Ujjivan
Build a Better Life

Annual Report 2015 - 16

The Dawn of a New Era...

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Awards and Accolades

Ujjivan has consistently been recognized for its excellence in providing customer centric services, a fulfilling career to its employees, social performance, transparency and innovations. Ujjivan received the prestigious "Microfinance Organization for the Year" award in 2011 and since 2009 it has always been recognized as 'Best Place to Work' in India. It has also been ranked among the 'Top 100 Innovative Companies'. In 2010, Ujjivan was awarded the 'Gold Social Performance Reporting' as well as 'MFI Transparency' awards.

Some notable awards that Ujjivan has won over the past year include:

Ujjivan was awarded the certificate of excellence in recognition of smart innovation at the Innovative 100 summit by Inc. India Magazine;

Ujjivan was ranked #1 amongst the best companies to work in the microfinance industry in 2015 by the Great Place to Work Institute in collaboration with The Economic Times.

Ujjivan was awarded the "Skoch Order-of-Merit" for qualifying as one of India's best in 2015 for capacity building and financial literacy.

Ujjivan received the PR Council of India- Chanakya Awards 2016 in the category- Corporate Citizen of the Year 2016 - for its outstanding contribution to the profession, industry and society at the PRCI 10th Global Communication Conclave at Kolkata.

The Forbes India Leadership Awards (FILA) was held on the evening of September 30, 2015 at the Grand Hyatt hotel in Mumbai. The awards recognize and honour outstanding business leaders from a wide spectrum of Indian entrepreneurs. Samit Ghosh won the Entrepreneur with Social Impact award. This award was for "setting up an institution that provides financial access to approximately 26 lakh of India's Urban and Semi-urban working poor, a majority of them women", and for providing "financial services to the wither to unbanked population in rural areas."

AN EPIC
STORY
OF A
ARRIOR

Corporate Overview

About us

In our everyday lives, we see a lot of people and yet some we don't. In the context of the Indian society, we normally associate poverty with the typical Indian farmer; talk about urban migration and images of millions of educated young people leaving their homes and villages behind with the aspiration of seeking out bigger opportunities in metropolitan cities flash across our minds.

However, there is also a third category of people in our society - masses of impoverished and unskilled migrants, peddlers, construction workers, dhobiwalas, housemaids, wage labourers and many such people - people who once moved to the cities with dreams and aspirations like many of us. People whose dreams remained unfulfilled because they were left behind - unseen. While most of us did not as much as notice or hear them, one particular individual did. Mr. Samit Ghosh made it his dream to make millions of dreams come true. He chose to see them for what they are and that is what led to Ujjivan.

Ujjivan started operations as an NBFC in 2005 with the mission of providing a full range of financial services to the economically active poor who are not adequately served by financial institutions. Presently, Ujjivan's operations are spread across 24 states and union territories, and 209 districts across India, making it the largest MFI in terms of geographical spread. We serve over three million active customers through 469 branches with an employee strength of 8,049. As on March'16, our Gross Loan Book stands at ₹ 5,389 crore making us one of the leading providers of Microfinance in India.

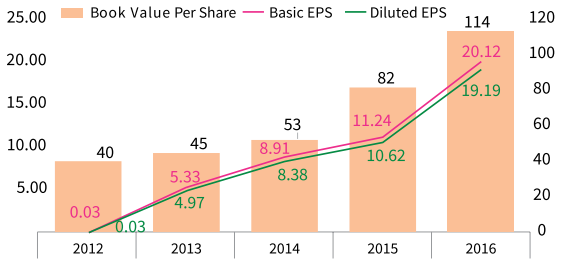
Today, Ujjivan offers a diverse range of loan products to cater to the specific requirements of our customers. Our products can be classified under four broad categories, viz; Microfinance, MSE Finance, Agriculture and Animal Husbandry Finance and Housing Finance. MFI loans follow the Grameen model of lending which is a joint-liability group lending model. Depending on the end use, these broad categories of products can be further sub-divided into agricultural, education, home improvement, home purchase and livestock loans. MSE and Housing loans are both secured and unsecured higher ticket size loan products which are available for both existing and open market customers. Ujjivan has adopted an integrated approach to lending which combines a high customer touch-point typical of microfinance, with the technology infrastructure and related back-end support functions similar to that of a retail bank. This integrated approach has enabled it to manage increasing business volumes and optimize overall efficiencies. Ujjivan prides itself on being a customer centric organization, and this is reflected in our customer retention ratio, which is 86.3%. This approach has been recognized through accolades such as the 'MIX 2013 Socially Transparent and Responsible (S.T.A.R.) MFI' award by MIX in 2013 and the 'Innovator in Responsible Business' award by Inc. India magazine in 2013.

For the past five consecutive years, Ujjivan has been ranked consistently among the top 25 companies to work for in India by the Great Places to Work® Institute in partnership with the Economic Times. For the year 2015, we were ranked 1st in the microfinance sector by the Great Places to Work® Institute.

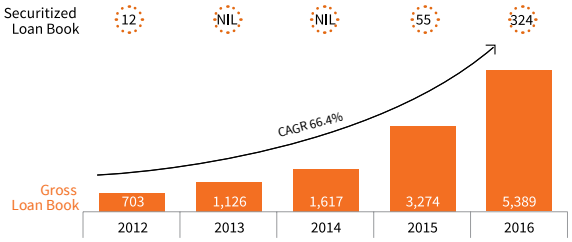
On October 7, 2015, Ujjivan received an in-principle approval from the RBI to set up a Small Finance Bank, placing it in a very select group of institutions to be recognized by the central bank for this institution creation. By virtue of being placed in a select group which has been granted this license, Ujjivan will transition from an institution that provided micro-credit for the unbanked and under-banked to offer a broader spectrum of products in the liabilities space such as savings, deposits and insurance, thus offering a full suite of banking products and services.

Financial Highlights

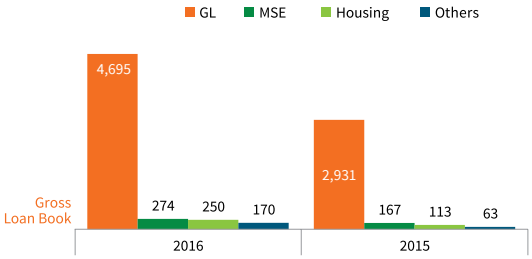
Book Value Per share and EPS (in ₹)



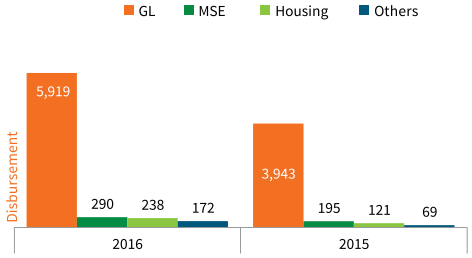
Gross Loan Book & Securitized Loan Book (₹ in crore)



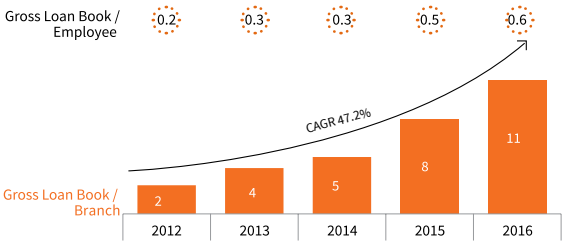
Gross Loan Book-Segment Wise (₹ in crore)



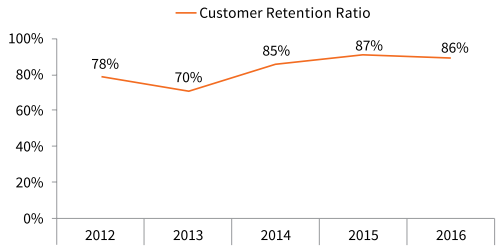
Disbursement Segment Wise (₹ in crore)



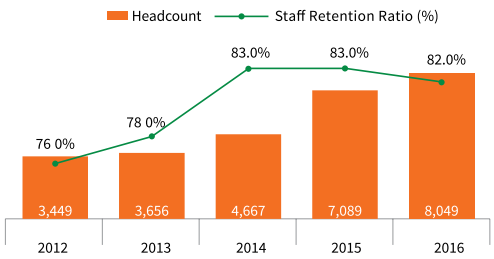
Gross Loan Book per Branch & Gross Loan Book per Employee (₹ in crore)



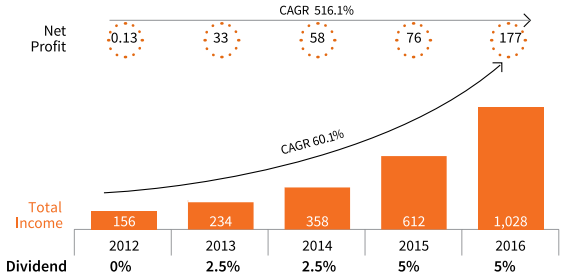
Customer Retention Ratio



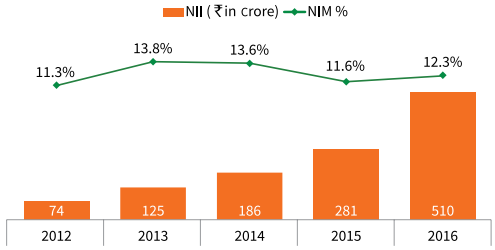
Head Count & Staff Retention Ratio



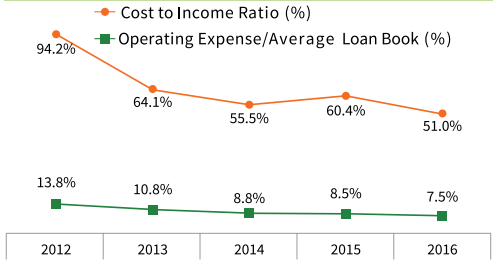
Total Income & Net Profit (₹ in crore)



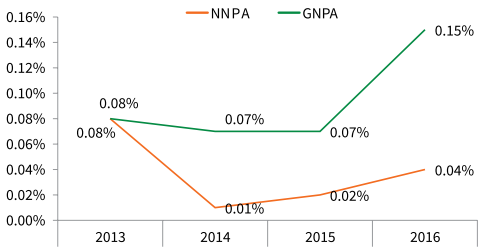
NII & NIM



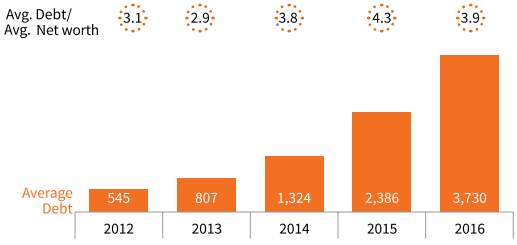
Operating Efficiency



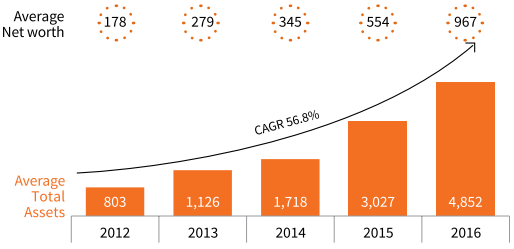
GNPA & NNPA



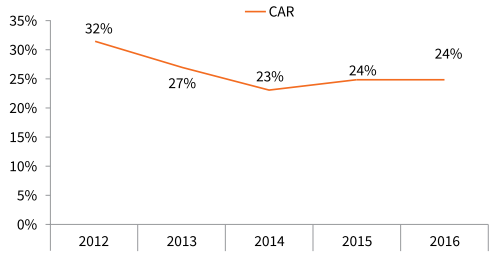
Average Debt (₹ in crore)



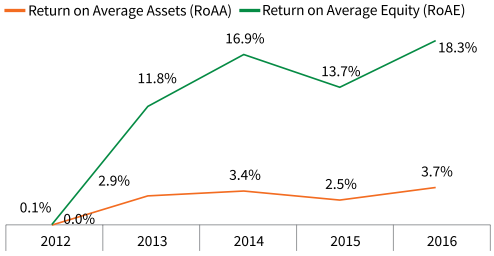
Average Total Assets and Net worth (₹ in crore)



Capital Adequacy Ratio



RoAA & RoAE



Letter from the Managing Director

This year, I would like to share my thoughts on three focus areas:

- Dushotsav- Ujjivan completed 10 years as an NBFC-MFI.
- Ujjivan's Initial Public Offering.
- Transformation to Small Finance Bank- Moving to the platform of a specialized banking institution.

Dushotsav - Celebration of a decade of serving customers as an NBFC-MFI

We closed the year with spectacular financial results:

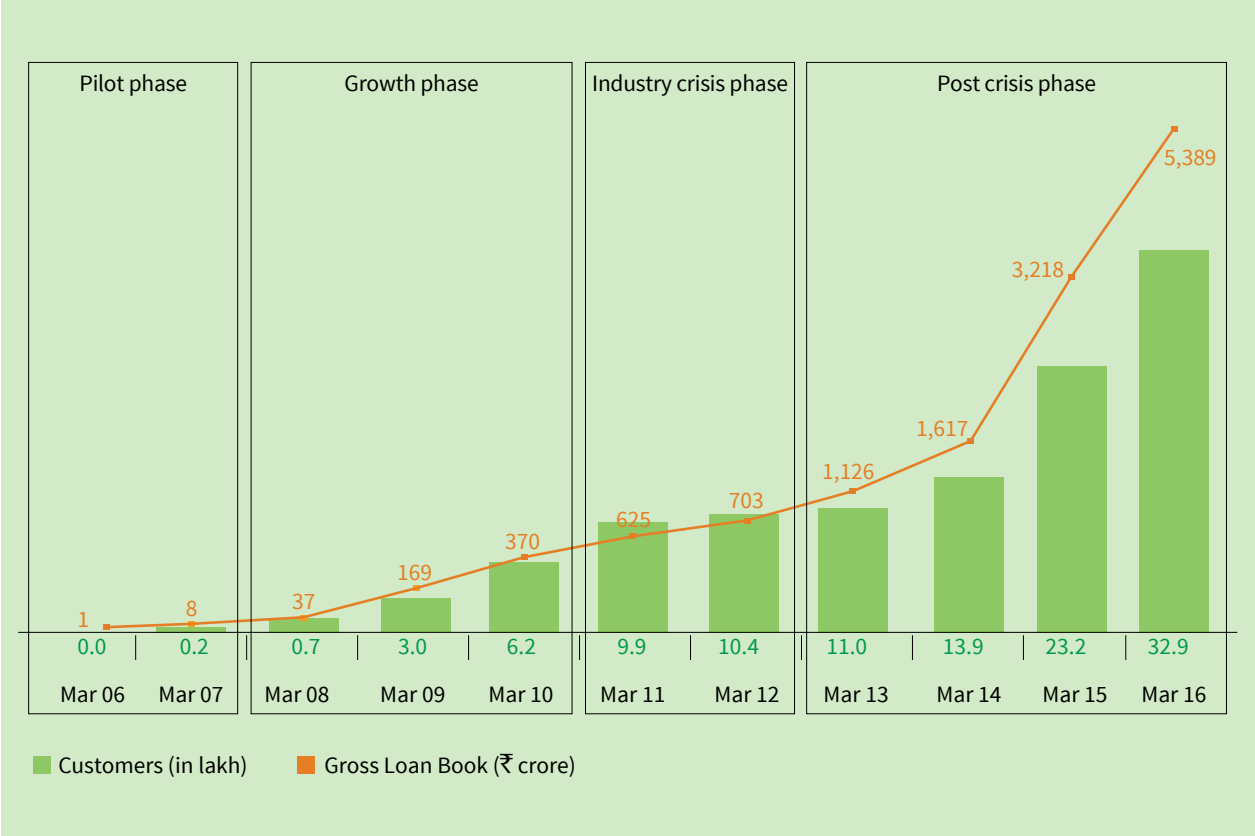
- Profit after Taxes grew by 134% to ₹177 crore.
- Gross Loan book grew by 65% to ₹ 5,388.6 crore
- Our Gross Non Performing assets(GNPA) increased marginally to 0.15% of our portfolio with a cumulative repayment rate of 99.81%
- Our Cost to Income Ratio declined from 60.4% to 51% and Operating Expense Ratio declined from 8.5% to 7.5%.
- Return on Asset of 3.7% compared to 2.5% in the previous year.
- Return on Equity of 18.3 % compared to 13.7% in the previous year.

This resulted from achieving economies of scale, higher level of efficiency and keeping credit costs at a negligible level. We moderated our Gross Loan Book growth to 65% compared 102% in the previous year.

Our branches grew by 11% and employees by 14%. This year Ujjivan scaled new heights in financial terms as an NBFC-MFI. However we measure our success or failure over the last ten years not just in financial numbers but also in terms of our efficient services accross major stakeholders.

Customers: This year we crossed the milestone of 30 lakh customers. We acquired more than 10 lakh new customers second year in a row. Customer retention rate has remained at 86.3 %, one of the highest in the industry. This is despite the fact that we had to drop out existing customers to comply with the regulatory requirement that not more than two MFIs can lend to a customer. The high customer retention rate and the new customer acquisition were key factors in our gross loan book growing by 65% to ₹ 5,389 crore and is a reflection of how well customers value our relationship.

Employees: Our employee base increased by almost a 1,000 this year reaching 8,049 and our staff retention rate was 82%. We are among the top 3 companies to work for in India and number one in the microfinance sector in the Economic Times and Great Place to Work Institute survey.



One of the unique employee benefits is the Employee Stock Option Plan (ESOP) schemes for all employees based on performance. This was instituted in 2006 and the sixth ESOP scheme was launched in 2015. Over 54% of our current employees across the organization are recipients of the ESOP. Post our IPO in April 2016, the employees could for the first time see the market value of the ESOPs they hold and this generated excitement and pride in ownership of the Company.

Investors: In the last two years we have been able to provide exit to many of our early investors - ₹300 crore through private placement in the year 2014-15 and ₹524 crore through the IPO in 2016-17. All the divesting foreign investors were able to get a return on their investments in Rupee terms exceeding 20%. We have enjoyed excellent relationship with all our institutional investors, many of whom have made very valuable contribution to the Company as members of our Board and also established special relationship with our sister organization – Parinaam Foundation. The remaining individual investors who are largely our angel investors who remained invested for over 10 years are overjoyed in seeing their investment grow to 35X at current market prices.

Ujjivan's Initial Public Offering

Ujjivan's Initial Public Offering (IPO) was a great success and it is covered in a separate section. In this letter I will focus on the objectives of the IPO.

The immediate need to do the IPO was to meet the Reserve Bank of India's pre-requisite that the Small Finance Bank has to be majority domestic owned. In the past, for the microfinance sector equity has been largely funded by foreign institutional investors. Our foreign ownership was in excess of 91%. Given the size of our domestic equity requirement the only alternative was to raise it through IPO restricted only to domestic investors. The domestic market is limited in terms of institutions mainly to insurance companies and mutual funds. The high net worth individuals and public were an uncertain segment due to limited familiarity with the sector. Though finally both these groups very actively participated in the IPOs of both the microfinance institutions, the journey was challenging and required a lot of sessions to bring about familiarity of prospective investors. The journey became more difficult with the announcement of large NPAs by banks and consequent impact on the entire BFSI sector. The results finally indicated that investors are optimistic about the new type of financial institution initiated by RBI - the Small Finance Bank and are not colored by the dismal financial performance, largely of the public sector banks.

For Ujjivan the IPO has a special benefit for majority of the employees across all segments of the organization, who are holders of ESOPs which have been issued almost since inception.

A large number of these employees are our field staff and their supervisors, who are not familiar with equity markets. After this IPO the employees can exercise their ESOPs and build a 'nest egg' for their family.

Finally, it is always our long term objective to have a well-diversified ownership structure. Two years before the IPO, the top ten institutions owned over 91% of Ujjivan. Just prior to the Pre-IPO and the IPO top ten institutions owned more than 81% of the institution. Currently we have more than 41,000 investors in Ujjivan. The institutional investors are balanced between domestic and foreign. More importantly, Ujjivan is not dependent solely on large institutional investors to raise future capital and can freely access the large domestic capital markets. This will provide long term stability in raising equity capital.

Transformation to Small Finance Bank- Moving to the platform of a specialized banking institution.

Ten years on the NBFC platform with stellar performance brings a close to one of the major chapters in Ujjivan's history. The RBI opened up a new platform on November 27th, 2014 by issuing guidelines for Small Finance Bank (SFB).These will be specialized banking institutions to provide financial inclusion to the vast un-and under-served sections of our population and not the regular universal bank which largely serves the middle class and affluent in the retail segment and large corporates and institutions in wholesale business. This was done after considerable dialogue with the industry, largely represented by the Micro Finance Institutions Network (MFIN). I had the honor of heading MFIN as the President and worked closely with Alok Prasad who was the CEO during this crucial phase. Much to our delight, on October 7th, 2015, RBI issued an in-principle license for ten institutions of which eight were microfinance institutions including Ujjivan. This will enable us to move to a more stable and less risk prone structure of a bank. NBFCs come under periodic threats on issues like the state money lenders acts; in general finance companies have much lower stature compared to banks among the public. NBFC-MFIs are dependent largely on a single source of expensive funding from banks and hence vulnerable; and are constantly under competitive threat for their successful line of business from banks. More importantly, the SFB will allow us to pursue our long cherished dream of being able to provide a full range of financial services and after five years of operation convert to a full-fledged mass market bank.

The transformation requires intense preparatory work to convert to a bank. First the capital and legal structure needs to be changed. The capital issue was completed with the IPO. The legal structure of converting Ujjivan to a holding company and setting up a banking subsidiary with the requisite capital is now in progress. After this is completed and along with a number of other requirements like bank board members, branch opening plan, independent certification of the IT infrastructure etc., we would be applying for the final license.

• Meanwhile the transformation work in the business front is continuing in full force, and had commenced before the in-principle license was issued. Ernst & Young was appointed as the consultants for the overall project. On the technology front, key additions to the current infrastructure is in progress. We are in the process of implementing the Finacle core banking and treasury systems from Infosys; CRM solution from CRM-Next; mobility solutions from I-Exceed; comprehensive risk management system from SAS; upgrading the Human Resource module from RAMCO; Oracle Accounting System, hardware from Oracle, CISCO etc.; Wipro has been engaged as the System Integrator.

• Extensive work is in progress on the Human Resources side where key management positions at the leadership level has largely been filled and the second level recruitment is in progress. Competence mapping of existing staff for various positions in the SFB has also been undertaken. Training programs are proposed to be held during the six months prior to the launch. IT training has already commenced. Along with this we have started a 'mindset change' training for existing staff from a loan giving institution to that of an institution which will provide a full range of services including savings.

• We plan to consolidate our existing branches and convert them to full service SFB branches. We will open the required number of new Unbanked Rural Branches (URB) over the year as per the SFB guideline requirement. Considerable research and planning has gone into the location of the URBs. We see this as a new business opportunity. These branches will be designed to meet the requirements and aspirations of our target customers. The physical infrastructure of all these branches will require considerable investment and time. We understand that the RBI is planning to come up with a comprehensive policy on new branches later this year. We hope this will give us leeway to pace our branch conversion to ensure that we can do this in a feasible and viable manner.

• In order to provide the customers multiple channels/access points, we will supplement the branches with alternate delivery vehicles like ATMs, phone banking, banking correspondents and also internet banking. This is also being planned to be executed in a phased manner.

• On the product side, we have undertaken considerable research on the savings habits, likes and dislikes of the target market customers. We are designing the products and services accordingly. In addition we are working on remittances and third party insurance products which will be launched in a phased manner. We are also enhancing our loan products for the SME sector.

The Future

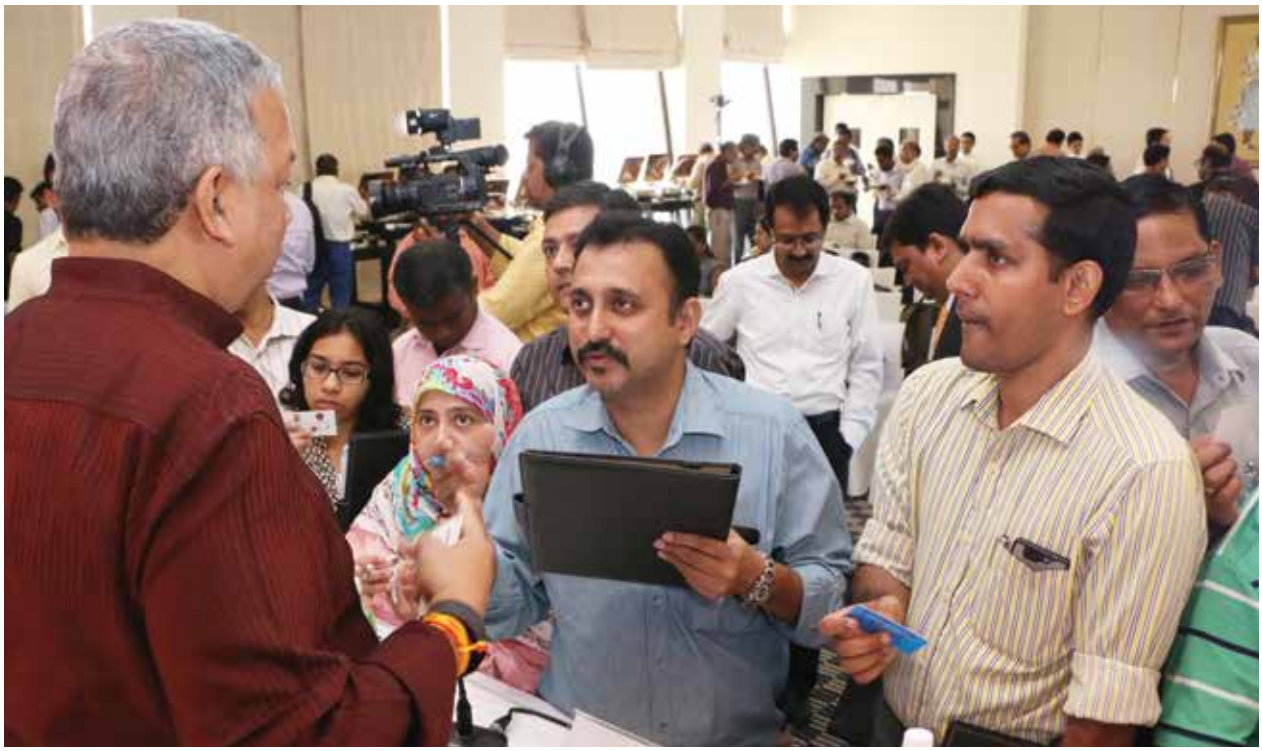
We expect to launch Ujjivan Small Finance Bank in a phased manner in the first calendar quarter of 2017. We expect the first 12-18 months to be a stabilization period for the bank to ensure all systems and processes work smoothly and we do a phased expansion of distribution, channels and products. We expect to start on an accelerated growth after this stabilization period. In five years from the date we start the Ujjivan Small Finance Bank, we will work towards converting it to a full-fledged mass market bank.

The financial inclusion space has moved very steadily post the Andhra crisis in 2010. There has been disciplined growth by the microfinance sector under the regulatory oversight by the RBI and self-regulation especially by MFIN. However this is now going to be totally disrupted with major developments which will accelerate the whole process of financial inclusion:

- Entry of eight aspiring Payment Banks especially those with wide distribution network and mobile technology of TELCOs joint ventures. They will compete hard for the payment and deposit business. However the viability of this business will depend on creative solutions and add-ons. The wallet business though currently attractive for those who are un-banked will come under serious threat with the new mobile payment systems being developed by NPCI.
- The ten Small Finance Banks who are still in the running will bring about change by providing a wide range of services, each following their DNA. However the success of the SFBs will depend on scale and how well they are able to widen the net to include the un- and underserved.
- On the liability side with the extensive seeding of the Aadhar biometric identification system, NPCI's payment systems and with the reach of mobile technology, as Nandan Nilkeni points out, the portability of savings accounts and balances will increase dramatically using mobiles. This will have massive disruptive effect which early adopters can take advantage of.
- In India e-commerce has taken off. This allows a large number of Micro, Small and Medium sized Business Enterprises to sell their goods and services using these platforms. This will generate a wealth of data for future funding institutions and who can use analytics to extend credit. Already fintech companies are trying to capture this business. This will be a huge opportunity on the asset side of the business.

These are some of the major changes which will disrupt the whole financial inclusion space in the next five years thus changing the entire landscape. The winners will be those who remain at the cutting edge and scale their business. Both RBI and the Government are beating the drums of financial inclusion and ushering in the change.

Samit Ghosh
June 12, 2016.



Management Team

Samit Ghosh
Chief Executive Officer
and Managing Director

Samit Ghosh founded Ujjivan in 2005 as a pioneer Microfinance institution for the urban poor. Mr Ghosh was a career banker for over 30 years and worked in South Asia and the Middle East. He started his career with Citibank in 1975 and co-pioneered consumer banking in India in 1985. Further he led the launch of retail banking for Standard Chartered Bank in the Middle East and South Asia, and for HDFC Bank in India. His last assignment was as the Chief Executive (India) of Bank Muscat. He holds a Master of Business Administration degree from the Wharton School of Business at the University of Pennsylvania. He has been the past President of Microfinance Institutions Network (MFIN) and the Chairman of Association of Karnataka Microfinance Institutions (AKMI). Presently he is a Board member of Stichting to Promote Women's World Banking Capital Partners L.P.

Rajat Singh
Head - Strategy and
Planning

Rajat Singh has been with Ujjivan since 2007. As a financial analyst, his first assignment was to build and expand the organizational Finance function. He was instrumental in developing and implementing organizational budgeting processes and basic business analytics structures. In June 2010, he was appointed as Chief of Staff for the Eastern region, overseeing the regional business and was thereafter promoted to Chief Operating Officer - East in October 2011. In April 2013, he became the Chief Operating Officer - North and is currently heading the Strategy and Planning division. He holds a Bachelor's degree in Agriculture and Food Engineering from the Indian Institute of Technology, Kharagpur.

Ittira Davis
Chief Operating Officer
and Head of Transition

Ittira Davis heads the transition of Ujjivan's journey from an MFI to an SFB. He is an international banker with over 36 years of Corporate and Investment banking experience having worked extensively in the Middle East and Europe. He was with the Europe Arab Bank during the period July 2008 to October 2012 as its Managing Director – Corporate and Institutional banking and then as an Executive Director of the Europe Arab Bank. He has worked with Citi bank in India and the Arab Bank Group in the Middle East and Europe. Ittira is a graduate from the Indian Institute of Management, Ahmedabad (1976) and has been based in Bangalore since November 2012. He joined Ujjivan in March 2015.

Carol Furtado
Head – Human Resources
and Service Quality

Carol Furtado has been with Ujjivan since its inception. Carol has served the organisation in various roles and responsibilities. She was the Chief Operating Officer-South, before taking over the current responsibility as the Head of Human Resources and Service Quality. She is a finance professional with over two decades of experience, having worked at ANZ Grindlays and Bank Muscat, where she specialized in modern retail banking operations. In 2009, she won the Financial Women's Association award in recognition of her demonstrated professional commitment from Women's World Bank. She completed her Master's degree in Business Management from the Mount Carmel Institute of Management, Bengaluru.

Sudha Suresh
Chief Financial Officer

Sudha Suresh is a Chartered Accountant with a rich corporate career spanning over two decades. She received the 'CFO 100 - Recognition of Excellence' award in 2013. She is also a qualified Cost Accountant and Company Secretary. During her association with Ujjivan, she has been responsible for areas of Strategic Business Planning and Budgetary Controls, Equity Capital and Debt Syndication, Treasury Management, Accounts and Taxation as well as management of Board and regulatory compliances. Recently, she successfully spearheaded Ujjivan's IPO to list the company's shares on BSE and NSE.

Vijay Balakrishnan
Chief Marketing Officer

Vijay Balakrishnan has over two decades of Strategic Marketing experience with reputed corporates, including Bharti Airtel and the Tata Group. He joined Ujjivan in November 2015 where he leads the Products and Marketing functions nationally. His executive experience spans leading Mass Marketing roles, Category Creation and National Level brand launches across Fast Moving Consumer Goods, Telecommunications and Early Stage Technology companies.
Vijay graduated from the Delhi University and holds a Diploma in Marketing Management from the Times School of Marketing. He was awarded the British Chevening Scholarship to study Leadership and Excellence at the London School of Economics, United Kingdom.

G. Santhosh Kumar
Head – Retail Liabilities, Remittances and Bancassurance Business

G. Santhosh Kumar has 21 years of experience across industries in various parts of the country. In the banking sector, he has worked with ING Vysya, Kotak Bank and ICICI Bank. His last stint was as the Senior Vice President and Head of Branch Banking for Andhra Pradesh and Telangana of ING Vysya in Hyderabad overseeing a network of 77 retail branches. Prior to joining banking he was with Johnson and Johnson. Santhosh is an alumni of the Birla Institute of Technology and has done his MBA from IIM Kozhikode.

Jolly Zachariah
Head Of Channels

Jolly Zachariah joined Ujjivan inspired by its mission. He has over 22 years of banking experience with Citigroup, specialising in retail banking where he managed Consumer Banking and Cards businesses of diverse scope and scale across geographies of India, Middle East, Africa, Europe and North America.He has played an important role in establishing Ujjivan's presence in urban Maharashtra and Gujarat as the Chief Operating Officer - West before taking over the current responsibility to manage the Channels division for the proposed SFB.

S. Aryendra Kumar
Head - Housing and MSE (Medium and Small Enterprise Business)

S. Aryendra Kumar is an Engineering Graduate with a Master's degree in Business Administration. His experience is a blend of business and people management. His experience spreads across mortgage finance business, business analysis and consultancies related to consumer finance in large IT firms in India and abroad. He has over 22 years of professional experience with leading institutions like Vysya Bank, SBI Home Finance Limited, Citibank and Tata Capital Housing Finance Limited. His last assignment was with Tata Capital Housing Finance Limited.

Deepak Ayare
Chief Information Officer

Deepak Ayare is an IT professional with over 25 years of experience. He worked in the Middle East and East Africa for 14 years. He joined Ujjivan in August 2008 and has implemented different projects, including the Loan Origination System, Document Management and Workflow Systems, Mobile Technology, Data Centre and Data Warehouse. His expertise is implementing ERP and developing business systems for organisations with different business verticals. He is at the forefront to plan and implement various IT software and technologies required for the proposed SFB. A graduate from the Mumbai University, he holds a Post Graduate Diploma in Comupter Science.

Abhiroop Chatterjee
Head - Microfinance Business

Abhiroop Chatterjee joined Ujjivan in April 2008 as one among the first batch of Management Trainees. His first assignment was to establish operations in Jharkhand as Area Manager. He was later assigned the role of Distribution Manager in May 2010. In January 2014, he was appointed as the Chief of Staff for the East region. Thereafter, he was promoted to Chief Operating Officer – East region in April 2014, before taking up the current responsibilities of managing the National Group Loans business and Unsecured Individual Loans business. Abhiroop holds a Post Graduate Diploma in Rural Management from the Xavier Institute of Management, Bhubaneswar.

Martin Pampilly
Head - Operations

Martin Pampilly has over 14 years of experience, with companies such as ANZ Grindlays, Bank Muscat and Centurion Bank. He was a member of the Centralised Operations Unit at Centurion Bank. He joined Ujjivan in 2009 as Regional Operations Manager (South), and managed the successful testing, training and implementation of the core banking project. He has successfully completed the Strategic Leadership Program at Harvard in April 2013. In May 2013, he was promoted as the Chief Operating Officer – East. He is a graduate in Science from Bangalore University.

Alagarsamy A. P.
Head - Audit

Alagarsamy A. P. is a banking and financial services professional with over two decades of experience in Sales, Credit, Risk and Audit. He worked with ICICI Bank for over 8 years in the Retail Assets and Rural Business Group, where he handled various roles. Before joining Ujjivan in 2010, his last assignment was as Assistant Vice President with Fullerton India Credit Company. He was part of the core team which launched their rural business and also handled Audit. He has completed his Master's degree in Business Administration from Osmania University, Hyderabad.

Sneh Thakur
Head - Credit

Sneh Thakur joined Ujjivan in April 2008 with the first batch of Management Trainees. She started as a Corporate Financial Analyst and handled Corporate Finance and Investor Relationships for two years. During this time, she was involved in two rounds of equity fund raising in the Company. In 2011, she was appointed as the Regional Credit Manager (South) overseeing the transition phase of Credit Bureau verifications and compliance to regulatory changes. In April 2013, she was appointed as the Head of Credit. She holds a Post Graduate Diploma in Management from SDM Institute for Management Development, Mysore.

Premkumar G.
Head - Vigilance and Administration

Premkumar G. has over 15 years of experience in senior administration positions at One World Hospital and Paul D'Souza & Associates, a leading law firm. He joined Ujjivan in 2006, and led the administration department. In 2012, he setup the Vigilance department and presently heads the function with a focus on preventive vigilance. He is also a member of the International Facility Management Association.

Manish Raj
Chief Operating Officer (North)

Manish Raj heads Ujjivan's operations in the North region. He joined Ujjivan in 2010. His first assignment was as an area manager at Dhanbad, Jharkhand. Thereafter, he was elevated to the role of Regional Vigilance Manager wherein he was part of setting up the Vigilance department in the East. In November 2013, he was appointed to manage the business for NCR and Madhya Pradesh in the North region. In December 2014, he was appointed as the Regional Business Manager- GL, handling group lending business for the North region. He has completed his Post Graduate Diploma in Rural Management from the Xavier Institute of Management, Bhubaneswar.

Arunava Banerjee
Chief Risk Officer

Arunava Banerjee has over 35 years of experience, primarily in the banking industry. Starting his career with the State Bank of India, later on he worked with Standard Chartered Bank in their Merchant Banking division. He moved to Bahrain in 1996 as the Manager for Corporate banking at the Bahraini Saudi Bank, before making a career shift to work as the Chief Financial Officer with Remza Investment Company W.L.L. He joined Ujjivan in July 2015. He holds a Master's degree in Arts from the University of Kolkata and is an Associate of the Indian Institute of Bankers.

Pradeep B.
Regional Business Manager - MSE and Housing (South)

Pradeep B. heads Ujjivan's operations in the South region in addition to his responsibility of building the Housing and MSE portfolio for the region. He started his career in 2006 as a Branch Manager at White Field branch. When Ujjivan started its expansion, he set up the operations in north Karnataka. In November 2010, he was assigned the responsibility of managing the business of Bangalore, Tamil Nadu and Kerala as the Distribution Manager. In 2013, he was elevated to the role of Regional Business Manager (South) overseeing and setting up Individual lending (IL) business. He holds a Post Graduate Diploma in Social Work from SDM Institute Ujire (Mangalore).

Vibhas Chandra
Regional Business Manager - Microfinance (East)

Vibhas Chandra B heads Ujjivan's operations in the East region. He joined Ujjivan as a Management Trainee in the year 2008 after completing his PGDM from the Xavier Institute of Management, Bhubaneswar. After a brief stint in Karnataka, his first assignment was to launch te operations in Bihar, ground up. After successfully establishing operations in the state, he was elevated to the role of Distribution Manager for Bihar and Jharkhand. Later in 2013, he was given a strategic assignment to set up Individual Loan business vertical in the East as Regional Business Manager – Individual Lending.

Sanjeev Barnwal
Company Secretary and Compliance Officer

Sanjeev Barnwal is a qualified Company Secretary from the Institute of Company Secretaries of India and holds a Bachelor's degree in Law. He also received NSE's Certification in Financial Markets (NCFM) for Compliance Officer (Corporate) Module. He has a corporate experience of over 12 years and prior to joining Ujjivan, he worked with SMC Capitals Limited as Associate Vice President and Company Secretary. He has also worked with companies like CMC Limited and SBEC Sugar Limited previously.

