery) aggregating Rs.8,423,073 has been written off.

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

per Viren H. Mehta
Partner
Membership No.: 048749

Mumbai
April 28, 2014

SKS Microfinance Limited

Balance Sheet as at March 31, 2014

	Notes	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Equity and liabilities			
Shareholders' funds			
Share capital	4	1,082,129,620	1,082,126,980
Reserves and surplus	5	3,510,006,938	2,821,793,131
		4,592,136,558	3,903,920,111
Non-current liabilities			
Long-term borrowings	6	3,002,070,202	2,656,035,493
Long-term provisions	7	1,862,151,448	2,632,616,085
		4,864,221,650	5,288,651,578
Current liabilities			
Short-term borrowings	8	3,323,504,752	5,705,212,786
Other current liabilities	9	11,806,546,938	9,942,481,258
Short-term provisions	7	385,552,732	274,246,224
		15,515,604,422	15,921,940,268
TOTAL		24,971,962,630	25,114,511,957
Assets			
Non-current assets			
Fixed assets			
Tangible assets	10	65,860,359	84,702,691
Intangible assets	11	30,912,889	27,113,451
Intangible assets under development		15,039,988	1,308,000
Non-current investments	12	2,000,000	2,000,000
Deferred tax assets	13	-	-
Long-term loans and advances	14	2,292,684,559	2,825,744,991
Other non-current assets	15	328,513,303	364,262,574
		2,735,011,098	3,305,131,707
Current assets			
Trade receivables	16	51,070,879	5,556,288
Cash and bank balances	17	6,397,075,083	8,605,877,215
Short-term loans and advances	14	15,235,013,622	12,815,969,788
Other current assets	15	553,791,948	381,976,959
		22,236,951,532	21,809,380,250
TOTAL		24,971,962,630	25,114,511,957

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
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.048749

S. R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Place: Mumbai
Date: 28 APR 2014

For and on behalf of the Board of Directors of
SKS Microfinance Limited

P.H. Ravikumar
Non-Executive Chairman

M.R.Rao
Managing Director and
Chief Executive Officer

S.Dilli Raj
President

Ashish Damani
Chief Financial Officer

Sudershan Pallap
Company Secretary

Place: Mumbai

SKS MICROFINANCE LIMITED MUMBAI

SKS Microfinance Limited

Statement of profit and loss for the year ended March 31, 2014

	Notes	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Income			
Revenue from operations	18	5,189,918,403	3,321,975,446
Other income	19	258,434,910	203,661,636
Total revenue (I)		5,448,353,313	3,525,637,082
Expenses			
Employee benefit expenses	20	1,655,632,711	1,726,704,285
Finance costs	21	2,142,214,375	1,427,192,088
Other expenses	22	765,527,459	834,543,903
Depreciation and amortization expenses	23	40,756,383	64,354,721
Provisions and write-offs	24	145,712,570	2,444,228,726
Total expenses (II)		4,749,843,498	6,497,023,723
Profit / (Loss) before tax (III)=(I)-(II)		698,509,815	(2,971,386,641)
Tax expenses			
Current tax		-	-
Deferred tax		-	-
Total tax expense (IV)		-	-
Profit / (Loss) (III)-(IV)		698,509,815	(2,971,386,641)
Earnings per equity share			
[nominal value of share Rs.10 (March 31, 2013: Rs.10)]	25		
Basic (Computed on the basis of total profit / (loss) for the year)		6.45	(30.55)
Diluted (Computed on the basis of total profit / (loss) for the year)		6.44	(30.55)

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
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.048749

S. R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Place: Mumbai
Date: 28 APR 2014

For and on behalf of the Board of Directors of
SKS Microfinance Limited

P.H. Ravikumar
Non-Executive Chairman

M.R.Rao
Managing Director and
Chief Executive Officer

S.Dilli Raj
President

Ashish Damani
Chief Financial Officer

Sudarshan Pallap
Company Secretary

Place: Mumbai

SKS MICROFINANCE LIMITED MUMBAI

SKS Microfinance Limited
Cashflow statement for the year ended March 31, 2014

	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Cash flow from operating activities		
Profit / (loss) before tax	**698,509,815**	**(2,971,386,641)**
Adjustments to reconcile profit / (loss) before tax to net cash flows:		
Interest on shortfall in payment of advance income tax	16,358,708	13,452,511
Depreciation and amortization	40,756,383	64,354,721
Provision for employee benefits	26,436,079	1,104,422
Profit / (loss) on sale of fixed assets	(319,996)	4,862,388
Employee stock compensation expense	(10,332,968)	28,610,744
Contingent provision against standard assets	132,325,317	(15,032,315)
Provision for non-performing assets	(792,543,557)	2,189,143,759
Portfolio loans and other balances written off	696,936,611	313,295,041
Loss from assignment of loans	108,994,199	(43,177,759)
Other provisions and write offs	40,917,041	37,710,273
Operating profit / (loss) before working capital changes	**958,037,632**	**(377,062,856)**
Movements in working capital :		
Increase/ (decrease) in other current liabilities	698,865,577	159,211,226
Decrease / (increase) in trade receivables	(45,514,591)	(3,452,686)
Decrease / (increase) in loans and advances	(2,578,736,143)	(6,432,518,530)
Decrease / (increase) in other current assets	(171,814,989)	218,990,049
Decrease / (increase) in other non-current assets	9,787,010	(8,280,931)
Cash generated from /(used in) operations	**(1,129,375,504)**	**(6,443,113,728)**
Direct taxes paid (net of refunds)	(195,096,890)	7,805,189
Net cash flow (used in) / from operating activities (A)	**(1,324,472,394)**	**(6,435,308,539)**
Cash flows from investing activities		
Purchase of fixed assets, including capital work in progress and capital advances	(40,738,404)	(7,911,298)
Proceeds from sale of fixed assets	1,612,923	22,421,879
Margin money deposit (net)	(196,366,887)	12,021,456
Net cash flow (used in) / from investing activities (B)	**(235,492,368)**	**26,532,037**
Cash flows from financing activities		
Proceeds from issuance of equity share capital (including share application money)	39,600	2,635,155,073
Share issue expenses	-	(135,288,978)
Long-term borrowings (net)	1,510,501,916	1,574,651,043
Short-term borrowings (net)	(2,381,708,034)	4,396,156,785
Net cash flow (used in) / from in financing activities (C)	**(871,166,518)**	**8,470,673,923**
Net decrease/(increase) in cash and cash equivalents (A + B + C)	**(2,431,131,280)**	**2,061,897,421**
Cash and cash equivalents at the beginning of the year	6,583,260,401	4,521,362,980
Cash and cash equivalents at the end of the year (refer note 17)	**4,152,129,121**	**6,583,260,401**

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
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.048749

Place: Mumbai
Date: 28 APR 2014

For and on behalf of the Board of Directors of
SKS Microfinance Limited

P.H. Ravikumar
Non-Executive Chairman

M.R.Rao
Managing Director and
Chief Executive Officer

S.Dilli Raj
President

Ashish Damani
Chief Financial Officer

Sudershan Pallap
Company Secretary

Place: Mumbai

1. Corporate information

SKS Microfinance Limited ('the Company') is a public company domiciled in India and incorporated under the provision of the Companies Act, 1956 ('the Act'). 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 organized as Joint Liability Groups ('JLG'). The Company has its operation spread across 15 states.

In addition to the core business of providing micro-credit, the Company uses its distribution channel to provide certain 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 and loans against gold as collateral.

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 by Companies (Accounting Standards) Rules, 2006, (as amended), the relevant provisions of the Companies Act, 1956 read with general circular 8/ 2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs and the provisions of the RBI as applicable to a NBFC-MFI and NBFC-ND. The financial statements have been prepared on an accrual basis and under the historical cost convention except interest on loans which have been classified as non-performing assets and are accounted for on realisation basis.

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

2.1. Summary of significant accounting policies

a. Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles 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 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 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 is recognized in the statement of profit and loss account net of any losses.

v. All other income is recognised on an accrual basis.

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

SKS MICROFINANCE LIMITED MUMBAI

c. Tangible fixed assets

All fixed assets are stated at cost less 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

i. Depreciation on tangible fixed assets is provided on the written down value method as per the rates prescribed under Schedule XIV of the Companies Act, 1956 which is also as per the useful life of the assets estimated by the management.

ii. Fixed assets costing up to Rs.5,000 individually are fully depreciated in the year of purchase.

f. Impairment

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)

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value of the leased property and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are recognised as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs are capitalised. A leased asset is depreciated on a straight-line basis over the useful life of the asset or the useful life envisaged in Schedule XIV to the Companies Act, 1956, whichever is lower.

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.

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 disposal proceeds are charged or credited to the statement of profit and loss.

i. Borrowing costs

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

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 recognized 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 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.

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

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

SKS MICROFINANCE LIMITED MUMBAI

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.

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 SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The 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. Loans to JLG 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 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 Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs Directions, December 02, 2011, as amended from time to time.

ii. Loans and advances other than loans to JLG are classified as standard, sub-standard, doubtful and loss assets in accordance with the extant Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended from time to time ('NBFC-ND Directions').

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

SKS MICROFINANCE LIMITED MUMBAI

s. Provisioning policy for loan portfolio

i. Provisioning policy for loans to JLG:

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 upto 25 weeks	50%
Loss assets	Overdue for more than 25 weeks	Written off

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%	0.25%
Above 1% to 1.5%	0.50%
Above 1.5% to 2%	0.75%
Above 2%	1.00%

Note 2: The overall provision for JLG determined as per the above mentioned provisioning policy is subject to the provision prescribed in the Non-Banking Financial Company – Micro Finance Institutions (Reserve Bank) Directions, 2011 ('NBFC-MFI Directions'). These Directions require the total provision for JLG 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 with the NBFC-MFI Directions is classified and disclosed in the Balance Sheet alongwith the contingent provision for standard assets.

ii. Outstanding loan portfolio in the state of Andhra Pradesh prior to April 1, 2013, being the date of applicability of the asset classification and provisioning norms laid down in the NBFC-MFI Directions, has been fully provided for and these loans are not included for calculation of portfolio at risk as referred in note 1 above.

iii. Loans and advances other than loans to JLG are provided for at the higher of management estimates and provision required as per NBFC-ND Directions.

iv. Provision for losses arising under securitisation arrangements is made as higher of the incurred loss and provision as per the Company's provisioning policy for JLG loans mentioned in (i) above and subject to the maximum guarantee given in respect of these arrangements.

v. All overdue loans where the tenure of the loan is completed and in the opinion of the management any amount is not recoverable, are written off.

3. **Change of Estimates**

In current year, the Company has got classified as an NBFC-MFI and accordingly has made an additional provision of Rs. 109,940,626 towards its Joint Liability Group (JLG) loan portfolio to maintain provisioning required by the NBFC-MFI Directions issued by the Reserve Bank of India vide its circular dated December 2, 2011 as amended vide circular dated March 20, 2012. These Directions require the provision to be higher of (i) 1% of the outstanding loan portfolio or (ii) 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. The entire additional provision of Rs. 109,940,626 made relates only to standard assets.

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(Amount in Rupees unless otherwise stated)

4. Share capital	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Authorized shares		
122,000,000 (March 31, 2013: 122,000,000) equity shares of Rs.10/- each	1,220,000,000	1,220,000,000
13,000,000 (March 31, 2013: 13,000,000) preference shares of Rs.10/- each	130,000,000	130,000,000
Issued, subscribed and fully paid-up shares		
108,212,962 (March 31, 2013: 108,212,698) equity shares of Rs.10/- each fully paid up	1,082,129,620	1,082,126,980
Total issued, subscribed and fully paid-up share capital	**1,082,129,620**	**1,082,126,980**

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

Equity shares

	31-Mar-14		31-Mar-13	
	No. of Shares	(Rupees)	No. of Shares	(Rupees)
At the beginning of the year	108,212,698	1,082,126,980	72,356,895	723,568,950
Issued during the year – Stock options	264	2,640	907,734	9,077,340
Issued during the year - Qualified Institutional Placement	-	-	30,498,069	304,980,690
Issued during the year - Preferential allotment	-	-	4,450,000	44,500,000
Outstanding at the end of the year	108,212,962	1,082,129,620	108,212,698	1,082,126,980

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of Rs.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.

Share capital includes Nil (March 31, 2013: 21,453,217) equity shares that are locked-in.

(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 2,462,755 shares (March 31, 2013: 2,462,511) 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

Equity shares of Rs.10 each fully paid	As at March 31, 2014	
	No. of Shares	% holding in the class
Sandstone Investment Partners I	8,341,792	7.71%
Westbridge Ventures II, LLC (Formerly Sequoia Capital India II, LLC)	6,573,914	6.07%
Merriall Lynch Capital Markets Espana S.A.S.V	6,112,173	5.65%
Kismet Microfinance	5,634,809	5.21%

Equity shares of Rs.10 each fully paid	As at March 31, 2013	
	No. of Shares	% holding in the class
CLSA (Mauritius) Limited	9,494,771	8.77%
Sandstone Investment Partners, I	8,341,792	7.71%
Kismet Microfinance	5,634,809	5.21%

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

Further, SKS Trust Advisors Private Limited, sole trustee for five trusts mentioned below, holds equity shares in the Company on behalf of these five trusts as the registered shareholder. These trusts individually hold less than 5% equity shares in the Company:

Name of the Trust	31-Mar-14 No. of Shares	31-Mar-13 No. of Shares
SKS Mutual Benefit Trust, Narayankhed	3,030,547	1,705,585
SKS Mutual Benefit Trust, Medak	2,658,186	1,662,266
SKS Mutual Benefit Trust, Sadasivpet	2,658,177	1,662,266
SKS Mutual Benefit Trust, Jogipet	2,602,707	1,662,266
SKS Mutual Benefit Trust, Sangareddy	2,580,341	1,662,266

(e) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, refer note 31.

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Notes to financial statements for the year ended March 31, 2014

(Amount in Rupees unless otherwise stated)

5. Reserves and surplus	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Securities premium account		
Balance as per the last financial statements	15,325,589,911	13,132,493,470
Add: additions on Qualified Institutional Placement	-	1,994,573,713
Add: additions on Preferential allotment	-	291,030,000
Add: additions on stock option exercised (cash premium)	36,960	36,121,481
Add: transferred from stock options outstanding (non-cash premium)	61,076	6,660,225
Less: share issue expenses	-	(135,288,978)
Closing Balance	**15,325,687,947**	**15,325,589,911**
Stock options outstanding		
Gross stock compensation for options granted in earlier years	272,293,052	342,766,256
Add: gross compensation for options granted/modified during the year	7,092,129	35,918,473
Less: gross compensation for options lapsed/forfeited/surrendered during the year	(61,495,511)	(99,731,452)
Less: deferred employee stock compensation	(20,901,833)	(64,972,247)
Less: transferred to securities premium on exercise of stock options	(61,076)	(6,660,225)
Closing Balance	**196,926,761**	**207,320,805**
Statutory reserve		
Balance as per the last financial statements	773,239,958	773,239,958
Add: amount transferred from surplus balance in the statement of profit and loss	139,701,963	-
Closing Balance	**912,941,921**	**773,239,958**
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	(13,484,357,543)	(10,512,970,902)
Add: Profit/ (Loss) for the year	698,509,815	(2,971,386,641)
Less: Transferred to Statutory Reserve [@ 20% of profit after tax as required by section 45-IC of Reserve Bank of India Act, 1934]	(139,701,963)	-
Net surplus/ (deficit) in the statement of profit and loss	**(12,925,549,691)**	**(13,484,357,543)**
Total reserves and surplus	**3,510,006,938**	**2,821,793,131**

6. Long-term borrowings	Non-current portion		Current maturities	
	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Term loans				
Indian rupee loan from banks (secured)	2,519,523,795	1,994,260,033	7,807,813,149	6,718,497,286
Indian rupee loan from financial institutions (secured)	476,190,482	645,857,084	1,169,666,607	1,093,142,897
Indian rupee loan from non banking financial companies (secured)	6,355,925	15,918,376	9,568,626	8,332,843
Other loans and advances				
Finance lease obligation (secured)	-	-	-	2,608,149
	3,002,070,202	**2,656,035,493**	**8,987,048,382**	**7,822,581,175**
The above amount includes				
Secured borrowings	3,002,070,202	2,656,035,493	8,987,048,382	7,822,581,175
Amount disclosed under the head "other current liabilities" (note 9)	-	-	(8,987,048,382)	(7,822,581,175)
Net amount	**3,002,070,202**	**2,656,035,493**	**-**	**-**

Nature of security	31-Mar-14	31-Mar-13
a) Loans secured by hypothecation (exclusive charge) of portfolio loans	6,247,761,512	5,214,786,316
b) Loans secured by hypothecation (exclusive charge) of portfolio loans and margin money deposits	5,741,357,072	5,261,222,203
c) Financial lease obligation is secured by hypothecation of computers and laptops taken on lease	-	2,608,149
Total outstanding	**11,989,118,584**	**10,478,616,668**

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6. Long-term borrowings (Contd.)