Vikram Shingade
Regional Business Manager - Microfinance (West)

Vikram Shingade heads Ujjivan's operations in the West region. He joined Ujjivan in 2010. He started his first assignment with Pune city and later on managed the Rest of Maharashtra. He is currently handling the entire Unsecured vertical for the West Region. Prior to this he worked with ICICI Bank's Rural Micro Banking and Agri Business Group. Post that he worked with Fullerton India and later on, with Paras Capfin Co. Pvt. Ltd as a Credit Head. Vikram holds a Master's degree in Business Management with a specializtaion in Marketing and Finance from the Shivaji University, Maharashtra.

Hiren Shah
Head - Investor Relations

Hiren Shah joined Ujjivan in August 2015 and was one among the key persons to successfully lead Ujjivan's IPO. He has over 17 years of consolidated experience as a Business Journalist, Investment Banker and Investor Relations Advisor to many leading corporates, both Indian and international. His expertise includes strategic planning and execution of financial deals including IPOs, PE/Pvt. Placements, Mergers and Acquisitions, Rights Issue, FPO and Investor Relations. He holds a Master's degree in Finance from the Jamnalal Bajaj Institute of Management Studies, Mumbai.

Board of Directors

K.R. Ramamoorthy

K.R Ramamoorthy is the Non-Executive Chairman and Independent Director of our Company. He holds a Bachelor's degree in Arts from Delhi University and a Bachelor's degree in Law from Madras University. He is also a fellow member of the Institute of Company Secretaries of India. He is the former Chairman and Managing Director, Corporation Bank and a former Chairman and Chief Executive Officer at ING Vysya Bank. He has served as an Advisor to CRISIL, a reputed credit rating agency in India and as a consultant to the World Bank. He serves as an Independent Director on the Boards of National Securities Clearing Corporation Limited, Subros Limited, Nilkamal Limited and other leading companies and is also a trustee of Canara Robeco Mutual Fund.

Samit Ghosh

Samit Ghosh is the Managing Director and Chief Executive Officer of our Company. He founded our Company in 2005 as a Microfinance institution for the urban poor. Mr Ghosh was a career banker for 30 years and worked both in South Asia and the Middle East. He started his career with Citibank in 1975 and later worked with Standard Chartered Bank, HDFC Bank and Bank Muscat. He holds a Master of Business Administration degree from the Wharton School of Business,University of Pennsylvania. He has been the past President of Microfinance Institutions Network and the Chairman of Association of Karnataka Microfinance Institutions (AKMI). He is a board member of Stichting to Promote Women's World Banking.

Sunil Patel

Sunil Patel is a Non-Executive, Independent Director of our Company. He is the former Director of A. F. Ferguson and Co. and former partner of A. F. Ferguson Associates. He was an Independent Director in L&T Investment Management Limited from 1997 to 2013. He is a Chartered Accountant and holds a Master's degree in Business Administration from Wharton Business School, University of Pennsylvania.

Vandana Viswanathan

Vandana Viswanathan is a Non-Executive, Independent Director of our Company. She is a co-founder of Cocoon Consulting, a management and human relationship consulting firm which was founded in 2001. She holds a Master's degree in Personnel Management and Industrial Relations from the Tata Institute of Social Sciences and a Bachelor's degree in Science from Bangalore University.

Nandlal Sarda

Nandlal Sarda is a Non-Executive, Independent Director of our Company. He is a professor in the department of Computer Science and Engineering at the Indian Institute of Technology, Bombay. He received his Master's degree in Technology and a Doctorate in Philosophy from the Indian Institute of Technology, Bombay. He served as a Director on the Boards of the Union Bank of India, the Clearing Corporation of India Limited and Andhra Bank. He is a Director on the Boards of IDBI Intech Limited and Cybertech Systems and Software Limited.

Abhijit Sen

Abhijit Sen is a Non-Executive Director of our Company. He retired from Citibank N.A. India after serving for over 18 years, his last position being Managing Director - Chief Financial Officer. He was also a Director of Citicorp Services India Limited and other locally incorporated Citi entities. He currently serves on several boards including IDFC Bank and Trent Limited. In the past, he has served on the board of NSDL e-governance Infrastructure Limited. He holds a Bachelor's Honors degree in Engineering from the Indian Institute of Technology, Kharagpur and a Post-Graduate Diploma in Business Management from the Indian Institute of Management, Calcutta.

Jayanta Basu

Jayanta Basu is a Non-Executive Director of our Company. He has done his Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad and a Bachelor's degree in Economics from the University of Delhi. He has 19 years of experience in the field of Investments. He is currently a Designated Partner at CX Advisors LLP and has previously worked with Citibank India.

Amit Gupta

Amit Gupta is a Non-Executive Director of our Company. He is one of the founding partners and the Chief Operating Officer of NewQuest Capital Advisors (HK) Limited. In addition to overseeing the India and South East Asia business for NewQuest Capital Advisors (HK) Limited, he also represents NewQuest Capital Advisors (HK) Limited on the Board of Om Logistics Limited and Ittiam 156 Systems Private Limited. He holds a Post Graduate Diploma in Management from the Indian Institute of Management, Bangalore, where he was placed in the Director's Merit List for his performance. He is a graduate in Electrical Engineering from the Kurukshetra University.

Venkatesh Natarajan

Venkatesh Natarajan is a Non-Executive Director of our Company. He joined Lok Advisory Services Private Limited in 2006 with over 12 years of experience in early stage venture capital, product development and marketing. He holds an MBA from Cornell University and an M.S. in Electrical Engineering from Arizona State. He serves as a Director in many other companies including Lok Advisory Services Private Limited, Equitas Finance Limited and Suryoday Microfinance Limited.

Anadi Charan Sahu

Anadi Charan Sahu is a Non-Executive, Nominee Director of our Company. He started his career with IDBI in 1982 and has over 30 years of experience. After initially working in IDBI, he moved to SIDBI in 1990, on its formation. In SIDBI, he has headed its various departments and branches in different states in the country. He took charge as the Regional Head of the Bengaluru region for SIDBI in September 01, 2015. He holds a Master's Degree in Commerce from Ravenshaw College, Cuttack and a Bachelor's degree in Law from the Utkal University. He is also an Associate of the Indian Institute of Bankers.

Ujjivan has always been supported by marquee investors. Ujjivan has raised six rounds of equity in the past and has also provided profitable exit to some of its early investors before its IPO.

With a successful track record of 10 years, Ujjivan was planning to go public and list on the exchanges with the planned timelines of early 2017. The initial idea of managing the domestic holding for an SFB without an IPO changed by mid-September 2015 and Ujjivan decided to attract the domestic funds through its Initial Public Offering and getting listed on the exchanges.

Ujjivan appointed Kotak Mahindra Capital Company as its Left lead Book Running Manager and Axis Capital, ICICI Securities and IIFL Holdings as its Book Running Lead Managers. We appointed Cyril Amarchand Mangaldas as the legal counsel to the Company and Luthra & Luthra Law Offices as the legal counsel to the BRLMs for the transaction.

We kicked off the IPO process in October 2015 in Bengaluru. The first major task was to prepare the DRHP (Draft Red Herring Prospectus) to be filed with SEBI. We finalised the issue structure along with the BRLMs which included a placement for the Pre-IPO, an IPO for the fresh capital raise an offer for sale by few of our existing selling shareholders. The issue was designed in such a way that the post-IPO foreign shareholding of the company would reduce below 50%. It was a tough task to convince some of our existing foreign shareholders to sell their holding through IPO, which they supported mainly to achieve the bigger objective of converting Ujjivan into an SFB.

We filed the DRHP with SEBI on December 31, 2015 to raise upto ₹ 650 crore through fresh issue of equity shares and offer for sale upto 24,968,332 equity shares by some of the existing shareholders.

The investors who chose to sell part/full of their holding in Ujjivan included Elevar Equity, International Finance Corporation, International Financial Inclusion Fund, Mauritius Unitus Corporation, Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., Sarva Capital, WCP Holdings and WWB Capital Partners, L.P.

For the next milestone being the Pre-IPO, Ujjivan Management including Mr. Ghosh started road shows with investors. Ujjivan managed to close the Pre-IPO placement to the tune of 14,236,057 equity shares at a price of ₹ 205 per share aggregating to ₹ 291.84 crore by the mid of February, over a month after filing of the DRHP. This has been a tremendous achievement for the company as during that time the stock market sentiment was very negative towards the Banking sector with increasing NPAs issue. The major Investors who participated in Pre-IPO round included HDFC Standard Life Insurance, Sundaram Mutual Fund, Shriram Life Insurance Company and Desai Bros.

Simultaneously, we started working on updating the RHP with the financial and business numbers updated as on December 31, 2015. Finally after meeting with all the statutory requirements, we decided to open the issue on April 28, 2016 and close the issue on May 2, 2016 with the price band of ₹ 207 - ₹210 per share.

The IPO was for 42,023,609 equity shares aggregating to ₹ 882.50 crore, comprised of fresh issue of equity shares of 17,055,277 aggregating to ₹ 358.16 crore and offer for sale of 24,968,332 equity shares aggregating to ₹ 524.34 crore.

Ujjivan managed to close the anchor book of 12,607,081 equity shares at a price of ₹ 210 per share aggregating to ₹ 264.75 crore with marquee names of the industry including ICICI Prudential Mutual Fund, Birla Sun Life Mutual Fund, UTI Mutual Fund, Tata Mutual Fund, Birla SunLife Insurance, Sundaram Mutual Fund and others. A total of 17 investors were alloted shares worth ₹2,64.75 crore.

Records were waiting for Ujjivan on the last day of IPO, May 2, 2016. We closed the issue with an oversubscription of 41 times. We received over 6,75,000 retail bids for our IPO. This is one of the highest retail participations in any IPO during the last few years.

Ujjivan Financial Services got listed on BSE and NSE on May 10, 2016. The shares got listed at ₹ 227 per share and went to a high of ₹ 244 per share before closing at ₹ 232 per share. The listing of shares has started a new era for Ujjivan and all its stakeholders.

UJJIVAN FINANCIAL SERVICES- IPO SUBSCRIPTION DETAILS

Category	Book Size (Number of Shares)	SUBSCRIPTION	Number of shares	Number of Times	
	@ Upper End	@ Lower End		@ Upper End	@ Lower End
Institutional (QIB)*	84,04,722	85,28,311	28,85,61,420	34.33	33.84
Non Institutional (Corporates)	63,03,542	63,40,619	85,88,34,270	136.25	135.45
Retail (Individual)	1,47,08,264	1,47,94,776	5,94,16,910	4.04	4.02
Total	2,94,16,528	2,96,63,706	1,20,68,12,600	41.02	40.68

*Excluding Anchor Portion

The journey - Ujjivan MFI to Ujjivan SFB

This journey started in November 2014 when Ujjivan decided to apply for a Small Finance Bank (SFB) License. Two months was the time available to put together the application and meet the RBI deadline. Ujjivan teamed up with Deloitte to develop the SFB business plan, operating model and entity structuring. Within Ujjivan, the Strategy Team led and brought in support from other teams. On February 2nd, 2015, the SFB application was submitted to the RBI.

By the time we put in our SFB application, it was evident that the transformation of the Microfinance Institution (MFI) space in India had begun. Bandhan the largest MFI in the country had received a universal banking license a few months earlier and now many of the larger MFI's were looking at becoming SFB's. The next decision to be taken was whether Ujjivan should wait until after getting the RBI in-principle approval to set up a Transition Team or start the process immediately. We decided that it was time to move.

The Head of Transition joined Ujjivan in March 2015 and initiated the process of 'thinking SFB'. It was not until mid-September 2015 that we got to hear about our SFB application being accepted by the RBI. During the six months between March and September, Ujjivan's National Leadership Team (NLT) actively pursued SFB related research in their functional areas with review and discussions at the weekly NLT meetings. What would it take to provide our customers and potential customers a full range of banking services? How can we grow the Deposit base to adequately support our Asset book? Technology, People Transformation, Change Management, Channels, Products, Processes and Infrastructure would all have to play a role. Another very important part of the transformation was the reduction of Ujjivan's foreign shareholding to below 50%. (More details of the IPO are in the 'Initial Public Offering' section). By the beginning of August 2015, with no announcement yet from the RBI, there were some signs of anxiety among the Ujjivan team. By this time we had completed preparations for an extensive market research project. The kick-off of the research project was held back until the RBI announcement.

From July 2015, vendors and suppliers who had done their homework on possible winners of the Payments Bank and SFB license started knocking on Ujjivan's door. IT vendors were the early birds especially those wanting to sell Core Banking System (CBS) and be System Integrators. Consultants were not far behind.

Finally September 16th, 2015 brought the news that we had been waiting for. Ujjivan was amongst the 10 institutions, to recieve an in-principle SFB approval. A message from the CEO to all staff on September 16th confirmed that the transformation to an SFB had begun. The market research project moved forward. Discussions with CBS vendors went to the demo phase and a decision had to be made regarding our Transition Advisory partner. After several presentations, discussions and reviews, in late October, EY was selected to be Ujjivan's Transition Advisor. We were now in full transition mode.

A balance had to be struck between managing business as usual and the transition. Key transition stakeholder team leaders had to make a choice on who would move in to the transition teams including the Project Management Office (PMO). All department heads who had a role in the transition decided to join the Transition Team. Their roles in business as usual were filled by their deputies. The first test of leadership depth in Ujjivan passed smoothly. At the Board level, an IPO Committee and an SFB Committee were constituted.

Filling critical positions in the SFB early was important. The Heads of Liabilities, Products and Marketing and Treasury would have to lead the new verticals unique to the SFB. This process also started in November.

Working closely with EY we set up multiple teams to work in parallel on all aspects of the transition. While all transition points are important, the impact of Information Technology (IT) and Human Resources (HR) would be significant. IT, for the size of the investment and the time available for the implementation of the new technology (more details of the IT transformation is in the 'Information Technology' section) and HR for the scale of the reorganization, training and change management.

In early May 2016, Ujjivan successfully completed its IPO and the shares were listed on May 10th, 2016.

Over the years, a strong connect at the last mile through 469 branches and a committed and dedicated force of 8,049 employees nationally allows Ujjivan to boast a loyal customer base of over 30 lakh. As an SFB, these customers will be able to access a full range of financial products and services. Opening new branches in the unbanked rural areas of the country and broadening the range of financial services to include remittances, deposits, savings, insurance, etc. will deepen the financial inclusion objectives that helps build better lives for customers. To facilitate this extension of products and services, creation of efficient ways to utilize time and money for customers will be a competitive differentiator, alongside best-in-class service. We are developing a continuum of options and methodologies of engagement to help customers connect with Ujjivan in the manner that is most convenient to them. Towards this end, work is at an advanced stage on a combination of customer service features: selection of new and upgrading existing branches, upgrading mobility devices for our staff and building a continuum of channels. From ATMs to the internet and mobility solutions, from Business Correspondents to harnessing the potential of the phone, an extension of everyday life will be solutions that are being developed by Ujjivan SFB. Core to the Ujjivan strategy is an empathetic position which supports the journey 'From Assisted to Self Service', giving the Ujjivan customer options and opportunities in financial services that were hitherto accessible to a privileged few.

At the time of this report going to the press, preparatory work is complete and we are in the implementation mode to begin SFB operations in early 2017. The Ujjivan family is growing and we are a great place to work in.

Brand and Marketing

A. Crafting the future brand

This year Ujjivan commenced substantial efforts to develop the brand identity and positioning for the SFB brand. Ujjivan partnered with a global market research agency, IMRB, to understand customer expectations from an SFB. Ujjivan has also partnered with one of the world's finest design consultancies – Brand Union to develop the SFB brand assets.

B. Customer connect initiative

Ujjivan has always kept customer centricity at the core of everything it does. Ujjivan carried out evangelical marketing initiatives at over 100 locations across the country where thousands of customers were touched. The objective behind these events was to celebrate the success stories of our existing customers and to share them with potential and future customers.

C. Reaching and connecting with a wider audience

For the first time in Ujjivan's history, Ujjivan conducted mass-marketing activities throughout the country like wall branding, auto rickshaw branding as well as van campaigns. This new initiative gained Ujjivan a lot of attention resulting in an increased brand and product awareness throughout the country. Significant number of leads were successfully generated providing fresh opportunities for new customer acquisitions.

D. Parivartan: A cutting edge SFB transition program

After receiving an in-principle approval from the RBI to set up an SFB, Ujjivan initiated a massive internal transition program. This initiative was branded and marketed to all stakeholders as "PARIVARTAN - bigger tomorrow, better tomorrow". Key employees were handpicked to be PARIVARTAKs – catalysts of change.

E. Public Ka Champion : Delivering growth by motivating employees

To reward Ujjivan's sales and distribution teams, an incentive program called "Public Ka Champion" was launched. This is a custom-designed, organization wide reward and recognition program aimed to motivate distribution teams. Thousands of employees successfully participated and won attractive incentives for superior performances.

F. Initial Public Offering - Reaching out to Investors

Ujjivan received an unprecedented response from investors for its IPO. Strategic campaigns were conceived with multimedia efforts such as print, outdoor and PR, which played a significant role in reaching out to the investor communities. Road shows were conducted across key cities, where the Ujjivan management team interacted with investors, analysts, brokers and influencers.

The successful lending model of Joint Liability Group (JLG) loan which can be attributed to its ability to deliver credit to households that lack collateral while achieving near-zero default rates, has resulted in the establishment of a large microfinance sector in many countries including India.

Group loans are the most tactical products at Ujjivan, which constitute 88% of the total lending portfolio. In order to design new products and develop the existing ones, we are in constant pursuit to understand better, the needs of our customers and study their preferences and financial behavior. We believe in translating this gathered knowledge into products that are affordable and are better adapted to our customers' individual needs and affordability. It is always our endeavour to ensure that our products enable our customers to improve their businesses and living conditions.

Recently we launched a new product for our group loan customers called Agriculture and Allied loan. We understood that the loan requirements for activities like crop cultivation, purchase of small equipment and animal husbandry etc. is relatively low and are largely unmet for this set of client base. Hence, we launched the product with a loan amount ranging between ₹6,000 to ₹50,000, which perfectly complemented the higher ticket agriculture loan already available in our Individual Loan category.

Microfinance Products at Ujjivan

Core Loan Products

Business Loan

Provided to self-employed women (fruit vendors/ vegetable vendors/petty shop owners/tailors etc.) for financing their diverse business needs such as capital expense, working capital, repayment of high cost debt.

Features:

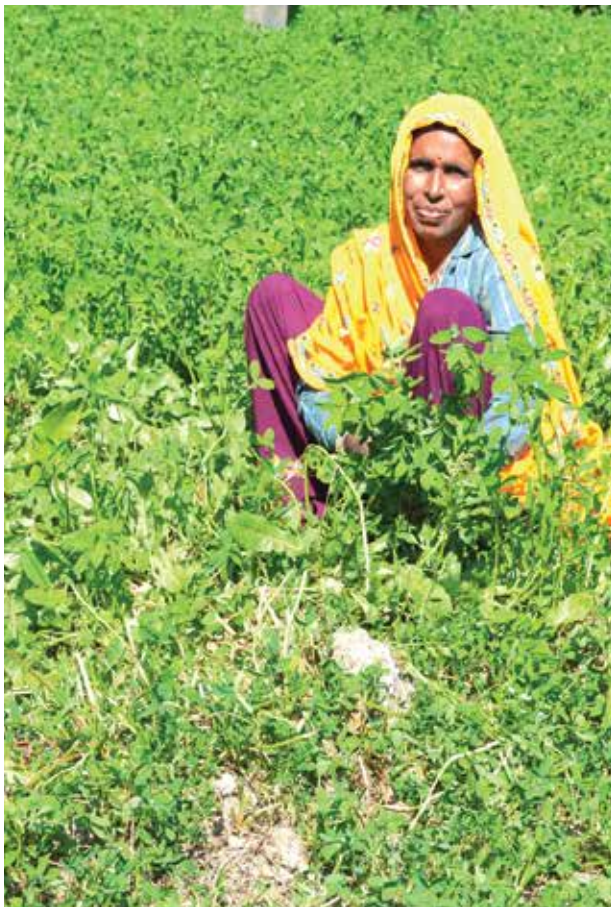
- **Loan range:** ₹ 6,000–₹ 50,000
- **Interest rate (Reducing balance):** 22% p.a.
- **Repayment tenure:**
- Loan amount between ₹ 6,000 - ₹ 15,000
  1 year
- Loan amount between ₹16,000- ₹30,000
  1 Year/ 2 Years (50:50 or 80:20)
- Loan amount between ₹31,000- ₹50,000
  2 Years (50:50 or 80:20)
- **Processing fees:** 1% of loan amount
  (exclusive of taxes)

Family Loan

Family loan is designed for low income economically active women to finance a range of family needs such as school expenses of children, medical care, house repairs, social and religious obligations, buying consumer durables and repayment of high-cost debt previously taken for family needs.

Features:

- **Loan range:** ₹6,000– ₹35,000
- **Interest rate (Reducing balance):** 22% p.a.
- **Repayment tenure:**
- Loan amount between ₹ 6,000 - ₹ 15,000
  1 year
- Loan amount between ₹ 16,000- ₹30,000
  1 Year/ 2 Years (50:50 or 80:20)
- Loan amount between ₹ 31,000- ₹35,000
  2 Years (50:50 or 80:20)
- **Processing fees:** 1% of loan amount
  (exclusive of taxes)



Agriculture and Allied loan

Agriculture is the backbone of the Indian economy. Keeping in view the specific requirements of customers, we offer them agriculture and allied loans. This product helps our women borrowers meet the cost of capital expenses and working capital requirements for farming and allied activities.

Features:

- **Loan range:** ₹6,000 – ₹ 50,000
- **Interest rate (Reducing balance):** 22% p.a.
- **Repayment tenure:**
- Loan amount between ₹6,000 - ₹15,000
  1 year
- Loan amount between ₹16,000 - ₹30,000
  1 Year/ 2 Years (50:50 or 80:20)
- Loan amount between ₹31,000- ₹50,000
  2 Years (50:50 or 80:20)
- **Processing fees:** 1% of loan amount
  (exclusive of taxes)

Value - Added Group Loan products

Business Top-up Loan

This loan product offers additional finance to customers during the year to address business requirements. This loan provides customers access to additional liquidity over and above their initial business loan and is given based on a satisfactory credit history.

Features:

- **Loan range:** ₹3,000 – ₹6,000
- **Interest rate (Reducing balance):** 22% p.a.
- **Repayment tenure:** 9 Months
- **Processing fees:** 1% of loan amount (exclusive of taxes)

Emergency Loan

The loan is designed to meet the unforeseen medical emergency requirements of customers. The loan is disbursed within 24 hours of request from Customer.

Features:

- **Loan range:** ₹2,000–₹5,000
- **Interest rate (Reducing balance):** 22% p.a.
- **Repayment tenure:** 6 Months
- **Processing fees:** 0%

Education Loan

Education loan helps promote education among our customers and their children. The product has been designed to help finance education expenses such as admissions fees, purchase of text books, uniforms etc. for children studying from nursery to degree/diploma/ vocational training.

Features:

- **Loan range:** ₹5,000–₹15,000
- **Interest rate (Reducing balance):** 22% p.a.
- **Repayment tenure:** 12 Months
- **Processing fees:** 1% of loan amount (exclusive of taxes)

Loyalty Loan

Loyalty loan has been designed as a top up loan to assist our loyal customers attain additional liquidity in their business cash-flows during the festival seasons. This product is a token of appreciation for customers who have maintained relationships longer than 20 EMIs with Ujjivan.

Features:

- **Loan range:** ₹5,000–₹15,000
- **Interest rate (Reducing balance):** 22% p.a.
- **Repayment tenure:** 12 Months
- **Processing fees:** 1% of loan amount (exclusive of taxes)

Micro and Small Enterprise (MSE)

Micro and Small Enterprise (MSE) Finance

The MSME sector is a major contributor to the GDP and the Government of India has launched a number of programs to accelerate the growth of the sector. As per reports published by the ministry of MSME and International Finance Corporation, the bulk of the sector is Micro and Small Enterprises (MSE), majority of which are unregistered. The MSEs face a lot of issues in accessing institutional finance and continue to be dependent on sources such as moneylenders, pawn brokers, chits/committees apart from family and friends. It has been acknowledged that lack of institutional finance has stunted the growth of MSE for decades. Therefore, the Reserve Bank of India has mandated the aspirants of Small Finance Bank to focus on MSE as one of the main customer segments. Additionally, Government of India has set up a dedicated refinancing agency MUDRA (Micro Units Development and Refinance Agency Limited.) to facilitate flow of funds to this segment of customers.

The unmet financial needs of MSEs offer a great opportunity for banks and NBFCs to develop a strong business line dedicated to the sector. However, the banks have not been able to do much due to various structural issues and NBFCs have not been able to provide a complete product suite, apart from term loans.

Ujjivan has recognized MSE as its main target segment in line with its mission and also for product diversification and future growth. As a part of its Individual Lending (IL) Program, Ujjivan has financed over 1,10,000 micro enterprises and disbursed approximately ₹ 660 crore since the program was launched. This was achieved by graduating the eligible customers from Group Lending Program (GL) as well as by inducting new customers from the open market. In last two years, the focus on open market has increased.

The following products were on offer during FY 2015-16:

Individual Business Loan (IBL) and Individual Bazaar Loan:

- **Loan Amount:** ₹ 51,000 - ₹ 1,50,000
- **Interest Rate:** 24% p.a. reducing balance
- **Repayment tenure:** 6 - 24 months
- **Processing fee:** 2% of loan amount (exclusive of taxes)

Pragati Business Loan (with simplified documentation):

- **Loan Amount:** ₹ 51,000 – ₹ 1,00,000
- **Interest rate:** 23% p.a. reducing balance
- **Repayment tenure:** 24-36 months
- **Processing fees:** 1% of loan amount (exclusive of taxes)

Individual Loyalty Loans: Customers having running business loans with good repayment history and a minimum of 20 EMI relationships with Ujjivan are eligible to apply for Individual Loyalty loans. The loans are given during festive (high business) seasons as an additional credit.

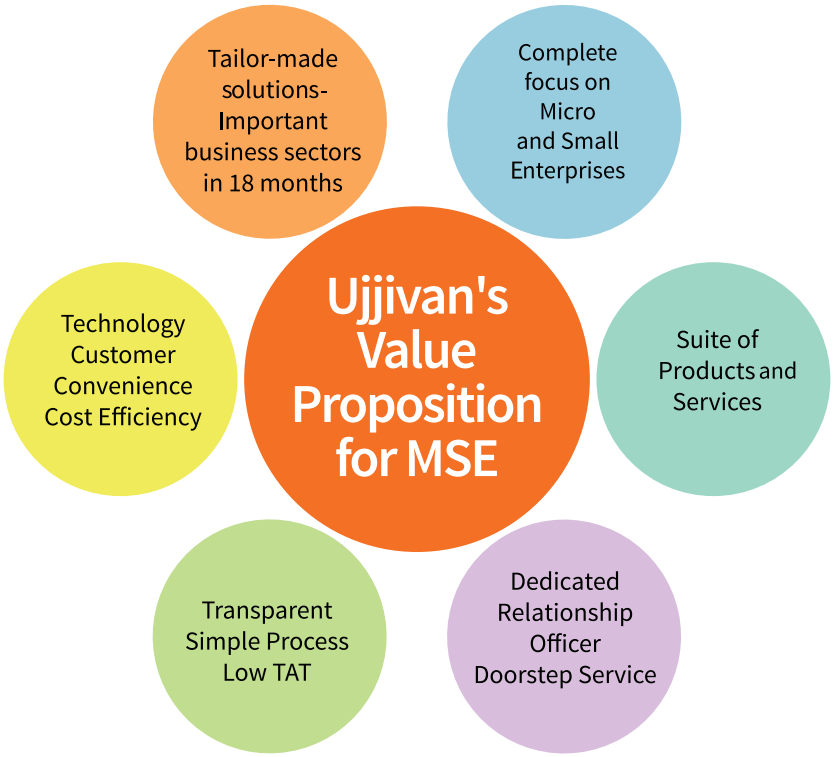
- **Loan Range:** ₹ 20,000 – ₹ 30,000
- **Interest Rate:** 23.6% p.a. reducing balance
- **Repayment tenure:** 12 Months
- **Processing Fee:** 1% of loan amount (exclusive of taxes)

Secured Business Loan

Secured Business Loan caters to the investment needs of Micro and Small entrepreneurs to expand and boost their business. The loan will be secured by land and building, taken as collateral.

- **Loan range:** ₹ 2,00,000 – ₹ 10,00,000
- **Interest rate:** 20% p.a. declining (Reducing balance)
- **Repayment tenure:** 24-84 months
- **Processing fees:** 2.2% of loan amount (exclusive of taxes)
- **Collateral:** Minimum 150% of loan amount

The Way Forward:



A dedicated MSE finance unit has been set up to cater to the needs of the segment. The unit will understand the needs of the customers, the business environment including competition and the risks and mitigations in order to bring out products and services for the micro and small enterprises. The products and services are being kept simple with high technology support in order to ensure fast delivery, quality underwriting and superior customer experience while maintaining efficiency.

The following products will be on offer:

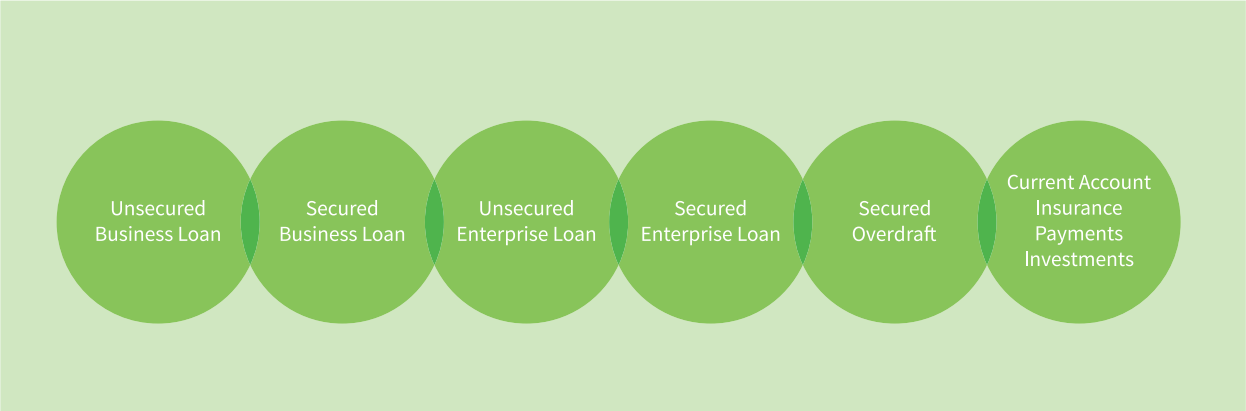
For Unregistered Businesses (mostly micro enterprises):

- Unsecured Business Loan
- Secured Business Loan

For Registered Enterprises (mostly small enterprises):

- Unsecured Enterprise Loan
- Secured Enterprise Loan
- Secured Overdraft

Additionally, the facilities of Current Account, Remittance and Payments, Insurance, Savings and Investment will be offered (by Ujjivan as an SFB) to the people who are running the MSEs and employed in it.



The use of technology will be instrumental in delivering superior customer experience by bringing efficiency in origination and management of loans. Further, technology will increase the reach and profitability of the MSE business vertical by making available reports and MIS. Better customer segmentation, predictive analysis to facilitate target marketing; and credit decision as well as portfolio management will also become possible.

MSE Finance will be Ujjivan's growth engine during the current year and also in the years to come.

Housing Finance

Background

The need for housing in India has been growing at a phenomenal pace over the years. The problem of housing shortage is becoming more acute with rapid increase in population, urbanization, changing family structure, rising per capita income, etc. Being a significant player in the Microfinance industry, having footprints across the length and breadth of the country with presence in the segment where the need for housing finance need is most acute, it becomes imperative for Ujjivan to actively participate in the "Housing for All" mission.

"Roti, Kapda aur Makaan (food, clothing and shelter)" are the three basic needs of a human being. Ujjivan has been working with the low income segment for a decade in its pursuit of providing better livelihood. In the year 2012, Ujjivan realized its customers need for housing finance assistance and introduced Housing Microfinance with a loan amount upto ₹1,50,000 being offered outside the group loan scheme, through an unsecured lending program.

This amount was not enough to meet larger needs of the customers and the segment that Ujjivan caters to. To address this, Ujjivan introduced the higher ticket size Secured Home loan product last year to help customers meet their financial assistance for large repair work, construction or purchase of a house. The lower income segment has been plagued by informal titles, unorganized construction, fluctuating income, lack of basic technical knowledge on construction and rising cost of raw materials. But despite all the challenges at hand, a strong foundation has been laid in the housing segment since the launch of Secured Home Loan. The product has been customized as per the segment's need without disturbing the risk parameters' fabric.

Over 60,000 families benefited since inception of the product and during the year, 30,000 Unsecured and 700 Secured Home loans have been disbursed across the country. By the end of FY 2017, Ujjivan aims to make significant impact in the housing sector through its tailor made products for the segment by fulfilling the aspirations of Ujjivan's existing as well as open market customers.

Product Details – Home Loan

	Home Improvement Loan (Unsecured)	**Home Improvement Loan**	**Home Loan – Purchase, Construction**
Loan Amount	₹ 51,000 – ₹ 1,50,000	₹ 2,00,000 – ₹ 5,00,000	₹ 2,00,000 – ₹ 10,00,000
Interest Rate	24% p.a. reducing balance	19.75% p.a. reducing balance	15.75% p.a. reducing balance
Tenure	12-24 months	24-84 months	24-120 months
Processing Fee	2% of loan amount (exclusive of service tax)	2.5% of loan amount (exclusive of service tax)	2.5% of loan amount (exclusive of service tax)
Loan Purpose	Home Improvement, Renovation	Home Improvement, Renovation, Extension, Completion	Home Construction, Purchase
Target Segment	• Age: 21-65 years • Monthly Household Income: ₹ 8,000 –₹ 50,000 • Occupation: Salaried/Self-employed in formal/informal segment		

Agriculture and Animal Husbandry Finance

The economically active poor under the BoP customer segment, who are the primary target segments for Ujjivan are involved largely in agricultural activities including animal husbandry. India is one of the highest producers and consumers for milk and milk products.

Three main factors that contribute to agricultural growth are increased use of agricultural inputs, technological change and technical efficiency. With savings being negligible among the marginal and tenant farmers, agricultural credit appears to be an essential input along with modern technology for higher productivity. The agriculture credit system of India consists of informal and formal sources of credit supply. The informal sources include friends, relatives, commission agents, traders, private moneylenders, etc. Three major channels for disbursement of formal credit include commercial banks, cooperatives and Microfinance Institutions (MFIs) covering the entire length and breadth of the country. The overall thrust of the current policy regime assumes that credit is a critical input that affects agriculture/animal husbandry/rural productivity and is important enough to establish causality with productivity.

Lending to farmers is particularly challenging. It has been a concern for governments for a long time as they recognize the importance of development of agriculture in their economies. Banks, however, are wary of dealing with small farmers as they perceive this to be highly risky and being at Ujjivan is likely to reduce the quality of their loan portfolio.

The Individual Agriculture loan and Individual Livestock loan have been designed largely for marginal and tenant farmers who find it difficult to access adequate institutional credit for raising crops and purchase livestock. The Individual Livestock loans are provided primarily to purchase cows and buffaloes and construct/repair/renovate cattle sheds.

Individual Agriculture Loan

Loan Features:

- **Loan range:** ₹ 31,000 – ₹ 80,000
- **Interest rate (Reducing balance):** 24% p.a.
- **Repayment tenure:** 4-12 months
- **Processing fees:** 1% of loan amount (exclusive of taxes)

Pragati Agriculture Loan

Loan Features:

- **Loan range:** ₹ 31,000 – ₹ 80,000
- **Interest rate (Reducing balance):** 23% p.a.
- **Repayment tenure:** 24 months
- **Processing fees:** 1% of loan amount (exclusive of taxes)

Individual Livestock Loan

Loan Features:

- **Loan range:** ₹ 41,000 – ₹ 1,00,000
- **Interest rate (Reducing balance):** 24% p.a.
- **Repayment tenure:** 9-24 months
- **Processing fees:** 1% of loan amount (exclusive of taxes)

Pragati Livestock Loan

Loan Features:

- **Loan range:** ₹ 51,000 – ₹ 1,00,000
- **Interest rate (Reducing balance):** 23% p.a.
- **Repayment tenure:** 24 – 36 months
- **Processing fees:** 1% of loan amount (exclusive of taxes)

Insurance

Through our partnership with Bajaj Allianz Life Insurance Company, we offer Life Insurance to our customers and their spouses. In the unfortunate event of natural death or accidental death of customer or spouse, the insurance amount helps the beneficiary cover the existing loan and receive the benefits of a life cover. In 2015-16 we insured over 30 lakh customers and their spouses. A snapshot of claims for FY 2015-16 is as follows.

Region	Customer				Spouse				Total claims	Claim Amt*	Ujjivan O/s*	Nominee Share*
	Nos.	Claim Amt*	Ujjivan O/S*	Nominee Share*	Nos.	Claim Amt*	Ujjivan O/S*	Nominee Share*				
001-SOUTH	2173	5.04	2.25	2.8	6744	15.9	2.81	13.09	8917	20.94	5.05	15.89
002-NORTH	1864	4.4	1.7	2.69	5279	12.56	4.45	8.11	7143	16.95	6.15	10.81
003-EAST	1562	3.6	1.47	2.13	4682	10.83	2.98	7.85	6244	14.43	4.46	9.98
004-WEST	1009	2.38	1.05	1.33	3256	7.93	2.34	5.59	4265	10.31	3.39	6.92
Total	**6608**	**15.42**	**6.47**	**8.95**	**19961**	**47.22**	**12.58**	**34.64**	**26569**	**62.64**	**19.05**	**43.59**

**Amount in crore (₹)*

Service Quality - Customer Retention, Care and Protection

At this crucial time of organizational transition, we have looked back to see how our Service Quality Program has been a key differentiator for Ujjivan within the Microfinance industry and how service quality combined with customer centricity will create a value proposition for all stakeholders while continuing to be a key differentiator during / post transition into the banking space.

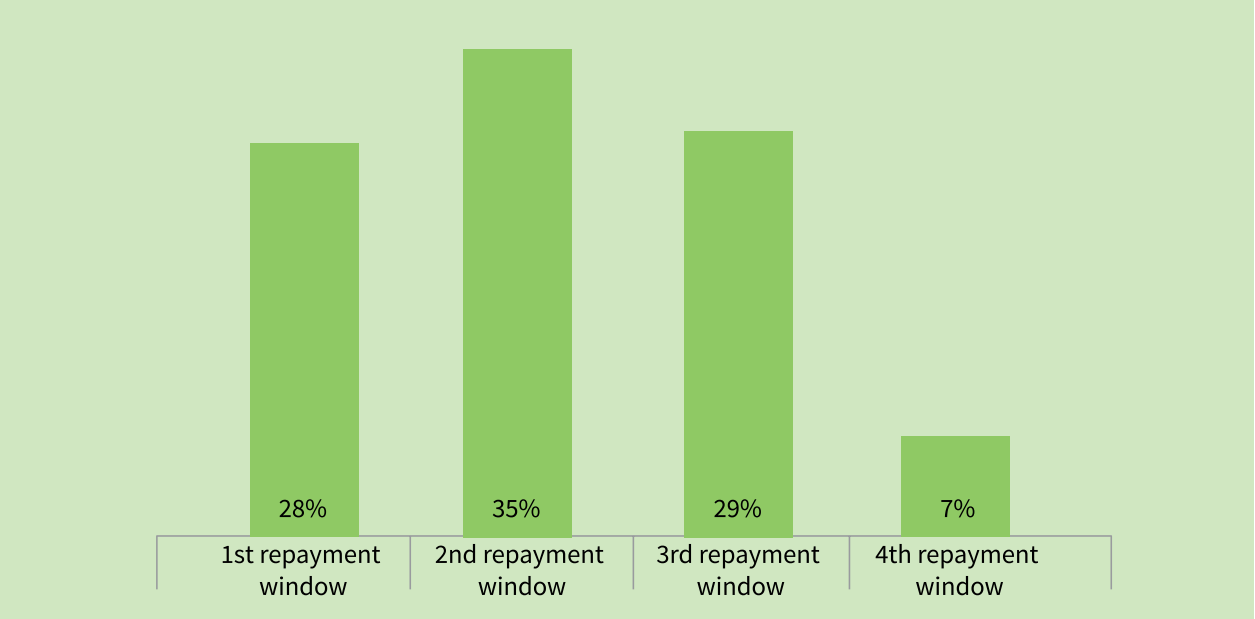
Evolution of Service Quality Program over the Years

- In 2010, we launched the unique concept of Customer Care Representatives placed at branches to handle customer service issues and to achieve higher customer retention rates. We also set-up national toll-free multilingual helplines for our customers.
- In 2011, we rolled out a financial awareness program for our customers and we have screened Sankalp video for over 25 lakh customers so far. The video covers two short stories about real life situations of typical Microfinance customers facing ill-effects of multiple borrowing and ghost lending followed by an awareness on the importance of maintaining positive credit history as the MFI sector was forged to use credit bureau systems then.
- In 2012, we successfully rolled-out multiple repayment window options for customers which enabled them to choose any week between the first 3 weeks of the month for their monthly repayment, which in turn allowed lesser caseload for field staff thus ensuring better and speedy customer service.
- In 2013, we implemented a comprehensive Code of Conduct and Client Protection Principles by adopting guidelines of the Reserve Bank of India, MFIN's (Microfinance Institutions Network) Code of Conduct and Smart Campaign's global standards of Client Protection Principles. We became one of the first few MFIs in the world to be certified by Smart Campaign for our adequate standards of care in implementing all the Client Protection Principles through our operations, product offerings and treatment of clients
- In 2014, we partnered with professional call-centers to offer outbound calls to customers for various service calls with the objective of seeking feedback proactively and to work on improving our services and products.
- In 2015, we extended repayment window options to 4th week of the month and we have successfully undergone midterm check-in process to extend the validity of our client protection certification for another 2 years.