Terms of repayment of long term borrowings (term loans) as on March 31, 2014

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		Due between 4 to 5 Years		Total
		No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	
Monthly repayment schedule												
1-3 Yrs	11.50%-12%	4	307,692,308	-	-	-	-	-	-	-	-	307,692,308
		5	192,307,692	-	-	-	-	-	-	-	-	192,307,692
	12%-13%	1	12,500,000	-	-	-	-	-	-	-	-	12,500,000
		11	157,142,857	3	42,857,143	-	-	-	-	-	-	200,000,000
		12	1,285,714,286	2	214,285,714	-	-	-	-	-	-	1,500,000,000
		10	125,000,000	-	-	-	-	-	-	-	-	125,000,000
		10	66,666,667	12	80,000,000	2	13,333,333	-	-	-	-	160,000,000
		2	41,666,667	-	-	-	-	-	-	-	-	41,666,667
		3	50,000,000	-	-	-	-	-	-	-	-	50,000,000
		11	392,857,143	-	-	-	-	-	-	-	-	392,857,143
		8	923,076,923	-	-	-	-	-	-	-	-	923,076,923
	13%-13.50%	5	83,333,335	-	-	-	-	-	-	-	-	83,333,335
		3	500,000,000	-	-	-	-	-	-	-	-	500,000,000
		7	875,000,000	-	-	-	-	-	-	-	-	875,000,000
		8	88,900,030	-	-	-	-	-	-	-	-	88,900,030
		4	83,333,336	-	-	-	-	-	-	-	-	83,333,336
		4	83,333,335	-	-	-	-	-	-	-	-	83,333,335
	13.50%-14%	9	150,000,000	-	-	-	-	-	-	-	-	150,000,000
		12	625,000,004	-	-	-	-	-	-	-	-	625,000,004
		11	523,809,524	10	476,190,476	-	-	-	-	-	-	1,000,000,000
Above 3 Yrs	11% - 11.50%	5	41,666,635	-	-	-	-	-	-	-	-	41,666,635
		5	41,666,635	-	-	-	-	-	-	-	-	41,666,635
	13%-15%	1	3,000,000	-	-	-	-	-	-	-	-	3,000,000
		12	7,452,800	4	2,758,250	-	-	-	-	-	-	10,211,050
		12	2,115,826	12	2,443,853	5	1,153,813	-	-	-	-	5,713,492
Quarterly repayment schedule												
1-3 Yrs	11.5%-12%	4	360,000,000	4	360,000,000	1	90,000,000	-	-	-	-	810,000,000
		4	40,000,000	4	40,000,000	1	10,000,000	-	-	-	-	90,000,000
	12%-13%	4	166,666,667	4	166,666,667	1	41,666,667	-	-	-	-	375,000,000
		2	125,000,000	-	-	-	-	-	-	-	-	125,000,000
		3	187,500,000	-	-	-	-	-	-	-	-	187,500,000
		3	107,142,857	4	142,857,143	-	-	-	-	-	-	250,000,000
		3	107,142,857	4	142,857,143	-	-	-	-	-	-	250,000,000
		3	150,000,000	4	200,000,000	3	150,000,000	-	-	-	-	500,000,000
	13%-14%	4	125,000,000	3	93,750,000	-	-	-	-	-	-	218,750,000
		4	75,000,000	3	56,250,000	-	-	-	-	-	-	131,250,000
		4	75,000,000	4	75,000,000	-	-	-	-	-	-	150,000,000
		4	60,000,000	4	60,000,000	-	-	-	-	-	-	120,000,000
		4	165,000,000	4	165,000,000	-	-	-	-	-	-	330,000,000
		2	50,000,000	-	-	-	-	-	-	-	-	50,000,000
	14%-15%	2	83,000,000	-	-	-	-	-	-	-	-	83,000,000
		2	100,000,000	-	-	-	-	-	-	-	-	100,000,000
		2	100,000,000	-	-	-	-	-	-	-	-	100,000,000
Above 3 Yrs	12%-12.50%	2	122,360,000	-	-	-	-	-	-	-	-	122,360,000
		3	125,000,000	4	166,666,667	4	166,666,667	1	41,666,667	-	-	500,000,000
Total			8,987,048,382		2,487,583,055		472,820,480		41,666,667		-	11,989,118,584

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6. Long-term borrowings (Contd.)

Terms of repayment of long term borrowings (term loans) as on March 31, 2013

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		Due between 4 to 5 Years		Total
		No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	
Monthly repayment schedule												
1-3 Yrs	12% -12.50%	10	125,000,000	2	25,000,000	-	-	-	-	-	-	150,000,000
		12	2,000,000,000	-	-	-	-	-	-	-	-	2,000,000,000
	12.50% -13%	8	222,222,222	-	-	-	-	-	-	-	-	222,222,222
	13% -13.50%	10	208,333,333	2	41,666,667	-	-	-	-	-	-	250,000,000
		12	200,000,000	3	50,000,000	-	-	-	-	-	-	250,000,000
		10	357,142,857	11	392,857,143	-	-	-	-	-	-	750,000,000
	13.50% -14%	10	1,666,666,672	2	333,333,329	-	-	-	-	-	-	2,000,000,001
		12	500,000,000	4	166,666,671	-	-	-	-	-	-	666,666,671
		12	133,333,320	8	88,900,031	-	-	-	-	-	-	222,233,351
	14% - 15%	12	624,999,996	12	625,000,004	-	-	-	-	-	-	1,250,000,000
Above 3 Yrs	11% - 12%	12	200,000,040	5	83,333,270	-	-	-	-	-	-	283,333,310
	13% - 14%	12	36,000,000	1	3,000,000	-	-	-	-	-	-	39,000,000
	14% -15%	12	6,485,059	12	7,471,990	4	2,735,318	-	-	-	-	16,692,367
		12	1,847,784	12	2,128,990	12	2,452,991	5	1,129,089	-	-	7,558,854
Quarterly repayment schedule												
1-3 Yrs	9% -10%	3	124,999,985	-	-		-		-	-	-	124,999,985
	12% -13%	3	125,000,000	4	166,666,666	4	166,666,667	1	41,666,667	-	-	500,000,000
		1	20,836,200	-	-	-	-	-	-	-	-	20,836,200
	13% -14%	1	20,833,335	-	-	-	-	-	-	-	-	20,833,335
		3	31,249,998	-	-	-	-	-	-	-	-	31,249,998
		4	100,000,000	2	50,000,000	-	-	-	-	-	-	150,000,000
		1	83,333,336	-	-	-	-	-	-	-	-	83,333,336
		2	125,000,000	-	-	-	-	-	-	-	-	125,000,000
	14% -15%	4	166,800,000	2	83,000,000	-	-	-	-	-	-	249,800,000
		4	400,000,000	2	200,000,000	-	-	-	-	-	-	600,000,000
Above 3 Yrs	10% -11%	2	95,168,889	-	-	-	-	-	-	-	-	95,168,889
	12% -13%	4	244,720,000	2	122,360,000	-	-	-	-	-	-	367,080,000
Total			7,819,973,026		2,441,384,761		171,854,976		42,795,756		-	10,476,008,519

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Notes to financial statements for the year ended March 31, 2014 *(Amount in Rupees unless otherwise stated)*

7. Provisions	Long-term		Short-term	
	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Provision for employee benefits				
Provision for gratuity (refer note 32)	69,870,588	50,269,944	-	-
Provision for leave benefits	-	-	36,306,945	29,471,510
	69,870,588	50,269,944	36,306,945	29,471,510
Other provisions				
Provision for taxation (Net of advance tax)	-	-	61,800,924	195,438,195
Contingent provision against standard assets (refer note 34)	2,478,275	-	160,525,219	30,678,178
Provision for non-performing assets (refer note 34)	1,789,802,585	2,582,346,141	-	-
Provision on securitised / managed portfolio (refer note 2s (iv))	-	-	126,919,644	18,658,341
	1,792,280,860	2,582,346,141	349,245,787	244,774,714
	1,862,151,448	2,632,616,085	385,552,732	274,246,224

8. Short-term borrowings	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Loan repayable on demand		
Cash credit from banks	970,276,117	1,646,879,453
Other loans and advances		
Indian rupee loan from banks (secured)	1,914,166,667	4,058,333,333
Indian rupee loan from non banking financial companies (secured)	439,061,968	-
	3,323,504,752	5,705,212,786
The above amount includes		
Secured borrowings	3,292,311,203	5,705,212,786

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

9. Other current liabilities	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Employee benefit payable	70,957,108	45,418,193
Payable towards asset assignment / securitisation transactions	1,798,361,121	1,409,033,824
Expenses payable	26,993,857	37,543,161
Other payable	252,157,889	88,000,325
Other liabilities		
Current maturities of long-term borrowings (refer note 6)	8,987,048,382	7,819,973,026
Current maturities of finance lease obligation (refer note 6)	-	2,608,149
Interest accrued but not due on borrowings	62,356,608	74,770,631
Interest accrued and due on borrowings	15,569,907	16,993,232
Statutory dues payable	12,469,960	23,615,285
Unrealised gain on securitisation transactions	371,504,412	269,649,511
Unamortized income		
Unamortized fees income	209,127,694	154,875,921
	11,806,546,938	9,942,481,258