These initiatives have shown tremendous positive results in our customer connect, retention, reduction in service TAT and customer wait time. Key highlights and achievements of this year are:

- More than 1,35,000 dormant and dropout customers were met by Customer Care Representatives (CCRs) for exit interviews and 44% (59,039) of them were retained after addressing their concerns
- Our customer retention rates marginally dipped from 86.74% to 86.29% due to increase in credit bureau rejection rates, however, the impact was low and this is one of the best retention rates in the industry.
- We have undergone social rating during April 2015 and have been accredited with **S1** rating – "**Excellent SPM (Social Performance Management)**" The evaluation was carried out by an external independent rating agency.
- We attended and resolved 1,73,487 customer enquiries and 2,200 customer grievances through our multi-channel grievance redressal mechanism.
- Customers' wait time at branch for loan disbursement reduced. Number of customers to whom loans were disbursed in 15 mins increased from 24% to 39% and for 15 to 30 minutes from 37% to 41%.
- Number of borrowers are well spread across 4 different repayment windows (weeks) of the month as per their choice, easing caseloads for staff in repayment collections and customer servicing. 28% of borrowers make their repayments during first week of each month, 35% in second week, 30% in 3rd week and 7% in 4th week respectively.

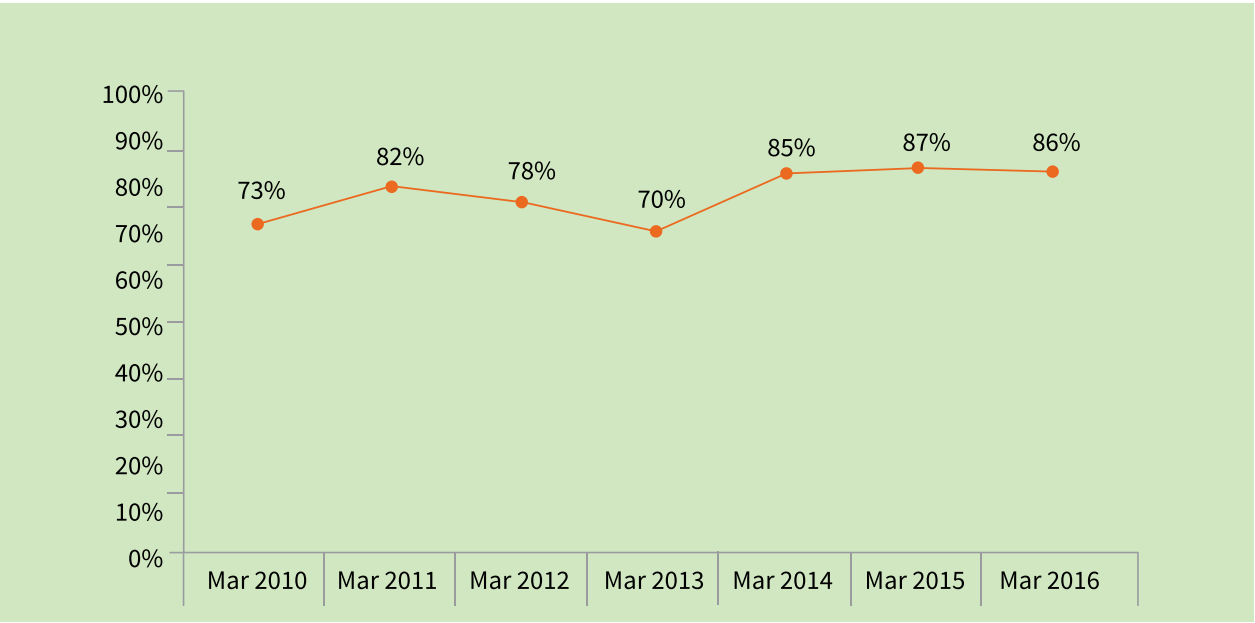
Chart 1: Split of borrower base into 4 repayment windows: Ensuring a healthy balance of case-loads for field staff; better and speedy customer service



Customer Retention Programs:-

Ujjivan has been maintaining a healthy customer retention rate (as shown in the chart below) though a marginal reduction from 86.74% to 86.29% in 2015-16 compared to previous year was observed. This is largely due to credit bureau rejections while complying with lending norms i.e. more than 2 MFIs shouldn't lend to same customer and cap on maximum loan outstanding per customer. The credit bureau rejection rates increased from 9.7% in 2014-15 to 11.6% in 2015-16. Overall, Ujjivan continues to have one of the best customer retention rates in the industry. We always emphasize on maintaining long term relationship with customers. Good customer retention rate has given us a loyal customer base, brand advocates and happy customers. This is imperative to ensure meaningful impact while helping them alleviate poverty through financial services.

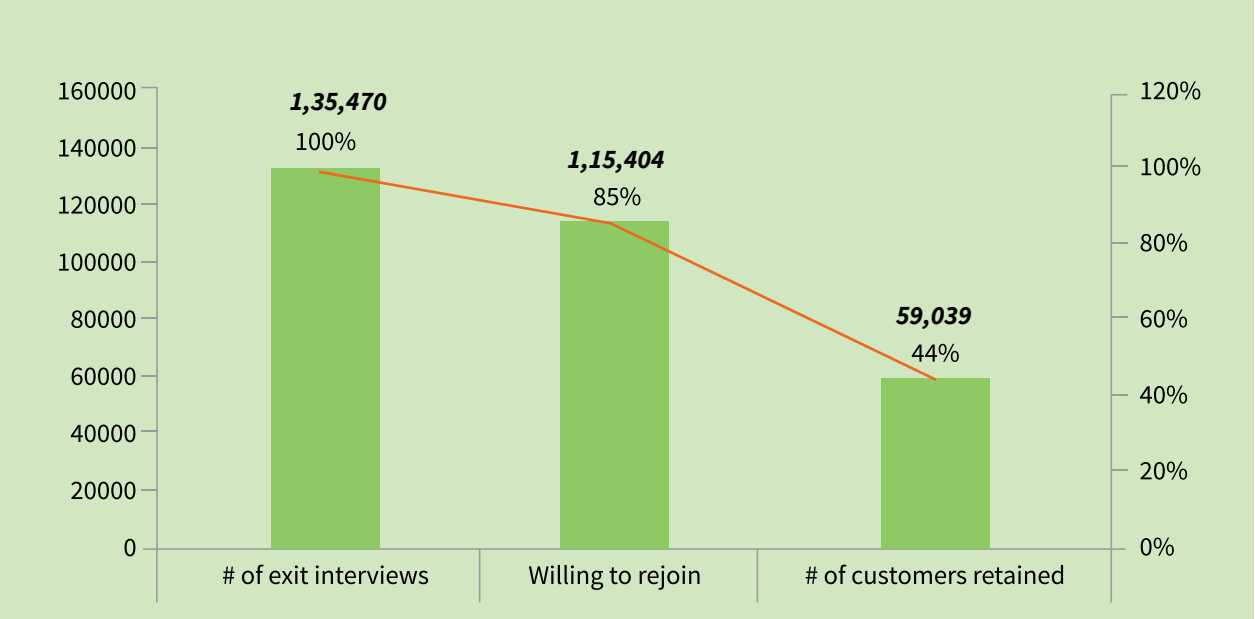
Chart 2: Trends in Customer Retention Rate for the past 7 years



The key drivers of this impressive retention rate were innovative field, credit and backend processes supplemented with strong comprehensive service quality programs such as:

- Customer care representatives met over 1,35,000 inactive customers and retained 44% of them
- Ujjivan has introduced rewards and recognitions for the field staff for retaining repeat clients
- Scaled up individual lending program for meeting higher credit requirements of customers for purposes like business, housing, higher education, agri and livestock.
- Strong and independent credit approval systems to control over-indebtedness of customers
- Innovative field and backend processes i.e. preapproved loans and reduction in loan turn-around-time through Document Management System (DMS)
- Strong customer feedback and grievance redressal mechanism to proactively resolve service issues
- Greater transparency of our services, terms and conditions which are being effectively disseminated to customers through various channels; welcome calls to all customers post loan-disbursement to seek their feedback for improving service delivery and reducing turn-around-time.

Chart 3: Number of Exit Interviews conducted by CCRs during FY 2015-16 and retention percentage



Note: 1,15,404 customers expressed their willingness to rejoin. Of these, 56,000+ customers were not retained due to multiple borrowing, bad credit history, migration and other reasons

Fair Practices Code and Grievances Redressal Mechanism:-

Ujjivan has adopted a Board approved policy on Fair Practices Code and Grievances Redressal Mechanism which provides operating guidelines for effective dissemination and implementation of responsible business practices and to constantly review the functioning of grievance redressal system. Ujjivan follows various guidelines issued by the **Reserve Bank of India** (RBI) on Fair Practices Code for NBFC-MFIs and has also adopted the Industry Code of Conduct developed by the **MFIN** (Microfinance Institutions Network). Ujjivan also endorsed "Smart Campaign"; a global initiative committed to embedding strong client-protection practices into the Microfinance industry, and implemented adequate global standards of Client Protection Principles.

Grievance Redressal Mechanism at Ujjivan

Ujjivan adopted a well-structured client grievance redressal mechanism and provides customers a reliable and easily accessible interface for timely and fair resolution of enquires and complaints. The policy aims to minimize the instances of customer complaints through proper service delivery and review mechanism. Ujjivan provided multiple levels of contact and escalation points for customers to get their queries clarified promptly.

- **Customer Care Representatives** (CCR) - We have 378 CCRs working in large branches (>80% of total branches) as the first point of contact for the customer for query resolution. Due to low literacy rates and their vulnerable backgrounds, our customers found it convenient talking to someone face-to-face rather than calling a remote helpdesk. Hence we have given importance to the placement of CCRs in all large branches.

- **Toll-free Customer Helpline** has been set up to serve as a Second level escalation point for customer grievances. The help desks ensure that all queries are tracked, resolved and if required, escalated on a timely basis. Every Region has a dedicated multilingual help desk and services both internal and external customers.

- **Grievance Redressal Officer**: Each Regional Office has a Grievance Redressal Officer (GRO) for 3rd level escalation; GRO monitors customer grievances at the regional level and is responsible for ensuring timely resolution of all complaints through CCRs and Helpdesks.

- **Outbound Calls**: Ujjivan started offering Welcome calls to all new and repeat clients after loan disbursements. This is to seek their feedback on quality of our services, turn-around-time and employee behavior. Further, this mechanism provides us an opportunity to proactively seek feedback from our customers and trace their dissatisfaction even before they complain.

- **Call-back Requests**: We have introduced a new channel for our customers who wish to raise enquiries or complaints through our website. Customers can submit a 'call-back request' using our web page. All these requests are attended by our regional helpdesk through outbound phone calls. We received 203 call-back requests during the year.

Staff and Customer Education on Code of Conduct and Grievance Redressal Mechanism

To ensure an effective implementation of Code of Conduct and Grievance Redressal Procedures in its true spirit, we undertook several initiatives to educate our customers and field staff during past couple of years:

- All our field staff were trained on Fair Practices Code and Grievance Redressal Procedure and on their role in effective implementation of Client Protection Principles (CPPs) through sharing best practices and role plays on real life situations

- Posters on Fair Practices Code and Grievance Redressal Mechanism have been prominently displayed at all branch premises in vernacular language and on website

- Helpline numbers have been displayed and other disclosures as per Transparency standards of RBI and Smart Campaign's Client Protection Principles made on our loan card/loan agreements

- A section on grievance redressal has been integrated into the Compulsory Group Training (CGT) for new customers and helpline numbers with an escalation matrix have been prominently displayed in the CGT brochures

- Plastic Pouches (for keeping loan cards securely) with printed instructions covering complaint escalation matrix and customer instructions (Do's and Don'ts) have been distributed to all customers during disbursements.

A report on customer grievances received and resolution provided, including action taken, is being submitted to audit committee of the board and also being reviewed during quarterly board meetings.

Chart 4: Customer Enquiries and Complaints Attended and Resolved during the year

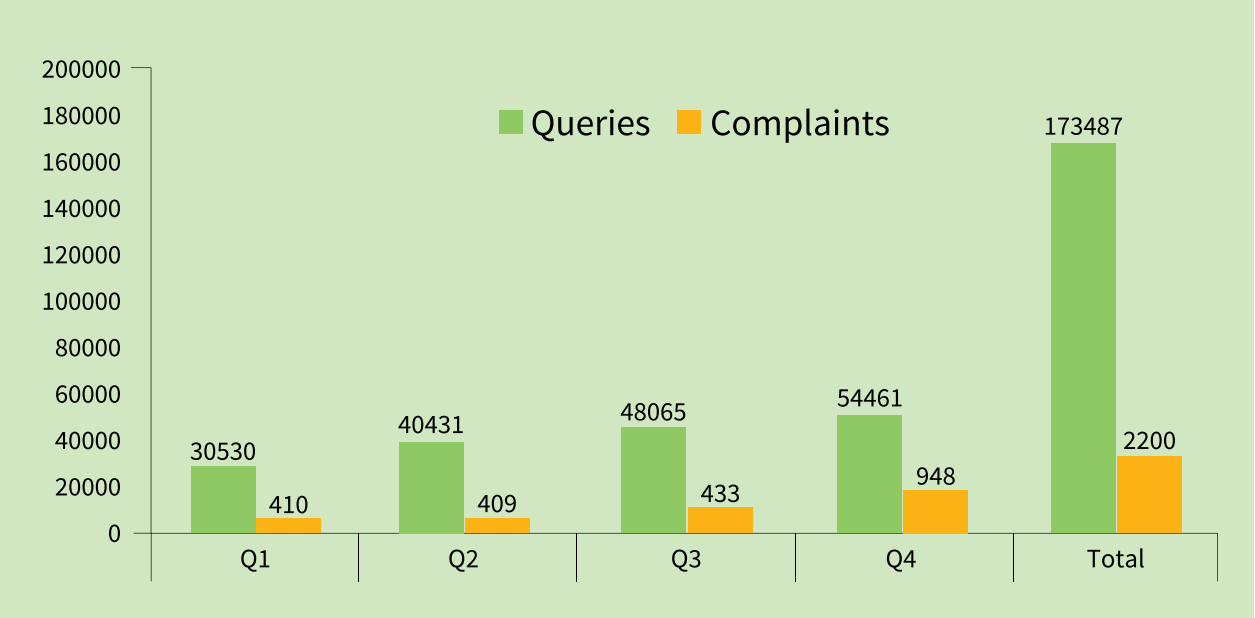
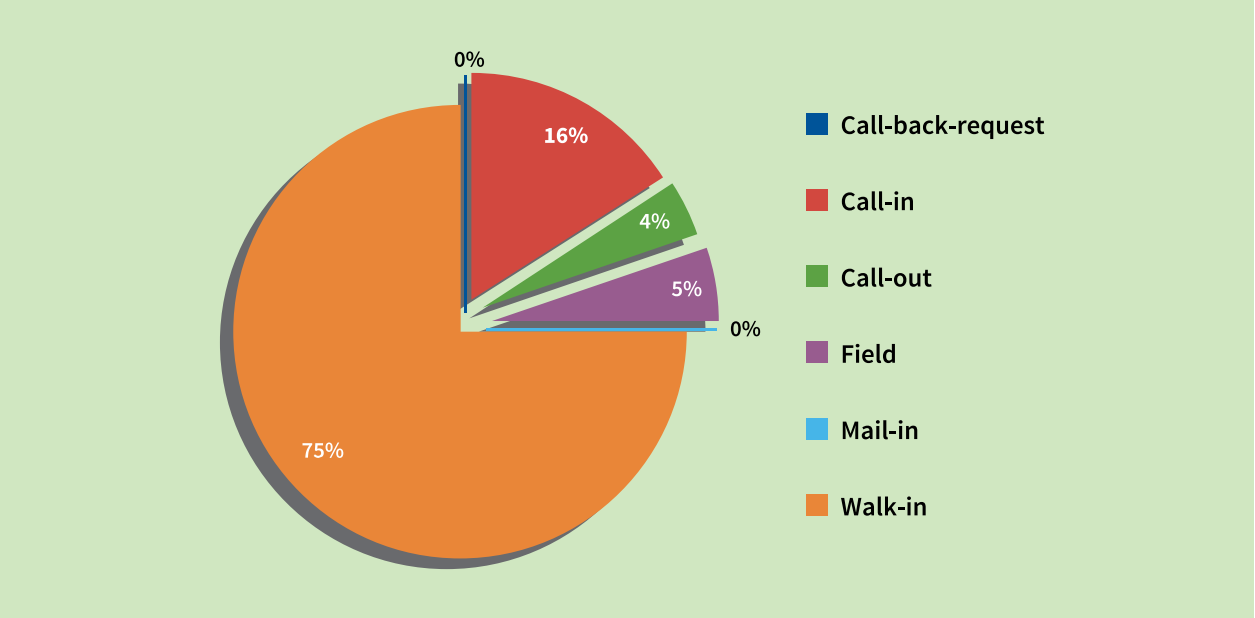


Chart 5: Mode of Contact for Customer Queries and Complaints



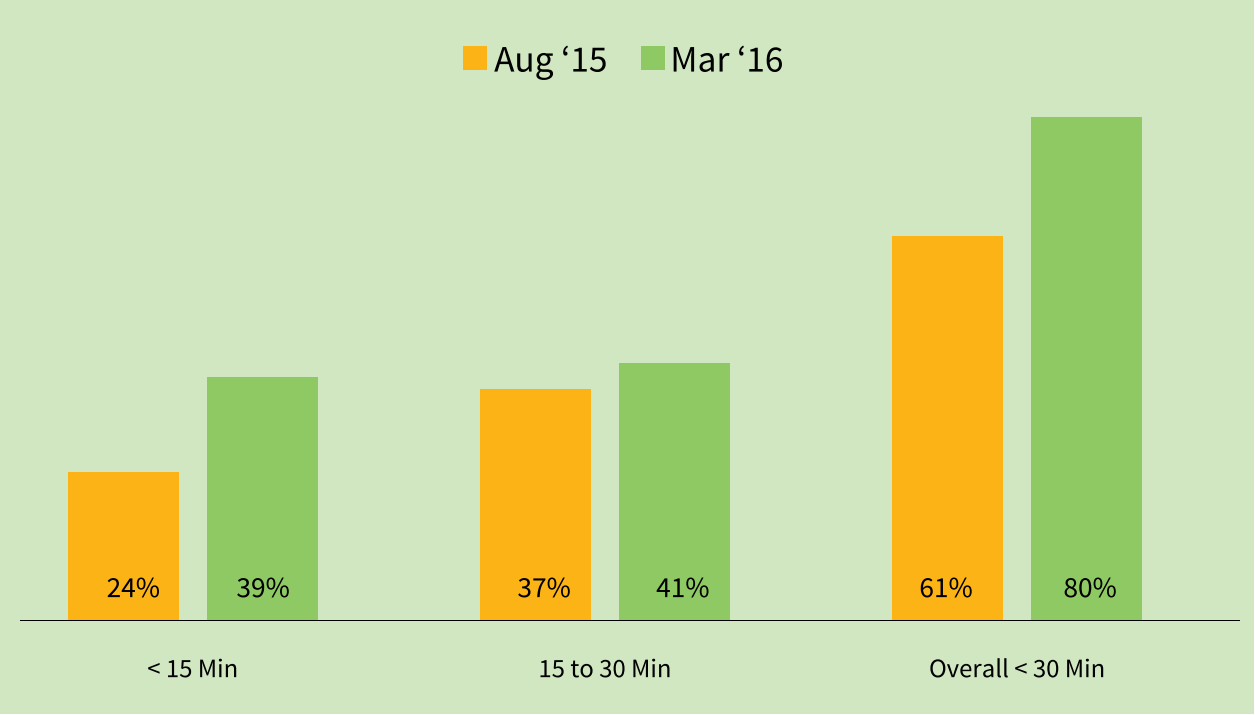
Outbound Call-Center: An alternate channel for customer relationship management

To proactively seek feedback from customers, we have partnered with professional BPO service providers to make outbound service calls to our customers. The list of call-center service providers that we engaged include Vindhya E-Infomedia Pvt Ltd – Banglore, a socio-economic BPO venture employing differently abled persons and Indian Association for the Blind – Madurai, employing visually impaired people. Currently, we have deployed 71 tele-callers at 5 call-centers across India.

More than 90% our outbound calls are Welcome Calls to all customers after the loan disbursements. The objective of welcome calls include

- Proactively seeking feedback on our product and services including satisfaction on loan application process and turn-around-time
- Verifying the accuracy of few important data provided by the customer and cross-verify loan purpose
- To check their understanding on fees and charges, EMI amount, repayment dates etc
- To bring awareness among customers regarding various channels available for redressal of their grievances
- To check grievances, instances of commission / bribe being paid by customers to anybody and ghost lending
- To seek feedback on customers' wait time at branches during loan disbursement. Customers wait time at branch for loan disbursement reduced, number of customers waiting for disbursement up to 15 minutes increased from 24% to 39% and for 15 to 30 minutes from 37% to 41% as given in Chart 6.

Chart 6: Reduction in Customers' wait time at branch for loan disbursement



Additionally we have started below mentioned outbound calling activities during the year 2015-16

- Repayment reminder calls for Individual loan customers, mainly for group loan customers who graduated to individual loans, for ensuring they adopt regular repayment habit, these calls are made for first 4 EMIs.
- Late Repayment reminder Call for Individual loans, this service is provided to those customers who made delayed repayment during the previous installment; this is to bring them back on regular repayment track.
- Disbursement overdue reminder calls to clients whose loans are already sanctioned but they have not turned up to branch for availing the same. Delayed disbursements by more than one day reduced from 33% to 21% of total disbursements.

Table 1: Customer Outreach for Feedback through Outbound Calls

Out Bound Calls		Call %
Welcome Calls	Number of Loans Disbursed	100%
	Customers Without Contact Numbers	22%
	Customers With Contact Numbers	78%
	Successful Welcome Calls Made	**67%**
Repayment Reminder Calls	Number of IL Repayment Customers (first 4 EMIs)	100%
	Customers Without Contact Numbers	2%
	Customers With Contact Numbers	98%
	Number of Successful Reminder Calls	**66%**

Service Quality Awards:-

Celebrating our Service Champions who delivered outstanding customer service:

We often hear stories of outstanding service provided by our employees well beyond the call of duty. This service mindset forms the core of Ujjivan's mission. To recognize all such employees and celebrate their exceptional act of service, we have instituted **Service Champion Award** program from June 2010. This is given to an employee who has provided exceptional service to a customer or her family. **So far 89 such champions have received this award including 13 during FY 2015-16**. The award consists of a merit certificate, a letter from the Managing Director and a cash prize. The award winners are further given recognition in our monthly newsletters and through individual emails from the National Leadership Team.

Couple of such exceptional service champion stories are given below:

Vidhya K – CCR of Devaiah Park branch, Santhosh Kumar M S – FLP Trainer and Dinesha S V – Regional FLP Manager: Bangalore, Karnataka

One of our seventh cycle customers, Vishalakshi, came to branch during August 2015 requesting higher loan amount for her heart surgery. As the branch could not provide such a huge loan for medical purposes, our Customer Care Representative (CCR) Vidhya wanted to help her in any possible way considering her financial problems. CCR Vidhya, FLP trainer Santhosh and Regional FLP Manger Dinesh collectively made an effort in getting support from the "Have a Heart Foundation". Our customer underwent medical investigations at Jayadeva Institute of Cardiology in Bangalore. Package cost given by the hospital was ₹ 1,60,000/- which was beyond the capacity of this family. With the help from "Have a Heart Foundation", customer underwent open heart surgery 100% free of cost. Her health conditions recovered and she was discharged from hospital within a month. The customer and their family members were very happy for the initiative taken by Parinaam and the Ujjivan team and they were very thankful for the whole hearted service.

Sukhwinder Singh Sahota – FLP Coordinator: Regional Office, Pune

Pandhari Chavan is one of our colleagues working as a Credit Officer in Mumbai. In the month of August'15, his mother started suffering from dengue. She was admitted to Nagvekar hospital at Kankauli which is located in Sidhudurg District in Maharastra. The doctors said that her platelet counts were too low and advised Pandhari to arrange 8 platelet bags immediately. He was clueless about where to arrange these many platelet bags from because he lived in Mumbai and had no idea about the availability of blood banks in Kankauli. He called his supervisors Dinesh Yadav and Twinkle Patodiya. The first name came to Twinkle's mind was of Sukhwinder who is working as FLP coordinator and is well known for his selfless help. Since it took 8 hours to reach Kankauli from Mumbai, Sukhwinder provided some blood banks' contact numbers to Pandhari. Sukhwinder provided him contact number of OROS Sindhudurg Blood bank. But even there platelet bags were not readily available. Due to Sukhwnder's persistent follow up the blood bank finally arranged platelet blood bags with the help of local villagers who donated their blood. Because of Sukhwinder's contacts and references all this became possible and Pandhari's mother found her way out of the critical situation.

Assessments:-

Social Performance Rating:

Ujjivan underwent "Social Performance Rating" during April 2015, the assessment was conducted by **M2i Consulting**, an independent agency, using its Social Rating Tool. This tool requires scores to be assigned on the five Social Rating Dimensions – **Social Goals and Strategies, Responsibility towards Clients, Responsibility towards Employees, Products and Delivery Channels, Balance Social and Financial Performance**, across the four parameters – **Approval, Documentation, Dissemination and Observance.** The five dimensions have been drawn from a review of the norms prescribed for MFIs including SPTF's Universal Standards for Social Performance Management (USSPM), the Client Protection Principles of the SMART Campaign, and poverty assessment tools like the Progress out of Poverty Index, and fair practices'

code of RBI. The grades for each social rating dimension are assigned from "S1" to "S8" on the basis of the institution's performance in SPM, where S1 denotes excellent SPM and S8 denotes very poor SPM.

M2i Consulting affirms in its report that "Ujjivan gets S1 grade in this rating, as it performs excellent in almost all the social performance dimensions. Ujjivan's processes and systems are aligned with the mission". Some of the highlights of the report are:

- All-important policies are approved by the board
- Ujjivan has high outreach with unbanked clients and it focuses on cashless disbursements to improve financial inclusion
- Audit covers operational and social performance issues
- Ujjivan has staff friendly policies
- Client and staff grievance redressal systems are well defined
- High risks areas are defined and monitored
- Staff and client dropout rates are tracked with reasons

Table 2: Social Performance Rating – Scorecard

SL.No	Social Rating Dimensions	Rating
1	Social goals and strategies	S1
2	Responsibility towards Clients	S2
3	Responsibility towards Employees	S1
4	Products and Delivery Channel	S1
5	Balance Social and Financial Performance	S1
	Composite Grade	**S1**

Note: S1 – Excellent SPM, S2 – Very Good SPM

Smart Campaign's mid-term check-in validation of Client Protection Certification:

We are one of the first few MFIs in the world to be certified by Smart Campaign in early 2013 for our adequate standards of care in implementing all of the Client Protection Principles through our operations, product offerings and treatment of clients. This certification is valid for 4 years subject to midterm check-in validation after 2 years. During 2015, M-CRIL, an independent rating agency, conducted an evaluation and found that Ujjivan continues to fully adhere to the Smart Campaign's Client Protection Principles.

Risk Management Framework

In keeping with the requirement of a robust risk management framework for its operation, Ujjivan has an independent Risk Management department to manage various risks including Credit, Market and Operational Risk. While the department has till now addressed inherent risks and developed controls for Ujjivan's existing lines of business as an MFI, the scope and remit of the Risk Management Department has been enhanced to address additional risks as it transitions into a Small Finance Bank and new products, IT systems and processes are introduced. To meet this, Ujjivan has procured both an EGRC and ALM solution to effectively monitor aspects of Credit, Market, Liquidity, IT and Operational risks. Policies and procedures to meet the enhanced requirement have been formulated with the approval of the Board, in addition to the constitution of independent committees to oversee Credit, Market and Operational Risk. The Risk Committee of Company's Board of Directors reviews risk management policies in relation to various risks including portfolio, liquidity, interest rate and operational risks, Investment policies and strategies, regulatory and compliance issues in relation thereto are also reviewed by the committee.

Ujjivan has a unique process to evaluate and monitor risk at each of its branches. This includes an assessment of both internal and external factors, including quality of credit portfolio, branch supervision, staff attrition and external events. A team of field risk staff complements the efforts of the team at the corporate and regional offices to generate a risk score for the branches. Based on the risk scores generated, the branches that are deemed to be exposed to higher risks are subjected to greater monitoring and control and the frequency of audits at these branches is increased. It is this rigorous monitoring of risk at a granular level that has helped Ujjivan avert any major crisis that has affected the MFI sector from time to time. This granular assessment has been refined and strengthened to meet the increased requirement as Ujjivan transitions into a Small Finance Bank.

In addition to branch risk assessment, Ujjivan continues with a comprehensive Risk Control and Self Assessments (RCSA) exercise across all departments. This exercise, which commenced in 2013- 14, has been enhanced to capture the newer processes in a banking environment. Through regular workshops, Ujjivan creates awareness of the RCSA tool; with the aim that all its branches will do an RCSA exercise of the internal processes at least once every half year. The implementation of the EGRC solution is intended to aid this process.

Following from the RCSA exercise, Ujjivan has compiled a risk register for all departments and also for its IT systems and applications. The key risks are mapped to Key Risk Indicators (KRIs) for each department and monitored against measurable metrics. Risk threshold breaches of the KRIs are discussed with the respective functional heads and corrective action plans documented for future review. At each meeting of the Risk Management Committee of the Board, the KRIs are presented, control breaches discussed and remedial measures are instituted.

In compliance with the requirement of Companies Act, 2013, Ujjivan completed in 2015-16, a review of its Internal Financial Control (IFC) based on the COSO framework. It is now in a state of preparedness for ISO 27001 certification and is implementing Business Continuity measures pursuant to the requirement of ISO 22301.

Information Technology

A successful, robust IT foundation, which drives innovation and leads change, has always been our mantra. The IT infrastructure at Ujjivan continues to lead the MFI sector, facilitating smooth functioning and providing high quality service to its stakeholders, while maintaining infrastructure that ensures high quality support and uptime. Ujjivan has successfully delivered financial services efficiently to its customers over the years, while constantly improving the convenience of transactions via new technology.

State-of-the-art Data Centre at IBM, Mumbai

We have selected IBM's private cloud resilience services to ensure continuous business operations for our clients' financial transactions. The cloud-based Virtualized Server Recovery (VSR) solution provides Ujjivan a managed, round-the-clock solution designed to support application continuity and reduce business expenses and data loss, while ensuring always-on operations. IBM's Cloud VSR solution provides faster, streamlined recovery and manages our complete IT application infrastructure through IBM's remote monitoring centre in Bangalore. With IBM's Cloud VSR, we can replicate entire systems in real-time including system files, databases, applications and user data, in a way that is independent of the make and model of the underlying hardware. In the event of unexpected downtime, Ujjivan can restore 100% functionality within minutes, as opposed to the average recovery time of 8-12 hours

Usage of Handheld Devices

Handheld devices have been rolled out for faster and more accurate processing of transactions - customer acquisition, loan underwriting and loan processing with an integrated workflow system, using Tablets and the Artoo system. Transactions related to repayment collection, fee collection, attendance marking, and Loan Utilization check (LUC) can be performed at the customer's doorstep, in both online and offline modes in the field using Smart Phones and the Trucell application. Implementing this mobility solution has increased the productivity of field staffs and has reduced the TAT drastically.

DMS and Workflow System for Loan Processing

Our momentum in growth has resulted in the need to capture more data and establishing new processes to meet regulatory requirements. To meet these requirements, we use IBM Filenet, the most robust software for DMS, Content Management, Workflow and Process Management. This has eliminated movement of physical documents between departments for loan processing. Workflow Management ensures that digitized version of customer documents are moved between departments as required, based on a set of logical rules. Credit Rule Checking and the extraction of Credit Bureau Reports are also integrated with DMS and automated. This Workflow and Document Management System for loan processing has been implemented in all 4 regions and all Ujjivan branches are benefitting from online, real-time transaction processing. The change has also facilitated productivity measurement, leading to reduced turnaround time and a manifold increase in productivity.

Core Banking Solution for Microfinance Business

Our CBS, BR.NET, meets our diverse needs, right from accounting to loan processing and disbursements. The application has been tweaked and customized to support our core business- Group lending. However, it is also being used to handle Individual Loans processing. BR.NET blends the complexity of information technology with the ease of operations. The software is very stable and secure, thus making it an ideal choice as a CBS. Point to point integration with different mobile applications gives us an edge on the automation front.

Collections System

We are using Indus IC4 as our collections management system. This has a structured workflow for managing bucket-wise over-dues. This will help us largely in customer risk management, understanding the customer portfolio, and improving recovery rates.

Use of Linux and Open Source Software

We have deployed Linux operating system in the branches to achieve cost efficiency and security. We have also opted for Open source email solutions, helpdesk system and complaint management system to save cost and incorporate smooth operations.

Business Intelligence and Data Warehousing

We are in the process of developing a Business Intelligence System to monitor business online for data mining, online analytical processing, querying and reporting. The Business Intelligence System will help us largely in making improved decisions, cutting costs and identifying new business opportunities.

Oracle Financials

The most recent implementation was that of Oracle Financials which comprises different modules for fixed asset management, purchases, accounting and reporting. Given the technological advancement of Oracle products, we can now boast of an exceptionally secure environment for different functions with the industry best practices. Multi-dimensional reporting is one of the most prominent features of the application which gives in-depth vision into different reporting paradigms.

Rule Engine

We are in a process of implementing Rule Engine for Automating Credit Approval process and straight through processing, which will improve the productivity of the organization in processing loans and improve the quality of processing.

Technology Roadmap for Future Small Finance Bank

Ujjivan Financial Services Limited took another decisive step towards its proposed small finance banking operations by earmarking more than ₹ 300 crore, to be invested for implementing and integrating its Core Banking Technology for over the next five years.

To support the high volume business and to meet security and compliance requirements of different regulatory authorities, strong and secure systems are required at the core. Also, It is our desire that our customers should experience the best in class technology, security and mobility. We are endeavouring for our customers to feel comfortable banking with us from wherever they are without the constraints of time and space.

It has brought together an impressive ensemble of world class IT majors. The best of the breed technology solutions providers for its upcoming bank IT infrastructure includes Finacle Core Banking from Infosys, CRM Solution from CRMNext, Mobile Unified Platform from i-Exceed, Sysarc Loan Origination System, ADF from Pragmatics, SAS complete suite for AML, ALM FTP and Risk and Governance, Ramco HRMS, Oracle Financials, Oracle Hyperion, IBM Cognos for DW and BI, IBM Filenet for Document Management and Workflow systems, IBM Middleware and IBM Enterprise Service Bus to integrate all systems together.

All these systems will be in addition to the existing systems which includes BR.net and mobility solutions like Artoo and Truecell. Core Banking and all other systems will run on most secure and robust servers like Oracle Sun Super Cluster, CISCO Blade Servers and CISCO Routers and Switches.

Ujjivan has appointed Wipro as the Systems Integrators to implement different Banking Technology Systems as a strong IT backbone for its proposed Small Finance Banking operations.

Wipro will setup NOC (Network Operation Centre) and SOC (Security Operation Centre) for Ujjivan and will implement all systems and support to manage this technology with Ujjivan IT Team for next 5 years. More than 125 strong IT professionals will be managing the technology department for the upcoming bank. Wipro will implement Finacle core-banking system from Infosys integrated with CRM Solution and Mobility Solutions.

Ujjivan will be focusing highly on mobility solutions and will implement mobile technology using mobiles and handheld devices to reach the rural customers. Even today Ujjivan is using the latest mobile technology for customer acquisition, customer support and collection management for its current MFI business.

Keeping in mind the need for high security and top of the line disaster management, all IT infrastructure will be hosted in IBM Data Centre at Mumbai and the Disaster Recovery Data Centre will be hosted in Airtel Data Centre at Bangalore. Ujjivan will also be hosting a 3 way Data Centre DC, DR and NDR (Near Disaster Recovery).

Ujjivan's strong management team, with an equally strong consultancy team from EY and good connection with technology partners which includes names like IBM, Oracle, Cisco, SAS, Microsoft, EMC, Craft Silicon and Artoo will support the company to setup a strong technology driven bank for the future.

Retaining Top Talent:

Ujjivan has a commendable 82% employee retention rate. More than 83% of our employees are engaged in field level interactions with customers, fulfilling their financial needs. For the FY 2015-16, we hired 2,769 new employees including freshers, management trainees, lateral hires at the mid and senior management level personnel which also include key leadership members to handle critical functions in readiness for the launch of a Small Finance Bank. Our net headcount increased by 14%. New members were largely placed in the 47 new branches that were opened across the country.

Promoting Experienced Staff:

As and when new branches or new line of businesses are launched, existing talent is given the first opportunity to move into higher roles. For example, experienced senior Customer Relationship Staff (CRS) are provided the opportunity to take the higher roles in the organization. Talent identification, however, does not happen instantly – possible candidates are identified well in advance by their immediate supervisors and are encouraged to take additional responsibility within the branch. For example, the excellence of a CRS is recognized by their ability to handle business volumes, customer management skills, problem solving and influencing abilities. For this to happen, their immediate supervisors accompany them during field visits and get a first-hand understanding of their abilities. This walk-the-talk gesture of the supervisors goes a long way in establishing rapport with the field team, resulting in high retention.

Internal Job Promotion (IJPs) and Employee referrals: In FY 2015-16, Ujjivan closed more than 23% of all open positions through Internal Job Promotions (IJPs) and 53% of the open positions through employee referrals as well as customer references. While much of the field-level hiring was closed through walk-ins or recruitment camps for supervisory or managerial level requirements, the IJP source continued to be a fairly successful source of recruitment.

During the talent search process greater emphasis is given to traits like adaptability, willingness to learn and candidate's potential to explore and take initiatives. Ujjivan continues to enhance skills through programs such as the first level supervisory workshops to enable new managers to understand the nuances of building leadership skills and managing people while engaging in branch management.

Talented employees feel a sense of acknowledgement when they get to apply through what is seen as a fair and transparent IJP process. More so, the frequent involvement of their supervisors in capacity building supported by trainings helps build confidence to take up new roles and responsibilities.

Performance based rewards and recognition: Ujjivan conducts mid-year and annual appraisals, which are transparent and allow employees to self-evaluate their performance before having discussions with their respective supervisors; this process is in addition to the various role based score cards. This helps Ujjivan recognize top performers in the organization across various levels – top talent is rewarded by a higher payout of the annual performance bonus.

Last year, top performers among the managers were recognized for their contribution through a special scheme of deferred bonus payable over a period of two years. This initiative was instituted as a retention measure for top talent. A few of these high-performing managers were nominated for development programs, temporarily handling their manager's role in their absence or given additional responsibility for a short stint. While such role extensions were non-financial in nature, it provided ample opportunity to learn and get a different perspective of leadership abilities.

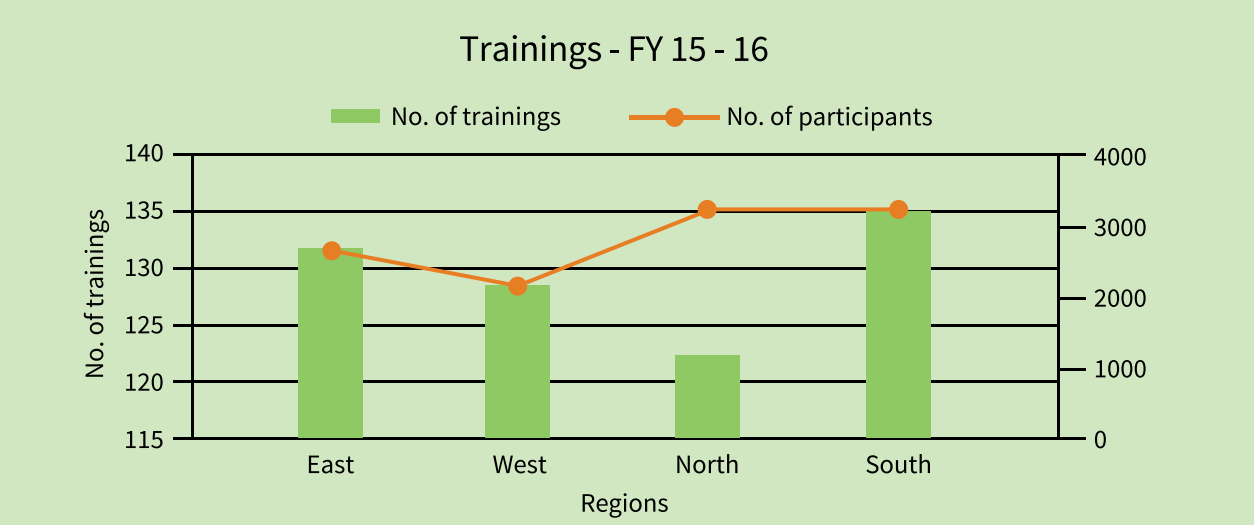
Apart from the bi-annual appraisal process, Ujjivan has various performance based rewards and recognition schemes which help recognize employee contributions during the course of the year. While these processes and initiatives have helped retain the best talent at Ujjivan.

Annual performance Bonus is another reward which is driven by individual's performance and contribution and released to all employees who have contributed their best in their respective roles and responsibilities.

Well-rounded growth: Ujjivan endeavors to promote an employee or go through a role change process at any point of time in the year, if the business mandates it. Career growth is not necessarily linear, but opportunity is available for cross-functional movement, thereby helping employees achieve well-rounded growth. This provides a healthy environment for employees to take on challenges, irrespective of initial perceived short-comings. While all role changes have not been successful, those that did not work out were provided the opportunity to return to their original team or to a function where their strengths were leveraged better. This culture of tolerance in Ujjivan has gone a long way to build trust.

Training Initiatives: Developing people is an essential part of life at Ujjivan. With each step towards growth, it becomes increasingly important to have a team that works towards acquiring higher levels of knowledge and finely-honed abilities, with multiple skills at different levels. Our training department ensures that learning is a part of our culture and that our environment is conducive to learning. Training and development initiatives are broad in nature, from task oriented training to career development programs. In this way, we not only expand our employees' horizons, but also improve the capabilities of our teams and the organisation as a whole.

Ujjivan is currently witnessing a multitude of changes in its transitional path to become a Small Finance Bank (SFB). In its evolving phase, Ujjivan realizes the importance of training and capacity building for meeting the emerging business challenges and attaining competitive advantage. In this FY, Ujjivan has continued with the regular trainings required to cover essential work, related skills, techniques and knowledge. Further, we took up training the for the employees to develop with the knowledge required for the upcoming SFB.



Onboarding Programs To ensure consistency and base lining of abilities across job roles we provide new recruits with detailed orientation programs to understand the overall values and culture of Ujjivan, followed by trainings tailored for the roles into which they are being on boarded. Our onboarding programs include:

- Basic Level Training (BLT): An induction program of 8 + 5 days (separated by 3 months), aimed at employees in the field and support departments.
- CRM Training: For supervisory roles, whose responsibilities include managing branches, generating revenue and connecting with customers.
- IL Training: Specific orientation, focused on our Individual Lending business and Housing Loan. This program is targeted at employees who have sales responsibilities or who support the sales function.
- Management Development Program (MDP): A rigorous month-long orientation program followed by a month of field exposure, specifically designed for recruits from campus hiring programs.

Productivity Training: These programs are designed to help the employee enhance existing skills, primarily in the areas of sales, management and effective customer communication.

- Sales Training: An extensive sales training program for all field officers.
- Sales Supervisory Program or Managerial and Sales Capability Development: Develops sales managers in all aspects in order to build strong sales leadership.
- Program Manager's Training: A two-phased training program for our mid-level field supervisors.
- Customer Care Representative (CCR) Training: A 12-day program for CCRs, in which they learn the nuances of one of our values – the customer comes first.

Functional/Process Trainings: We also have technical trainings that are specific to each department. Refreshers for these technical trainings are also a standard practice in Ujjivan. Also during FY 2015-16 some training interventions were conducted based on business indicators/requirements, and are worth special mention:

- Cashier Certification (e - learning):
- Financial Analysis Training
- GRT Certification
- FCU (Fraud Control Unit)Training
- Collections Training
- Credit Policy Refreshers/ New Policy trainings
- Refresher Basic Level Training
- SHL (Secured Home Loan) training
- Collections Training

Need-based Skill Development: These trainings not only develop our employees for our organisation, but also provides a tremendous amount of personal growth.

- First Time Supervisors Training
- Interviewing Skills
- Communications Training
- People Management
- Change Management
- Advanced Presentation Skills
- Excel Training
- Business Communication

Leadership Development Programs: Special focus is given to developing our Regional and National Leadership Teams. Selected leaders from the regional and the national level are sent for the following training programs and exposures.

- Harvard Business School -'Strategic Leadership in Inclusive Finance'
- Interviewing Skills Training
- Advanced Power Presentation
- Book readings: Books to read and develop from are given by our MD who encourages the concept of learning through reading. Some of the books given in the year were - The Elephant Catchers, Conscious Capitalism, How Google works and Dream with your eyes open.

Management Development Program: In a short span of less than 10 years Ujjivan has been recognized and awarded multiple times for Leadership Development. One of the most efficient tools that Ujjivan has believed in is the Management Development Program. The program acts as a bridge between young management graduates and Ujjivan. Each of the Management Trainee has a tailor-made development track, mentored by the Functional Heads, therefore, ensuring to give their career an excellent head-start.

Ujjivan has partnered with selected B-Schools to identify young talent with potential to grow into managerial and leadership positions in the organization. The first program was launched in the year 2008 and the MDP has been evolving ever since based on the organizational and industry needs.

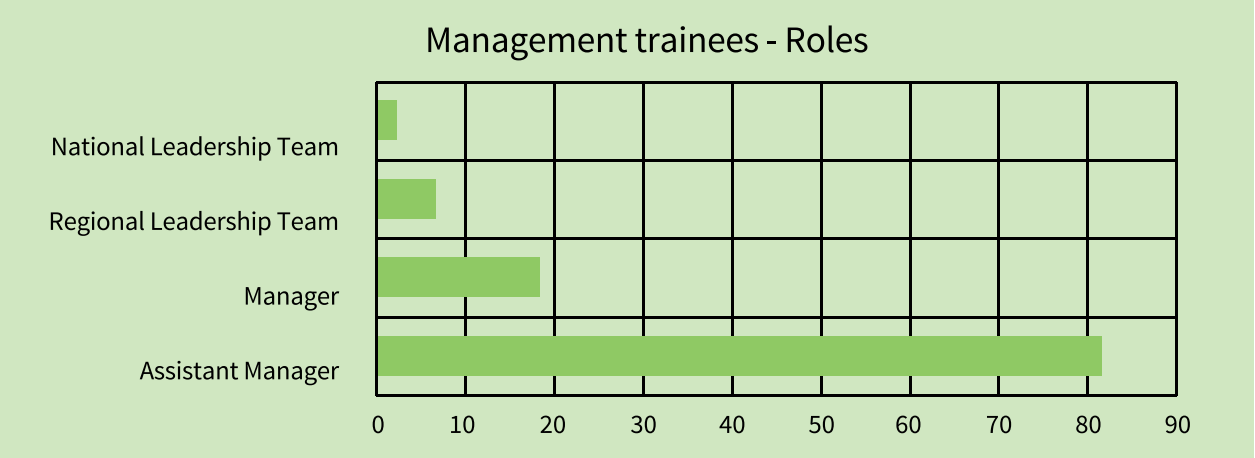
Every year Management Trainees are hired from these institutions taking in mind the growth plans of the organization.

List of partnering B-Schools that we recruited from in the year:

- *Faculty of Management Studies- BHU*
- *Institute of Management Technology, Nagpur*
- *Jaipuria Institute of Management, Lucknow*
- *SCMS School of Engineering and Technology*
- *SDMIMD, Mysore*
- *Xavier Institute of Management, Bhubaneswar*
- *TAPMI*
- *Tata Institute of Social Sciences-Tuljapur*
- *SCMHRD*
- *Institute of Rural Management-Anand*

Year	Number of MTs hired
2008	22
2009	23
2010	14
2011	12
2013	13
2014	42
2015	62

Management trainees- Current roles



Success Stories- Management Trainees

A glimpse of the success stories of 4 such Management Trainees who have grown multifold in their career with Ujjivan:

1. **Vibhas Chandra - Regional Business Manager Microfinance -East**

Vibhas joined Ujjivan as a Management Trainee in the year 2008 after completing PGDM from Xavier Institute of Management, Bhubaneswar. After working in different capacities and geographies for eight years, Vibhas currently heads operations in the East region.

Although it was a less known organisation then, I was amazed to see the kind of freedom and trust Ujjivan offers to a fresher. I have had the good luck of being involved in launching Ujjivan's operations in Bihar. This provided me an opportunity to learn from ground up, followed by different business roles. Life at Ujjivan has been truly exciting - It is full of challenges and opportunities but the best part is the people working around you who make this journey beautiful. Ujjivan is truly a great place to work. What fascinated me at Ujjivan is the chance to take part and help shape a growth story. As an organization, we take great pride in our uniqueness and client service. At the same time, with our passion and commitment, we can only Dream Big for our business!

2. **Praveenaswamy - Regional Credit Manager Microfinance-South**

Praveen joined Ujjivan in May 2008 as part of the first batch of Management Trainees. He is serving Ujjivan as Regional Credit Manager for South. Praveen has a PGDM - Rural Management from Institute of Rural Management, Anand.

"Great Eight years in Ujjivan- joined when Ujjivan was expanding its Microfinance business across the country. Ujjivan is again in the phase of expanding through various segments, products and services. Thankful for providing opportunity to learn from field, leaders and colleagues of two departments and two regions. Overwhelmed by the simplicity of the leaders, culture of the people and growth of the organization. Fortunate to see the Grand Listing of the Company and to become a small shareholder through ESOPs. Proud to be part of such a Great Place to Work and look forward to grow further with the Organization".

3. **Avinash Choudhary - Regional Credit Manager Microfinance-East**

Avinash joined Ujjivan in the 2nd Batch of MDP in the year 2009 after completion of Masters in Public Policy from ICFAI Hyderabad. Currently, Avinash heads Credit Team in the East region as the Regional Credit Manager.

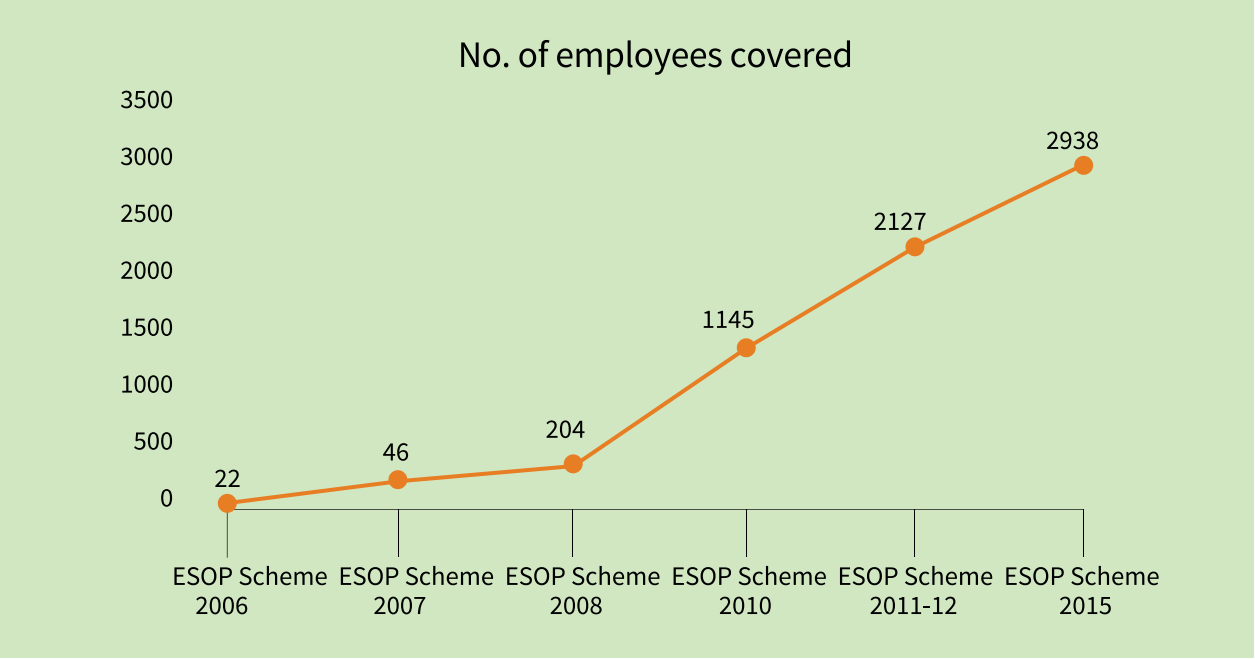
"The journey and learning in Ujjivan is quite amazing, the amount of belief and responsibilities given on the fresh shoulders imparted a lot of values into the professional career. Ujjivan helped me to understand the ground realities and also given a chance to shape the policies and processes at higher level; personally I sense a lot of ownership in taking key decisions. The working culture in Ujjivan is fairly employee centric and delights me every day to come into office".

4. **Rishu Kumar - Regional Credit Manager Housing Finance- East**

Rishu joined Ujjivan in April, 2011 as part of fourth batch of Management Trainees. He has gathered rich experience by working across different functions and is currently working as Regional Credit Manager for Secured Loan initiative. He has a PGDM in Rural Marketing from Institute of Rural Management, Jaipur.

"When I wake up in the morning, I feel happy and inquisitive. This has been happening to me almost every single day for last 5 years now. I have worked across different functions, on numerous initiatives, with different teams, took on distinct roles, travelled extensively across the country, represented Ujjivan in forums in India and abroad and always enjoyed the challenging environment which tested my limit. What else do you need from your professional life? You work with ownership and cherish the role you have lived. Ujjivan nurtures the entrepreneurial skills hidden in you. You have freedom to fail, learn and succeed. This makes Ujjivan unique. For me, it has been a dream run so far. Looking forward to keep contributing in taking Ujjivan through an exciting and challenging journey ahead"

Employee Stock Option Plan (ESOP): Ujjivan offers Employee Stock Options as one of the major performance based reward since the early days of Ujjivan. The stock options are not limited to senior members but are cascaded even to the entry level role in Ujjivan, which is given based on the performance irrespective of their levels in the organisation. With the last ESOP scheme, we have 43% of Ujjivan' s population benefited through ESOP scheme. Of all the eligible employees who were granted ESOP Options, a total of 219 employees have exercised their options pre-IPO which includes 163 ex-employees and 56 active employees. Post IPO, a lot of excitement has been seen amongst the employees to exercise the shares vested under their name and the process of exercising has been initiated. The employees were highly encouraged and motivated on being granted the ESOP options, while the successful IPO acted as an added advantage.



Pre - IPO		
No of employees who were granted ESOPs	No of employees who had exercised	No of employees with vested options
4,382	219	1,565

Ujjivan went through the process of locating ex-employees who were covered under the earlier ESOP schemes and informing them to exercise their options. 163 ex-employees exercised their options and were happy that Ujjivan reached out to them and followed through helping them exercise their options.

ESOP-Ex employees	
Total ex-employees eligible for ESOP	694
No. of ex-employees who exercised their options	163

Our ex-employees speak…

" I feel really privileged and honored to be a part of Ujjivan's fraternity where my efforts were recognized and I am a proud owner of shares of the company."(Veerapatheeran, South)

" Unlike other organizations, Ujjivan made it a point to provide ESOP even to the resigned employees who had options vested with them, that in itself speaks a lot about the best policies of the organization. I feel happy that I was a part of the organization in the past."(Awneet Choudhary, South)

" The trust that the organization has on its employees is really remarkable and the past 6 years of my service with Ujjivan has been really rewarding and I am really happy with the ESOP options provided to me. I would like to thank the HR team for the support that was provided to me and the timely resolution of queries with regards to the ESOP. Currently, I am

following the market trend and am expecting good gains in my investment."(Debashree Mukherjee, East)

" I am happy with the options granted to me through the ESOP scheme from Ujjivan as this will be really beneficial for me in the future context. Proud to be a part of Ujjivan's team in the past."(Prasanth K P, West)

" ESOP is one of the good practice followed by Ujjivan and I feel grateful to be a proud owner of the shares."(Deepa S Tallur-Corporate Office).

Active employees speak on ESOP…

" I feel pride in being the owner of a portion of shares in the organization. This sense of belongingness motivates me to work more productively towards the common interest of the organization."(Deepak Ayare)

" Granting ESOPs is one of the Best Practices in Ujjivan and I am really proud to be one of the shareholders of the organization."(Aditi Biswas)

" I really appreciate the vision of the founders of the company to provide benefits to the employees in the form of ESOPs and this is a very good rewarding and retaining strategy from which the employees will benefit in the long run."(Praveenaswamy M J).

" ESOP is going to create a good corpus for my family's future financial needs. A big thanks to the entire management of Ujjivan."(Suresha C).

DUSHOTSAV

10th year celebrations of Ujjivan

Ujjivan as an organization is about people who believe that a purposeful involvement can make an extraordinary difference, the testimonial for which is successful completion of a decade with 25+ lakh customers and 7,700+ employees on 31st October 2015.

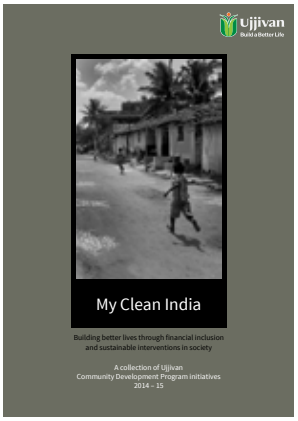
Ever since its inception, the governing philosophy of Ujjivan has always been to build a better life for the underserved and unserved sections of the society. While actualizing the same, it never lost its balanced centricity between customers and employees, making Ujjivan stand out from its peer organizations. The acumen and leadership capability of the founding members has helped Ujjivan pave its way through these 10 years successfully.

Ujjivan celebrated its 10 years long incredible journey of "Building better lives" across all the 4 regions gloriously.

The Anniversary Committee from across all regions was formed to spearhead the 10th year celebrations "Dushotsav". The celebrations started with a competition to select the best logo to commemorate the 10th year anniversary. Employees from across Ujjivan participated in the logo design contest. The launch of this contest heralded the news that celebrations have begun. There was enthusiastic participation from all regions. The deciding committee was amazed by the depth of creative talent within Ujjivan, making the final selections quite challenging for the committee. The winner of this contest was Shijo R, Cashier at Wadakanchery branch, Kerala. He was called to the Head Office to unveil the logo. The function was conducted in all the Regional Offices and the 10th anniversary logo was unveiled simultaneously across the country. Banners and posters were displayed in all the Regional Offices making them look more vibrant with colours.

The Top Ten Entries for Ujjivan's Dushotsav

The next competition which received a much bigger and more enthusiastic response was the photography competition called "Click a story". The theme revolved around taking photographs of our customers in their occupations. The depth of expression and the happiness portrayed on our customers' faces was a joy to be seen. It was hard for the judges to select the final 10 photographs which were to be put on the Facebook page to draw likes. This was done to give each employee a chance to vote for the photograph they liked the most. The photograph with the most number of likes on the Facebook page was declared the winner. The winner of the contest was Sheetal Surana, Senior CRS, Chandannagar branch, Pune.



A book titled "My Clean India" - a collection of Community Development Program initiatives was also released. This was followed by Dushotsav regional celebrations during the annual awards event at the regions. The East region led the celebrations by launching the Ujjivan video "Story of the Unseen" which talks about our incredible 10 years journey. The East team also put together uplifting stories of the regional winners and the appreciation their families had for Ujjivan. In the words of Ujjwal Goswami (CRM, Habra Branch, Winner of the Best CRM Award) – "I joined Ujjivan in 2007 as a CRS and since then I have never looked back. The year 2013 brought me a pleasant surprise when I was promoted as a CRM. Along with Ujjivan I have also grown as an individual and have been able to offer a better standard of living to my family and earn recognition in my local community as well." Not just Ujjwal, rather the region unanimously expressed their affinity towards employee friendly practices at Ujjivan. One such being the recognition of extraordinary efforts of the employees at the annual award event and this year it was more special because it marked the completion of a decade!

Celebrations in the West followed soon after. West organized the event using the theme of the day as "Dushotsav Airlines". The entire program content was designed as an inflight entertainment that highlighted Ujjivan's journey. In an interview Meena Todkar CCR of PCMC branch Pune who won "The Best CCR Award" said," I started with Ujjivan in the year 2010 as a helpdesk executive. In the year 2012 I was promoted as a CCR. The best practices in the company are its promotion policies and recognition of meritorious employees. I am immensely happy and proud to be a part of Ujjivan".

South celebrated the 10 year journey with a lot of pride at being the oldest region of Ujjivan. The highlight was the laser show which depicted the story of Ujjivan from its genesis to its present glory. It showed how a humble dream turned into a vision, and how that vision inspired many to build the organization that Ujjivan is now, through animations in impressive laser beams. Another highlight was showing the story of an Ujjivan customer's development through fast painting. The entire event was streamed live across the globe – a first in Ujjivan. In the words of Bhagyalakshmi A, who won the 2nd Runner up position in "The Best Cashier" category award, "I joined Ujjivan in 2008 as a CRS then got promoted as a Cashier and currently I am delivering my responsibilities as an Assistant CRM. The smile I see on my children's face and their progress in education is all because of what Ujjivan has made me today!"

In North the award ceremony was organized successfully in the last quarter of the FY. The cultural performances covered the essence of North with energetic dances and plays. The employees feel special working in a company that practices open door policy and has no glass ceiling.

In the words of Imran Khan who won the title of Best Loan Officer, "I joined Ujjivan in 2013 around the time when my father had met with an accident. Ujjivan supported me a lot during my tough times and this became an inspiration for me to identify needy customers and service them with the right products that Ujjivan offers and help them build a better life for themselves amidst all odds".

Talents of our employees were unleased at Dushotsav. The employees leveraged every opportunity during the celebrations to articulate their feelings. Be it through performances or interviews of winners - the air echoed that Ujjivan believes in meritocracy, has strong policies and processes in place - that it is indeed one of the great places to work! The enthusiasm, joy and satisfaction of being an Ujjivan employee will definitely create a happy and meaningful future for us.

Community Development Programs

Ujjivan initiated CDP projects under the banner of "Community Development Programs" (CDPs) from 2010 - the year we achieved breakeven. It was a step forward for building a better life with keen focus on addressing critical community needs in the areas in which we live and operate. The Ujjivan Corporate Social Responsibility Team has directed its focus on those areas where the communities require most assistance.

Background

After Ujjivan's first year of profitable operations in 2009-10, the Board of Ujjivan has been allocating part of the profit to be utilized as community development fund under Corporate Social Responsibility initiative every year. The projects are undertaken at branch level rather than at corporate office level, thus maximizing the benefits to communities at all states and regions where we operate. The branch forms an ad-hoc committee for community development projects every year which involves representatives from customers and branch staff. The branch CDP committee decides the projects to be undertaken for the year considering the critical need of local community. Through this, we have been supporting *anganwadis*, educational Institutions, local communities, local government institutions, old age homes and orphanages for creating better infrastructure and essential amenities for children and underserved communities.

Focus for FY 2015-16

During the years 2014-15 and 2015-16, Ujjivan's Communituy Developement Program (CDP) initiatives focused on "Swachh Bharat Abhiyaan" - the dream project of Mr. Narendra Modi, the Honorable Prime Minister of India. As part of Swachh Bharat Campaign, the Ujjivan CDP team helped school children and local communities by building or renovating toilets, sanitation and water facilities in 294 Government Schools across India. Approximately 1,83,000 school students were benefited this year, 76% of Ujjivan CDP in FY 2015-16 were contributed towards the Swachh Bharat Abhiyaan campaign. Overall 382 branches have carried out projects during the year benefitting over 3,20,000 beneficiaries. An amount of ₹ 1.78 crore was spent on CDP activities for the year 2015-16.

CDP Project	East	North	South	West	Grand Total
Toilet construction/renovation	69	59	66	37	231
Drinking water facility	31	10	13	9	63
Facilities for Schools		25	5	21	51
Public facilities (Road/bridge/park etc.)	14		1	2	17
Healthcare	2	7	2		11
Environmental Projects	1		2		3
Bus stand construction/renovation	1	1			2
Renovation of school building	2				2
Social Welfare of orphans/disabled etc.		1		1	2
Total Program/Branches	120	103	89	70	382
Beneficiaries	1,09,940	1,20,795	59,006	33,073	3,22,814

South

1. Peenya -Toilet construction for the Mallasandra Govt. Higher Primary School

The Mallasandra Government. School at Peenya industrial area, Bangalore, has strength of about 700 students. The students and teachers have been provided with only 2 toilets which were not in a good condition. Through Ujjivan's CDP initiatives, 3 new toilets were constructed and the old toilets were renovated. All the teachers and students appreciated the efforts made by Ujjivan.

2. Bhashanagar Maternity Hospital, Davanagere – Installation of Solar water heater

Bhashanagar hospital is a 30 bedded maternity home in Davanagere city, Karnataka. Most of the Ujjivan customers at this area and general public are the main beneficiaries of this maternity home. However, there was no provision for hot water in the hospital. Through Ujjivan's CDP initiatives, a solar water heater plant with a capacity of 300 litres was installed in the hospital.

3. **Channapatna - Provided safe drinking water (RO plant) and Medical Equipment to Thimmasandra Primary health care centre**

Moledoddi village is located 5 Kms from Channapatna town, Bangalore rural district. The primary health center of this village was in dire need of better infrastructure and facilities. As part of the CDP initiatives, our Channapatna branch donated medical equipment to the hospital as well as a RO purifier plant for providing safe drinking water to patients.

4. **Jamkhandi Government Girls Primary School – Provision of drinking water purifier**

Jamkhandi Government Girls Primary School did not have a water purifier. The children used to get water from an old tank which was not in a very good condition and this was affecting children's health badly. We provided a Water Purifier (RO Purifier) unit to them. Almost 360 children including 120 of the customers' children benefitted from this initiative.

5. **Krishnagiri – Provision of Movable and Non Movable Traffic Barricades to the Krishnagiri Traffic Police Dept.**

Krishnagiri is a town and district in Tamil Nadu located 90 Kms from Bangalore and 45 Kms from Hosur. It is centrally located and faces huge problems due to heavy traffic. Upon the request of the traffic police department, Ujjivan provided movable and immovable barricades to control traffic and reduce accidents. The barricades are placed near school and college zones in order to help the students to move safely.

North

1. **Fatehabad (Haryana) - Water Supply and Sanitation Project**

The Government Senior Secondary school in Beegarh village – Fatehbad, is a co-ed school with a total strength of 500 students, of which about 85 are girls. However they were not provided with separate toilet facilities. Ujjivan constructed two new toilets exclusively for the girl students of the school. These were inaugurated on the occasion of "World Toilet Day" on November 19.

2. Burhanpur (Madhya Pradesh) - Education Project

The Saskia Hindi Madhyamika Shala in Dongargaon District, Burhanpur is a co-ed school with strength of more than 200 students. The school was not equipped with benches and desks and the students used to sit on the floor. Through Ujjivan's CDP initiatives, the school was provided with 30 benches and desks. The students are extremely happy with their new classroom arrangement.

3. Jahangirpuri (Delhi NCR) -Health Project

The Maternity and Child Welfare Centre at D- Block Jahangirpuri was inadequately equipped. Approximately, 80 patients visit the outpatient department every day and several patients visit the dispensary to get vaccinations as well. However, good medical equipment, storage for vaccines and injections, and other diagnostic equipment were not available at the center. Ujjivan provided the dispensary with medical / diagnostic equipment like a BP apparatus, baby weight machine and other necessary items like a refrigerator, almirahs and ceiling fans etc.

4. Nangloi (NCR Delhi) – Education Project

The Government Sarvodaya Kanya Vidhyala at Amalwas, Delhi has strength of about 2000+ girls. The school was in need of some musical instruments and sports equipment to improve the extracurricular facilities available to the students. Ujjivan provided the required musical instruments and sports equipment to the school. The students and teachers were very delighted and extended their gratitude to Ujjivan for providing them these facilities.

5. Abohar (Punjab) - Bus Shelter:

Village Alamgarh, District Fazilka, Abohar (Punjab) - has a population of 600 households, commuters who travelled to work used to face a lot of inconvenience due to non availability of a bus shelter in the village. School-going children were facing difficulties in harsh summer days. During monsoon, children used to fall ill. Ujjivan constructed a bus shelter to facilitate the daily commuters and particularly school going children. The villagers appreciated Ujjivan's initiative and promised proper maintenance.

West

1. Chembur Branch – Education Project

Emmanuel English School was established in the year 2004 in Vashi Naka. It is the only English school in the locality with 655 students from nursery to senior kindergarten. The school was opened with only 4 students initially and the count of students increased over the last 11 years. Under the CDP program we have renovated the entire school interior and provided new desks, benches and learning materials to the students.

2. Wadala branch - Support to Physically Disabled Children

Wadala branch provided wheelchairs and 2 pairs of shoes to physically disabled students of S.E.C Day School, Antop Hill Wadala. The school has been educating mainly physically disabled kids with grants from government and other donors. Support from Ujjivan for the benefit of these kids is highly appreciated by local community members.

3. Hatkeshwar branch - School Infrastructure

One of the local NGO, had opened an *anganwadi* for 65+ children in a small room at the outskirts of the city. Due to lack of space, children were required to sit under a tree outside the *anganwadi*. Hatkeshwar branch assisted this school to fix sheets as a roof adjacent to small room of the *anganwadi*.

4. Jalgaon North branch – Protection of old well

Installed safety grills for an open well and repaired motor pump systems. Branch staff read news in local media regarding the negligence by local authorities which caused the death of a person and other incidents of small accidents. This grill work put an end to these incidents.

East

1. Ghatshila branch – Toilet Construction

Toilets were in pathetic condition at Baldevdas Saraswati Sishu Mandir at Ghatshila, East Singhbhum district of Jharkhand. Ujjivan's Ghatshila branch renovated these toilets and also constructed new toilets. About 400 school students have been benefitted through this effort.

2. Purulia branch – Toilet Construction

Charra IDCS School had 180 students but no toilets. Purulia branch constructed two toilets and two bathrooms for the benefit of these students and teachers.

3. Dhaniakhali and Contai branches – Drinking water facility for school children

These two branches provided drinking water facilities at schools. Dhaniakhali branch installed drinking water facility at Morabandh Primary School which benefited 200 students and Contai branch for a local primary school which benefited 600 students.

4. Adityapur and Batanagar branches – Support to improve traffic system

Adityapur branch at Jharkhand and Batanagar branch in Kolkata took the initiative of providing police barricades at local areas after taking approval from the police department. These efforts improved traffic systems and benefited thousands of local commuters daily.

About Parinaam Foundation

PARINAAM
FOUNDATION

"It will be 10 years since Parinaam conducted our first Eye Camp in Bangalore for 365 Ujjivan beneficiaries and with that a beautiful partnership was formed. *Parinaam and Ujjivan came together as strategic partners with a fundamental belief that financial support alone cannot help the poor and that poverty manifests itself in various forms. It was essential to undertake a holistic approach and Parinaam was to provide critical 'social' support to uplift our families. This brought about the creation of Parinaam's effective and innovative programmes that continue to make real change with the women and families we work with. Together, Parinaam and Ujjivan, will have helped over half a million people by the end of this year through our education, healthcare, community development and financial literacy interventions. Diksha was created and developed by Parinaam for women from low-income families who are also Ujjivan customers. Our work has been appreciated by stakeholders, financial supporters, the Reserve Bank of India, our staff and most importantly the people who make us what we are, our* ***beneficiaries.*** *As Ujjivan moves forward in the Public domain and becomes a Small Finance Bank it is integral that we continue to retain the core belief that has brought us to this point. We are excited to continue to collaborate with Ujjivan and deepen our impact by providing initiatives that create equal opportunity amongst the economically underprivileged."*

Mallika Ghosh
Executive Director

Parinaam Foundation

Parinaam Foundation started as a not-for-profit organization in 2006, with in the meaning of Section 8 of the Companies Act, 2013(earlier under Section 25 of the Companies Act, 1956)was incorporated in March 2008. Primarily to provide financial literacy and social support to poor families in urban and semi-urban areas. With Ujjivan Financial Services as its strategic partner, Parinaam realized that financial support alone cannot help the poor, and that poverty manifests itself in various forms. The organization has expanded its programmes and services over the years, and today provides critical support to urban poor families through the following key programmes:

Diksha Financial Literacy Programme

Designed to give low income families the knowledge and tools they need to save safely, reduce financial risk and make informed, intelligent financial decisions. Diksha has covered over 3,70,000 women from low-income communities across 20 states in India till date.

Urban Ultra Poor Programme (UUPP)
Reaches out to the most destitute families in urban slum communities and is aimed at tackling urban poverty through holistic interventions in four areas: livelihood development and financial literacy, healthcare, education, and social services. 1,500 families across 22 communities in Bangalore. The Urban Ultra-Poor Programme was named Asia-Pacific winner of the 2013 Financial Times and Citi Ingenuity Awards: Urban Ideas in Action Programme.

Academic Adoption Programme and the Higher Education Scholarship Programme
Supports the schooling and higher education of disadvantaged children from urban slum communities. 725 children are being supported.

Healthcare programme

Parinaam collaborates with healthcare providers, government and non-governmental organizations to help low-income families address health-care needs. More than 58,000 beneficiaries have benefited from preventive and curative services.

Funders and Supporters

Parinaam has a track record with funders of financial integrity and high standards of delivery. The organization's strength lies in its skilled and committed team to provide quality services to the urban and semi-urban poor. Besides Ujjivan Financial Services, Parinaam's past and current funders and supporters include Michael & Susan Dell Foundation, Hong Kong and Shanghai Banking Corporation Limited, DSP BlackRock Mutual Fund, Sequoia Capital India Operations LLC, The World Bank, Citi Foundation and Bellwether Microfinance Fund Private Limited.

Recognition and awards

In 2015 Parinaam was nominated as one of India's Top 10 NGOs to Work For by Great Place to Work. Mallika Ghosh, Executive Director of Parinaam Foundation spoke in a select panel chosen by the RBI in a conference on financial inclusion to celebrate RBI's 80Th Anniversary.

GREAT PLACE TO WORK® Best Companies to Work for 2015 NGO

THE UJJIVAN- PARINAAM STRATEGIC PARTNERSHIP

Integrated approach to service delivery for the urban poor that results in holistic impact on ground

Parinaam Foundation has a strategic partnership with Ujjivan Financial Services that provides a holistic approach to empowering urban poor women in India. Customers of Ujjivan benefit from the partnership with Parinaam that provides timely financial advice and information and guidance to them through the Diksha Financial Literacy Programme. The fact that most of these women are otherwise excluded from the financial sector for being too poor and 'un-bankable' makes the synergistic support of Ujjivan's financial support and Parinaam's financial advice and guidance even more valuable.

Diversifying services and extending reach

Realising that the poor can ill afford health and education services which are largely beyond their reach, Parinaam Foundation also initiated the Healthcare Programme, Academic Adoption Programme and the Higher Education Scholarship Programme, which serve poor families in need who cannot otherwise afford these services. 'Chiller Bank' or a Children's Savings Programme was also initiated in 2015 to inculcate a habit of savings in children from disadvantaged backgrounds at an early age. These services benefit Ujjivan customers as well as their families and other disadvantaged households where there is need.

Because of the success of some of its key programmes, Parinaam is now being approached to build the capacity of other NGOs in the country on financial literacy. The demand and scope for lateral integration of Parinaam's programmes into existing programmes of other organizations demonstrates Parinaam's ability to create credible as well as replicable programmes and models of delivery.

Shared resource model, enabling operational cost efficiencies

The operational strategy driving the Ujjivan- Parinaam partnership is that where there is an Ujjivan branch, there will be a service offered by Parinaam. This linked growth has been instrumental to the success of both the organizations as it has ensured that the beneficiaries they serve are addressed in a more holistic manner, resulting in sustained goodwill and increased prosperity.

The Diksha programme is delivered to Ujjivan beneficiaries at Ujjivan's branches and by Ujjivan staff that are attached to Parinaam for this purpose. This shared resource model enables cost efficiencies as well as operational efficiencies in programme administration and delivery.

Aligned business benefits

The integrated approach to service delivery strengthens Ujjivan's preve in new markets and Parinaam's services improve brand value in the larger community and activates potential customer networks. The Chiller Bank Savings Programme for Children is one example of how Parinaam has evolved its financial literacy programme to address an audience that are the future 'bankable' citizens of tomorrow, empowering them at an early age to become financially responsible adults.

Ujjivan has been a significant contributor and partner to Parinaam in its growth story. Table 1 shows the impact from Ujjivan funding and the support till date.

Programme	Number of beneficiaries supported through Ujjivan as of March 2016
Diksha Financial Literacy Programme	1,23,357
Children's Savings Programme	29,806
Higher Education Scholarship Programme	182
Healthcare Programme	58,846
Total	**2,12,191**

Table 1

Diksha- The Financial Literacy Programme

The Diksha Financial Literacy Programme is Parinaam's largest programme in terms of reach and is designed to give low income families the knowledge and tools they need to save safely, reduce financial risk and make informed, intelligent financial decisions. Diksha has covered over 3,70,000 economically low-income women since its inception, and is run across 20 states and taught in 12 different languages. **Table 2 shows the impact of Diksha programme as of March 2016 as well as the impact from Ujjivan funding during 2015-2016.**

Outcomes – Diksha programme	Impact of the programme as of March 2016	Impact from Ujjivan funding 2015-2016
Number of women beneficiaries trained	370697	38580
% of women beneficiaries certified as Rupee Ranis	83.5%	89.1%
Number of bank accounts opened for women beneficiaries through Diksha	118214	9115
% of cashless loans availed by women beneficiaries after graduating from Diksha	68.7%	71%
Number of women beneficiaries availing individual loans after graduating from Diksha	19381	1190

Table 2

Ujjivan is a key supporter of the Diksha programme, with the other supporters being Citi Foundation and DSP Black Rock. Through a shared resource model, Parinaam uses Ujjivan's manpower and administrative resources to deliver the Diksha programme to all its beneficiaries. In 2015 Ujjivan funded the total cost of delivering the programme to 38,580 beneficiaries. Ujjivan branch managers also participated in the graduation ceremonies of women beneficiaries certified through Diksha.