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10. Tangible assets	Furniture and fixtures	Computers	Office equipments	Vehicles	Assets on lease (Computers)	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Cost						
At April 1, 2012	164,903,304	302,037,169	65,830,533	2,791,150	22,581,051	558,143,207
Additions	749,238	128,515	2,018,362	261,551	-	3,157,666
Disposals	(41,619,287)	(108,386,356)	(14,358,048)	(2,748,325)	-	(167,112,016)
At March 31, 2013	**124,033,255**	**193,779,328**	**53,490,847**	**304,376**	**22,581,051**	**394,188,857**
Additions	779,651	3,283,536	2,798,185	-	-	6,861,372
Disposals	(6,376,926)	(1,269,706)	(2,054,798)	-	-	(9,701,430)
At March 31, 2014	**118,435,980**	**195,793,158**	**54,234,234**	**304,376**	**22,581,051**	**391,348,799**
Depreciation						
At April 1, 2012	130,209,192	229,808,893	22,013,222	1,553,672	12,632,628	396,217,607
Charge for the year	5,389,705	24,195,771	6,663,150	75,840	7,527,018	43,851,484
Disposals	(33,234,909)	(92,093,351)	(6,492,596)	(1,562,069)	-	(133,382,925)
At March 31, 2013	**102,363,988**	**161,911,313**	**22,183,776**	**67,443**	**20,159,646**	**306,686,166**
Charge for the year	4,070,280	13,195,287	4,662,463	61,342	2,421,405	24,410,777
Disposals	(6,054,746)	(1,061,933)	(1,088,685)	-	-	(8,205,364)
At March 31, 2014	**100,379,522**	**174,044,667**	**25,757,554**	**128,785**	**22,581,051**	**322,891,579**
Impairment loss						
At April 1, 2012	-	-	-	-	-	-
Charge for the year	200,453	916,562	1,682,985	-	-	-
At March 31, 2013	**200,453**	**916,562**	**1,682,985**	-	-	**2,800,000**
Charge for the year	(17,625)	(968)	(184,546)	-	-	(203,139)
At March 31, 2014	**182,828**	**915,594**	**1,498,439**	-	-	**2,596,861**
Net Block						
At March 31, 2013	**21,468,814**	**30,951,453**	**29,624,086**	**236,933**	**2,421,405**	**84,702,691**
At March 31, 2014	**17,873,630**	**20,832,897**	**26,978,241**	**175,591**	-	**65,860,359**

The Company does not have any other assets on lease except as disclosed above.
All assets have been recognized at cost

11. Intangible assets	Computer software	Total
Gross block		
At April 1, 2012	162,158,083	162,158,083
Addition	5,005,578	5,005,578
At March 31, 2013	**167,163,661**	**167,163,661**
Addition	20,145,044	20,145,044
At March 31, 2014	**187,308,705**	**187,308,705**
Amortization		
At April 1, 2012	119,546,973	119,546,973
Charge for the year	20,503,237	20,503,237
At March 31, 2013	**140,050,210**	**140,050,210**
Charge for the year	16,345,606	16,345,606
At March 31, 2014	**156,395,816**	**156,395,816**
Net block		
At March 31, 2013	**27,113,451**	**27,113,451**
At March 31, 2014	**30,912,889**	**30,912,889**

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(Amount in Rupees unless otherwise stated)

12. Non-current investments	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Non-trade investments (valued at cost)		
Investment in equity instruments (unquoted)		
200,000 (March 31, 2013 : 200,000) Equity shares of Rs.10/- each fully paid-up in Alpha Micro Finance Consultants Private Limited	2,000,000	2,000,000
	2,000,000	**2,000,000**
Aggregate amount of unquoted investments	2,000,000	2,000,000

13. Deferred tax asset	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
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	12,340,731	9,562,031
Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	17,452,366	16,186,013
Impact of accumulated tax losses and unabsorbed depreciation	4,803,425,269	4,608,875,567
Impact of amortisation of share issue expenses	26,784,729	51,134,484
Impact of provision for standard and non performing assets	718,468,830	866,514,770
Others	84,930	192,076
Deferred tax asset	5,578,556,855	5,552,464,941
Deferred tax asset recognised	-	-

The deferred tax asset amounting to Rs. 5,578,556,855 as at March 31, 2014 has not been recognized (refer note 2 (l)). The said sum of Rs. 5,578,556,855 will be available to offset tax on future taxable income.

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Notes to financial statements for the year ended March 31, 2014

(Amount in Rupees unless otherwise stated)

14. Loans and advances		Non-current		Current	
		31-Mar-14 (Rupees)	31-Mar-13 (Rupees)	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
A. Portfolio Loans					
Joint liability group loans					
Unsecured, considered good*		247,827,496	-	13,929,800,736	11,767,367,028
Unsecured, considered doubtful**		1,707,397,822	2,491,753,859	-	-
		1,955,225,318	2,491,753,859	13,929,800,736	11,767,367,028
Individual loans					
Secured, considered good*		-	-	543,629,103	503,903,969
Secured, considered doubtful**		98,107,296	140,850,564	-	-
		98,107,296	140,850,564	543,629,103	503,903,969
		2,053,332,614	2,632,604,423	14,473,429,839	12,271,270,997
Joint liability group loans placed as collateral towards asset assignment / securitisation transaction (refer note 26)					
Unsecured, considered good*		-	-	679,663,334	404,892,002
Unsecured, considered doubtful**		111,766		-	-
		111,766	-	679,663,334	404,892,002
	(A)	2,053,444,380	2,632,604,423	15,153,093,173	12,676,162,999

* Represents standard assets in accordance with Company's asset classification policy (refer note 2(s) & 34)
** Represents non-performing assets in accordance with Company's asset classification policy (refer note 2(s) & 34)

B. Security deposits					
Unsecured, considered good		37,990,516	36,887,513	-	-
	(B)	37,990,516	36,887,513	-	-
C. Advances recoverable in cash or kind					
Unsecured, considered good		6,534,482	6,638,785	55,452,915	110,711,363
Unsecured, considered doubtful		31,442,728	36,236,310	-	-
		37,977,210	42,875,095	55,452,915	110,711,363
Provision for doubtful advances		(31,442,728)	(36,236,310)	-	-
	(C)	6,534,482	6,638,785	55,452,915	110,711,363
D. Other loans and advances (unsecured, considered good)					
Loans to SKS Microfinance Employees Benefit Trust (refer note 36)		54,168,606	54,168,606	-	-
Advance fringe benefit tax (net of provision)		937,183	937,183	-	-
Advance income tax (net of provision)		139,609,392	94,508,481	-	-
Prepaid expenses		-	-	26,467,534	29,095,426
	(D)	194,715,181	149,614,270	26,467,534	29,095,426
Total (A+B+C+D)		2,292,684,559	2,825,744,991	15,235,013,622	12,815,969,788

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(Amount in Rupees unless otherwise stated)

15. Other assets	Non Current		Current	
	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Non-current bank balances (refer note17)	317,801,957	343,764,218	-	-
Interest accrued but not due on portfolio loans	-	-	73,961,540	60,258,448
Interest accrued and due on portfolio loans	-	-	12,351,702	3,738,490
Interest accrued but not due on deposits placed with banks	10,711,346	20,498,356	86,749,281	40,364,110
Interest strip on securitisation transactions	-	-	371,504,412	269,649,511
Others-unsecured, considered good	-	-	9,225,013	7,966,400
	328,513,303	364,262,574	553,791,948	381,976,959

16. Trade receivables	Current	
	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	51,070,879	5,556,288
	51,070,879	5,556,288

The Company does not have any trade receivables outstanding for a period exceeding six months from the date they are due for payment

17. Cash and bank balances	Non-current		Current	
	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Cash and cash equivalents				
Balances with banks				
On current accounts	-	-	4,012,334,365	4,366,489,403
Deposits with original maturity of less than three months	-	-	-	2,110,000,000
Cash on hand	-	-	139,794,756	106,770,998
	-	-	4,152,129,121	6,583,260,401
Other bank balances				
Margin money deposit (refer note (a) below)	317,801,957	343,764,218	2,244,945,962	2,022,616,814
	317,801,957	343,764,218	2,244,945,962	2,022,616,814
Amount disclosed under non-current assets (refer note 15)	(317,801,957)	(343,764,218)		
	-	-	6,397,075,083	8,605,877,215

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

18. Revenue from operations	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Interest income		
Interest income on portfolio loans	3,930,491,268	2,199,496,606
Income from securitisation / assignment of loans (refer note 2b (iv) & 26)	557,013,966	583,050,865
Other operating revenue		
Loan processing fees	337,535,323	229,585,028
Recovery against loans written off	178,265,915	161,486,889
Interest on margin money deposits*	186,611,931	148,356,058
	5,189,918,403	**3,321,975,446**

* 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 asset assignments / securitization.

19. Other income	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Interest on fixed deposits	67,835,277	96,120,041
Other fee income	188,217,521	101,093,474
Profit on sale of assets	319,996	-
Miscellaneous income	2,062,116	6,448,121
	258,434,910	**203,661,636**

20. Employee benefit expenses	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Salaries and bonus / incentives	1,493,262,322	1,517,530,958
Leave benefits	19,285,668	12,804,004
Contribution to provident fund	51,527,132	57,931,578
Contribution to Employee State Insurance Corporation	26,359,199	29,835,904
Gratuity expenses (refer note 32)	19,600,644	9,041,272
Staff welfare expenses	68,474,015	84,019,456
Stock option expenditure	(22,876,269)	15,541,113
	1,655,632,711	**1,726,704,285**

Employee benefit expenses include termination benefits of Rs 20,821,941 for the period ended March 31, 2014 (March 31, 2013: Rs.57,878,423)

21. Finance costs	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Interest		
On term loans from banks	1,649,564,916	958,087,512
On term loans from financial institutions	175,896,250	161,069,844
On term loans from non banking financial companies	37,677,525	7,290,764
On bank overdraft facility	58,349,933	130,460,325
On shortfall in payment of advance income tax	16,358,708	13,452,511
Finance charges for leased assets	103,834	1,003,526
Other finance costs	201,672,841	153,436,610
Bank charges	2,590,368	2,390,996
	2,142,214,375	**1,427,192,088**

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22. Other expenses	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Rent	135,279,346	141,234,225
Rates and taxes	2,613,066	3,089,041
Insurance	16,968,504	25,867,029
Repairs and maintenance		
Plant and machinery	12,538,367	8,574,145
Others	70,300,785	76,639,189
Electricity charges	24,338,218	26,403,222
Travelling and conveyance	254,613,158	291,320,165
Communication expenses	46,185,348	46,852,545
Printing and stationery	37,492,756	37,392,451
Legal and professional fees	78,104,323	91,250,682
Directors' sitting fees	1,020,000	710,000
Directors stock option expenditure	12,543,301	13,069,631
Auditors' remuneration (refer details below)	9,290,875	8,612,820
Other provisions and write off	40,917,041	37,710,273
Loss on sale of fixed assets	-	4,862,388
Miscellaneous expenses	23,322,371	20,956,097
	765,527,459	834,543,903

Payment to auditors	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
As auditor:		
Audit fee	4,950,000	4,550,000
Limited review	2,850,000	2,550,000
In other capacity:		
Other services (certification fees)	580,000	400,000
Reimbursement of expenses	910,875	1,112,820
	9,290,875	8,612,820

23. Depreciation and amortization expense	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Depreciation of tangible assets	24,410,777	43,851,484
Amortization of intangible assets	16,345,606	20,503,237
	40,756,383	64,354,721

24. Provisions and write-offs	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Contingent provision against standard assets (refer note 34)	132,325,317	(15,032,315)
Provision for non-performing assets (refer note 34)	(792,543,557)	2,189,143,759
Portfolio loans and other balances written off	696,936,611	313,295,041
Provision and loss on securitized / assigned / managed portfolio (refer note 2 b & s (iv))	108,994,199	(43,177,759)
	145,712,570	2,444,228,726

25. Earnings per share (EPS)

The following reflects the profit / (loss) and share data used in the basic and diluted EPS computations:

	31-Mar-14 (Rupees)	31-Mar-13 (Rupees)
Net Profit/loss for calculation of basic EPS	698,509,815	(2,971,386,641)
Net Profit/loss for calculation of diluted EPS	698,509,815	(2,971,386,641)

	No. of shares	No. of shares
Weighted average number of equity shares in calculating basic EPS	108,212,728	97,266,721
Effect of dilution:		
Stock options granted under ESOP*	255,385	Nil
Weighted average number of equity shares in calculating diluted EPS	108,468,113	97,266,721

**For the year ended March 31, 2013, since the impact of conversion of potential equity shares is anti-dilutive in nature, the same have not been considered in calculation of diluted EPS.*

26. **Securitisation / Assignment of loans**

Disclosure as per RBI circular DBOD.NO.BP.BC.60 / 21.04.048/2005-06 dated February 1, 2006:
During the year the Company has sold loans through securitization / direct assignment. The information on securitization / direct assignment activity of the Company as an originator is as shown below:

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Total number of loans securitized/assigned	2,089,215	1,632,773
Total book value of loans securitized/assigned	16,931,480,950	11,946,724,765
Total book value of loans securitized/assigned including loans placed as collateral	18,173,425,001	12,569,264,979
Sale consideration received for loans securitized/assigned	16,931,480,950	11,946,724,765
Income recognised in the statement of profit and loss	557,013,966	583,050,865
Particulars	**As at March 31, 2014**	**As at March 31, 2013**
Credit enhancements provided and outstanding (Gross):		
Interest subordination*	371,504,412	21,611,770
Principal subordination	679,775,100	404,892,002
Cash collateral	1,567,780,869	1,842,356,809
Corporate Guarantee	-	50,000,000

* Interest subordination as at March 31, 2013 represents interest collection of non-amortising interest strip. Income has been recognised in respect of this amount as per RBI circular DNBS.PD.No. 301/3.10.01/2012-13 dated August 21, 2012.

Disclosure as per RBI circular DNBS.PD.No. 301/3.10.01/2012-13 dated August 21, 2012:

		For the year ended March 31, 2014		For the year ended March 31, 2013	
S.No.	Particulars	Numbers	Amount	Numbers	Amount
1.	No. of SPVs sponsored by the NBFC for securitisation transactions during the year	13	16,931,480,950	12	11,446,732,730
2.	Total amount of securitised assets as per the books of the SPVs sponsored by the NBFC as on the date of balance sheet:		12,050,400,392		8,252,044,752
3.	Total amount of exposures retained by the NBFC to comply with minimum retention requirement ('MRR') as on the date of balance sheet:		679,775,100		404,892,002
	a) Off balance sheet exposures				
	-First loss		-		-
	-Others		-		-
	b) On balance sheet exposures				
	-First loss		679,775,100		404,892,002
	-Others		-		-
4.	Amount of exposures to securtisation transactions other than MRR:		1,939,285,281		1,738,524,902
	a) Off-balance sheet exposures				
	i) Exposure to own securitisations				
	-First loss		-		-
	-Others		-		-
	ii) Exposure to third party securitisations				
	-First loss		-		-
	-Others		-		-
	a) On-balance sheet exposures				
	i) Exposure to own securitisations				
	-First loss		1,939,285,281		1,738,524,902
	-Others		-		-
	ii) Exposure to third party securitisations				
	-First loss		-		-
	-Others		-		-

27. Segment information

The Company operates in a single reportable segment i.e. financing, which has similar risks and returns for the purpose of AS 17 on 'Segment Reporting' notified under the Companies (Accounting Standard) Rules, 2006 (as amended). The Company operates in a single geographical segment i.e. domestic.

28. 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 (Chief Financial Officer till February 4, 2014)

b. Related party transactions

Particulars	Key Management Personnel	
	31-Mar-14	31-Mar-13
Transactions during the year		
Salary, incentives & perquisites – Mr.M.R. Rao (refer note 1 below)	15,810,800	16,226,936
Salary, incentives & perquisites – Mr. S. Dilli Raj	12,341,674	6,922,122
Balances as at year end		
Incentive payable – Mr. M.R. Rao	-	-
Incentive payable – Mr. S. Dilli Raj	-	-

Note 1: Salary, incentives and perquisites for Mr. M.R.Rao for financial year 2012-13 include amounts of Rs.7,384,276 representing arrear payment for the financial year 2011-12.

29. Capital and other commitments

Estimated amounts of contracts remaining to be executed on capital account (net of capital advances) and not provided:

Particulars	March 31, 2014	March 31, 2013
For development of computer software	8,551,012	943,000
For purchase of computer peripherals	1,380,000	-

30. Contingent liabilities not provided for

Particulars	March 31, 2014	March 31, 2013
Credit enhancements provided by the Company towards securitisation (including cash collaterals, principal and interest subordination)	2,317,185,220	2,050,236,250
Performance security provided by the Company pursuant to service provider agreement	327,026,873	20,000,000
Tax on items disallowed by the Income Tax department not acknowledged as debt by the Company*	9,578,882	42,346,628

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

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31. Stock option scheme

The Company has provided various share-based payment schemes to its Directors and Employees. The plans in operation are Plan I (Managing Director), Plan II (Other Independent Directors) and Plan III (Employees) while 'a', 'b', 'c', 'd', 'e', 'f', 'g', 'h', 'i', 'j' are the different grants made under these plans. During the year ended March 31, 2014, the following series were in operation:

Particulars	Plan I (b)	Plan II (b)	Plan II (c)	Plan II (d)	Plan II (e)	Plan II (f)	Plan II (g)
Date of grant	Nov 10, 2008	Feb 1, 2008	Nov 10, 2008	July 29, 2009	Feb 1, 2010	Nov 23, 2011	Mar 12, 2013
Date of Board approval	Oct 30, 2008	Oct 15, 2007	Oct 15, 2007	Oct 15, 2007	Jan 5, 2010	Nov 23, 2011	Mar 12, 2013
Date of shareholder's approval	Nov 8, 2008	Jan 16, 2008	Jan 16, 2008	Jan 16, 2008	Jan 8, 2010	Jul 16, 2010	Dec 07, 2011
Number of options granted	1,769,537	15,000	6,000	18,000	90,000	300,000	400,000
Exercise price	Rs.300	Rs.70.67	Rs.70.67	Rs.300	Rs.300	Rs.109.95	Rs. 150
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Vesting period	Immediate	**Immediate	*Immediate	*Immediate	25% equally at the end of each year	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%
Exercise period	60 months from the date of vesting	36 months from the date of vesting***	36 months from the date of vesting***	36 months from the date of vesting****	60 months from the date of grant	36 months from the date of vesting	On or before Mar 11, 2018
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 2008	ESOP 2008-ID	ESOP 2008-ID	ESOP 2008-ID	ESOP 2008-ID	ESOP 2010	ESOP 2011

* 1/3rd of the options can be exercised within first twelve months from grant date; another 1/3rd of the options can be exercised within twenty four months from grant date and the rest being exercised within thirty six months from grant date.