2015-2016 Key highlights of the programme

- External impact evaluation of the Diksha programme
- Revision of Diksha curriculum material and training methods
- Capacity building of staff and trainers
- Diversifying profile of beneficiaries served through lateral integration of the Diksha programme into an existing programme for women sex workers in Pune
- Extending reach to 37 new branches, covering a total of 293 branches through Diksha

As an Organization, Parinaam believes that learning is a continuous process and that it must continuously evaluate its programmes to understand impact and learn from the people it serves. A key focus in 2015 was an external evaluation of the Diksha programme supported by Citi Foundation, our primary funder for the Diksha programme. The assessment was carried out by Delphi Research Services Private Limited (Delphi), an external agency, and consisted of an analysis of existing data available with Parinaam and Ujjivan and data from the Credit Bureau as well as primary research comprising of quantitative and qualitative studies of 5,973 customers in total across 72 branches and 11 States.

The study highlighted the following positive financial behaviour of Diksha beneficiaries:

- 81% of Diksha-trained participants were able to save at an average of ₹ 35,000 in a year
- 92% of Diksha customers have a bank account
- 60% of Diksha participants claim to use their accounts at least once in 30 days
- 46% of Diksha participants use ATMs; 38% get updates about their accounts on SMS
- 70% of Diksha participants find it easy to use their bank accounts while 77% are aware of the cashless facility

The Diksha curriculum is well recognized in the external domain, and in 2015 Parinaam further strengthened its material and training methods based on feedback from beneficiaries and its experience in programme delivery. The size of the financial diary distributed to women was increased to facilitate easy reading, and additions to content included an inclusion on the role of the credit bureau in the loan process, as well as a section for the women to record daily expenses (as women were finding it hard to record only weekly expenses in the tracker). With advancements in technology, we felt the need to equip our women with the knowledge to use their mobile phones more effectively. Keeping this in mind, we replaced our method of teaching them how to calculate using calculators and started training them to use their phone calculators instead.

To build capacity of the staff and trainers delivering Diksha and to ensure that revisions to curriculum and methods were understood at all levels, a refresher training was conducted which included an orientation of 74 staff at national, regional as well as branch level. The Regional Manager for the Northern region also attended the Asia Pacific Financial Inclusion Summit 2015 at Manila supported by Citi.

The success of the Diksha Financial Literacy Programme has also led to increased demand from other NGOs to incorporate Diksha as part of their existing programmes.

Parinaam conducted a pilot of Diksha , among the beneficiaries of Swasti , an NGO that works for the welfare of sex workers in Pune. The programme received great response and 15 out of the 18 beneficiaries who were enrolled were certified as Rupee Rani's.

Parinaam in collaboration with World Bank and the Government of Meghhalaya has successfully completed a pilot of Diksha among the three communities of Khasi, Jaintia and Garo. Representatives from Parinaam along with representatives from other states and institutions participated in the Stakeholders meeting that was held to discuss about the prospects of scaling financial literacy training programmes in Meghalaya.

Case study: From 'Dukhi' to 'Sukhi'

Geeta is from Pune. She works as an Ayah (Assistant) in an Anganwadi, her husband works as a supervisor in a road construction company and her only son is completing his Engineering degree.

Geeta says that she earlier led a life that cared little about saving and spent much money on buying new sarees, cosmetics and celebrating festivals. She never saved and was literally a 'Dukhi' (Character in Diksha's Financial Literacy Programme).

After Diksha her attitude changed, and the Sukhi-Dukhi story inspired her to start planning for her family's future and for a more secured and happy life. She was certified as a 'Rupee Rani' (Queen of Money) just a week before Diwali, the biggest festival for her family. This season, instead of spending on clothes, gold and cosmetics she wanted to celebrate the festival more meaningfully. During the Haldi-Kumkum ceremony (a small get-together of women to celebrate during Diwali) she invited her neighbours and took them to the nearby Bank and got them all Accident Insurance policy by paying ₹ 12 as premium for each of them as a gift. Women were very happy and felt this the most meaningful gift one could give to them during such a festival.

Geeta has curtailed her unnecessary expenses and started to save ₹ 500 every month to buy a computer for her son to encourage him to do well in Engineering. In the process she has become a good motivator and started teaching her neighbours and relatives on the importance of savings for their future. She even purchased 2 saving boxes for her relative's children last month. Finally, she says that the Sukhi-Dukhi story has much relevance in her life and feels it has changed her from being a Dukhi to Sukhi (Sadness to Happiness).

Savings programme ('Chiller Bank') for children

Besides giving women the knowledge and tools to save safely and make informed, intelligent financial decisions, a Savings Programme (also known as 'Chiller Bank') for children was initiated in 2015 to make children more aware of the importance of saving and facilitate the opening of a savings account for them. The programme was initiated following an RBI guideline that encourages children to open and operate savings bank accounts independently, and is targeted at children between the ages of 10 to 17 years. The key objective is to inculcate the habit of saving among children, teach them how to handle money and enable them to become financial empowered citizens in the future.

The children's savings programme was delivered through a 2 step process that consists of the following:

- Orientation- This consists of a 90-minute module of 4 sessions where the children are engaged through participatory activities such as role plays, discussions and assignments. Money counting, the importance of savings and savings options are the key concepts introduced here. An animation on banking tools is also shown to the children.

- Opening of Savings account – A list is prepared of the children who do not have savings accounts. The trainer then liaises with the branch team to facilitate the opening of accounts for those who wish to do so.

This programme has received a positive response from the children who have shown great enthusiasm in participation, as well as in understanding and use of concepts. **29,806 children participated in the programme and 8,543 savings accounts were opened for children across 294 branches in 18 states.**

Besides training, each child is also provided with a savings box to promote the habit of savings. This programme was completely supported by Ujjivan in 2015, and following its success, Parinaam plans to extend its reach to more children in the next financial year.

Higher Education Scholarship Programme for children

Despite lacking the means to make ends meet, a large section of India's poor prioritize their children's education. Good quality education in our country however, is expensive and many a time, this is the reason that students from economically backward families discontinue after Class XII and start working. This is a dangerous cycle as without education, they have no chance of a good career or income and remain economically backward. The ones who do pursue higher education often take high interest loans from friends, extended families or money lenders to pay the fees.

HIGHER EDUCATION SCHOLARSHIP Programme

Region	Scholarships Disbursed (2015-16)	Scholarships Disbursed (Overall)
South	93	197
North	56	70
East	58	79
West	32	60
Swasti	29	29
Total	268	435

This is the gap that Parinaam's Higher Education Scholarship Programme hopes to help bridge. Through an annual scholarship programme, Parinaam seeks to provide deserving children from poor families with access to quality higher education, as well as encourage economically backward families to manage their debt and save regularly for the education of their children.

What started as a 'Matched Savings Incentive Programme' through Ujjivan has now matured into a full-fledged country wide scholarship programme. Parinaam offers these scholarships to help families cover the education cost of children after reviewing the fee amount, household income and other socio-economic In 2015, due to increasing demand for these scholarships from colleges and the community a few scholarships were disbursed to children who do not belong to families of Ujjivan beneficiaries but who deserved support on the basis of merit and need. National Leaders and Regional Leaders of Ujjivan also participated in the scholarship distribution programme.

Helping Savitri find light at the end of the tunnel

Savithri, an Ujjivan customer from Anekal, Karnataka approached the branch for help with the education of her son, Pavan Kumar. On reviewing the condition of the family, the Parinaam team learnt that she had three children all of whom were blind, of which Pavan was the eldest. His two younger siblings were in a school for the blind while he was pursuing B.Com degree in college. He wished to complete his education and become a lecturer. Savithri and her husband are tailors and have a small garment business that they run from home. With a monthly household income of ₹14,000/-, it was a challenge for the family to run the household. They had reached a point where they were unable to pay Pavan's college fees he was at risk of discontinuing his studies. Pavan was given a scholarship through the Higher Education Scholarship Programme and is now on his way to complete his education . The Higher Education Scholarship Programme has similar stories of struggle and support and every successful scholarship disbursal is a step forward in a child's educational journey.

In 2015-16, Parinaam also partnered with Swasti, an organization that works with female Sex Workers. Through its Community based organization, 'Swathi Mahila Sangha', Parinaam provided educational scholarships to 29 children of sex workers under this partnership.

Healthcare Program

With rising costs of healthcare, disadvantaged and poor families often put off medical care until an emergency arises. Through Parinaam's healthcare program targeted towards Ujjivan customers and their families, Parinaam aims to provide its beneficiaries with quality health care at affordable costs.

Health camps

Parinaam focused its efforts on providing access to affordable and quality healthcare services through health camps. **A total of 20 health camps were organized** across 11 States, with the following outcomes:

- 3,859 Ujjivan customers and their family members participated in health camps organised
- 19 Cataract surgeries performed
- 39 follow-up treatments completed
- 100 beneficiaries assisted to get spectacles at discounted rates

Medical assistance

Many customers are referred from Ujjivan requiring medical support for themselves or for their family members who are suffering from different ailments. During the project period, 113 patients were identified for medical intervention of which 22 patients were supported to successfully complete treatment, including 2 patients who received funding assistance, and the treatment is in process for another 40 patients.

No stone unturned!
Supporting Lakshmi in crisis

Lakshmi, a 5th cycle Ujjivan customer from Yelahanka, lives along with her husband and 2 children and runs a canteen business. Her husband Govindappa met with an accident two years ago and has had a back problem ever since. As the pain worsened, doctors advised on the treatment. The family spent more than ₹ 80,000/- on the surgery, and used ₹ 75,000 of the Ujjivan loan as well as their savings on treatment which were meant for improving canteen business.
Unfortunately, when the family was recuperating from this huge financial crisis, there was another setback. Govindappa was diagnosed with gallbladder stone and had to stop working as the cost of the surgery was estimated at ₹ 80,000. The family was in no position to cope financially and Lakshmi started to work in a garments factory to try and make ends meet. One of her daughters also dropped out of college as they were unable to bear the college fees. Lakshmi was helpless and was also unable to repay her loan to Ujjivan. Realizing her need for support, Ujjivan staff referred the family to Parinaam who actively networked with several hospitals to find the best fit for treatment in terms of cost and convenience. The cost of surgery was brought down to ₹ 20,000 at another hospital but the family was still unable to bear the full cost. Parinaam then contributed ₹ 10,000 towards the medical expenses and the family managed to raise the balance cost of treatment. Govindappa is now recuperating well and is preparing to start the canteen business very soon. His elder daughter is continuing her education and has applied for a scholarship with Parinaam. They are thankful to Ujjivan and Parinaam for this support.

Ujjivan and Parinaam staff donate blood for a cause!

In 2015, 11 blood donation drives were organised across 10 States, where Ujjivan and Parinaam staff donated 597 units of blood that is estimated to benefit at least 1,700 lives. Kudos to the teams for their effort!

The Parinaam Team

Statutory Reports

Management Discussion & Analysis

FY 2015-16 has been a year of excellent growth in business and profitability triggered by enhanced scale of operations and improved productivity of existing staff. Additionally, continuous focus on reducing the costs helped us report a 134% growth in our Net Profit.

The Year at a Glance:

Business Growth: Our overall gross loan book including growth in managed assets grew by 65%. GL book grew by 60% while the MSE and the Housing business collectively grew by 102%. Healthy New Custumer Acquisition contributed to 34% of the GL business, while our focus on reducing TAT and customer retention enabled a solid 59% contribution by Repeat GL business. Our successful loyalty program, in its second year, formed 8% of the GL Business.

Our IL gross loan book doubled from that in FY2014-15 triggered by excellent GL to IL conversion contributing to 60% of IL business. Open market Business contributed to 22% of overall IL Business. Our overall Secured portfolio stood at ₹ 27 crore, of which 21 crore came from Secured Housing Business seeing a healthy take off in FY2015-16

Productivity: FY2015-16 saw an all-round improvement in branch and field staff productivity. Borrower per CRS improved to 761 from 568 in March 2015. Gross loan book per branch increased to 11.5 crore from 7.7 crore. Average GL TAT improved from 5.78 days to 4.32 days while average IL TAT improved from 6.45 days to 6.27 days

Network Expansion: 47 new branches were added to our network, taking the tally to 469 branches. We added 7 new branches in Punjab, Haryana, Chandigarh cluster, 8 in North Eastern States of Assam and Tripura and 4 in Chhatisgarh.13 new branches were added in Gujarat and Maharashtra while our footprint in Rajasthan was augmented by 3 new branches. Karnataka added 1 new branch while Tamil Nadu saw the largest expansion with 11 new branches.

Our client outreach expanded by 12 lakh new customers, 26% of which came from the branches in 0-12 months category, 44% from the branches in the >60 months vintage and 31% was contributed by branches in the 24-60 months vintage

Cost Efficiency: Our Opex Ratio (on net book) stood at 7.5% against 8.5% in last FY, a marked improvement over PY on account of enhanced scale of operations (65% growth in gross loan book) and improvement in productivity - Borrower/Branch increased from 5,192 borrowers to 6,504

Credit Quality: Portfolio quality held up well with PAR at >0.27% in March 2016 against 0.18% in March 2015. There was an increase in the overall PAR on account of sporadic incidents of over-borrowing in some geographies across the country (MP, Orissa, and Maharashtra), massive growth of IL portfolio and increased proportion of death cases

Funding: We diversified our funding basket by raising NCDs with domestic Mutual Funds, Commercial Papers, and 7 securitization transactions. We raised ₹ 3,393 crore of Term borrowings and NCDs in FY2015-16 against ₹ 2,803 crore last year. We saw significant reduction in Cost of funds (12.68% to 12.30%) during the year, leading to reduction in interest rates offered to customers: Group loans – 23.6% to 22% and unsecured Individual Loans – 28% to 24%.

Capital Raise: Pre-IPO round closed with ₹ 291.84 crore of domestic equity. Domestic holding stood at 77% at the year-end against 10% in March 2015. Our IPO clossed sucessfully in May 2016 with 41 times subscription, fresh issuance of shares worth ₹ 358.4 crore and secondary sales worth ₹ 524.33 crore

Regulations: Grant of in principal approval for Small Finance Bank License, Conversion to a public limited company

Awards: Forbes Entrepreneur of the year with Social Impact, 16th Best Place to work for in Asia, Corporate Citizen of the Year- Chanakya Awards; 3rd Best Place to Work in India

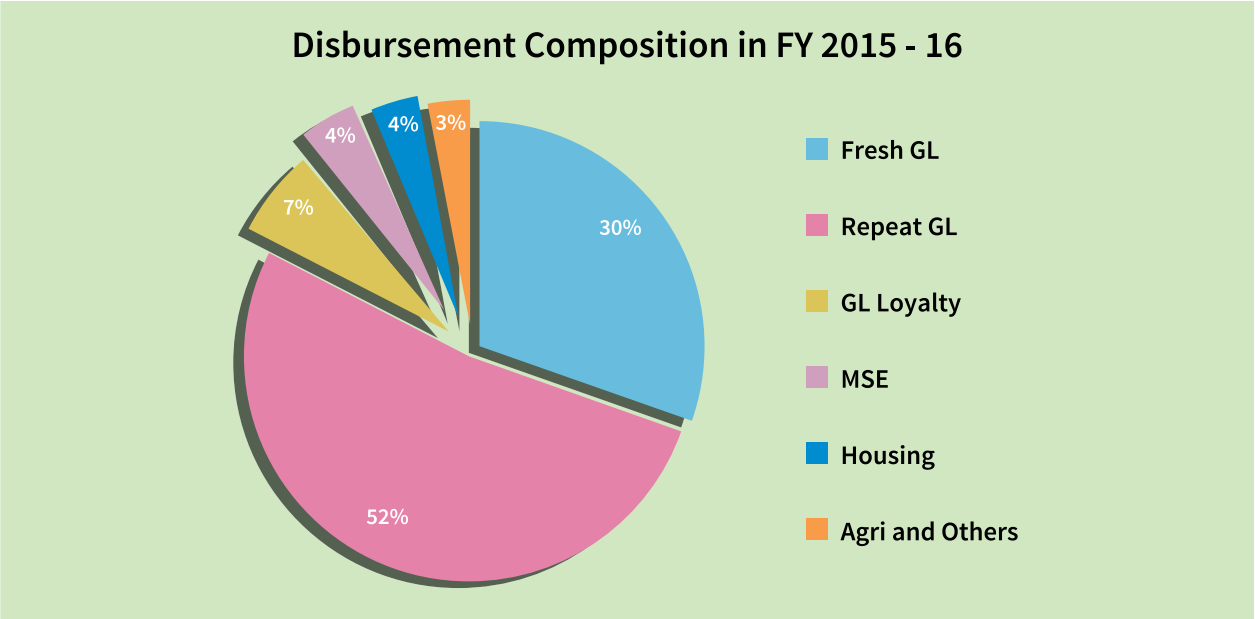
Operational Performance

Particulars	FY2015-16	FY2014-15	% Increase
Disbursement (₹ crore)	6,619	4,328	53%
NCA (lakh)	12.1	10.8	12%
Borrowers (lakh)	30.5	21.9	39%
Total Gross Loan Book (₹ crore)*	5,388.6	3,274.1	65%
GL Gross Loan Book (₹ crore)	4,695.0	2,931.3	60%
IL Gross Loan Book (₹ crore)	694	343	102%

Particulars	FY2015-16	FY2014-15	% Increase
IL as % of Total Gross Loan Book	13%	10%	23%
Branch network	469	423	11%
Employees	8049	7089	14%
PAT (₹ crore)	177.2	75.8	134%
Cost to Income Ratio	51%	60%	16%

**Includes Managed Assets of ₹ 324 crore in March 2016 and ₹ 55.4 crore in March 2015*

Business Growth



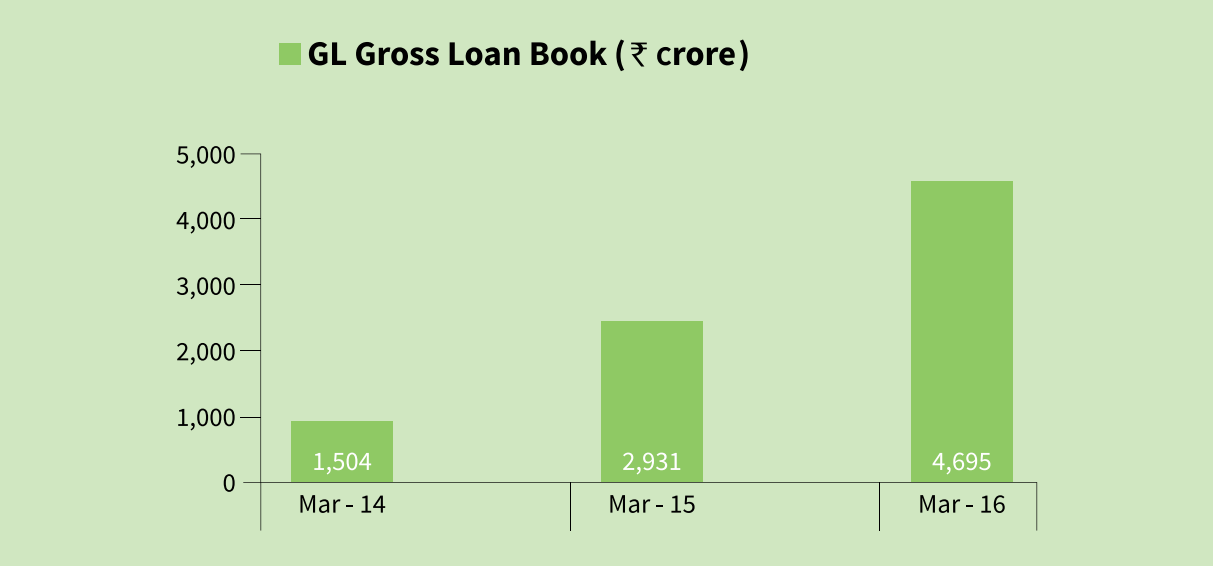
Consolidating on an accelerated growth in business volumes last year, FY2015-16 was a year of growth with a focus on building new business verticals) and all round improvement in productivity. Our gross loan book grew by 65% over last year to close at ₹ 5,389 crore. We disbursed ₹ 6,619 crore, a 53% growth over last year

Our branch network grew moderately with 47 new branches and our staff strength was augmented by 960. New Customer Acquisitions and Customer Retention with repeat conversions were the key drivers for this year's business, contributing to 89% of the overall volumes. Akarshan loans, a higher ticket offering targeted at attracting new customers with good credit history from other institutions, was instrumental in acquiring new customers in highly competitive areas. Additionally, expanded working area for increased penetration and rewards and recognition programs were the key enablers for increase in new customer acquisitions in mature branches. We added 12 lakh new customers, crossing the 10 lakh mark for the second consecutive year. Our commitment to quality customer service, better customer connect, reducing loan turn-around time and wait time at branch for disbursement ensured good persistency and healthy repeat conversions. Our customer retention rate stood strong at 86%, dipping marginally from 87% in the previous year on account of increased drop out of existing customers to comply with the 2 MFI Rule of the RBI even for our non – PSL compliant business.

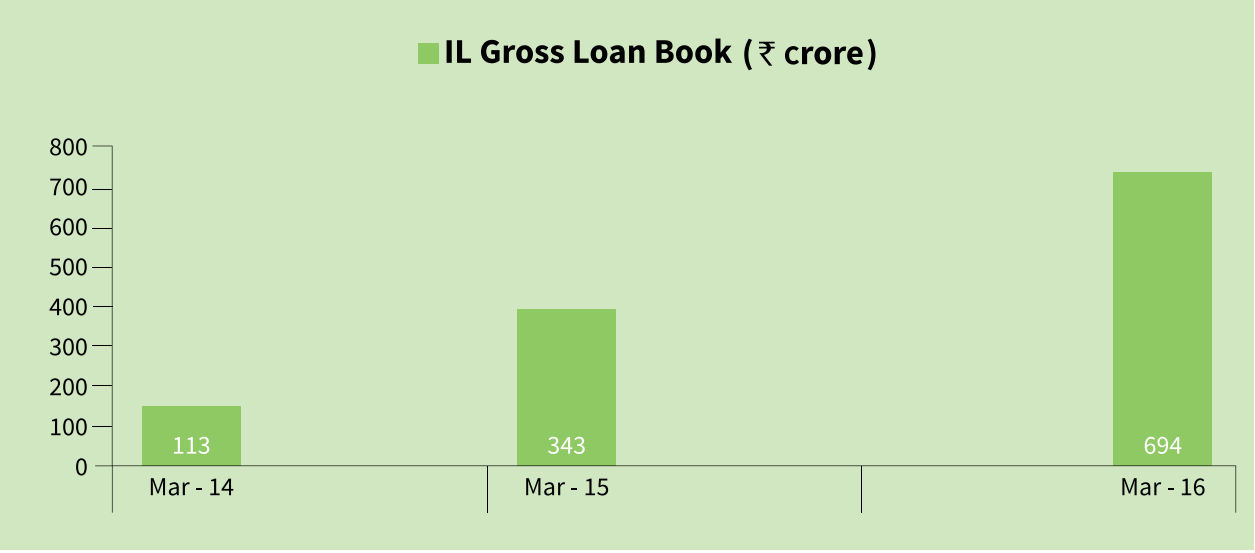
Our second year of the loyalty program, a limited period offering specially designed for existing customers with good credit track record to enable micro trade facilitation during the festive season, successfully added ₹ 445 crore of business.

Our core GL business contributing 87% of our Gross Loan Book grew 60% over that in the previous year. We launched a new product called Agriculture and allied loan to meet loan requirements for activities such as crop cultivation, purchase of small equipment and animal husbandry etc. for the marginal and tenant farmers under Group Lending.

We raised the ticket sizes of the loans going up to ₹ 30,000 allowing the customer an option to repay in 1 or 2 years depending on her repayment capacity in line with revised RBI regulations.



Taking off on the big leap last year, our Individual lending Business registered a collective growth of 102% constituting 13% of our Gross Loan Book. This year, we looked beyond converting the captive eligible pool of higher vintage group loan customers and focused on open market business to expand our outreach and ramp up our volumes. Open market business contributed to 22% of our overall volumes this year compared to 10% last year while GL to IL conversion contributed to 60% of our overall volumes this year compared to 75% last year. Focus on process efficiencies, reduced loan service time and product level initiatives ensured better persistency. Repeat IL Business contributed to 18% of overall volumes compared to 15% last year. Our client outreach increased from 71 thousand active borrowers in March 2015 to 151 thousand active borrowers in March 2016. Our Individual Lending Business is operational in 374 branches. The offering was rolled out in 69 additional branches during the year

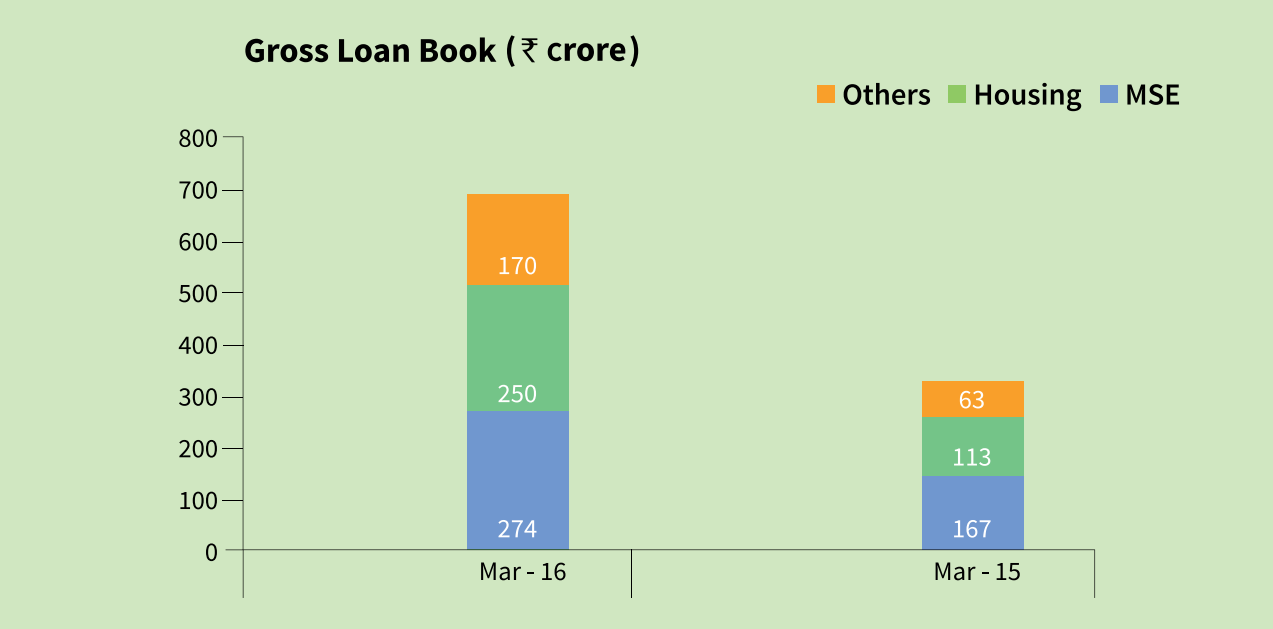


Our Secured Housing Finance Business, piloted in January 2015 gathered momentum, amassing a portfolio of ₹ 21 crore with 703 active borrowers across 109 branches.

Another product innovation launched this year was the introduction of Priority Sector Lending (PSL) compliant variant of Individual loans – Pragati Loans with lower interest rates and simplified procedures. The Product contributed a third of overall volumes and Individual Lending borrower base.

Our objective reward and recognition programs (Public ka Champion, Referral Campaigns, Best Branch Awards, and Large Branch Allowance) motivated the field staff to deliver their best performance. Our marketing initiatives helped create better brand and product awareness while fostering stronger customer connect. Our evangelical marketing initiatives at over 100 locations saw the participation of thousands of customers. The evangelical campaigns celebrated the success stories of existing customers and shared them with potential customers. Our mass-marketing activities such as wall branding, auto rickshaw branding, van campaigns, Loan fairs helped generate healthy customer interest and were instrumental in expanding our client outreach.

Individual Lending Product verticals



The MSE Segment, identified as the main target segment within Individual Lending for product diversification and driving future growth, registered a growth of 65% over last year. The Pragati loans and open market business helped fuel the growth in the segment

The Housing vertical grew by 121% over last year. 92% of the Business in the segment was driven by the unsecured home improvement loans. A third of the unsecured business came from Pragati variant of the Home Improvement loans. Secured Home Loan Business portfolio ramped up to ₹ 21 crore post a successful pilot in January 2015. The product did very well in South, West and North

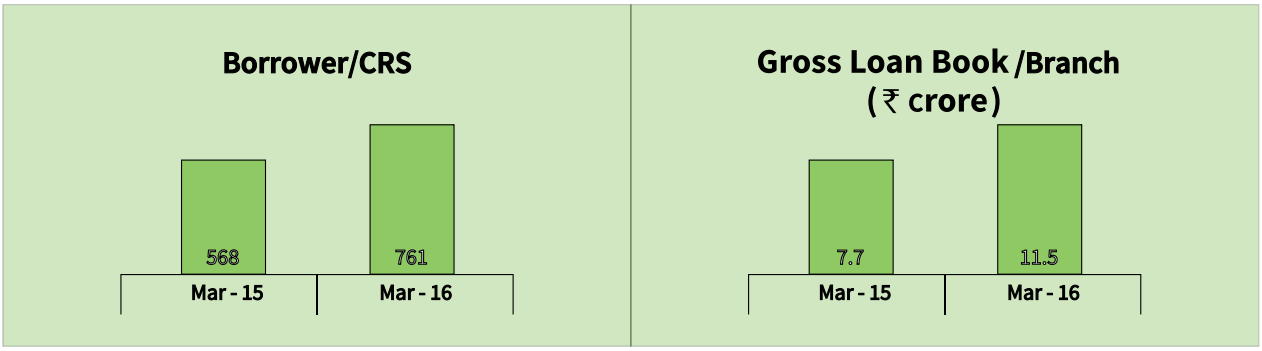
Others include Agri, Animal Husbandry and Higher Education Loans. Livestock loan is the key component of the segment, constituting 90% of the portfolio. The livestock loans grew by 163% over last year to close at a Gross Loan Book of ₹ 153 crore. Higher Education Loans and Agri Loans are seasonal in nature and were both piloted in FY2014-15. Agri Business grew from 2 crore in March 2015 to ₹ 8.5 crore of portfolio while the Higher Education loans grew 151% over last year to close with a gross portfolio of ₹ 7.7 crore

Improving Productivity

A key focus area for this year was improvement of branch and field staff productivity. Enhanced targets were set to raise the bar on performances of our matured branches. We stopped adding more than 8 field staff for branches handling less than ₹ 10 crore of portfolio. Our reduced loan turnaround time, reduced wait time for disbursement at branches, roll out of handheld devices (tablets and mobile phones) to capture data for loan processing, repayments and handling enquiries, meticulously planned rewards and recognition programs with due weightage on productivity parameters helped improve the productivity of our branches and field staff dramatically across the quarters and across the regions.

A key initiative this year was extention of the repayment window from 3 weeks to 4 weeks, easing caseloads for staff in repayment collections and customer servicing.

Our Borrowers/CRS increased to 761 in March 2016 against 568 in March 2015 while our Gross Loan Book/Branch increased to 11.5 crore per branch in March 2016 from 7.7 crore in March 2015.



Our continued focus on cashless disbursements has helped us build efficiency.

61% of our total disbursements (in terms of monetary value) were effected through the cashless route. 16.65lakh loans

were disbursed to the bank accounts of the customers compared to 9.76lakh last year, a 71% growth. Our Average GL TAT improved from 5.78 days to 4.32 days while average IL TAT improved from 6.45 days to 6.27 days. Our Fresh Loan TAT is at 7.02 days, 63% of the loans are disbursed under 7 days

Regulatory Compliance:

Ujjivan is compliant with all the applicable RBI regulatory norms. The revised RBI regulations for Qualifying Assets for the NBFC-MFIs, released in April 2015 and November 2015 have opened up additional business possibilities tempered with requisite risk management.

Financial Performance

Ujjivan closed a successful year with pre-tax profits at ₹ 271.9 crore and post-tax profits of ₹ 177.2 crore. Our ROA improved to 3.7% in FY2015-16 from 2.5% in FY14-15

ROA Build up

Particulars (₹ crore)	FY15-16	ROA (on average Assets)	FY14-15	ROA (on average Assets)
Net Interest Income	509.9	10.5%	280.9	9.3%
Other Income	96.7	2.0%	61.1	2.0%
Total Income	606.6	12.5%	342.0	11.3%
Operating Expenses	309.3	6.4%	206.4	6.8%
Operating Profit	297.3	6.1%	135.6	4.5%
Provisions	25.3	0.5%	21.0	0.7%
Profit before Tax	272.0	5.6%	114.6	3.8%
Taxes	94.8	2.0%	38.7	1.3%
Profit After Tax	177.2	3.7%	75.9	2.5%

Improvement of NIM to 10.5% in FY from 9.3% last year on account of reducing lending rates from banks. Our Cost of Funds reduced significantly (12.68% to 12.30%) during the year and we passed on the benefits of reduced borrowing costs to our customers, reducing interest rates offered on Group loans – 23.6% to 22% and Unsecured Individual Loans – 28% to 24%.

The Operating Cost Ratio improved to 6.4% (on Average Assets) in FY15-16 from 6.8% in FY14-15 on account of enhanced scale of operations and backend efficiencies

Our cost to income ratio improved to 51% in FY15-16 from 60.4% in FY14-15 on account of growth in Interest Income by 69% due to higher volumes and growth in Other Income by 58% (incremental income from processing fee, securitization income and treasury income) coupled with improved productivity of staff and enhanced scale of operations.

Credit Cost Ratio on Average Assets remained in check at 0.59% in FY15-16 compared to 0.69% in FY14-15 in spite of the increase in GL portfolio by 60% and IL portfolio by 102%. March 2015 ratio is higher as FY14-15 was the first year provisioning on IL was raised from 1% to 2%

Resource Mobilization

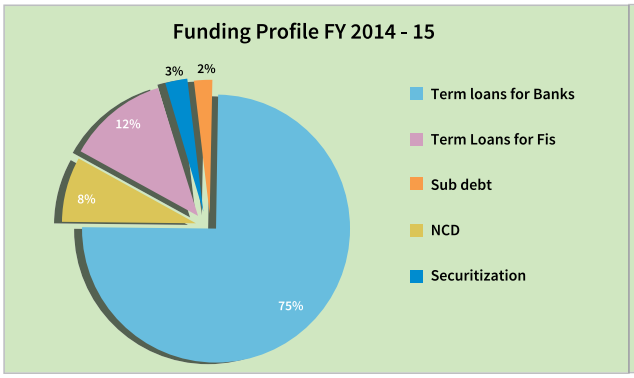
Debt Funding:

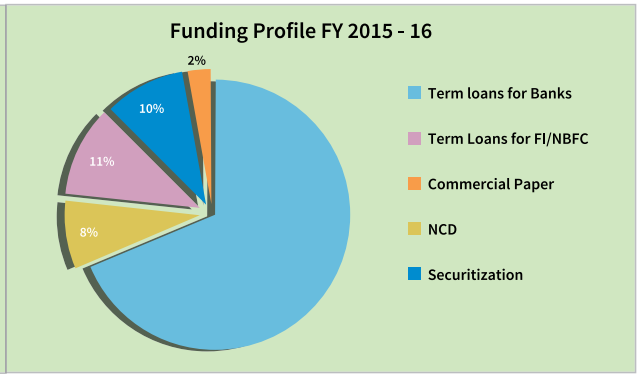
Ujjivan's policy is to borrow centrally; using a mixture of long term and short term capital market issues and borrowing facilities in order to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are used for lending operations. The company's excellent fund management ensured a very comfortable funding position at all times, ably supporting the massive growth in business volumes during the year.

Ujjivan raised ₹ 3,393 crore (21% increase over the last year) from Banks and Financial Institutions and alternative sources. Ujjivan's borrowings as on March 31, 2016 stood at ₹ 4,338.00 crore (previous year ₹ 3,121.79 crore).Ujjivan has significantly diversified its borrowings basket to include Commercial paper of ₹ 100 crore, Refinance loans of ₹ 200 crore , Securitization of receivables of ₹ 394 crore and Non- convertible debentures of ₹ 300 crore at the most competitive rates.

As on 31st March 2016, 50% (2015: 54%) of the total borrowings were floating and we were also able to take benefit of reduced interest rates scenario in the economy. With increased capitalization levels and better credit ratings, Ujjivan negotiated lower rates for borrowings. The reduced borrowing cost was passed on to our customers we were able to reduce lending costs to customers by around 160 bps during the FY.

Key focus areas for next year will be further diversification of the borrowings profile by tapping Capital Markets, Refinance and Securitization.





Credit Rating

CRISIL has re-affirmed Ujjivan's grading at 'mfR1' in October 2015. CARE re-affirmed Ujjivan's Bank Loan rating at 'CARE A' for its bank loan facilities of ₹ 3,500 crore. The rating factors in Ujjivan's consistent and robust improvement in earnings and profitability in FY 15-16 with increasing scale of operations and efficiency, geographically well diversified client portfolio with good asset quality, experienced management and well-developed portfolio management systems.

Risk Management

Ujjivan has an established risk management and audit framework to identify, assess, monitor and manage credit, market, liquidity and operational risks. This framework is driven actively by the Board through its Audit, Risk Management and ALCO committees, and supported by an experienced senior management team. Our Risk Management Committee, consisting of an independent director, the Managing Director, and two nominee directors meets every quarter, and is responsible for the review of prudential risks including, but not limited to, credit, market, liquidity and operational risks. We have a strong credit function, which is independent of our business and a key controller of the overall portfolio quality. Our effective credit risk management is reflected in our portfolio quality indicators such as robust repayment rates, stable portfolio at risk ("PAR") and low rates of GNPA and NNPA. Our portfolio quality has remained consistent in spite of the increase in the size of our operations, and our venturing into new products and customer segments.

We manage operational risks by implementing best practices such as the Risk and Control Self-Assessment ("RCSA") program to monitor high risk areas across all departments and Key Risk Indicator ("KRI") program for monitoring critical industry-specific risks such as high staff turnover and cash handling. The KRIs effectively monitor liquidity risk and interest rate risk, and ensure diversified funding in compliance with key ratios as prescribed by the RBI.

Audit and Internal Controls

Ujjivan has a well-established Internal Audit and Control Systems in place that monitors the company's adherence to policies, procedures and systems. The Board Audit Committee reviews the adequacy and effectiveness of the internal audit function, including the structure of the internal audit department, annual audit plan, staffing etc., and ensures effective and independent review process.

The Internal Audit Department is responsible for monitoring and evaluating the internal controls of the organization as well as its adherence to various statutory and regulatory compliances. These audits cover Branches, Regional offices and Head Office at regular intervals.

Branch and Field Audits

Ujjivan has a strong and well trained audit team in all the four regions headed by the Regional Audit Managers. The Regional audit team executes branch and field audits as per the risk based audit plan. Each branch is audited 3 to 4 times in a financial year, based on the risk of the branch. The comprehensive audits, that span 10 to 14 man-days, cover end-to-end branch processes, loan documentation, statutory compliances and independent customer visits. Based on the audit observations and scores, branches are assigned audit rating for Group Lending and Individual Lending Businesses. The branch audit rating forms a key component for annual performance evaluation of the Branches and the staff. The Internal Audit team also carries out other key activities such as area cross-checks for all new branch openings, survey of branch working areas, negative area cross-checks, fraud investigations, fixed assets verification and special audits.

Functional Audits

Internal audits at Regional Offices and Head Office is carried out on a quarterly basis by a board-appointed independent

audit firm, covering all key functions including HR, Operations, Credit, Administration, Finance and Accounts etc., The firm also audits the company's adherence to all Statutory and Regulatory Guidelines that have been prescribed for NBFC-MFIs. The scope of various audits are reviewed and continuously modified to keep pace with a dynamic business environment. A strong compliance monitoring mechanism ensures that all critical issues are tracked until closure within specified timelines. All significant audit observations of Internal Audits and follow-up actions are reported and discussed by the Board Audit Committee, which meets every quarter. Monthly audit updates are also circulated to the board, summarizing audit trends and critical issues.

Vigilance

Our focus for 2015-16 was to move towards Predictive Vigilance in Group Lending Business; basis the knowledge and the experience we gained in the past, and Preventive Vigilance through Fraud Control Unit (FCU) in the Individual Lending.

While we witnessed a considerable increase in break-in theft and cash snatching incidences, we had improvised on introducing risk mitigants like the concept of ***'repayments by customers at Ujjivan branches'*** in the pockets affected by such incidences in addition to appointing Cash Collection Executives (CCE, a low cost cash carrying facility). On an average, 92% of centers (around 6000 centers), from the affected branches in Bihar, Jharkhand and UP have successfully followed either of the above options.

Setting deterrent is an effective way of infusing control in the system. Earlier during the fiscal year the actions taken to set deterrent were not as expected with the sudden increase of cases. Two main reasons were, the early exit of accused from the system and delayed response from the law enforcement agencies in few clusters. We consciously on-boarded retired police officers across the regions, who assisted in cases requiring police intervention ***ab-initio***.

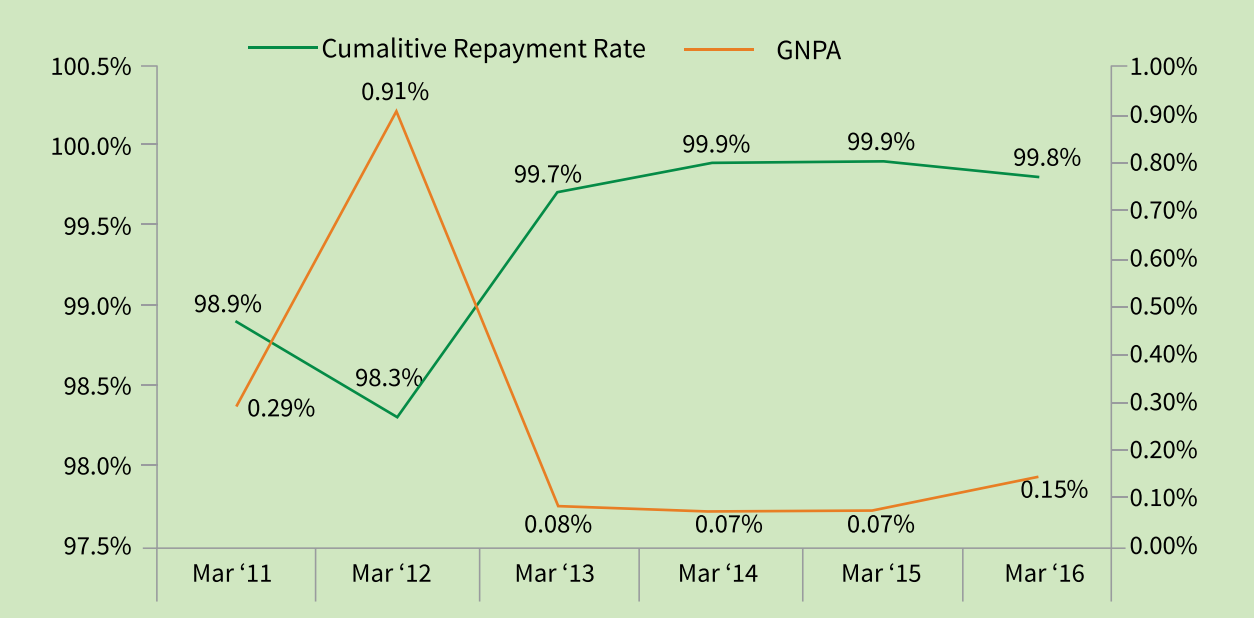
Under the core vigilance and multi-function Task Force Committee was formed in Kerala and Karnataka to address issues of Operations Kubera and Farmer's Suicide impact respectively.

Under the Secured Lending and Individual Lending business, FCU activity was successfully standardized across the regions. Necessary actions were initiated on the individuals who were identified in process lapses. The Hit Rate (ratio of negative/fraud cases to total sampled) for Ujjivan stood at 14% with North (25%) region topping the chart followed by East (16%). However, the reason for cases reported as negative, or fraud were more for the systemic failure of issuing authorities working for government agencies in select geographies of our operations. Desired outcome of preventive risk mitigating measures in Fraud Control Unit still stands as an expectation and challenge for this vertical which we plan to achieve in 2016-17.

The Collections Unit, under the Vigilance department was able to recover over ₹ 2.06 crore from the allocation of overdue cases (hard bucket)during the year.

Credit

Financial year 2015-16 was an eventful year in the history of Ujjivan. As the company completed a decade of progress in its journey of Financial Inclusion, the robust Credit Risk Management continued to spur the business growth by effectively managing risk. While the loan book grew at an impressive 65%, the Repayment Rate stood at a healthy 99.81% and GNPA at 0.15% vis-à-vis the Industry GNPA of 0.20%[1] as on 31st March'16. The Individual Lending Business which saw a growth of 102% was complemented by a Repayment Rate of 99.44% and GNPA of 0.39% as on 31st March'16.



1 As reported in the Micrometer Report from MFIN-Issue 17

Independent Credit function is unique to Ujjivan. We have a strong team of over 400 spread across operating geographies, giving us real time insights on portfolio. It is responsible for developing credit policies, monitoring portfolio quality and driving collection initiatives to ensure healthy portfolio growth. Group lending business is supported with centralized credit decisions, it reviews every application independently along with bureau reports and ensures adherence to internal credit policies and guidelines. In case of Individual Loans, independent credit check on field forms an integral part of the loan underwriting process.

The stellar portfolio performance is an outcome of the sound Credit Policy Framework and robust Loan underwriting process at Ujjivan. This has not only helped us acquire quality customers but also maintain a healthy portfolio quality. As we continue to scale up our Individual Lending business, we plan to adopt a customized Credit Application Score to further enhance our loan decisioning process. We also took another significant step towards prudent risk management by introducing a Branch Risk Scorecard. The scorecard jointly developed by Credit, Audit and Vigilance aims to monitor, manage and mitigate internal and external risks proactively. This scorecard also helps in integrating all elements of risk and provides a comprehensive view of branch risk.

In its pursuit of process advancements, Ujjivan has embarked on various key projects. Ujjivan was the first in the MFI industry to be on-boarded by UIDAI as an Authorized User Agency (AUA) and KYC User Agency (KUA). This will allow us to undertake E-KYC authentication for Aadhar IDs submitted by our customers in real-time, thus helping us to improve our efficiences and prevent identity frauds. We are also one of the first in the MFI industry to automate collection process through the Collection Software. This will make overdue collection processes and related activities real-time and system-driven, thus allowing better and timely operational control. Other key technological development envisaged is the implementation of Business Rule Engine that will automate the credit check and credit decisioning process.

Ujjivan also set the stage for better MIS and Analytics by building on its Data Warehouse (DW) and Business Intelligence (BI) tools by procuring IBM's COGNOS BI tool and engaging with Equifax as the implementation partner. The Data Warehouse will serve as the 'Single Source of Information' for all customers. The information so integrated through various data points will in turn be instrumental in driving strategic decisions, tapping business opportunities-by identifying potential segments, allowing up-sell and cross-sell, identifying white spaces and keeping a tab on behavioral and portfolio trends.

As we embark on our journey to become a Small Finance Bank, we will continue to leverage on technology in gaining better insights on customers and their credit behavior that will help us serve them better at the same time ensuring robust portfolio quality.

Operational Risk

High staff turnover and Cash Handling risk remain critical influencing factors in this service industry. Ujjivan has successfully contained attrition at 18.4% with several employee engagement and retention initiatives.

To minimize cash handling risk, we have focused on cashless disbursements and cashless collections. This year 61% of our disbursements were effected through the cashless route, and 38% of our the collection proceeds were channelized for cashless disbursements. 92% of the high risk centers in Bihar and Jharkhand and UP have been secured through customer carrying repayment to the branch to minimize cash handling risk. 56 branches have been brought under CCTV surveillance and Safe vault grouting (strong room alternate) have been completed at 30 high risk branches. Fraud Containment Unit (FCU) has been set up at all regions from July'15

Service Quality

Our Service Quality Program continues to be a differentiating factor for us in the MFI sector. The program has evolved over past years with a variety of customer care, service and client protection initiatives which have positively fostered strong customer connect and retention and helped reduce service TAT and customer wait time. We have strengthened our customer retention programs, fair practices and grievance redressal mechanism built over the past few years. In FY14-15 we launched out-bound call centres for making various service calls to customers for collecting feedback from our customers and improving our services and products. Our key achievements this year towards customer centricity and service include

- More than 135,000 dormant and dropout customers were met by Customer Care Representatives (CCRs) for exit interviews and 44% (59,039) of them were retained after addressing their concerns
- We were accredited with S1 rating - "Excellent SPM (Social Performance Management)" on social rating, evaluated by an external independent rating agency during April 2015
- 173,487 customer enquiries and 2,200 customer grievances were addressed through our multi-channel grievance redressal mechanism.
- Customers' wait time at branch for loan disbursement reduced, number of customers waiting for disbursement up to 15 minutes increased from 24% to 39% and for 15 to 30 minutes from 37% to 41%.

- Repayment window was extended from 3 weeks to 4 weeks, allowing borrowers an option to choose one of 4 different repayment windows (weeks) of the month, easing caseloads for staff in repayment collections and customer servicing. 28% of borrowers make their repayments during first week of the month, 35% in second week, 30% in 3rd week and 7% in 4th week respectively.

Information Technology

A strong IT infrastructure to seamlessly run backend business operations and deliver financial services to customers has always been a top focus area for Ujjivan. The IT division is dedicated to servicing Ujjivan's customers in processing and communication while maintaining infrastructure that ensures high quality support and uptime .

Key Highlights of the year include:

- Collections System: We are using Indus R-systems as our collections management system. This has a structured workflow for managing bucket-wise over-dues. This will help us largely in customer risk management, understanding the customer portfolio, and improving recovery rates.
- Business Intelligence and Data Warehousing: We are in the process of implementing a Business Intelligence System by Cognos to monitor business online for data mining, online analytical processing, querying and reporting. The Business Intelligence System will help us largely in making improved decisions, cutting costs and identifying new business opportunities.
- Oracle Financials: During the year we migrated to Oracle Financials, comprising of different modules for fixed asset management, purchases, accounting and reporting. Multi-dimensional reporting is one of the most prominent features of the application which gives in-depth vision into different reporting paradigms.
- Rule Engine: We are in the process of implementing Rule Engine for Automating Credit Approval process and straight through processing, which will improve the productivity of the organization in processing loans and thereby the quality of processing.

Our IT infrastructure is undergoing a major transformation in the run up to the conversion to a Small Finance Bank.

We have evaluated various options, visited other banks and studied their systems and assimilated our learning to formulate our IT transition strategy. Our strategy is to leverage our current IT ecosystem and enhance its capabilities through a robust core banking solutions ("CBS"), business intelligence tools, collection management tools and treasury management tools customized for SFB operations to optimize the cost of IT transition.

Human Resources

Employee engagement was a focal area for the Human Resources Department this year. Ujjivan's 10th anniversary celebration was kicked off with a series of staff contests including logo designing, photography competition in June 2015 culminating in Dushotsav – cultural events organized across regions to commemorate the anniversary and celebrate the success of the branches and field staff. Employee morale was boosted by distribution of iPads and Lenovo tablets for the managers as part of the Digital Evangelism Program – Ujjivan 2.0. The program helped usher in a technological revolution in the company.

The Human Resource ably supported the demands of the growing business and expansion by recruiting and onboarding 2,303 new staff members with requisite basic level induction and training. Additionally, the department also conducted several refresher/capacity development courses, sales training, functional training, leadership development training, interviewing skills training, and communication training for the existing staff.

Our staff retention, one of the best in the industry was stable at 82%. High staff turnover remains a critical challenge in this service industry. The grant of in principal approval for Small Finance Bank License was celebrated across regions. Our employees are very positive about the transformation and the vista of opportunities it is going to generate for them. Training sessions (Parivartana) to sensitize staff about the transformation to a Small Finance Bank and the mind set change it entails, changing from a lending company to a deposit taking and a lending company were conducted across regions. 154 Parivartana sessions were organized covering 4,134 participants. Market rationalization of compensation was made for our field staff and management. Our on-going reward and recognition programs and performance based incentives helped sustain the motivation level of our front line staff.

The sixth performance based ESOP scheme was launched in 2015. Over 54% of our current employees across the organization are recipient of the ESOP. Post our successful IPO in April 2016, the employees could witness the market valuation of the ESOPs they hold and this generated excitement and pride in ownership of the company

Our commitment to employee engagement ensures that we continue to be among the top twenty five companies to work for in India and number one in the Microfinance sector in the Economic Times and Great Place to Work Institute survey.

Community and Customer Programs

Our Microfinance plus programs - social and community development programs are localized to foster strong connect with our customers and the communities in which they live.

The program follows a decentralized and participatory approach, empowering customers and staff to jointly decide on and undertake urgently needed community development projects. A wide range of projects has been undertaken over the years. Since children's education has been high on the priority list of our customers, in the early years we focused on upgrading the facilities of Anganwadis – government supported children's crèches.

For the last two years, we have focused on building toilets especially for the girl child in schools, in response to the Prime Ministers Swachh Bharat initiative.

In the sixth year of our self-sustained Social Development Program, we conducted 382 programs across regions targeting building of toilets in schools among other high impact projects with 3,22,000+ beneficiaries with an outlay of ₹ 1.78 crore in line with the requirement under the Companies Act 2013 .

We continue to make significant progress in our Financial Literacy Program – Diksha that we run in partnership with our sister Non Profit Parinaam. Diksha is a module based program to train customers on managing their savings and debt. Since inception of the program, 371 thousand customers were registered of which 83.5% were certified and of the 133 thousand customers requiring bank accounts, 88.4% were helped with opening of bank accounts. Diksha has facilitated 202 thousand cashless loans; 19 thousand graduations to IL, 1,226 higher education scholarships, 23 medical interventions. We extended the Financial Literacy Program to the children of Ujjivan customers this year and are also opening Savings Bank Account for the children. 29 thousand children have attended the Diksha program and of the 19 thousand children requiring bank accounts, 44% were helped with opening of bank accounts.

Sector Outlook

The sector reported significant growth in the last year with 65% growth in disbursements, 84% growth in portfolio and 44% growth in client base, reflecting all round growth and momentum in the sector.

The NBFC-MFI Guidelines released in April 2015 by RBI allowed increase in the permitted limit of indebtedness from ₹ 50 thousand to ₹ 100 thousand, relaxation in income generating assets norms from 70% to 50%. The RBI increased the maximum borrowing limit from MFIs to ₹ 60 thousand in the first disbursement cycle and ₹ 100 thousand in consecutive cycles (compared with ₹ 35 thousand and ₹ 50 thousand earlier). The RBI also increased the cap on the borrowers' maximum household income to ₹ 120 thousand in rural areas and ₹ 160 thousand in urban areas (vis-à-vis) ₹ 60 thousand and ₹ 120 thousand respectively, earlier).Further the RBI Notifications of Nov 2015 allowed increase in maximum loan amount for a tenor less than 24 months to ₹ 30 thousand from ₹ 15 thousand. The revised regulations will open up avenues for product innovation, expand customer base and keep demand for Microfinance loans high as lending rates reduce in line with reducing borrowing costs by MFIs.

Financial inclusion efforts received a big fillip with the launch of the PMJDY and Micro Units Development and Refinance Agency (MUDRA). The setting up of MUDRA has been a positive step for the MFIs. It is believed that, MUDRA will be able to provide funds at 100-300 basis points cheaper than bank funding. This will pull down MFIs' cost of funds depending on the extent of MUDRA funding. MFI borrowers will also benefit as a result.

RBI granted in-principle approval to 10 entities to set up small finance banks which included eight MFIs, one local area bank and one NBFC. The fact that eighty percent of the institutions receiving green signal for SFBs are MFIs outlines the significance of Microfinance for the Indian banking landscape. The progressive work achieved by the MFI sector has been acknowledged by the regulators and the lenders to the sector.

The eight MFIs cumulatively accounted for about 26% of assets managed by the industry as of 2014-15. As they exit the industry, after metamorphosing into SFBs along with Bandhan (which converted into a universal bank and accounted for 20% of March 2015 Gross Loan Book), the MFI industry size will halve.

Transitioning into an SFB will allow the MFIs to reduce their dependence on bank borrowings and provide them with access to a wider range of funds, including savings products and diversified base of customer deposits. The additional funding sources will enable SFBs to broaden their funding sources and access funds at a lower cost, thereby enabling them to offer loans at competitive rates. Multiple licenses granted to payment banks, SFBs and other universal banks may enhance the threat of competition. Transition will entail massive investment in branch up-gradation, branch infrastructure, technology and processes, hiring of people with expertise and up scaling the existing staff which will depress the margins of the new SFBs in the short term. The biggest challenge will be quickly garnering a strong retail liability base and growing the loan book in the face of stiff competition from other SFBs and existing commercial banks.

Conclusion

Consolidating on the accelerated growth last year, FY 15-16 was a year of sustainable growth across verticals, all round improvement in productivity and profitability. We are currently on the brink of a massive transformation, converting to a Small Finance Bank. On the product side, we have done considerable research on the savings habits, likes and dislikes of the target market customers. The foundation of the transition has been laid with the domestic capital requirement already in place. The transformation work on the technology, channels and human resource is in full swing. A Small Finance Bank being a differentiated bank will help widen access to finance for the unbanked and under-banked. We are confident of building a Small Finance Bank by leveraging our wide outreach, infrastructure, robust risk management framework, and strong customer connect in the coming years.

BOARD'S REPORT

To the Members,

Your Directors have pleasure in presenting their twelfth Annual Report and Audited Accounts for the year ended on March 31, 2016.

Overview

The Company was originally incorporated as Ujjivan Financial Services Private Limited on December 28, 2004 at Bengaluru, Karnataka, India as a private limited company under the Companies Act, 1956. Pursuant to a certificate issued by the Reserve Bank of India ("RBI") on October 31, 2005, the Company was permitted to commence operations as a non-banking financial company ("NBFC") under section 45 IA of the Reserve Bank of India Act, 1934. Since financial year 2008-09, the Company has been classified as a systemically important non-deposit accepting NBFC. The Company was granted NBFC-Microfinance Institution ("NBFC-MFI") status by the RBI on September 5, 2013. Subsequently, the Company was converted into a public limited company pursuant to a special resolution passed by its Shareholders at the extraordinary general meeting ("EGM") held on November 3, 2015 and the name of the Company was changed to Ujjivan Financial Services Limited. A fresh certificate of incorporation consequent upon conversion to a public limited company was issued by the Registrar of Companies, Bangalore, Karnataka ("RoC") on November 26, 2015. Subsequently, a fresh certificate of NBFC-MFI registration consequent upon the change of name of the Company was issued by the RBI on March 4, 2016.

On October 7, 2015, the Company was one amongst 10 companies in India, out of a total of 72 applicants, to receive in-principle approval from the RBI to set up a small finance bank ("**SFB**").

The Company completed its maiden Initial Public Offering (IPO) and its equity shares were listed in NSE and BSE on May 10, 2016. For further details on the IPO, please refer to the section "Initial Public Offering".

1. Financial Results

(in ₹)

Particulars	FY 2015-16	FY 2014-15
Operating Income	10,072,506,528	5,993,165,034
Other Income	203,599,311	125,635,557
Total Income	**10,276,105,839**	**6,118,800,591**
Less: Operational Expenses		
Personnel Expenses	1,966,507,150	1,327,695,558
Administrative Expenses	1,021,745,656	654,271,391
Finance Charges	4,234,998,782	2,713,806,964
Depreciation	80,245,509	67,417,317
Provision For Doubtful Debts	252,722,624	210,476,682
Total Operational Expenses	**7,556,219,721**	**4,973,667,912**
Profit/(Loss) Before Tax	**2,719,886,118**	**1,145,132,679**
Less: Income tax	1,035,660,245	468,047,354
Less Deferred tax	(87,961,905)	(80,802,636)
Profit/(Loss) After Tax	**1,772,187,778**	**757,887,961**

2. Dividend

Based on the Company's performance, the directors are pleased to recommend for approval of the members a dividend of ₹ 0.50 per equity share for the FY 2015-16. The dividend on equity shares, if approved by the shareholders would involve a cash outflow of ₹ 7.12 crore (including dividend distribution tax).

3. **Transfer to reserves**

The Company transferred ₹ 35.44 crore to Statutory Reserves. Transfer of 20% of the Profit after Tax to the statutory reserves in accordance with the provisions of section 45 – IC Reserve Bank of India Act, 1934.

4. **Credit Rating**

CRISIL has assigned the Company a grading of mfR1 (the highest grading for MFI) in October 2015. CARE has assigned a 'CARE A' rating (Reaffirmed) to Ujjivan in December 2015 for its Long Term Bank Facilities of ₹ 3,500 crore and has assigned a rating of 'CARE A' for its NCDs of ₹ 400 crore. ICRA assigned a rating of 'ICRA A-' for its NCDs of ₹ 75 crore and a rating of 'ICRA A' (revised from 'ICRA A-') for its NCDs of ₹ 90 crore.

5. **Capital Adequacy**

The Capital Adequacy Ratio of the company was 24.14% as of March 31, 2016 as against the minimum capital adequacy requirements of 15% by RBI.

6. **Corporate Governance**

A corporate governance report is provided separately and forms part of this Directors' Report.

7. **Extract of Annual Return**

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the Annual Return in the prescribed format (MGT-9) is appended as "***Annexure 1"*** to the Board's Report.

8. **No. of Meetings of the Board during the FY 2015-16**

During the Financial Year 2015-16, our Board has met ten times and the meetings of our Board of Directors were held on June 04, 2015, September 11, 2015, September 29, 2015, November 23, 2015, December 11, 2015, December 17, 2015, December 29, 2015, February 01, 2016, February 15, 2016 and March 17, 2016. For further details, please refer to the Corporate Governance Report, which forms part of this report.

9. **Directors' Responsibility Statement**

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors of the Company confirms and state that:

(i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) the directors had prepared the annual accounts on a going concern basis;

(v) had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and

(vi) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, audit of internal financial controls and the reviews performed by management and the risk management and audit committee of the board, the board is of the opinion that the Company's internal financial controls were adequate and effective during the FY 2015-16.

10. **Declaration by Independent Directors**

The Company has received necessary declarations of independence from each of its Independent Directors under section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independent director envisaged in section 149 (6) of the Companies Act, 2013.

All Independent Directors have submitted the declaration of Independence, as required pursuant to Section 149(7) of the Act, stating that they meet the criteria of Independence as provided in section 149(6) of the Companies Act, 2013 and are not disqualified from continuing as Independent Directors.

11. **Nomination and Remuneration Policy**

The Company pursuant to the provisions of Section 178 of the Companies Act, 2013 has formulated and adopted a nomination and remuneration policy which is disclosed on our website at the below link-

http://ujjivan.com/html/ujjivan_policies.php

12. **Auditors**

(i) **Statutory Auditor M/s Deloitte Haskins & Sells,** (Firm Reg. No. 008072S), Chartered Accountants, were appointed as Statutory Auditors of the Company for 2 years till the conclusion of the 13th Annual General Meeting to be held in the year 2017. They have confirmed their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed there under for reappointment as Statutory Auditors of the Company. The Directors recommend the ratification of appointment of M/s Deloitte Haskins & Sells, Chartered Accountants, as Statutory Auditors of the Company from the conclusion of the ensuing AGM till the conclusion of the 13th Annual General Meeting to be held in the year 2017.

(ii) **Secretarial Auditor:**

Mr. K. Jayachandran, Practicing Company Secretary(ACS No. 11309 and Certificate of Practice No. 4031) was appointed as the Secretarial Auditor of the Company to conduct Secretarial Audit of the Company for the Financial Year 2015-16 as required under Section 204 of the Companies Act, 2013 and the Rules made there under. The Secretarial Audit Report for FY 2015-16 is appended as ***"Annexure 2"***to the Directors' Report.

13. **Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made –**

(i) **Statutory Auditor's report**

There are no disqualifications, reservations, adverse remarks or disclaimers in the auditor's report

(ii) **Secretarial Auditor's Report**

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark made by Secretarial Auditor.

14. **Particulars of loans, guarantees or investments under Section 186**

The Company has not given any loans and guarantees to any body corporate

15. **Transaction with related parties**

Information on transaction with related parties pursuant Particulars of contracts or arrangements with related parties referred to in Section 188(1) in the prescribed form AOC -2 is appended as ***"Annexure 3"*** to the Board's Report;

16. **State of the Company's affairs**

Ujjivan is a RBI registered NBFC-MFI Company based in Bangalore and is one of the largest microfinance institutions in the country with the most diversified geographical reach offering a comprehensive suite of financial products and services to the economically active poor.

On October 7, 2015, Ujjivan received an in-principle approval from the RBI to set up a small finance bank ("SFB").

The Company's mission is to "Provide full range of financial services to the economically active poor to build better lives".

As on March 31, 2016, the Company operates through 469 branches spread over 24 states in 4 regions – South,

East, North and West - with an employee strength of 8,049. The Company's present borrower base is 3,050,369, has disbursed ₹ 17,749 crore since its inception and the portfolio outstanding as on March 31, 2016 is ₹ 5,064.40 crore (excluding the securitised portfolio of ₹ 324.20 crore)

Today, Ujjivan offers a diverse range of loan products to cater to the specific requirements of its customers. The Company's products can be classified under two broad categories, namely, Group Loans and Individual Loans. Depending upon the end use, these products can be further sub-divided into agricultural, education, home improvement, and home purchase and livestock loans. All of the Company's assets under management ("AUM") fall under the priority sector lending norms prescribed by the RBI.

17. **Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report;**

The Company came out with Initial public offer (IPO) of 42,023,609 equity shares of face value of ₹ 10 each for cash at a price of ₹ 210 per equity share (including a share premium of ₹ 200 per equity share) aggregating to ₹ 882.50 crore comprising a fresh issue of 17,055,277 equity shares aggregating to ₹ 358.16 crore by the company ("fresh issue") and an offer for sale of 24,968,332 equity shares aggregating to ₹ 524.34 crore by 8 selling shareholders.

Subsequent to the completion of the IPO, the paid up equity share capital of the Company got increased from ₹ 1,011,860,280 to ₹ 1,182,413,050. The Company's equity shares got listed on NSE and BSE on May 10, 2016.

The objects of the IPO *inter alia* was to augment the capital base of the Company and to meet the future capital requirements of the Company arising out of growth of the Company's assets, primarily the Company's loans and advances and other investments. Further, the Company intended to reduce its foreign shareholding in accordance with the requirements of the SFB In-principle Approval to set up an SFB. Post the completion of our IPO and finalisation of basis of allotment, the foreign shareholding in the Company was brought down to 44.86% as on May 06, 2016.

There has been no deviation in the utilization of the IPO proceeds by the Company.

18. **The conservation of energy, technology absorption, foreign exchange earnings and outgo, in the manner as prescribed in Rule 8(3) of the Companies (Accounts) Rules, 2014**

Conservation of energy and technology absorption

Since the Company does not own any manufacturing facility, the particulars relating to conservation of energy and technology absorption are not applicable.

The Foreign Exchange earnings and outgo

There was no Foreign Exchange inflow and outflow during the year except dividend payout to the foreign shareholders for the dividend declared in the FY 2014-15.

19. **Development and implementation of risk management policy**

Ujjivan's Risk Management Committee consists of well experienced Directors from diverse background who bring in the best risk practices to the organization. The Risk Management Committee, which meets every quarter, comprises of four Directors including an Independent Director.

The Committee reviews the Risk Management Framework of the company and verifies adherence to various risk parameters and compliances. The Company's Risk Management strategy is based on clear understanding of various risks, disciplined risk assessment and continuous monitoring. The Risk Management Committee reviews various risks which the organization is exposed to including Credit Risk, Interest Rate Risk, Liquidity Risk, Operational Risk and Regulatory Compliance issues. The Risk Committee approves and makes recommendations to the Board regarding all its risk-related responsibilities, including the review of major risk management and regulatory compliances.

The Company has in place an effective risk management policy which highlights the functions, implementation and the role of the committee and the board.

20. Corporate Social Responsibility

The Corporate Social Responsibility (CSR) programs were started by the Company in the year 2010. During the year, Ujjivan CSR Team has mainly focused on the Government of India "Swachh Bharat Abhiyan".

A brief outline of the company's CSR policy is disclosed on our website at the below link-

http://ujjivan.com/html/ujjivan_policies.php

The initiatives undertaken by the Company on CSR activities are out in ***"Annexure 4"*** of the Board's Report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. For other details regarding the CSR Committee, please refer to the Corporate Governance Report, which forms part of the Board's Report.

21. Board Evaluation

The board of directors has carried out an annual evaluation of its own performance, board committees and individual directors pursuant to the provisions of the Companies Act, 2013 and the corporate governance requirements as prescribed by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("SEBI Listing Regulations").

Performance evaluation criteria for Board, Committees of the Board and Directors were approved by the Nomination Committee of the Board at its meeting held on March 24, 2015. The main criteria on which the evaluations was carried out were Director's knowledge & expertise, specific competency and professional experience, board engagement and time commitment.

The performance of the board was evaluated by the board after seeking inputs from all the directors on the basis of the criteria such as the board composition and structure, effectiveness of board processes, information and functioning, etc.

The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc.

The board and the nomination and remuneration committee reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the chairman was also evaluated on the key aspects of his role.

In a separate meeting of independent directors held on March 17, 2016, performance of non-independent directors, performance of the board as a whole and performance of the chairman was evaluated, taking into account the views of executive directors and non-executive directors. The same was discussed in the board in their meeting that followed the meeting of the independent directors, at which the performance of the board, its committees and individual directors was also discussed. Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated.

22. Details as required under Rule 8 of the Companies (Accounts) Rules, 2014

(i) The financial summary or highlights;

(in ₹)

Particulars	FY 2015-16	FY 2014-15
Operating Income	10,072,506,528	5,993,165,034
Other Income	203,599,311	125,635,557
Total Income	**10,276,105,839**	**6,118,800,591**
Less: Operational Expenses		
Personnel Expenses	1,966,507,150	1,327,695,558
Administrative Expenses	1,021,745,656	654,271,391
Finance Charges	4,234,998,782	2,713,806,964

Depreciation	80,245,509	67,417,317
Provision For Doubtful Debts	252,722,624	210,476,682
Total Operational Expenses	**7,556,219,721**	**4,973,667,912**
Profit/(Loss) Before Tax	**2,719,886,118**	**1,145,132,679**
Less: Income tax	1,035,660,245	468,047,354
Less Deferred tax	(87,961,905)	(80,802,636)
Profit/(Loss) After Tax	**1,772,187,778**	**757,887,961**

- **Business Highlights:**
  - 47 new branches in FY 2015-16
  - 12% growth in new customer outreach. 12 lakh NCA – key trigger: Akarshan loans and Rewards and Recognition programs
  - Borrower base crossed the important milestone of 30 lakh, 39% growth over March 2015
  - FY Disbursements at ₹ 6,619 crore, 53% growth over PY
  - Loyalty loans added a significant ₹ 445 crore to the portfolio
  - OSP Closed at ₹ 5,064.4 crore, 57% growth over previous financial year
  - 102% growth in IL business contributing to 13% of total OSP, Secured Housing business off to a healthy start, closing with an OSP of 21 crore
- **Profitability: Pre-tax profits - ₹ 271.99 crore and post- tax profits - ₹ 177.22 crore for FY2015-16**
- **Efficiency**: Focus on improved TAT – GL TAT down to 4.32 days and IL TAT at 6.3 days. OER down to 7.1% on account of prudent expense management and healthy growth in loan book)

(ii) **The change in the nature of business, if any;**

None

(iii) **The details of directors or key managerial personnel who were appointed or have resigned during the year;**

Sr. No.	Name	Designation	DIN	Date of Appointment/ Change/ Cessation	Reason
1	Abhijit Sen	Director	00002593	June 04, 2015	Appointment
2	Nandlal Sarda	Director	00147782	November 03, 2015	Appointment
3	Sarvesh Suri	Director	06760975	November 23, 2015	Resignation*
4	Bhama Krishnamurthy	Director	02196839	November 23, 2015	Resignation*
5	Anadi Charan Sahu	Director	06696504	November 23, 2015	Appointment
6	Sandeep Farias	Director	00036043	December 11, 2015	Resignation*

** Nomination withdrawn by appointing Shareholder*

(iv) **the names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;**

None

(v) **Deposits from public**

During the year, the Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

(vi) **The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future;**

None

(vii) **The details in respect of adequacy of internal financial controls (IFC) with reference to the Financial Statements**

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

Further, the management regularly reviews the control for any possible changes and takes appropriate actions.

23. **Other disclosures**

(i) **Details of equity shares with differential rights**

The Company has not issued any equity shares with differential rights during the year

(ii) **Details of sweat equity shares issued**

The Company has not issued any sweat equity shares during the year

(iii) **Details of employee stock option scheme**

The Company has established Employee Stock Option Plan (ESOP) for compensation to its employees, being ESOP 2006, ESOP 2007, ESOP 2008, ESOP 2010, MD-ESOP 2010 and ESOP 2015.

ESOP 2006

The Company pursuant to resolutions passed by the Board and Shareholders on March 29, 2006 and May 12, 2006, respectively, adopted the ESOP 2006. The ESOP 2006 was for a total of 64,000 Equity Shares for all the eligible employees of the Company. In accordance with the ESOP 2006, each option on exercise would be eligible for one Equity Share on payment of exercise price.

ESOP 2007

Pursuant to resolutions passed by the Board and Shareholders on June 9, 2007 and July 21, 2007, respectively, the Company instituted the ESOP 2007. The ESOP 2007 was for a total of 189,440 Equity Shares for all the eligible employees of the Company. In accordance with the ESOP 2007, each option on exercise would be eligible for one Equity Share on payment of exercise price.

ESOP 2008

Pursuant to resolutions passed by the Board and Shareholders on July 23, 2008 and August 18, 2008, respectively the Company approved the ESOP 2008. The ESOP 2008 was for a total of 396,680 Equity Shares for all the eligible employees of the Company. In accordance with the ESOP 2008, each option on exercise would be eligible for one Equity Share on payment of exercise price.

ESOP 2010 and MD-ESOP 2010

Pursuant to resolution passed by the Board and Shareholder resolutions dated May 17, 2010 and July 12, 2010, respectively, the Company approved the ESOP 2010 and MD-ESOP 2010. The ESOP 2010 and MD-ESOP 2010 were initially for a total of 3,484,250 and 871,060 Equity Shares for all the eligible employees and the managing director of the Company, respectively.

Further, pursuant to the Shareholders resolution dated July 12, 2010 the exercise period under the ESOP 2006, ESOP 2007 and ESOP 2008 was aligned with the exercise period time frame mentioned in ESOP 2010.

Pursuant to sub-division of the face value of the equity shares from face value of ₹100 each to ₹10 each on October 12, 2010 and in accordance with ESOP 2010, maximum number of shares available for being granted under ESOP 2010 stood modified and the cumulative face value prior to sub-division remained unchanged.

Pursuant to resolution passed by the Board on August 12, 2011, additional grants were approved under the MD-ESOP 2010 amounting to 378,112. In accordance with the ESOP 2010 and MD-ESOP 2010, each option on exercise would be eligible for one Equity Share on payment of exercise price.

Thereafter, pursuant to resolution passed by the Board and Shareholders on August 8, 2012 and September 12, 2012, respectively, the Company approved creation of a pool of 1,243,233 options under the ESOP 2010 for the Financial Year 2011-12.

As on March 31, 2016, the Company has granted 5,283,592 options under ESOP 2006, ESOP 2007, ESOP 2008, ESOP

2010 and MD-ESOP 2010.

ESOP 2015

The Company, pursuant to resolutions passed by the Board and the Shareholders, dated September 29, 2015 and November 3, 2015, respectively has adopted ESOP 2015. The aggregate number of Equity Shares, which may be issued under ESOP 2015, shall not exceed 4,782,129 Equity Shares.

Further, pursuant to resolution passed by the Shareholders on November 3, 2015, an aggregate of 779,059 cancelled/ forfeited options, as on March 31, 2015, under ESOP 2006, ESOP 2007, ESOP 2008 and ESOP 2010 were transferred to option pool of ESOP 2015, thereby making the total employee stock option pool available being 5,561,188 options.

In accordance with the ESOP 2015, each option on exercise would be eligible for one Equity Share on payment of the exercise price. As on March 31, 2016, the Company has granted 1,469,800 options under the ESOP 2015.

The ESOP 2015 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (SEBI ESOP Regulations), the Companies Act, 2013, and is implemented in accordance with guidance notes issued by ICAI and the relevant accounting standards.

Revisions in the ESOP Schemes during the Year

ESOP 2010 – Revision

During the course of time, certain employees who held granted and vested options under the ESOP 2006, ESOP 2007, ESOP 2008 and ESOP 2010 have resigned or deceased.

Pursuant to the resolutions dated December 11, 2015 and December 15, 2015, passed by the Board and Shareholders respectively, the exercise period under the ESOP 2010 was amended by accelerating the exercise period under the ESOP 2006, ESOP 2007, ESOP 2008 and ESOP 2010 to enable former employees or nominees of deceased former employee's option holders, as applicable to exercise their outstanding vested stock options within a given time frame.

As of March 31, 2016, 1,342,283 options are vested and unexercised by existing employees of the Company and 71,816 options are vested and unexercised by former untraceable former employees of our Company pursuant to the ESOP 2006, ESOP 2007, ESOP 2008 and ESOP 2010 schemes.

ESOP 2015 – Revision

Pursuant to the resolutions dated December 11, 2015 and December 15, 2015, passed by the Board and Shareholders respectively, the ESOP Scheme 2015 was amended in order to align it with the provisions prescribed under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended.

ESOP Schemes Compliance Status

As on March 31, 2016, the Company, being an unlisted company, was not required to be compliant with SEBI ESOP Regulations. Further, ESOP 2006, ESOP 2007, ESOP 2008, ESOP 2010 and MD-ESOP 2010 were adopted prior to the commencement of the Companies Act, 2013.

The ESOP 2015 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (SEBI ESOP Regulations), the Companies Act, 2013.

The ESOP Schemes are implemented in accordance with guidance notes issued by ICAI and the relevant accounting standards.

The guidance note issued by the Institute of Chartered Accountants of India requires the disclosure of pro forma net results and Earnings Per Share (EPS) both basic & diluted, had the Company adopted the fair value method amortising the stock compensation expense thereon over the vesting period, the reported profit for the year ended March 31, 2016 would have been lower by ₹28,081,792/-and the basic and diluted EPS would have been revised to ₹19.80/- and ₹18.88/- respectively.

Administration of ESOP Schemes

The Governance, Nomination and Remuneration Committee of the Board administer the Employee Stock Option Schemes, formulated by the Company from time to time.