** 1/2 of the options can be exercised within twenty four months from grant date; another 1/2 of the options can be exercised within thirty six months from grant date.

*** Exercise period extended upto February 1, 2016.

**** Exercise period extended upto July 29, 2014

(Amount in Rupees unless otherwise stated)

Particulars	Plan III (a)	Plan III (b)	Plan III (c)	Plan III (d)	Plan III (e)
Date of grant	Nov 3, 2009	Dec 15, 2009	Dec 15, 2009	May 4, 2010	May 4, 2010
Date of Board approval	July 29, 2009	Nov 4, 2009	Nov 4, 2009	May 4, 2010	May 4, 2010
Date of shareholder's approval	Sep 30, 2009	Dec 10, 2009	Dec 10, 2009	Dec 10, 2009	Dec 10, 2009
Number of options granted	514,750	1,313,160	568,000	4,340	6,000
Exercise price	Rs.300	Rs.150	Rs.300	Rs.150	Rs.300
Method of settlement	Equity	Equity	Equity	Equity	Equity
Vesting period	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	20 % equally at the end of each year	20 % equally at the end of each year
Exercise period	60 months from the date of grant	72 months from the date of grant	72 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 2009	ESOP 2009	ESOP 2009	ESOP 2009	ESOP 2009

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

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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
Number of options granted	1,486,329	119,112	15,760	11,564	58,000
Exercise price	Rs.229.40	Rs. 150	Rs.113	Rs.160.45	Rs.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

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

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The details of **Plan I (b)** have been summarised below:

Particulars	**As at March 31, 2014**		**As at March 31, 2013**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	1,769,537	300.00	1,769,537	300.00
Granted during the year				
Forfeited during the year	1,769,537	300.00	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	1,769,537	300.00
Exercisable at the end of the year	-	-	1,769,537	300.00
Weighted average remaining contractual life (in years)	-	-	0.6	-
Weighted average fair value of options granted	-	-	-	2.92

The details of **Plan I (c)** have been summarised below:

Particulars	**As at March 31, 2014**		**As at March 31, 2013**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	-	-	225,000	300.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	225,000	300.00
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)	-	-	-	-
Weighted average fair value of options granted	-	-	-	-

The details of **Plan II (b)** have been summarised below:

Particulars	**As at March 31, 2014**		**As at March 31, 2013**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	15,000	70.67	15,000	70.67
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	15,000	70.67	15,000	70.67
Exercisable at the end of the year	15,000	70.67	15,000	70.67
Weighted average remaining contractual life (years)*	1.8	-	2.8	-
Weighted average fair value of options granted	-	17.72	-	17.72

* Exercise period ending on February 1, 2013, extended upto February 1, 2016.

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The details of **Plan II (c)** have been summarised below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	3,000	70.67	4,000	70.67
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	1,000	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	3,000	70.67	3,000	70.67
Exercisable at the end of the year	3,000	70.67	3,000	70.67
Weighted average remaining contractual life (years)*	1.8	-	2.8	-
Weighted average fair value of options granted	-	52.14	-	52.14

* Exercise period ending on February 1, 2013, extended upto February 1, 2016.

The weighted average share price on the date of exercise of 1,000 stock options was Rs.154.55.

The details of **Plan II (d)** have been summarised below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	18,000	300.00	18,000	300.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	18,000	300.00	18,000	300.00
Exercisable at the end of the year	18,000	300.00	18,000	300.00
Weighted average remaining contractual life (in years)*	0.3	-	1.3	-
Weighted average fair value of options granted	-	21.57	-	21.57

* Original exercise period ending on July 29, 2012, extended upto July 29, 2014

The details of **Plan II (e)** have been summarised below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	49,500	300.00	49,500	300.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year*	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	49,500	300.00	49,500	300.00
Exercisable at the end of the year	49,500	300.00	36,000	300.00
Weighted average remaining contractual life (in years)	0.8	-	1.8	-
Weighted average fair value of options granted	-	72.53	-	72.53

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The details of **Plan II (f)** have been summarised below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	300,000	109.95	300,000	109.95
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	300,000	109.95	300,000	109.95
Exercisable at the end of the year	198,000	-	99,000	-
Weighted average remaining contractual life (in years)	3.7	-	4.7	-
Weighted average fair value of options granted	-	77.23	-	77.23

The details of **Plan II (g)** have been summarised below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	400,000	150.00	-	-
Granted during the year	-	-	400,000	150.00
Forfeited during the year	100,000	150.00	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	300,000	150.00	400,000	150.00
Exercisable at the end of the year	99,000	150.00	-	-
Weighted average remaining contractual life (in years)	3.9	-	4.9	-
Weighted average fair value of options granted	-	71.81	-	71.81

The details of **Plan III (a)** have been summarised below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	192,190	300.00	260,640	300.00
Granted during the year				
Forfeited / surrendered during the year	31,600	300.00	68,450	300.00
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	160,590	300.00	192,190	300.00
Exercisable at the end of the year	160,590	300.00	159,170	300.00
Weighted average remaining contractual life (in years)	0.6	-	1.6	-
Weighted average fair value of options granted	-	41.18	-	41.18

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The details of **Plan III (b)** have been summarised below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	556,319	150.00	788,363	150.00
Granted during the year	-	-	-	-
Forfeited during the year	148,952	150.00	232,044	150.00
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	407,367	150.00	556,319	150.00
Exercisable at the end of the year	315,101	150.00	280,593	150.00
Weighted average remaining contractual life (in years)	1.6	-	2.6	-
Weighted average fair value of options granted	-	115.30	-	115.30

The details of **Plan III (c)** have been summarised below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	153,540	300.00	284,540	300.00
Granted during the year	-	-	-	-
Forfeited / surrendered during the year	28,300	300.00	131,000	300.00
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	125,240	300.00	153,540	300.00
Exercisable at the end of the year	104,040	300.00	83,580	300.00
Weighted average remaining contractual life (in years)	1.6	-	2.6	-
Weighted average fair value of options granted	-	69.29	-	69.29

The details of **Plan III (d)** have been summarised below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	2,704	150	2,704	150
Granted during the year	-	-	-	-
Forfeited during the year	792	150	-	-
Exercised during the year	264	150	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	1,648	150	2,704	150
Exercisable at the end of the year	964	150	849	150
Weighted average remaining contractual life (in years)	2.1	-	3.1	-
Weighted average fair value of options granted	-	233.75	-	233.75

The weighted average share price on the date of exercise of stock options was Rs.173.47.

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The details of **Plan III (e)** have been summarised below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	3,000	300	3,000	300
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	3,000	300	3,000	300
Exercisable at the end of the year	1800	300	1200	300
Weighted average remaining contractual life (in years)	2.1	-	3.1	-
Weighted average fair value of options granted	-	152.53	-	152.53

The details of **Plan III (f)** have been summarised below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	806,099	229.40	1,216,135	229.40
Granted during the year	-	-	-	-
Forfeited / surrendered during the year	187,616	229.40	410,036	229.40
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	618,483	229.40	806,099	229.40
Exercisable at the end of the year	618,483	229.40	403,050	-
Weighted average remaining contractual life (in years)	2.4	-	3.4	-
Weighted average fair value of options granted	-	146.37	-	146.37

The details of **Plan III (g)** have been summarised below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	119,112	150.00	-	-
Granted during the year	-	-	119,112	150.00
Forfeited during the year	11,564	150.00	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	107,548	150.00	119,112	150.00
Exercisable at the end of the year	35,491	150.00	-	-
Weighted average remaining contractual life (in years)	4.0	-	5.0	-
Weighted average fair value of options granted	-	57.43	-	57.43

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The details of **Plan III (h)** have been summarised below:

Particulars	**As at March 31, 2014**		**As at March 31, 2013**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	15,760	113.00	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	15,760	113.00	-	-
Exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)	4.4	-	-	-
Weighted average fair value of options granted	-	57.37	-	-