Option activity under the plans is as given as below:

Particulars	March 31,2016	March 31,2015
Options granted, beginning of year	3,948,420	4,138,088
Granted during the year (ESOP Scheme 2015)	1,469,800	-
Exercised during the year	817,002	-
Money realized during the year by exercise of options	30,837,180	-
Forfeited/Expired during the year	336,826	189,668
Options granted, as of March 31,2016	4,264,392	3,948,420
Option exercisable at the year end	2,578,271	2,312,633
Weighted average of remaining contractual life (years) at the year end	1.11	2.09

Consolidated Summary of All ESOP Schemes as on March 31, 2016

Particulars	ESOP 2006	ESOP 2007	ESOP 2008	ESOP 2010	MD-ESOP 2010	Total (2006-10)	ESOP 2015	Total
Options Granted	64,000	189,440	396,680	3,384,300	1,249,172	5,283,592	1,469,800	6,753,392
Total Options Exercised	24,509	82,940	99,590	527,093	85,000	819,132	0	819,132
Options Lapsed	35,371	36,730	124,750	1,423,047	0	1,619,898	49,970	1,669,868
Options Unexercised	**4,120**	**69,770**	**172,340**	**1,434,160**	**1,164,172**	**2,844,562**	**1,419,830**	**4,264,392**
Options Vested and Unexercised	4,120	69,770	172,340	1,167,869	1,164,172	2,578,271	0	2,578,271
Options Unvested	0	0	0	266,291	0	266,291	1,419,830	1,686,121

Options Granted to Key Managerial Personnel during the year

Employee Name	Designation	Options Granted	Exercise Price (in ₹)
Ms. Sudha Suresh	Chief Financial Officer	15,730	146.35
Mr. Sanjeev Barnwal	Company Secretary and Compliance Officer	3,460	146.35

No Employee has received any grant of options exceeding 5% of the options granted during the year.

(ii) Appointment of Independent Directors

The Company in compliance with the provisions of Section 149 has appointed Mr. Nandlal Sarda (DIN: 00147782) as an Independent Director, with the shareholders' approval at the EGM held on November 03, 2015 in accordance with the Act.

He has been appointed for a term of five years from November 03, 2015 to November 02, 2020 on the terms and conditions as mentioned in his appointment letter; the extracts of the terms & conditions of the appointment of the independent directors has been placed on the website of the Company.

(iii) Vigil Mechanism

The Company in compliance with Section 177 of the Companies Act, 2013 and Regulation 22 of SEBI Listing Regulations has established a Whistle Blower policy / Vigil Mechanism for the directors and employees to report genuine concerns or grievances about unethical behavior, actual or suspected fraud or violation of the company's Code of Conduct or Ethics Policy. The Company has a vigil mechanism process wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to the whistle and ethics officer of the Company.

Name and Address of the Whistle and Ethics Officer

Ms. Carol Furtado – Head HR (w.e.f. June 01, 2016)
Ujjivan Financial Services Limited
Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Bangalore – 560095, Karnataka
Email- carol.furtado@ujjivan.com

Protected Disclosure against the Whistle and Ethics Officer should be addressed to the CEO & MD of the Company and the Protected Disclosure against the CEO & MD of the Company should be addressed to the Chairman of the Audit Committee.

Name and Address of CEO & MD of the Company:

Mr. Samit Ghosh
Ujjivan Financial Services Limited
Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block,
Bangalore - 560095
Karnataka
Email: samit.ghosh@ujjivan.com

Name and Address of Chairman (Audit Committee):

Mr. K. R. Ramamoorthy
D - 302, Mantri Gardens,
Jayanagar, 1st Block,
Bangalore - 560011,
Karnataka
Email: ram@bankconsult.co.in

The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice

The whistle blower policy of the Company is disclosed on our website at the below link-

http://ujjivan.com/html/ujjivan_policies.php

(iv) **Remuneration details of Directors, KMPs, employees**

Sr. No.	Particulars	Disclosures
1.	The ratio of the remuneration of each Whole time director to the median remuneration of the employees of the company for the financial year	CEO & MD: 34.81x
2.	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	KMP: % increase in remuneration MD: No increase CFO: 15% CS: 12.5%
3.	The percentage increase in the median remuneration of employees in the financial year;	15.19%
4.	The number of permanent employees on the rolls of company	8,049
5.	The explanation on the relationship between average increase in remuneration and company performance	The Company made a growth of 134% in its Net Profit and increased the remuneration of its employees by an average of 15% based on the recommendation of the HR & Compensation Committee of the Board.
6.	Comparison of the remuneration of the Key Managerial Personnel against the performance of the company	The Company's revenue and Net Profit has grown by 68% and 134% respectively in FY 2015-16 in comparison to FY 2014-15. The average increase in remuneration of KMP in the FY 2015-16 was 9%.
7.	Variations in the market capitalization of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year	As on 31.03.2016 the Company's equity shares was not listed. The Company's Networth has increased from ₹ 736.45 crore as at March 31, 2015 to ₹ 1,197.76 crore as at March 31, 2016 – an increase by ₹ 461.31 crore.
8.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	The average increase in the salaries of employees was 15% and the average increase in the managerial remuneration was 9%.

9.	Comparison of the each remuneration of the Key Managerial Personnel against the performance of the company	The Company's revenue and Net Profit has grown by 68% and 134% respectively in FY 2015-16 in comparison to FY 2014-15. The average increase in remuneration of KMP in the FY 2015-16 was 9%.
10.	The key parameters for any variable component of remuneration availed by the directors	No variable component availed by our Directors
11.	The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	No employee received remuneration in excess of the highest paid director
12.	Affirmation that the remuneration is as per the remuneration policy of the company	Yes

A statement showing the name of every employee of the company, who-

a. if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than sixty lakh rupees;

Mr. Samit Ghosh – CEO & MD

Sr. No.	Particulars	Details
(i)	Designation	CEO & MD
(ii)	Remuneration received	₹ 73.78 lakh
(iii)	Nature of employment, whether contractual or otherwise	Permanent
(iv)	Qualifications and experience	MBA, Bachelor of Arts He has been a part of the management teams at Citibank, Standard Chartered Bank, HDFC Bank and Bank Muscat. In the past, he has also served as president of MFIN as well as the chairman of AKMI He holds a Master of Business Administration degree from the Wharton School of Business, University of Pennsylvania.
(v)	Date of commencement of employment	Since inception December 28, 2004 and First Director of the Company
(vi)	Age	66
(vii)	The last employment held	Bank Muscat S.A.O.G., India. Chief Executive Officer
(viii)	The percentage of equity shares held	0.99%

b. if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than five lakh rupees per month;

Nil

c. if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.

Nil

Compliance of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company is in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has a prevention of sexual harassment policy in place. The Directors further state that during the year under review, there was no case filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

ACKNOWLEDGEMENTS

Your Directors wishes to gratefully acknowledge the assistance and guidance received from the RBI, ROC, Investors, Banks, Auditors, Lawyers, Accountants, Suppliers, Partner NGOs, Institutions and Foundations, Police & Government Authorities, Advisors and all our well-wishers. The Board also wishes to place on record their warm appreciation for the creative and dedicated efforts of staff at all levels.

For and on behalf of the Board of Directors

Samit Ghosh	**Sunil Patel**
CEO & Managing Director	**Independent Director**
DIN: 00185369	**DIN: 00050837**

Date: May 25, 2016
Place: Bangalore

"Annexure 1"

Extract of Annual Return in Form MGT-9 as on the Financial Year ended on March 31, 2016

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

I. **Registration and other details:**

i)	CIN	:	U65999KA2004PLC035329
ii)	Registration Date	:	December 28, 2004
iii)	Name of the Company	:	Ujjivan Financial Services Limited
iv)	Category / Sub-Category of the Company	:	NBFC-MFI
v)	Address of the Registered Office and Contact Details	:	Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka

vi)	Whether Listed Company	:	Yes Equity Shares were not listed as on March 31, 2016; however, NCDs of the Company are listed with BSE. *The Company's equity shares got listed at NSE and BSE on May 10, 2016*
vii)	Name, address and Contact Details Of Registrar And Transfer Agent, if any:	:	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot No 31&32 Gachibowli, Financial District, Nanakramguda, Serilingampally Hyderabad – 500 008 P : +91 040 67161604 e-mail: mohsin.mohd@karvy.com Website: www.karvycomputershare.com

Principal Business Activities of the Company

Non-Banking Finance Company engaged in the Micro Finance Lending Business

All the Business Activities Contributing 10% or More of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Micro Finance Lending	64990	100%

II. **Particulars of Holding, Subsidiary and Associate Companies -**

The Company does not have any holding, subsidiary or any associate company

III. **Shareholding pattern (Equity Share Capital breakup as Percentage of Total Equity)**

I) Category-Wise Share Holding

(i) Category wise Shareholding pattern

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	total	% of total shares	
(A) Promoters									
1. Indian									
a) Individual / HUF	-	868,340	868,340	1.01%	-	-	-	-	(1.01%)*
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	total	% of total shares	
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (1):-	-	**868,340**	**868,340**	**1.01%**	-	-	-	-	**(1.01%)***
(2) Foreign	-								
a) NRIs – Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
Sub Total (A) (2):-	-	-	-	-	-	-	-	-	-
Total Shareholding Of Promoter (A) = (A)(1) +(A)(2)	-	**868,340**	**868,340**	**1.01%**	-	-	-	-	**(1.01%)***
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	2,361,400	-	2,361,400	2.33%	2.33%
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	7,318,535	-	7,318,535	7.23%	7.23%
g) Foreign Institutional Investors	48,729,902	27,387,965	76,117,867	88.37%	71,790,883	4,597,569	76,388,452	75.49%	(12.88%)
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others - Alternative Investment Funds	270,585	-	270,585	0.31%	270,585	-	270,585	-	(0.05%)
Sub Total (B) (1)	**49,000,487**	**27,387,965**	**76,388,452**	**88.69%**	**81,741,403**	**4,597,569**	**86,338,972**	**85.33%**	**(3.36%)**
2. Non Institutions									
a) Bodies Corporate									
i) Indian	5,220,287	525,000	5,745,287	6.67%	8,597,872	3,50,000	8,947,872	8.84%	2.17%
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	total	% of total shares	
i) Individual share-holders holding nominal share capital upto ₹ 1 lakh	-	6250	6250	0.01%	203,003	120,697	323,700	0.32%	0.31%
i) Individual share-holders holding nominal share capital in excess of ₹ 1 lakh	50,000	3,074,640	3,124,640	3.63%	3,712,422	1,765,062	5,477,484	5.41%	1.79%
c) Others HUF	-	-	-	-	98,000	-	98,000	**0.10%**	**0.10%**
Sub Total (B) (2)	**5,270,287**	**3,605,890**	**8,876,177**	**10.31%**	**12,611,297**	**1,885,759**	**14,847,056**	**14.67%**	**4.37%**
Total Public Shareholding (B) = (B)(1)+ (B)(2)	**54,270,774**	**30,993,855**	**85,264,629**	**98.99%**	**94,352,700**	**6,483,328**	**101,186,028**	**100.00%**	**1.01%**
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A)+(B)+(C)	**54,270,774**	**31,862,195**	**86,132,969**	**100.00%**	**94,352,700**	**6,483,328**	**101,186,028**	**100.00%**	

** As at the end of the FY, the Company does not have any identifiable promoter and is a professionally managed Company.*

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total shares of the Company	% of shares pledged / encumbered to total shares	No. of Shares	% of total shares of the Company	% of shares pledged / encumbered to total shares	
1.	Mr. Samit Ghosh*	868,340	1.01%	-	-	-	-	(1.01%)

** As at the end of the FY, the Company does not have any identifiable promoter and is a professionally managed Company.*

(iii) Change in Promoters' *Shareholding*

Sr. No.	Shareholders Name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	Mr. Samit Ghosh*	868,340	1.01%	-	-

** As on March 31, 2016, is a professionally managed company and does not have an identifiable promoter either in terms of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ("SEBI ICDR Regulations") or in terms of the Companies Act, 2013*

The Board in their meeting held on June 04, 2015, while recognising the importance of the role of Mr. Samit Ghosh in the Company, discussed the possibility of more appropriately categorising his continuing role in the growth of Company as the founder of the Company, instead of "promoter". In this context, the Board also noted that Mr. Samit Ghosh is acting as a director of the Company in his professional capacity, is not in control of the Company and would not be a promoter of the Company under applicable law including under the Securities and Exchange Board of India (Issue of Capital & Disclosure Requirements), Regulations, 2009. The Shareholders in their meeting held on July 09, 2015 approved the change of categorisation of Mr. Samit Ghosh, from Promoter to Founder.

(iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
(1)	**CDC Group Plc**				
	At the beginning of the year	10,932,696	12.69%	10,932,696	12.69%
	No increase / decrease in no. of shares held during the year; however on account of issue of new shares by the Company during the year, the shareholding % has decreased				
	At the end of the year			10,932,696	10.80%
(2)	**Alena Private Limited**				
	At the beginning of the year	9,207,251	10.69%	9,207,251	10.69%
April 24, 2015	Transfer of 15,83,692 shares from Lok Capital LLC to Alena Private Limited			10,790,943	12.53%
	No further increase / decrease in no. of shares held during the year; however on account of issue of new shares by the Company during the year, the shareholding % has decreased				
	At the end of the year			10,790,943	10.66%
(3)	**International Finance Corporation**				
	At the beginning of the year	10,202,406	11.84%	10,202,406	11.84%
	No increase / decrease in no. of shares held during the year; however on account of issue of new shares by the Company during the year, the shareholding % has decreased				
	At the end of the year			10,202,406	10.08%
(4)	**NewQuest Asia Investments II Limited**				
	At the beginning of the year	8,199,522	9.52%	8,199,522	9.52%
	No increase / decrease in no. of shares held during the year; however on account of issue of new shares by the Company during the year, the shareholding % has decreased				
	At the end of the year			8,199,522	8.10%

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
(5)	**Elevar Equity Mauritius**				
	At the beginning of the year	6,355,684	7.38%	6,355,684	7.38%
	No increase / decrease in no. of shares held during the year; however on account of issue of new shares by the Company during the year, the shareholding % has decreased				
	At the end of the year			6,355,684	6.28%
(6)	**Sarva Capital LLC** (*Formerly known as Lok Capital II LLC*)				
	At the beginning of the year	5,870,426	6.82%	5,870,426	6.82%
	No increase / decrease in no. of shares held during the year; however on account of issue of new shares by the Company during the year, the shareholding % has decreased				
	At the end of the year			5,870,426	5.80%
(7)	**WWB Capital Partners L.P.** *(Formerly known as Women's World Banking Capital Partners, L.P.)*				
	At the beginning of the year	5,406,628	6.28%	5,406,628	6.28%
	No increase / decrease in no. of shares held during the year; however on account of issue of new shares by the Company during the year, the shareholding % has decreased				
	At the end of the year	5,406,628	5.34	5,406,628	5.34%
(8)	**Bajaj Holdings & Investment Limited**				
	At the beginning of the year	5,124,702	5.95%	5,124,702	5.95%
	No increase / decrease in no. of shares held during the year; however on account of issue of new shares by the Company during the year, the shareholding % has decreased				
	At the end of the year			5,124,702	5.06%
(9)	**Sequoia Capital India Investments III**				
	At the beginning of the year	4,201,276	4.88%	4,201,276	4.88%
	No increase / decrease in no. of shares held during the year; however on account of issue of new shares by the Company during the year, the shareholding % has decreased				
	At the end of the year			4,201,276	4.15%
(10)	**India Financial Inclusion Fund (IFIF)**				
	At the beginning of the year	3,508,772	4.07%	3,508,772	4.07%
	No increase / decrease in no. of shares held during the year; however on account of issue of new shares by the Company during the year, the shareholding % has decreased				
	At the end of the year			3,508,772	3.47%

(v) Shareholding of Directors and Key Managerial Personnel

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	Mr. Samit Ghosh	868,340	1.01%	1,003,100	0.99%
	Allotted 134,760 equity shares during the year pursuant to the exercise of 134,760 ESOPs				
2.	Mr. K.R. Ramamoorthy*	1,000	Negligible	1,000	Negligible
3.	Ms. Sudha Suresh	-	-	35,675	0.04%
	Allotted 35,675 equity shares during the year pursuant to the exercise of 35,675 ESOPs				

** Jointly held with Ms. Vasantha Ramamoorthy*

(vi) Indebtedness

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

(₹ in crore)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (01-04-2015)				
i) Principal Amount	3,066.03	55.74	-	3,121.77
ii) Interest due but not paid	-	-	-	-
iii)Interest accrued but not due	21.18	0.47	-	21.65
Total (I + ii + iii)	3,087.21	56.21	-	3,143.42
Changes in Indebtedness during the financial year				
Addition	3,294.04	100.00	-	3,394.04
Reduction	2,072.07	105.74	-	2,177.81
Net Change	1,221.97	(5.74)	-	1,216.23
Indebtedness at the end of the financial year (31-03-2016)				
i) Principal Amount	4,288.00	50.00	-	4,338.00
ii) Interest due but not paid	-	-	-	-
iii)Interest accrued but not due	43.01	0.45		43.46
Total (I + ii + iii)	4,331.01	50.45	-	4,381.46

(vii) Remuneration of Directors and Key Managerial Personnel

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

Sl. No.	Particulars of Remuneration	Name of Managing Director	Total Amount (in ₹)
1.	Gross Salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	Mr. Samit Ghosh	7,378,214
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961		-
	(c) Profits in lieu of salary u/s 17(3) of the Income-Tax Act, 1961		-
2.	Stock Option		20,864,688
3.	Sweat Equity		-
4.	Commission – As % of profit – Other, specify		- -
	Total (A)		**28,242,902**
	Ceiling as per the Act (@ 5% of profits calculated under section 198 of the Companies Act, 2013		144,126,974

B. Remuneration to other directors:

Particulars of Remuneration	Name of Directors				Total Amount (in ₹)
1) Independent Directors	**Mr. K.R. Ramamoorthy**	**Mr. Sunil Patel**	**Ms. Vandana Viswanathan**	**Mr. Nandlal Sarda**	
• Fees for attending board and board committee meetings	1,014,150	918,175	982,200	322,500	**3,237,025**
• Commission	-	-	-	-	-
• Other, please specify	-	-	-	-	-
Total (1)	**1,014,150**	**918,175**	**982,200**	**322,500**	**3,237,025**
2) Other Non-Executive Directors	**Ms. Bhama Krishnamurthy**	**Mr. Venkatesh Natarajan**	**Mr. Anadi Charan Sahu (Paid to SIDBI)**		**Total Amount**
• Fees for attending board and board committee meetings	171,675	886,075	185,500		**1,243,250**
• Commission	-	-	-		**-**
Other, please specify	-	-	-		**-**
Total (B) = (1)+(2)					**4,480,275**
Total Managerial Remuneration					**4,480,275**
Overall ceiling as per the Act (sitting fees not to exceed ₹ 1,00,000 per meeting)	The Company is paying only sitting fees to Non-Executive Directors which is below the ceiling of ₹ 1,00,000/- per meeting as prescribed under the Companies Act, 2013.				

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

Sl. No.	Particulars of Remuneration			Total Amount (in ₹)
1.	**Gross Salary**	**Ms. Sudha Suresh CFO**	**Mr. Sanjeev Barnwal Company Secretary**	
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	4,968,015	2,146,996	7,115,011
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary u/s 17(3) of the Income-Tax Act, 1961	-	-	-
2.	Stock Option	5,014,123	0	5,014,123
3.	Sweat Equity	-	-	-
4.	Commission – As % of profit – Other, specify	- -	- -	- -
	Total (A)	**9,982,138**	**2,146,996**	**12,129,134**

VII. Penalties / Punishment / Compounding of Offences:

There were no penalties, punishment or compounding of offences during the year ended March 31, 2016

"Annexure 2"

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2016

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

To,
The Members,
UJJIVAN FINANCIAL SERVICES LIMITED
CIN: U65999KA2004PLC035329
Grape Garden, No.27, 3rd 'A' Cross 18th Main,
6th Block, Koramangala,
Bangalore – 560 095

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **UJJIVAN FINANCIAL SERVICES LIMITED (formerly UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED) having CIN: U65999KA2004PLC035329** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts /statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by

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

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

(i) The Companies Act, 2013 ('the Act') and the Rules made there under and the relevant provisions of The Companies Act, 1956;

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

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

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

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

  (a) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

  (b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

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

(vi) Following laws, Norms and Directions as applicable specifically to Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI):

  (a) Reserve Bank of India Act, 1934;

  (b) Non-Banking Financial Company – Micro Finance Institutions (Reserve Bank) Directions, 2011;

  (c) Non-Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) - Directions, 2011;

  (d) Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 and Modifications thereof.

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

(i) Listing Agreement for debt securities entered into by the Company with Bombay Stock Exchange, Mumbai.

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

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

I further report that:-

Based on the information provided by the Company, its officers and authorized representatives, during the conduct of the audit and also on the review of the details, records, documents and papers provided, in my opinion, adequate systems and processes and control mechanism exist in the Company to monitor and to ensure compliance with applicable general laws like labour laws, competition law and environmental law.

The compliance of applicable financial laws, like direct and indirect tax laws, have not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated professionals.

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

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except for the board meetings held on 11th December, 2015, 17th December, 2015 and 29th December, 2015 for which consent for shorter notice was obtained and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions were carried unanimously and there were no dissenting views.

There are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period:

1. As per the applicable provisions of Section 180 of Companies Act, 2013, the Company has obtained necessary approvals from the members in the Extraordinary General Meeting held on 9th February, 2016 to borrow up to ₹ 6,000 crore.

2. The Company has altered the provisions of Memorandum of Association of the Company in the Extraordinary General Meeting held on 3rd November, 2015 for conversion of the Company from private limited to public limited and to increase in authorized share capital from 100 crore to 125 crore.

3. The Company has altered the provisions of its Articles of Association of the Company 4(four) times in the Extraordinary General Meetings held on 9th July, 2015, 3rd November, 2015, 15th December, 2015 and 9th February, 2016.

4. The Company has obtained necessary approvals from the members for an Initial Public Offering (IPO) of Equity Shares of the Company in the Extraordinary General Meeting held on 3rd November, 2015.

5. The Company has donated ₹ 25,00,000/- to Parinaam Foundation in which the directors are interested.

6. The Company has issued and allotted 15,053,059 Equity shares during the financial year.

7. The Company has issued and allotted 3,000 listed rated redeemable secured non-convertible debentures of face value of ₹ 10,00,000/-(Rupees Ten Lakhs only) during the period on Private placement basis as per Section 42 Companies Act, 2013.

8. The Company has redeemed secured, redeemable and non-convertible debentures during the financial year.

Date: **May 25, 2016**
Place: Bangalore

K. Jayachandran
ACS No.: 11309
CP No.: 4031

Annexure A

To,
The Members,
UJJIVAN FINANCIAL SERVICES LIMITED
CIN: U65999KA2004PLC035329
Grape Garden, No.27, 3rd 'A' Cross 18th Main
6th Block, Koramangala
Bangalore - 560095

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Date: May 25, 2016
Place: Bangalore

K. Jayachandran
ACS No.: 11309
CP No.: 4031

"Annexure 3"

AOC-2

(Pursuant to Clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto:

1. **Details of contracts or arrangements or transactions not at arm's length basis:**

   There were no contracts or arrangements or transactions entered into during the year ended March 31, 2016, which were not at arm's length basis.

2. **Details of contracts or arrangements or transactions at arm's length basis:**

a)	Name of the related party and nature of relationship	**Parinaam Foundation** Mr. Samit Ghosh, the CEO & Managing Director of the Company holds 90% Equity Shares in Parinaam Foundation.
b)	Nature of contracts / arrangements / transactions	Reimbursement of expenses Parinaam Foundation (Section 8 Company under Companies Act, 2013) is a charitable institution within the meaning of the Income Tax Act, 1961 and conducts financial literacy and other programs for Ujjivan customers. Ujjivan incurs expenditure and Parinaam Foundation reimburses the expenses.
c)	Duration of the contracts / arrangements / transactions	MOU executed with Parinaam Foundation which is valid from July 1, 2015 to June 30, 2016. The MOU can be renewed within 30 days past June 30, 2016.

d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Parinaam Foundation to identify the needs of Ujjivan's customers through specific surveys, design specific programs for them and impart necessary trainings to Ujjivan customers. Ujjivan will provide Parinaam the necessary database information, infrastructure and administrative support and other material that will support Parinaam to facilitate the initiatives. Ujjivan has granted a donation of ₹ 25 lakh to Parinaam Foundation to enable them to undertake various programs for Ujjivan customers and their families. The Audit Committee and Board in their meetings held on June 03, 2015 and June 04, 2015 respectively took note of the vital role played by Parinaam Foundation in Financial Literacy and other Programs for Ujjivan customers and their families and approved a donation of ₹ 25 lakh to Parinaam Foundation.
e)	Date(s) of approval by the Board	June 04, 2015
f)	Amount paid as advances, if any	Nil

Your Directors draw attention of the members to Note 26.3 to the Financial Statements which sets out other related party disclosures

"Annexure 4"

Annual Report on CSR Activities

1. **A brief outline of the Company's CSR Policy, including overview of the projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.**

CSR KEY INITIATIVES: FY 2015-16

Ujjivan conducts self-sustained Corporate Social responsibility (CSR) programs along with staff, customers and the communities where we work. Ujjivan CSR Programs has mainly focused on the Government of India dream project "Swachh Bharat Abhiyan" by carrying out the following activities during the year:

- Supporting educational institutions and Improved sanitation facilities in Girls school in the working areas which immediately benefited thousands of Girls Students.
- Providing safe drinking water facilities and renovation of basic facilities at Government Schools and Primary Health care centers
- Providing public facilities like police barricades, road, bridge, safe grills/ protection wall for old wells, staircase, street solar lights etc.
- Providing basic amenities and infrastructure for orphanages, old-age homes and people with disability

As part of Swachh Bharat Campaign, Ujjivan CSR team helped the school students with proper toilets, sanitation and water facilities in 294 Government Schools across India and approximately 183,076 student beneficiaries are using the facilities. 76% of CSR programs of Ujjivan in FY 2015-16 are towards the Swachh Bharat Abhiyan.

2. **The Composition of the CSR Committee**

The Company has a CSR committee of Directors comprising of Mr. Samit Ghosh, Chairman of the Committee, Ms. Vandana Viswanathan and Mr. Venkatesh Natarajan. For further details, please refer to the Corporate Governance Section.

3. **Average Net Profit of the Company for the last three financial years for the purpose of computation of CSR:**

(₹ in lakh)

Financial Year	**2012-13**	**2013-14**	**2014-15**
Profit before Tax	4,915.37	8,384.10	114,51.33
Average Profit before Tax	8,250.20		

4. **Prescribed CSR Expenditure (2% of the amount as in item 3 above) : ₹ 165.00 lakh**

5. **Details of CSR spent during the financial year**

a. Total amount to be spent for the financial year: ₹ 165 lakh

b. Amount unspent if any: No

The Company has spent ₹ 177.78 lakh during the year towards CSR which is higher than what is required under the Companies Act, 2013.

c. Manner in which the amount has been spent during the financial year: Attached

6. In case the Company has failed to spend the two percent, of the average net profit of the last there financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.

Not Applicable

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR policy is in compliance with CSR objectives of and policy of the Company.

We hereby declare that implementation of the CSR policy are in compliance with CSR objective and policy of the Company

Place: Bangalore
Date: May 25, 2016

Samit Ghosh
CEO & Managing Director
Chairman, Corporate Social Responsibility Committee
DIN: 00185369

During the FY 2015-16, 382 projects were carried out in 382 branches, benefitting over 3,00,000 beneficiaries.

CSR Projects or Activity Identified	Sector in which the project is covered	Geographical areas where project was implemented (No. of Projects / Programs)						Amount Outlay (budget) project or programmes wise (₹ in lakh)	Amount spent on the projects or programmes (1) Direct Expenditure (2) Overhead (₹ in lakh)	Mode of implementation (direct or through implementing agencies)
		East	North	South	West	Grand Total	% of total			
Toilet Construction/ Renovation	Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive health care and sanitation and including contribution to the Swachh Bharat Kosh Set up by the Central Government for the promotion of sanitation and making available safe drinking water;	69	59	66	37	231	60%		107.99	Direct
Drinking water facility	-do-	31	10	13	9	63	16%		29.06	Direct
Facilities for Schools	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;	-	25	5	21	51	13%		23.12	Direct
Public facilities (Road/ bridge/park etc)	Rural development projects.	14	-	1	2	17	4%	175	8.04	Direct
Healthcare	Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive health care and sanitation and including contribution to the Swachh Bharat Kosh Set up by the Central Government for the promotion of sanitation and making available safe drinking water;	2	7	2	-	11	3%		5.23	Direct
Environmental Projects	Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;	1	-	2	-	3	1%		1.56	Direct
Busstand construction/renovation	Rural development projects.	1	1	-	-	2	1%		1.00	Direct

Renovation of school building	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;	2	-	-	-	2	1%		0.90	Direct
Social Welfare of orphans/disabled etc.	Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive health care and sanitation and including contribution to the Swachh Bharat Kosh Set up by the Central Government for the promotion of sanitation and making available safe drinking water;	-	1	-	1	2	1%		0.88	Direct
Total Program/ Branches		**120**	**103**	**89**	**70**	**382**	**100%**		**177.78**	
Beneficiaries		**109,940**	**120,795**	**59,006**	**33,073**	**322,814**				
Overheads									Nil	
Total CSR Spend									**177.78**	

Corporate Governance Report

1. Company's Philosophy on Corporate Governance

The Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

In pursuing its Mission of "providing a full range of financial services to the economically active poor, to build a better life", Ujjivan has been balancing its dual objectives of "social" and "financial goals since its inception. "Responsible financing", "ethical values" and "transparency in all its dealings with its customers, lenders, investors and employees" have been the cornerstone of its operations. Transparency in the decision making process has been providing comfort to all stakeholders, particularly the lenders and the Investors.

2. Board of Director's

The Company is in compliance with the corporate governance provisions, as contained under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR Regulations**") and the Companies Act, 2013, in connection with the following:

a. the Board of Directors (the "**Board**");

b. the independent directors on the Board;

c. the Audit Committee;

d. the Stakeholders Relationship Committee;

e. the Governance, Nomination and Remuneration Committee; and

f. the Corporate Social Responsibility Committee.

i. As on March 31, 2016, the Board of Directors of the Company consists of 10 directors out of which 1 is an executive director (CEO & Managing Director), 5 Non Executive, Nominee Directors and 4 are Independent Directors. Out of the total 10 directors, 4 are Independent Directors as per the requirement of the SEBI LODR Regulations and the Companies Act, 2013. The Board of Directors of the Company has 1 woman director, Ms. Vandana Viswanathan.

Since the provisions of Part II of the Articles of Association granting rights to investors of the Company to nominate a Director on the Board of the Company have fallen away on listing of equity shares of the Company in Stock Exchanges on May 10, 2016, the categorisation of investor nominee directors were changed to Non-Executive Directors w.e.f. from the date of listing.

ii. During the Financial Year 2015-16, our Board has met ten times and the meetings of our Board of Directors were held on June 04, 2015, September 11, 2015, September 29, 2015, November 23, 2015, December 11, 2015, December 17, 2015, December 29, 2015, February 01, 2016, February 15, 2016 and March 17, 2016. There has not been a time gap of more than 120 days between any two meetings of the Board);

iii. No Director is related to each other

iv. Not less than one-half of the board of directors of the Company comprise of non-executive directors;

v. Every director has duly informed the Company about the committee positions he/she occupies in other Companies;

vi. None of the directors of the Company, is a member of more than ten committees, across all public limited companies in which he/she is a director; and

vii. None of the directors of the Company is a chairman of more than five committees across all public limited companies in which he/she is a director.

viii. During the year, a separate meeting of independent directors was held on March 17, 2016. The Independent Directors *inter alia,* reviewed the performance of non-independent directors, Chairman and the Board as a whole.

ix. The terms and conditions of appointment of Independent Directors are disclosed on the website of the Company.

x. The details of the familiarisation programme of the Independent Directors are available on the website of the Company (http://ujjivan.com/html/ujjivan_policies.php)

xi. The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other public companies as on March 31, 2016 are given herein below. Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013. Chairmanships/ Memberships of Board Committees shall include Audit Committee and Stakeholders Committee only.

Name of the Director	Category	Number of Board Meetings during the Year 2015-16		Whether attended last AGM held on August 25, 2015	Number of Directorships in other Public Companies		No of Committee positions held in other Public Companies	
		Held	Attended		Chairman	Member	Chairman	Member
Mr. K.R. Ramamoorthy DIN: 00058467	Non-Executive Chairman and Independent Director	10	9	Yes	-	4	2	1
Mr. Samit Ghosh DIN: 00185369	Managing Director and Chief Executive Officer	10	9	Yes	-	-	-	-
Mr. Sunil Patel DIN: 00050837	Non-Executive Independent Director	10	9	Yes	-	-	-	-

Name of the Director	Category	Number of Board Meetings during the Year 2015-16		Whether attended last AGM held on August 25, 2015	Number of Directorships in other Public Companies		No of Committee positions held in other Public Companies	
		Held	Attended		Chairman	Member	Chairman	Member
Ms. Vandana Viswanathan DIN: 05192578	Non-Executive Independent Director	10	9	No	-	-	-	-
Mr. Nandlal Sarda# DIN: 00147782	Non-Executive Independent Director	7	6	No	-	2	-	2
Mr. Abhijit Sen* DIN: 00002593	Non-Executive, Nominee Director^	9	7	No	-	3	2	1
Mr. Anadi Charan Sahu@ DIN: 06696504	Non-Executive, Nominee Director	6	5	No	-	-	-	-
Mr. Venkatesh Natarajan DIN: 02453219	Non-Executive, Nominee Director^	10	10	No	-	2	-	-
Mr. Jayanta Basu DIN: 01268046	Non-Executive, Nominee Director^	10	6	No	-	2	-	2
Mr. Amit Gupta DIN: 02282600	Non-Executive, Nominee Director^	10	5	No	-	1	-	1

^ Categorization has been changed to Non-Executive Director from the date of listing of equity shares of the Company on May 10, 2016

 # Mr. Nandlal Sarda was appointed as the Independent Director w.e.f. November 03, 2015

** Mr. Abhijit Sen was appointed as a Board Member w.e.f. June 04, 2015*

@ Mr. Anadi Charan Sahu was appointed as a Board Member w.e.f. November 23, 2015

xii. Details of equity shares of the Company held by the Directors as on March 31, 2016 are given below:

Name	Category	No. of Equity Shares
Mr. Samit Ghosh@	Non-Independent, Executive	1,003,100
Mr. K.R. Ramamoorthy*	Independent, Non-Executive	1,000

@ holds 1,185,752 outstanding ESOPs

** jointly held with Ms. Vasantha Ramamoorthy*

3. Committees of the Board

A. Audit Committee

i. The Audit Committee of the Company is constituted in line with the provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI LODR Regulations.

ii. The composition of the Audit Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2015-16	
			Held	Attended
1.	Mr. K.R. Ramamoorthy	Chairman (Independent Director)	6	6
2.	Mr. Sunil Patel	Independent Director	6	6

Sr. No.	Directors	Designation	Number of meetings during the financial year 2015-16	
			Held	Attended
3.	Ms. Vandana Viswanathan	Independent Director	6	6
4.	Mr. Nandlal Sarda@	Independent Director	3	3
5.	Mr. Abhijit Sen*	Non-Independent, Non-Executive	5	5
6.	Mr. Venkatesh Natarajan	Non-Independent, Non-Executive	6	6
7.	Ms. Bhama Krishnamurthy#	Non-Independent, Non-Executive	1	1

@ Mr. Nandlal Sarda was inducted as the Director on November 03, 2015 and a member of Audit Committee w.e.f. November 23, 2015

** Mr. Abhijit Sen was inducted as the Director and the member of the Audit Committee w.e.f. June 04, 2015*

 # Ms. Bhama Krishnamurthy ceased to be a member of the Audit Committee w.e.f. June 04, 2015 and ceased to be a director w.e.f. November 23, 2015

Of the above, all the members of Audit Committee are financially literate, as defined in the SEBI LODR Regulations; all the members have accounting or related financial management expertise.

iii. The Audit Committee has met six times during the year and the gap between two meetings did not exceed one hundred and twenty days. The Audit Committee meetings were held on June 03, 2015, September 10, 2015, November 23, 2015, December 17, 2015, February 15, 2016 and March 16, 2016.

iv. The terms of powers, role and terms of reference of the Audit Committee are in accordance with the Companies Act, 2013 and the SEBI LODR Regulations.

The scope of the Audit Committee are:

(1) oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

(2) recommendation for appointment, remuneration and terms of appointment of auditors of the Company;

(3) approval of payment to statutory auditors for any other services rendered by the statutory auditors;

(4) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:

a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;

b) changes, if any, in accounting policies and practices and reasons for the same;

c) major accounting entries involving estimates based on the exercise of judgment by management;

d) significant adjustments made in the financial statements arising out of audit findings;

e) compliance with listing and other legal requirements relating to financial statements;

f) disclosure of any related party transactions;

g) modified opinion(s) in the draft audit report;

(5) reviewing, with the management, the quarterly financial statements before submission to the board for approval;

(6) reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;

(7) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;

(8) approval or any subsequent modification of transactions of the listed entity with related parties;

(9) scrutiny of inter-corporate loans and investments;

(10) valuation of undertakings or assets of the listed entity, wherever it is necessary;

(11) evaluation of internal financial controls and risk management systems;

(12) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

(13) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

(14) discussion with internal auditors of any significant findings and follow up there on;

(15) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;

(16) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

(17) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

(18) to review the functioning of the whistle blower mechanism;

(19) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;

(20) Carrying out any other function as is mentioned in the terms of reference of the audit committee.

The audit committee mandatorily reviews the following information:

(i) management discussion and analysis of financial condition and results of operations;

(ii) statement of significant related party transactions (as defined by the audit committee), submitted by management;

(iii) management letters / letters of internal control weaknesses issued by the statutory auditors;

(iv) internal audit reports relating to internal control weaknesses; and

(v) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.

(vi) statement of deviations:

(a) Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of SEBI (LODR) Regulations, 2015.

(b) Annual statement of funds utilized for purposes other than those stated in the offer document/ prospectus/notice in terms of SEBI (LODR) regulations, 2015.

B. **Governance, Nomination and Remuneration Committee (Nomination Committee)**

i. For the remuneration of Directors, key managerial personnel and other employees, the Company has constituted a Governance, Nomination and Remuneration Committee as per the requirements of Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI LODR Regulations. The Nomination Committee has powers of formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending a policy relating to the remuneration for the directors, key managerial personnel and other employees as per the requirements of Regulation 20 of the SEBI LODR Regulations.

ii. The composition of the Governance, Nomination and Remuneration Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2015-16	
			Held	Attended
1.	Mr. Sunil Patel	Chairman (Independent Director)	5	5
2.	Mr. K.R. Ramamoorthy	Independent Director	5	5
3.	Ms. Vandana Viswanathan	Independent Director	5	5
4.	Mr. Amit Gupta*	Non-Independent, Non-Executive	4	1
5.	Mr. Sarvesh Suri#	Non-Independent, Non-Executive	3	1

** Mr. Amit Gupta was inducted as the member of the Nomination Committee w.e.f. June 04, 2015*

 # Mr. Sarvesh Suri ceased to be a Director and a member of the Nomination Committee w.e.f. November 23, 2015

iii. All of the members of the Nomination Committee are non-executive directors, and at least half of the members of the Governance, Nomination and Remuneration Committee are independent directors

iv. The chairman of the Governance, Nomination and Remuneration Committee is an independent director.

v. The Nomination Committee has met five times during the year on June 03, 2015, September 10, 2015, November 23, 2015, December 11, 2015 and March 16, 2016.

vi. The scope of the Governance, Nomination and Remuneration Committee are:

a) To formulate a criteria for determining qualifications, positive attributes and independence of a Director;

b) To ensure 'fit and proper' status of proposed/existing Directors;

c) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal;

d) Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;

e) To recommend to the Board the appointment and removal of senior management;

f) To carry out evaluation of Director's performance and recommend to the Board appointment/removal based on his/her performance;

g) To recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive;

h) To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an

employee of the Company subject to the provision of the law and their service contract;

i) Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

j) To devise a policy on Board diversity;

k) To develop a succession plan for the Board and to regularly review the plan; and

l) To also act as the ESOP committee for the purposes of SEBI (Share Based Employee Benefits), Regulations 2014 and administer and manage the employee stock option schemes.

vii. The Company has a well-defined Nomination and Remuneration Policy which covers *inter alia* the criteria of evaluation of directors and the board, the remuneration of directors / KMPs and other senior management of the Company.

viii. During the year, the Company based on the recommendation of the Nomination Committee revised the sitting fees of the eligible Non-Executive Directors from ₹ 25,000 to ₹ 35,000 per Board meeting and from ₹ 20,000 to ₹ 30,000 for each Board Committee meetings.

ix. The Details of the remuneration and sitting fees paid to the Directors has been given in the Board's Report.