The details of **Plan III (i)** have been summarised below:

Particulars	**As at March 31, 2014**		**As at March 31, 2013**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	11,564	160.45	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	11,564	160.45	-	-
Exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)	4.6	-	-	-
Weighted average fair value of options granted	-	76.08	-	-

The details of **Plan III (j)** have been summarised below:

Particulars	**As at March 31, 2014**		**As at March 31, 2013**	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	58,000	174.95	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	58,000	174.95	-	-
Exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)	4.9	-	-	-
Weighted average fair value of options granted	-	91,52	-	-

Details of exercise price for stock options outstanding as at March 31, 2014:

Series	Range of exercise prices	Number of options outstanding (31-Mar-14)	Number of options outstanding (31-Mar-13)	Weighted average remaining contractual life of options (in years) (31-Mar-14)	Weighted average remaining contractual life of options (in years) (31-Mar-13)	Weighted average exercise price
Options outstanding as on 31-Mar-14 and 31-Mar-13:						
Plan I (b)	300.00	-	1,769,537	-	0.6	300.00
Plan II(b)	70.67	15,000	15,000	1.8	2.8	70.67
Plan II (c)	70.67	3,000	3,000	1.8	2.8	70.67
Plan II (d)	300.00	18,000	18,000	0.3	1.3	300.00
Plan II (e)	300.00	49,500	49,500	0.8	1.8	300.00
Plan II (f)	109.95	300,000	300,000	3.7	4.7	109.95
Plan II (g)	150.00	300,000	400,000	0.6	1.6	150.00
Plan III (a)	300.00	160,690	192,190	1.6	2.6	300.00
Plan III (b)	150.00	407,367	556,319	1.6	2.6	150.00
Plan III (c)	300.00	125,140	153,540	2.1	3.1	300.00
Plan III (d)	150.00	1,648	2,704	2.1	3.1	150.00
Plan III (e)	300.00	3,000	3,000	2.4	3.4	300.00
Plan II (f)	229.40	618,483	806,099	3.9	4.9	229.40
Plan III (g)	150.00	107,548	119,112	4.0	5.0	150.00
Options granted during the year and outstanding as on 31-Mar-14:						
Plan III (h)	113.00	15,760	-	4.4	-	113.00
Plan III (i)	160.45	11,564	-	4.6	-	160.45
Plan III (j)	174.95	58,000	-	4.9	-	174.95

Stock options granted during the year:

Plan III (h): The weighted average fair value of stock options granted during the year was Rs.57.37. The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Tranche vesting in FY 2014-15	Tranche vesting in FY 2015-16	Tranche vesting in FY 2016-17	Tranche vesting in FY 2017-18
Share price on the date of grant (Rs.)	113.90	113.90	113.90	113.90
Exercise price (Rs.)	113.00	113.00	113.00	113.00
Expected volatility (%)	54.10	54.10	54.10	54.10
Life of the options granted (years)	3.0	3.5	4.0	4.5
Risk-free interest rate (%)	9.27	9.19	9.11	9.05
Expected dividend rate (%)	0%	0%	0%	0%
Fair value of the option	51.66	55.71	59.38	62.73

Plan III (i): The weighted average fair value of stock options granted during the year was Rs.76.08. The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Tranche vesting in FY 2014-15	Tranche vesting in FY 2015-16	Tranche vesting in FY 2016-17	Tranche vesting in FY 2017-18
Share price on the date of grant (Rs.)	155.40	155.40	155.40	155.40
Exercise price (Rs.)	160.45	160.45	160.45	160.45
Expected volatility (%)	55.06	55.06	55.06	55.06
Life of the options granted (years)	3.0	3.5	4.0	4.5
Risk-free interest rate (%)	8.45	8.47	8.49	8.51
Expected dividend rate (%)	0%	0%	0%	0%
Fair value of the option	68.01	73.71	78.93	83.6[illegible]

Plan III (j): The weighted average fair value of stock options granted during the year was Rs.91.52. The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Tranche vesting in FY 2014-15	Tranche vesting in FY 2015-16	Tranche vesting in FY 2016-17	Tranche vesting in FY 2017-18
Share price on the date of grant (Rs.)	178.30	178.30	178.30	178.30
Exercise price (Rs.)	174.95	174.95	174.95	174.95
Expected volatility (%)	55.90	55.06	55.06	55.06
Life of the options granted (years)	3.0	3.5	4.0	4.5
Risk-free interest rate (%)	8.82	8.84	8.87	8.89
Expected dividend rate (%)	0%	0%	0%	0%
Fair value of the option	82.37	88.83	94.75	100.13

Volatility of the share price of the Company has been calculated as the standard deviation of the closing prices for a period of one year ending on the date of grant.

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

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Directors stock option expenditure	12,543,301	13,069,631
Employees stock option expenditure	(22,876,269)	15,541,113
Subtotal	**(10,332,968)**	**28,610,744**
Total compensation cost pertaining to equity-settled employee share based payment	**(10,332,968)**	**28,610,744**

Particulars	As at March 31, 2014	As at March 31, 2013
Stock options outstanding (gross)	217,828,594	272,293,052
Deferred compensation cost outstanding	(20,901,833)	(64,972,247)
Stock options outstanding (net)	196,926,761	207,320,805

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32. 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. 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, 2014	For the year ended March 31, 2013
Current service cost	14,823,396	19,320,701
Interest cost on benefit obligation	6,260,147	6,750,819
Expected return on plan assets	(2,434,425)	(3,193,877)
Net actuarial (gain) / loss recognised in the year	951,526	(13,836,371)
Past service cost	-	-
Net employee benefit expense	**19,600,644**	**9,041,272**
Return on plan assets*	**1,482,899**	**2,983,762**

**Represents expected return as determined by the actuary for financial year 2013-14.*

Balance Sheet

Details of provision for gratuity:

Particulars	Gratuity	
	March 31, 2014	March 31, 2013
Defined benefit obligation	87,519,363	78,251,840
Fair value of plan assets	(17,648,775)	(27,981,896)
Plan liability	**69,870,588**	**50,269,944**

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

Particulars	Gratuity	
	March 31, 2014	March 31, 2013
Opening defined benefit obligation	78,251,840	79,421,404
Interest cost	6,260,147	6,750,819
Current service cost	14,823,396	19,320,701
Benefits paid	(11,827,411)	(13,194,598)
Actuarial (gains) / losses on obligation	11,391	(14,046,486)
Closing defined benefit obligation	**87,519,363**	**78,251,840**

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

Particulars	Gratuity	
	March 31, 2014	March 31, 2013
Opening fair value of plan assets	27,981,896	37,575,021
Expected return	2,434,425	3,193,877
Contributions by employer	-	617,711
Benefits paid	(11,827,411)	(13,194,598)
Actuarial gains / (losses)	(940,135)	(210,115)
Closing fair value of plan assets	**17,648,775**	**27,981,896**

The Company expects to contribute Rs.12,649,458 (March 31, 2013: Rs. 1,500,000) to gratuity in the next year.

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

Particulars	Gratuity	
	March 31, 2014	March 31, 2013
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, 2014	March 31, 2013
Discount rate	9.14%	8.00%
Expected rate of return on assets	8.70%	8.70%
Salary escalation rate per annum	10% for the first two years and 7% there after	10% 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-14	31-Mar-13	31-Mar-12	31-Mar-11	31-Mar-10
Defined benefit obligation	87,519,363	78,251,840	79,421,404	68,883,615	36,483,997
Plan assets	17,648,775	27,981,896	37,575,021	39,825,147	34,887,552
Surplus / (deficit)	(69,870,588)	(50,269,944)	(41,846,383)	(29,058,468)	(1,596,445)
Experience adjustments on plan liabilities	11,391	(14,046,486)	(17,347,115)	4,648,214	4,582,747
Experience adjustments on plan assets	(940,135)	(210,115)	(1,148,560)	(2,044,673)	(1,549,280)

33. **Expenditure in foreign currency** (on accrual basis)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Professional fees	7,325,755	25,059,000
Travelling expenses	278,009	1,601,768
Membership and subscriptions	190,500	240,999
Software maintenance	133,403	186,047
Total	**7,927,667**	**27,087,814**

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(Amount in Rupees unless otherwise stated)

34. **Loan portfolio and provision for standard and non performing assets as at March 31, 2014:**

Asset classification	Portfolio loans outstanding (Gross)		Provision for standard and non performing assets				Portfolio loans outstanding (Net)	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2013	Provision made during the year	Provision written back during the year	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Standard assets	15,400,920,668	12,271,270,996	30,678,178	132,325,316	-	163,003,494	15,237,917,174	12,240,592,818
Sub-standard assets*	16,635,844	199,793,127	149,534,844	-	146,655,699	2,879,145	13,756,700	50,258,283
Doubtful assets*	2,572,000	27,894,437	27,894,437	-	27,380,037	514,400	2,057,600	-
Loss assets*	1,786,409,040	2,404,916,860	2,404,916,860	-	618,507,820	1,786,409,040	-	-
Total	**17,206,537,553**	**14,903,875,420**	**2,613,024,319**	**132,325,316**	**792,543,556**	**1,952,806,079**	**15,253,731,474**	**12,290,851,101**

Note:
Figures as at March 31, 2013 in the above table does not include loans placed as collateral towards securitisation / assignment transaction amounting to Rs.404,892,002, as the provisioning thereof is done collectively alongwith the loan asset securitized / assigned .

Figures as at March 31, 2014 in the above table includes loans placed as collateral towards securitisation / assignment transaction amounting to Rs.679,775,100 and provision thereon of Rs. 6,797,751.

*Non-performing assets include amount of Rs. 1,786,409,040 representing portfolio in the state of Andhra Pradesh which has been fully provided for.

Loan portfolio and provision for standard and non performing assets as at March 31, 2013:

Asset classification	Portfolio loans outstanding (Gross)		Provision for standard and non performing assets				Portfolio loans outstanding (Net)	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2012	Provision made during the year	Provision written back during the year	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Standard assets	12,271,270,996	4,799,900,931	45,710,493	-	15,032,315	30,678,178	12,240,592,818	4,754,190,438
Sub-standard assets*	199,793,127	2,847,749,972	393,202,382	-	243,667,538	149,534,844	50,258,283	2,454,547,590
Doubtful assets*	27,894,437	-	-	27,894,437	-	27,894,437	-	-
Loss assets*	2,404,916,860	-	-	2,404,916,860	-	2,404,916,860	-	-
Total	**14,903,875,420**	**7,647,650,903**	**438,912,875**	**2,432,811,297**	**258,699,853**	**2,613,024,319**	**12,290,851,101**	**7,208,738,028**

Note: The above table does not include loans placed as collateral towards securitisation / assignment transaction amounting to Rs.404,892,002, as the provisioning thereof is done collectively alongwith the loan asset securitized / assigned .

*Non-performing assets include amount of Rs. 2,576,351,728 representing portfolio in the state of Andhra Pradesh which has been fully provided for.

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35. **Leases**

Finance Lease:
The Company had obtained computers on finance lease for three years with no escalation clause in the lease agreement. There were no restrictions imposed by lease arrangements. There is no finance lease outstanding as at March 31, 2014.

Description	March 31, 2014	March 31, 2013
Total minimum lease payments at the year end	-	2,231,008
Less : amount representing finance charges	-	103,834
Present value of minimum lease payments (Rate of interest: 13% p.a.)	-	**2,127,174**
Contingent rent recognised in the statement of profit and loss		
Minimum Lease Obligations		
Not later than one year [Present value of Rs. Nil as on March 31, 2014 (Rs. 1,567,868 as on March 31, 2013)]	-	2,231,008
Later than one year but not later than five years year [Present value of Rs.Nil as on March 31, 2014 (Rs. Nil as on March 31, 2013)]	-	-
Later than five years	-	-

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. 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.

Description	March 31, 2014	March 31, 2013
Operating lease expenses recognised in the statement of profit and loss	135,279,346	141,234,225
Minimum lease obligations		
Not later than one year	2,042,490	16,416,445
Later than one year but not later than five years	3,297,102	-
Later than five years	-	-

Vehicles:

The Company has taken certain vehicles on cancellable operating lease. Total lease expense under cancellable operating lease during the year was Rs. 8,989,979 (Previous year: Rs. 9,225,353).

36. 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 Rs. 54,168,606 (March 31, 2013: Rs. 54,168,606).

37. During the year, the Company received two 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 aggregates to Rs.460,522,457 (plus penalty and interest, as applicable). The Company has filed appeals and stay petition against these demand orders with The Customs, Excise and Service Tax Appellate Tribunal ('CESTAT').

Based on the merits of the case, 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, 2014.

38. **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, 2014, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

39. **Additional disclosures required by the RBI**

a. **Capital to Risk Asset Ratio ('CRAR'):**

Item	March 31, 2014	March 31, 2013
CRAR (%)	27.19%	33.85%
CRAR – Tier I Capital (%)	27.19%	33.85%
CRAR – Tier II Capital (%)	0.00%	0.00%

The modifications to the NBFC-MFI directions issued by RBI vide its circular no.RBI/2012-13/161 DNBS (PD) CC.No.300 /03.10.038/2012-13 dated August 3, 2012 have specified that provision made towards portfolio in the state of Andhra Pradesh should be in accordance with extant NBFC prudential norms and such provision should be added back notionally to the net owned funds for the purpose of calculation of the capital to risk assets ratio ('CRAR') and would be progressively reduced by 20% each year, over 5 years i.e. from March 31, 2013 to March 31, 2017. As per the progressive reduction 80% of provisioning made towards portfolio in the state of Andhra Pradesh has been notionally reckoned as a part of net own funds. Had the amount of provision mentioned above not been added back to the net owned funds, the CRAR as at March 31, 2014 would have been 20.66% (March 31, 2013: 20.65%).

b. The Company has no exposure to the real estate sector directly or indirectly in the current and previous year.

c. **Information on instances of fraud**

Instances of fraud for the year ended March 31, 2014:

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount written-off
Cash embezzlement	49	9,285,788	5,384,962	3,900,826
Loans given against fictitious documents	20	6,260,275	2,113,545	4,146,730
Fraud by borrowers	8	387,900	12,383	375,517

Instances of fraud for the year ended March 31, 2013:

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount written-off
Cash embezzlement	120	12,762,403	1,743,054	11,019,349
Loans given against fictitious documents	43	8,332,870	948,664	7,384,206
Fraud by external party*	1	455,000	-	-

*This amount has been provided for in financial year 2013-14.

d. **Information on Net Interest Margin during the year:**

Particulars	For the year ended March 31, 2014
Average interest (a)	20.98%
Average effective cost of borrowing (b)	13.98%
Net interest margin (a-b)	7.00%

e. Outstanding of loans against security of gold as a percentage to total assets is 2.24% (March 31, 2013: 2.23%).

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f. Maturity pattern of assets and liabilities:

Maturity pattern of assets and liabilities as on March 31, 2014:

(Rs. in Crores)

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Liabilities									
Borrowings from banks	219.2	108.4	132.6	283.4	321.1	252.3	4.2	-	**1,321.2**
Market borrowings	15.2	19.7	18.8	46.7	61.4	48.3	-	-	**210.1**
Assets									
Advances	179.6	164.3	138.1	433.5	607.9	48.1	2.4	178.9	**1,752.8**
Investments	-	-	-	-	-	-	-	0.2	**0.2**

Maturity pattern of assets and liabilities as on March 31, 2013:

(Rs. in Crores)

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Liabilities									
Borrowings from banks	346.1	53.1	113.6	310.3	419.2	195.3	4.2	-	**1,441.8**
Market borrowings	6.2	6.2	9.8	29.3	58.7	66.1	0.1	-	**176.4**
Assets									
Advances	136.1	123.0	116.0	382.8	524.3	19.9	20.0	243.3	**1565.4**
Investments	-	-	-	-	-	-	-	0.2	**0.2**

40. 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
SKS Microfinance Limited

P.H. Ravikumar
Non-Executive Chairman

M.R.Rao
Managing Director and
Chief Executive Officer

S.Dilli Raj
President

Ashish Dumani
Chief Financial Officer

Sudershan Pallap
Company Secretary

SKS MICROFINANCE LIMITED MUMBAI

B. BATLIBOI & CO. LLP MUMBAI

DECLARATION

Our Company certifies that all relevant provisions of Chapter VIII read with Schedule XVIII of the SEBI Regulations have been complied with and no statement made in this Placement Document is contrary to the same and that all approvals and permissions required to carry on our Company's business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Placement Document are true and correct.

Signed by:

M. Ramachandra Rao
Managing Director and Chief Executive Officer

Ashish Damani
Chief Financial Officer

Date: September 27, 2016
Place: _____

DECLARATION

We, the Directors of our Company certify that:

(i) our Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the offer shall be used only for the purposes and objects indicated in the Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by:

_____

Director

I am authorised by the Capital Raising Committee, a committee of our Board of Directors, vide resolution number _____ dated _____ to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed:

Date: September 27, 2016

Place:

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

Head Office
Third Floor, My Home Tycoon, Block A, 6-3-1192, Kundanbagh, Begumpet,
Hyderabad 500 016

Registered Office
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Mumbai 400 051
Website: www.bfil.co.in; **CIN:** L65999MH2003PLC250504

Contact Person: Rajendra Patil, Company Secretary and Compliance Officer
Address of Compliance Officer:
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Third Floor, My Home Tycoon, Block A, 6-3-1192, Kundanbagh, Begumpet, Hyderabad 500 016
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E-mail: Bfil.qip2016@motilaloswal.com

YES Securities (India) Limited
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