C. Stakeholders Relationship Committee

i. For redressing the grievances of the stakeholders, the Company has formed Stakeholders Relationship Committee pursuant to resolution of the Board of Directors dated November 23, 2015 as per the requirements of Section 178 of the Companies Act, 2013 and Regulation 20 of the SEBI LODR Regulations.

ii. The composition of the Stakeholders Relationship Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2015-16	
			Held	Attended
1.	Mr. Sunil Patel	Chairman (Independent Director)	5	5
2.	Mr. K.R. Ramamoorthy	Independent Director	5	2
3.	Mr. Samit Ghosh	Non-Independent, Executive	5	3

iii. The chairman of the Stakeholders Relationship Committee is a non-executive director of the Company.

iv. The Stakeholders Relationship Committee has met five times during the year on December 21, 2015, February 01, 2016, February 15, 2016, March 03, 2016 and March 28, 2016.

v. The scope of the Stakeholders Relationship Committee are:

a) To approve/refuse/reject registration of transfer/transmission of shares in a timely manner;

b) To authorise the issue, printing, signing of share certificates and common seal thereon post authorization from the Board of Directors of the Company, issue of duplicate share certificates and share certificates after split/ consolidation/rematerialization and in replacement of those which are defaced, mutilated, torn or old, decrepit, worn out or where the pages on reverse for recording transfers have been utilized;

c) To authorise to sign and endorse the share transfers on behalf of the Company;

d) Allotment of shares to the employees or ex-employees on exercise of stock options granted and vested under the various employee stock option schemes;

e) To monitor redressal of stakeholder's complaints/grievances including relating to non-receipt of allotment/ refund, transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

f) To oversee the performance of the registrar and transfer agents and to recommend measures for overall improvement in the quality of investor services; and

g) To perform all functions relating to the interests of security holders (shareholders and debenture holders) of the Company and as assigned by the Board, as may be required by the provisions of the Companies Act, 2013 and rules made thereunder, listing agreements with the stock exchanges and guidelines issued by the SEBI or any other regulatory authority.

D. **Corporate Social Responsibility Committee**

i. The Company has constituted a Corporate Social Responsibility Committee as per the requirements of Section 135 of the Companies Act, 2013.

ii. The Corporate Social Responsibility Committee has been constituted to formulate and recommend to the Board of Directors, a corporate social responsibility policy which shall indicate the activities to be undertaken by the company, recommend the amount of expenditure to be incurred on such activities and monitor the corporate social responsibility policy of the company from time to time. The Corporate Social Responsibility Committee consists of the following Directors.

iii. The composition of the Corporate Social Responsibility Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2015-16	
			Held	Attended
1.	Mr. Samit Ghosh	Non-Independent, Executive	1	1
2.	Ms. Vandana Viswanathan	Independent Director	1	1
3.	Mr. Venkatesh Natarajan	Non-Independent, Non-executive	1	1

iv. The CSR Committee met once during the year on March 16, 2016

v. The scope of the Corporate Social Responsibility Committee are:

a) To formulate and recommend to the board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 and make any revisions therein as and when decided by the Board;

b) To recommend the amount of expenditure to be incurred on the activities;

c) To Monitor the Corporate Social Responsibility Policy of the company from time to time; and

d) To do such other acts, deeds and things as may be directed by the board and required to comply with the applicable laws.

vi. At least one of the members of the Corporate Social Responsibility Committee is an independent director;

vii. The Company has formulated a corporate social responsibility policy indicating the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013.

E. **Risk Management Committee**

i. The Company has in place the Risk Management Committee in accordance with RBI guidelines on Corporate Governance and in Compliance with Regulation 21 of the SEBI Listing Regulations.

ii. The following are the main terms of reference of the Committee:

- To monitor and review the risk management plan;
- To review operational risk (including sub risk for operational risk), information technology risk and integrity risk;
- To take strategic actions to mitigate the risk associated with the nature of the business;
- To appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy;
- To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws; and
- To lay down procedure to inform Board members about the risk assessment and minimization procedures.

iii. The Risk Management Committee has met four times during the year on June 03, 2015, September 10, 2015, November 23, 2015 and March 16, 2016.

iv. The composition of the Risk Management Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2015-16	
			Held	Attended
1.	Mr. K.R. Ramamoorthy	Independent Director	4	4
2.	Mr. Abhijit Sen*	Non-Independent, Non-Executive	3	3
3.	Mr. Venkatesh Natarajan	Non-Independent, Non-Executive	4	4
4.	Mr. Samit Ghosh	Non-Independent, Executive	4	4
5.	Ms. Bhama Krishnamurthy#	Non-Independent, Non-Executive	2	1

** Mr. Abhijit Sen was inducted as the Director and the member of the Risk Management Committee w.e.f. June 04, 2015*

 # Ms. Bhama Krishnamurthy inducted as a member of the Risk Committee w.e.f. June 04, 2015 and ceased to be a director and member of ALCO w.e.f. November 23, 2015

F. Asset Liability Management Committee (ALCO)

i. The Company has in place the ALCO Committee in accordance with RBI guidelines on Corporate Governance.

ii. The following are the main terms of reference of the Committee:

- Addressing concerns regarding asset liability mismatches;
- Achieving optimal return on capital employed while maintaining acceptable levels of risk relating to liquidity;
- Addressing concerns regarding interest rate risk exposure; and
- To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

iii. The ALCO Committee has met four times during the year on June 03, 2015, September 10, 2015, November 23, 2015 and March 16, 2016

iv. The composition of the ALCO Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2015-16	
			Held	Attended
1.	Mr. K.R. Ramamoorthy	Independent Director	4	4
2.	Mr. Abhijit Sen*	Non-Independent, Non-Executive	3	3
3.	Mr. Venkatesh Natarajan	Non-Independent, Non-Executive	4	4
4.	Mr. Samit Ghosh	Non-Independent, Executive	4	4
5.	Ms. Bhama Krishnamurthy#	Non-Independent, Non-Executive	2	1

** Mr. Abhijit Sen was inducted as the Director and the member of the ALCO w.e.f. June 04, 2015*

 # Ms. Bhama Krishnamurthy inducted as a member of the ALCO w.e.f. June 04, 2015 and ceased to be a director and member of ALCO w.e.f. November 23, 2015

G. Human Resource & Compensation Committee (HR Committee)

i. The Company has in place a Human Resource and Compensation Committee.

ii. The following are the main terms of reference of the Committee:

- Review regularly and approve the Company's program for executive and employee development.
- Develop, review and approve the principles guiding the Company's executive compensation philosophies.
- Review annually and approve the Company's compensation policy.
- Assure that the bonus plan is administered in a manner consistent with Company's compensation principles and strategies including:

    a. Company's policies relating to executive management succession and executive organization development.

    b. Review the operations of the Trust/s set up by the Company for relief and support of employees and customers.

iii. The HR Committee has met four times during the year on June 04, 2015, September 11, 2015, November 24, 2015 and March 16, 2016

iv. The composition of the HR Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2015-16	
			Held	Attended
1.	Ms. Vandana Viswanathan	Independent Director	4	4
2.	Mr. Samit Ghosh	Non-Independent, Executive	4	4
3.	Mr. Jayanta Basu	Non-Independent, Non-Executive	4	2
4.	Mr. Sandeep Farias*	Non-Independent, Non-Executive	3	3

** Mr. Sandeep Farias ceased to be a director and member of HR Committee w.e.f. December 11, 2015*

H. Small Finance Bank Transition Committee (SFB Committee)

i. The Small Finance Bank Transition Committee was constituted by our Board of Directors at their meeting held on March 25, 2015 and was last reconstituted by a meeting of the Board of Directors held on November 23, 2015.

ii. The terms of reference of the Small Finance Bank Transition include the following:

- To finalize the motto and mission for SFB;
- SFB operating model and business plan and transition to SFB business and timelines for achieving key milestones;
- Selecting the consultant/PMO for the transition as also the functional consultants, finalization of various systems, infrastructure, technology, products and services (PMO) to also assist in vendor selections;
- Human resources roadmap and organisation restructuring, job responsibilities, gaps, recruitment and training plans mapped with timelines;
- To decide on the criteria and the percentage branches to be converted into SFB branches and to decide on the role and responsibilities of support control functions; and
- Matters related to launch of the SFB.

iii. The SFB Committee has met five times during the year on October 31, 2015, December 16, 2015, January 28, 2016, February 15, 2016 and February 25, 2016.

iv. The composition of the SFB Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2015-16	
			Held	Attended
1.	Mr. Venkatesh Natarajan	Non-Independent, Non-Executive	5	5
2.	Mr. Abhijit Sen*	Non-Independent, Non-Executive	5	5
3.	Mr. Samit Ghosh	Non-Independent, Executive	5	4
4.	Ms. Vandana Viswanathan	Independent Director	5	4

** Mr. Abhijit Sen was inducted as the Director and the member of the SFB Committee w.e.f. June 04, 2015*

I. IPO Committee

i. The IPO Committee was constituted by our Board of Directors on September 29, 2015.

ii. The terms of reference of the IPO Committee are as under:

- To review updates and progress as per the initial public offer schedule and timelines;
- Matters related to seeking exemption from SEBI for 'no promoter';
- Regulatory aspects pertaining to small finance bank transformation, communication with the regulator for any relaxations or clarifications;
- Vetting of critical sections of the draft red herring prospectus (risk factors, business plan, small finance bank plan), corporate restructuring ;
- Valuation parameters and finalization of the size of primary capital and offer for sale and the initial public offer timing;

- Roadshows, analyst meets and other marketing drive internally or through public relation channels;
- Evaluate the prospective investors, pre-IPO placement, and the decision on discounting, public issue pricing, issue likely date, price band, discount to retail investors, reservations if any; and
- Post listing, matters pertaining to incorporation of new entity, transfer of business undertaking through slump sale and allied matters.

iii. The IPO Committee has met two times during the year on November 24, 2015 and February 12, 2016.

iv. The composition of the IPO Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2015-16	
			Held	Attended
1.	Mr. Sunil Patel	Non-Independent, Non-Executive	2	2
2.	Mr. Jayanta Basu	Non-Independent, Non-Executive	2	1
3.	Mr. Samit Ghosh	Non-Independent, Executive	2	1
4.	Mr. Amit Gupta	Non-Independent, Non-Executive	2	-

J. Independent Director's Meeting

In compliance with Schedule IV to the Companies Act, 2013 and regulation 25(3) of the SEBI Listing Regulations, 2015, the independent directors held their separate meeting on March 17, 2016, in full attendance, without the attendance of non-independent directors and members of Management, inter alia, to discuss the following:

a. review the performance of non-independent directors and the Board as a whole;

b. review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors;

c. assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties;

4. General Meetings of Shareholders

i. Location and time where last there Annual General Meetings (AGMs) held and the Special resolutions passed in the AGMs

For the FY	Venue	Day & Date	Time	Special Resolution Passed
2014-15	Grape Garden, No. 27, 3rd A Cross, 18th Main, Koramangala 6th Block, Bengaluru 560 095	Wednesday August 26, 2015	4:00 PM IST	No Special Resolution
2013-14	93, Jakkasandra Extension, Sarjapur Main Cross Road, 1st Block, Koramangala, Bangalore 560034	Friday July 25, 2014	10:00 AM IST	1) Alteration of Articles of Association 2) Appointment of Managing Director
2012-13	93, Jakkasandra Extension, Sarjapur Main Cross Road, 1st Block, Koramangala, Bangalore 560034	Monday July 29, 2013	10:00 AM IST	1) Appointment of Ms. Mona Kachhwaha as a Director 2) Appointment of Ms. Christina Juhasz as a Director

ii. The Company has held four Extraordinary General Meetings of the shareholders during the year on July 09, 2015, November 03, 2015, December 15, 2015 and February 09, 2016.

iii. No special resolutions was passed through postal ballot in the last three AGMs

5. **Means of Communication**

The Company's equity shares were not listed as on March 31, 2016 and hence the SEBI Listing Regulations pertaining to equity shares were not applicable. However, the Company always had an operational website www.ujjivan.com wherein *inter alia* our half yearly and annual financials were placed.

6. **Managing Director and Chief Financial Officer Certification**

As required under Regulation 17 read with Part B of Schedule II of the Listing Regulations, the MD and CFO certification on the Financial Statements, the Cash Flow Statements and the internal financial reporting has been obtained from Mr. Samit Ghosh, Managing Director and Ms. Sudha Suresh, Chief Financial Officer. The said certificate is a part of this Annual Report.

7. **General Shareholder Information**

(a) **Annual General Meeting for FY 2015-16**

Date	:	August 10, 2016
Time	:	02:30 PM
Venue	:	Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India
Financial Year	:	April 01 to March 31
Dividend Payment date	:	The dividend, if declared, shall be paid / credited after August 10, 2016
Date of Book Closure / Record Date	:	Book Closures Dates: August 04, 2016 to August 10, 2016 (Both Days Inclusive) Record Date: August 03, 2016
Listing on Stock Exchanges	:	The Company's equity shares were not listed as on March 31, 2016. The Equity shares were listed on May 10, 2016, the details are as under: Stock Code / Symbol: NSE: UJJIVAN BSE: 539874 The Company's NCDs are listed as on March 31, 2016 in BSE Limited ("BSE") 25th Floor, P.J. Towers, Dalal Street, Mumbai – 400 001
Payment of Listing fees	:	The Company has paid all listing fees as applicable

Registrar and Transfer Agent and Address for correspondence	:	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad 500 032 Telengana, India P : +91 040 6716 1562 www.karvycomputershare.com
Plant Locations	:	As the Company is engaged in the business of NBFC, there is no plant location.
Debenture Trustees:	:	**IDBI Trusteeship Services Limited** Asian Building, Ground Floor, 17, R. KamaniMarg, Ballard Estate, Mumbai – 400 001 Contact Person: Ms. Ami Mehta Tel: 022- 40807032 E-mail ID: ami.mehta@idbitrustee.com **Catalyst Trusteeship Limited** (Erstwhile GDA Trusteeship Limited) Address: Office No. 83 – 87, 8th floor , 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai – 400021 Contact Person: Mr. Debasis Karmokar Tel: 022-49220507 Fax No.022-49220505 Email: debasis.karmokar@gdatrustee.com
Address of the Compliance Officer	:	Sanjeev Barnwal, Company Secretary and Compliance Officer; Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Koramangala, Bengaluru 560 095, Karnataka, India Tel: +91 80 4071 2121; Fax: +91 80 4146 8700 E-mail: compliance@ujjivan.com

8. **Other Disclosures**

i. Related Party Transactions

The Company has not entered into any material related party transactions. Other related party transactions were approved by the Audit Committee and the Board. The Company has a policy on materiality and on dealing with related party transactions which has been uploaded on our website at the link http://ujjivan.com/html/ujjivan_policies.php

i. Details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years;

Nil

ii. The Company in compliance with Section 177 of the Companies Act, 2013 and Regulation 22 of SEBI Listing Regulations has established a Whistle Blower policy / Vigil Mechanism for the directors and employees to report genuine concerns or grievances about unethical behavior, actual or suspected fraud or violation of the company's Code of Conduct or Ethics Policy. No person has been denied access to the Audit Committee. The Whistle Blower policy has been uploaded on our website at the link http://ujjivan.com/html/ujjivan_policies.php

iii. The Company has adopted Policy for Determination of Materiality of Events / Information for Disclosures, Policy on Preservation of Document and Archival Policy. The policies has been uploaded on our website at the link http://ujjivan.com/html/ujjivan_policies.php

iv. As the Company has no subsidiary as on date, the requirement of formulating a specific policy on dealing with material subsidiaries does not arise.

v. The Company is compliance with the corporate governance requirements specified in regulation 17 to 27 of SEBI Listing Regulations and has an operational website www.ujjivan.com wherein the information as required under Regulation 46 of the SEBI Listing Regulations has been disseminated.

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors and Independent Directors. The code is available on the Company's Website www.ujjivan.com.

I confirm that the Company has in respect of the year ended March 31, 2016, received from the Senior Management Team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Chief Financial Officer and the Company Secretary as on March 31, 2016.

Samit Ghosh
CEO & Managing Director
DIN: 00185369

Date: May 25, 2016
Place: Bangalore

CEO / CFO CERTIFICATION

To,

The Board of Directors

Ujjivan Financial Services Limited

Subject: Compliance Certificate as required under Regulation 17(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

We hereby certify that:

A. We have reviewed financial statements and the cash flow statement for the financial year 2015-16 and that to the best of our knowledge and belief:

(1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(2) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

D. We have indicated to the auditors and the Audit committee

(1) significant changes in internal control over financial reporting during the year;

(2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

(3) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Samit Ghosh
CEO & Managing Director
DIN: 00185369

Sudha Suresh
Chief Financial Officer

Date: May 25, 2016
Place: Bangalore

INDEPENDENT PRACTICING COMPANY SECRETARY CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF UJJIVAN FINANCIAL SERVICES LIMITED

1. We have examined the compliance of conditions of Corporate Governance of "UJJIVAN FINANCIAL SERVICES LIMITED" ("the Company"), for the year ended on March 31, 2016, as stipulated in:

- The Companies Act, 2013 in respect of compliance of conditions of the Corporate Governance provisions relating to composition of Board of Directors and constitution of Board Committees including the constitution of the Audit & Risk Management Committee, Stakeholder Relationship Committee, Nomination, Remuneration & Governance Committee and Corporate Social Responsibility Committee.

- The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations), as amended (the "SEBI LODR Regulations") in relation to

    - Regulations 17 to 27 (excluding Regulation 27 (2), clauses (b) to (i) of Regulation 46(2) and Regulation 47) and paragraphs C, D and E of Schedule V of the SEBI LODR Regulations as on March 31, 2016.

2. The Initial Public Offer of the Company was concluded on May 02, 2016 and the Company's Equity Shares were listed on NSE and BSE on May 10, 2016 and accordingly the requirements as per Regulation 27(2) on filing of quarterly compliance report on Corporate Governance with the Stock exchanges, Regulation 46(2) on disseminating of specified information on Website and Regulation 47 on publication of quarterly results in Newspapers, are not applicable to the Company as of March 31, 2016.

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

4. We have examined the relevant records of the Company in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India.

5. In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us and the representations made by the Directors and the Management, and read together with paragraph 2 above, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under paragraph 1 above, as of March 31, 2016.

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

Date: May 25, 2016
Place: Bangalore

K. Jayachandran
ACS No.: 11309
CP No.: 4031

पांच सौ रुपये

Financial Statements

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
UJJIVAN FINANCIAL SERVICES LIMITED
(Formerly Ujjivan Financial Services Private Limited)

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, as applicable.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the Order under section 143 (11) of the Act.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial 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 the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, we report, to the extent applicable, 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 purposes 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, the Statement of Profit and Loss, and the 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 prescribed under section 133 of the Act, as applicable.

   e) On the basis of the written representations received from the directors as on March 31, 2016 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 A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

   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:

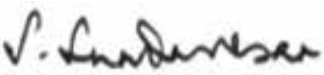
      i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements;

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

      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

For **Deloitte Haskins & Sells**
Chartered Accountants
Firm's Registration No. 008072S



S. Sundaresan
Partner
(Membership No. 25776)

BENGALURU, May 25, 2016

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **UJJIVAN FINANCIAL SERVICES LIMITED (Formerly Ujjivan Financial Services Private Limited)** ("the Company") as of March 31, 2016 in conjunction with our audit of the 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 (the "Guidance Note") 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 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 issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 Company's 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.

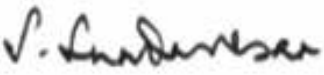
Inherent Limitations of Internal Financial Controls Over Financial Reporting

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, to the best of our information and according to the explanations given to us, 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 issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells**
Chartered Accountants
Firm's Registration No. 008072S



S. Sundaresan
Partner
(Membership No. 25776)

BENGALURU, May 25, 2016

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets were physically verified during the year by the management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and the records examined by us there is no freehold land and buildings or lease hold land as at the balance sheet date.

(ii) Having regard to the nature of the Company's business/ activities, reporting under clause (ii) of the Order with regard to inventories is not applicable.

(iii) 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 Companies Act, 2013.

(iv) In our opinion and according to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees under the provisions of Sections 185 and 186 of the Companies Act, 2013, hence reporting under Clause (iv) of the Order is not applicable.

(v) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014, as amended, with regard to the deposits accepted. According to the information and explanations given to us, no order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.

(vi) Having regard to the nature of the Company's business/ activities, reporting under clause (vi) of the Order with regard to cost records is not applicable.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been regular in depositing 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 to the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2016 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Value Added Tax which have not been deposited as on March 31, 2016 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount Involved (₹ in lakhs)	Amount Unpaid (₹ in lakhs)
Finance Act 1994	Service Tax	Commissioner of Service Tax (Appeals)	2011-12 & 2012-13	4,226,041	3,909,088

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks and government and dues to debenture holders.

(ix) In our opinion and according to the information and explanations given to us, Company has not raised moneys by way of initial public offer or further public offer and money raised by way of debt instruments and the term loans have been applied by the Company during the year for the purposes for which they were raised, other than temporary deployment pending application of proceeds.

(x) To the best of our knowledge and according to the information and explanations given to us, the management has identified fraud relating to misappropriation of funds by certain employees which is estimated at ₹ 3,194,706/- of which ₹1,501,117/- has been recovered on the Balance Sheet date and no fraud by the Company has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us, the Company has made private placement of shares during the year under review.

In respect of the above issue, we further report that:

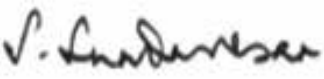
a) The requirement of Section 42 of the Companies Act, 2013, as applicable, have been complied with; and

b) the amounts raised have been applied by the Company during the year for the purposes for which the funds were raised , other than temporary deployment pending application

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is required to be registered under section 45-I of the Reserve Bank of India Act, 1934 and it has obtained the registration.

For **Deloitte Haskins & Sells**
Chartered Accountants
Firm's Registration No. 008072S



S. Sundaresan
Partner
(Membership No. 25776)

BENGALURU, May 25, 2016

UJJIVAN FINANCIAL SERVICES LIMITED

(Formerly Ujjivan Financial Services Private Limited)

BALANCE SHEET AS AT MARCH 31, 2016

(Amount in ₹)

Particulars	Note No.	As at March 31, 2016		As at March 31, 2015	
I. EQUITY AND LIABILITIES					
(1) Shareholder's Funds:					
(a) Share Capital	3	1,011,860,280		861,329,690	
(b) Reserves and Surplus	4	10,965,714,000	11,977,574,280	6,503,170,122	7,364,499,812
(2) Non-Current Liabilities					
(a) Long-term borrowings	5	17,331,603,052		12,830,934,384	
(b) Long-term provisions	6	130,888,443	17,462,491,495	59,489,303	12,890,423,687
(3) Current Liabilities					
(a) Short-term borrowings	7	10,404,739		45,034,516	
(b) Trade payables	8	151,876,163		117,838,474	
(c) Other current liabilities	9	27,043,945,280		18,919,536,772	
(d) Short-term provisions	10	626,877,421	27,833,103,603	425,258,790	19,507,668,552
Total			**57,273,169,378**		**39,762,592,051**
II.Assets					
(1) Non-Current Assets					
(a) Fixed assets					
(i) Tangible assets	11A	167,210,842		142,295,830	
(ii) Intangible assets	11B	74,581,976	241,792,818	37,169,940	179,465,770
(b) Non-current investments	12	1,010,000		1,010,000	
(c) Deferred tax assets (net)	26.7	240,746,179		152,784,274	
(d) Long-term loans and advances	13	155,705,706		68,457,231	
(e) Other non-current assets	14	13,041,538,714	13,439,000,599	5,985,062,268	6,207,313,773
(2) Current Assets					
(a) Receivables under financing activity	15	37,793,436,164		26,298,950,587	
(b) Cash and Bank balances	16	4,912,658,243		6,447,836,212	
(c) Short-term loans and advances	17	296,800,519		206,621,538	
(d) Other current assets	18	589,481,035	43,592,375,961	422,404,171	33,375,812,508
Total			**57,273,169,378**		**39,762,592,051**
See accompanying notes forming part of the financial statements	1-30				

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

S Sundaresan
Partner

For and on behalf of the Board of Directors

Samit Ghosh
Managing Director

Sunil Patel
Director

Sanjeev Barnwal
Company Secretary

Sudha Suresh
Chief Financial Officer

Place: Bangalore

Date: 25 May 2016

UJJIVAN FINANCIAL SERVICES LIMITED

(Formerly Ujjivan Financial Services Private Limited)

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

(Amount in ₹)

Particulars	Note No.	Year ended March 31, 2016	Year ended March 31, 2015
A. INCOME			
(a) Income from Operations	19	10,072,506,528	5,993,165,034
(b) Other Income	20	203,599,311	125,635,557
Total Income (A)		**10,276,105,839**	**6,118,800,591**
B. EXPENDITURE			
(a) Employee benefits expenses	21	1,966,507,150	1,327,695,558
(b) Administrative and other expenses	22	1,021,745,656	654,271,391
(c) Finance cost	23	4,234,998,782	2,713,806,964
(d) Depreciation and amortisation expenses	11	80,245,509	67,417,317
(e) Provision / write off for receivables under financing activity	24	252,722,624	210,476,682
Total Expenditure (B)		**7,556,219,721**	**4,973,667,912**
Profit Before Tax (A - B)		**2,719,886,118**	**1,145,132,679**
Tax expenses			
(a) Current tax expenses		1,038,000,000	470,000,000
(b) Provision for tax of earlier year		(2,339,755)	(1,952,646)
(c) Deferred tax	26.7	(87,961,905)	(80,802,636)
Profit for the year		**1,772,187,778**	**757,887,961**
Earnings per Equity Share:	26.5		
(a) Basic		20.12	11.24
(b) Diluted		19.19	10.62
See accompanying notes forming part of the financial statements	1-30		

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

S Sundaresan
Partner

For and on behalf of the Board of Directors

Samit Ghosh
Managing Director

Sunil Patel
Director

Sanjeev Barnwal
Company Secretary

Sudha Suresh
Chief Financial Officer

Place: Bangalore

Date: 25 May 2016

UJJIVAN FINANCIAL SERVICES LIMITED

(Formerly Ujjivan Financial Services Private Limited)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

(Amount in ₹)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Cash Flows from operating activities		
Profit before tax	**2,719,886,118**	**1,145,132,679**
Adjustments for		
Depreciation and amortisation expenses	80,245,509	67,417,317
Profit on Sale of mutual funds	(87,318,455)	(44,659,163)
Bad debts written off -provision reversed	(14,100,092)	(10,078,002)
Deferred Stock Compensation expenses	6,029,871	-
Provision for Receivables under Financing Activities	233,767,169	204,504,597
Provision for advances	664,584	1,842,465
Advances written off (net)	8,563,690	928,190
Fixed assets written off	87,407	852,563
Interest on fixed deposits	(88,606,249)	(68,374,237)
Loss /(Profit) on sale of Fixed Assets	(545,209)	432,585
Operating Profit before Working capital changes	**2,858,674,343**	**1,297,998,994**
Changes in working capital:		
(Increase) / Decrease in Receivables under Financing Activity	(11,494,485,577)	(12,422,813,226)
(Increase) / Decrease in Loans and advances	(133,264,291)	(116,656,710)
(Increase) / Decrease in Other assets	(7,602,039,130)	(3,780,615,695)
Increase / (Decrease) in Trade payables	34,037,689	67,252,973
Increase / (Decrease) in Other current liabilities	428,212,771	323,397,511
Increase / (Decrease) in Short-term provisions	180,480,281	179,424,326
(Increase) / Decrease in Long-term provisions	(148,267,937)	(157,900,928)
Cash flow from operations	**(15,876,651,851)**	**(14,609,912,755)**
Net Tax paid/Refunds	**(1,033,844,314)**	**(469,808,479)**
Net Cash from operating activities (A)	**(16,910,496,165)**	**(15,079,721,234)**
Cash flows from Investing activities		
Purchase of investments	(33,540,325,077)	(16,975,050,009)
Sale of investments	33,627,643,526	17,019,709,173
Purchase of Fixed Assets	(197,297,900)	(137,511,439)
Sale of Fixed Assets	1,791,706	1,978,171
Interest on fixed deposits	91,811,804	66,434,482
Net Cash from investing activities (B)	**(16,375,941)**	**(24,439,622)**

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
		(Amount in ₹)
Cash flows from financing activities		
Proceeds from issue of share capital & securities premium (net)	2,906,013,046	2,940,284,001
Dividend and Dividend Tax Paid	(51,833,808)	(38,414,508)
Borrowings from banks / others	33,930,000,000	28,031,942,584
Repayment of Borrowings from banks / others	(21,767,765,366)	(13,313,852,634)
Net Cash from financing activities (C)	**15,016,413,872**	**17,619,959,443**
Net increase / (decrease) in cash and cash equivalents (A) + (B) + (C)	**(1,910,458,234)**	**2,515,798,587**
Cash and cash equivalents at the beginning of the year	6,377,836,212	3,862,037,625
Cash and cash equivalents at the end of the year	**4,467,377,978**	**6,377,836,212**

Notes :

1. The above cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 Cash Flow Statements.

2. Cash & cash equivalents at year end includes ₹13,548,937/- (P.Y.₹14,110,750/-) in balance with banks, which is used only for repayment of security deposit of customer.

3. Refer note 16 for items included in cash & cash equivalents.

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

S Sundaresan
Partner

Place: Bangalore

Date: 25 May 2016

For and on behalf of the Board of Directors

Samit Ghosh
Managing Director

Sanjeev Barnwal
Company Secretary

Sunil Patel
Director

Sudha Suresh
Chief Financial Officer

1 CORPORATE INFORMATION

Ujjivan Financial Services Limited is a Limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The company is a Microfinance institution serving the economically active poor in urban and semi-urban areas. The Company has received registration as NBFC-MFI under Non-Banking Financial Company Micro Finance Institutions (NBFC - MFIs) directions on September 5th 2013. The company has its headquarters in Bangalore with regional offices in New Delhi, Kolkata and Pune. It has 469 branches in 24 states and Union Territories across India as on March 31, 2016. The Reserve Bank of India vide letter dated 7th October 2015, has granted in-principle approval to the Company for setting up of a Small Finance Bank, in accordance with Section 22 of the Banking Regulation Act, 1949.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

The Financial statements of the company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP) to comply with accounting standard specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act 2013 ('the 2013 Act') / Companies Act 1956 ('the 1956 Act') as applicable. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year. The financial statements have been prepared on an accrual basis under the historical cost convention and considering the directions issued by the Reserve Bank of India (RBI) to the extent applicable to the Company.

2. Use of estimates

The presentation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liability) and the reported income and expenses during the year. The management believes that the estimate used in preparation of financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the period in which the results are known/material.

3. Cash flow statement

The Cash Flows are reported using the indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non cash nature and any defferals or accruals of past or future cash receipts or payments. The cash flow from operating, investing and financing activities of the company are segregated based on available information.

Cash and cash equivalents (for the purpose of cash flow statement)
Cash comprises of cash on hand and demand deposits with bank. Cash equivalents are short term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

4. Tangible and Intangible assets

Fixed assets are stated at cost, net of accumulated depreciation. The cost of an asset comprises its purchase price (net of capital grants) and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on fixed assets after its purchase is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

5. Depreciation and amortization

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Leasehold improvements are amortised over the duration of the lease. The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

Notes to Financial Statements for the year ended March 31, 2016

The useful life being followed by the company as prescribed in Schedule II to the Companies Act, 2013 is as follows:

Asset	Useful Life as per Schedule II (years)
Computer	3
Furniture	10
Office Equipment	5
Motor Vehicle	8
Server	6
Software	6

6. Investments

Investments are classified into current investments and Non-current investments. Current investments are carried at lower of cost or fair value. Non-Current investments are carried individually at cost less provision made to recognize any decline, other than temporary, in the value of such investments. Cost of investments include acquisition charges such as brokerage, fees and duties.

7.Receivables under Financing Activity

Loans are classified into 'Performing and Non-Performing' assets in terms of the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 and NBFC, MFI directions (as applicable) issued by the Reserve Bank of India as amended from time to time.

8.Revenue Recognition

Revenue from Interest on loans financed by the Company is recognized on accrual basis, considering the directions issued by the Reserve Bank of India from time to time in terms of the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998. Loans are classified into 'Performing and Non-Performing' assets in terms of the said Directions. Loans in respect of which interest/principal have remained overdue for a period of 90 days or more are considered as Non Performing Assets.

Revenues from loan documentation charges are recognized as income on accrual basis.

Revenue from interest income on fixed deposits with banks is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

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 in line with the relevant Reserve Bank of India guidelines.

9.Grants

Grants received towards acquisition of tangible and intangible assets are adjusted against the cost of the assets. Grants related to revenue are deducted from the related expenses. Grants against employee loans are included in Reserves and Surplus.

10. Employee benefits

Employee benefits includes Provident Fund, Employee State Insurance scheme, Gratuity fund and compensated absences.

a) Short term employee benefits including salaries, social security contributions, short term compensated absences (such as paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non monetary benefits for current employees are estimated and measured on an undiscounted basis.

b) Defined Contribution Plan

Company's contributions to Provident Fund, Pension fund and employee state insurance scheme are considered as defined contribution plan and are charged as expense based on amount of contribution required to be made and when services are rendered by the employees.

c) Defined Benefit Plan

Liabilities for gratuity funded in terms of a scheme administered by the Life Insurance Corporation of India, are determined by Actuarial Valuation on Projected Unit Credit Method made at the end of each balance sheet date. Provision for liabilities pending remittance to the fund is carried in the Balance Sheet.

d) Long term employee benefits

Liability for compensated absences is provided based on actuarial valuation carried out at the end of the financial period using Projected Unit Credit Method and is not funded but provided for. Past service cost is recognized immediately to the extent that the benefits are already used and otherwise is amortised on straight line base over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefits obligation as adjusted for unrecognised past service cost, as redeemed by the fair value of scheme assets.

Compensated absences which are not expected to occur within 12 months after the end of period in which the employee rendered the related services are recognised as a liability at the present value of the defined benefit obligations as at the balance sheet date.

Actuarial gains and losses are recognized immediately in the statement of Profit and Loss as income or expense in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

11. Lease

Lease rentals under operating lease are charged to the Statement of Profit and Loss on straight line basis over the lease term.
Assets leased by the company in its capacity as a lessee in which substantially all the risk and rewards of owner ship vest in the Company are classified as finance leases. Lease arrangements where risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases.

12. Earnings per share

In determining the earnings per share, the Company considers the net profit / (loss) after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be diluted only if their conversion to equity share would decrease the net profit per share from continuing ordinary operations. Diluted potential equity shares are determined independently for the each period presented.

13. Borrowing costs

Borrowing costs attributable to qualifying assets as per Accounting Standard 16 (assets which require substantial period of time to get ready for their intended use) are capitalized as part of the cost of such assets. All other borrowing costs are charged to revenue.

14. Taxes

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Notes to Financial Statements for the year ended March 31, 2016

15. Provisions and Contingent Liabilities

A provision is recognized when the enterprise has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed in notes. Contingent assets are not recognised in the financial statements

16. Employee Stock Option Plan

The Company has Employee Stock Option Plans for the benefit of its employees. Options granted in terms of the Stock option plans on or after April 1, 2005 are accounted in accordance with the Guidance Note on Accounting for Employee Share Based Payment Plans issued by the Institute of Chartered Accountants of India (ICAI). The difference between the intrinsic value of the stock option granted on or after April 1, 2005 and exercise price, if any, is expensed as “Employee Compensation” over the period of vesting.

17. Operating Cycle

Based on the nature of activities of the Company and the normal time between acquisition of assets and their realisation in cash and cash equivalents, the Company has determined operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non current.

Notes forming part of financial statements

Note 3 - Share Capital

(Amount in ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
Authorised		
125,000,000 Equity Shares of ₹10/- each	1,250,000,000	1,000,000,000
(P.Y.100,000,000 Equity Shares of ₹10/- each)		
	1,250,000,000	**1,000,000,000**
Issued		
101,186,028 Equity Shares of ₹10/- each	1,011,860,280	861,329,690
(P.Y.86,132,969 Equity Shares of ₹10/- each)		
	1,011,860,280	**861,329,690**
Subscribed & fully Paid up		
101,186,028 Equity Shares of ₹10/- each	1,011,860,280	861,329,690
(P.Y.86,132,969 Equity Shares of ₹10/- each)		
Total	**1,011,860,280**	**861,329,690**

i) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year

	Number of shares March 31, 2016	Number of shares March 31, 2015
Number of shares outstanding at the beginning of the year	86,132,969	65,581,363
Add: shares issued during the year - Stock options	817,002	-
Add: shares issued during the year - Institutions/Others	14,236,057	20,551,606
Number of shares outstanding at the end of the year	**101,186,028**	**86,132,969**

ii) Reconciliation of equity share capital outstanding at the beginning and at the end of the year

	Amount in ₹ March 31, 2016	Amount in ₹ March 31, 2015
Share capital outstanding at the beginning of the year	861,329,690	655,813,630
Add: shares issued during the year - Stock options	8,170,020	-
Add: shares issued during the year - Institutions/Others	142,360,570	205,516,060
Share capital outstanding at the end of the year	**1,011,860,280**	**861,329,690**

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Notes forming part of financial statements

iii) Number of shares held by each shareholder holding more than 5% shares in the Company are as follows:

Class of shares / Name of the shareholder	Number of shares as at March 31, 2016	%	Number of shares as at March 31, 2015	%
Equity Shares:				
CDC Group Plc	10,932,696	10.80%	10,932,696	12.69%
Alena Private Limited	10,790,943	10.66%	9,207,251	10.69%
International Finance Corporation	10,202,406	10.08%	10,202,406	11.84%
NewQuest Asia Investments II Limited	8,199,522	8.10%	8,199,522	9.52%
Elevar Equity Mauritius	6,355,684	6.28%	6,355,684	7.38%
Sarva Capital LLC	5,870,426	5.80%	5,870,426	6.82%
WWB Capital Partners. L.P. (formerly known as WWB ISIS Fund Limited Partnership)	5,406,628	5.34%	5,406,628	6.28%
Bajaj Holdings & Investment Limited	5,124,702	5.06%	5,124,702	5.95%

iv) The company has only one class of equity shares with voting rights (one vote per share). The distribution of dividend is in proportion to the number of equity shares held by the shareholders.

Notes forming part of financial statements

Note 4 - Reserves & Surplus

(Amount in ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
a. Securities premium account		
Opening balance	4,818,756,040	2,083,988,099
Add : Premium on shares issued during the year on stock options	22,645,860	-
Add : Premium on shares issued during the year on Institutions/Others	2,776,031,115	2,802,211,478
Less : Utilised during the year for writing off share issue expenses	43,194,519	67,443,537
Closing balance	**7,574,238,496**	**4,818,756,040**
b. Other reserves - Statutory reserve *		
Opening balance	374,884,005	223,306,413
Add: Additions during the year	354,437,556	151,577,592
Closing balance	**729,321,561**	**374,884,005**
c. Other reserves - Employee loan grant	**1,300,000**	**1,300,000**
d. Share options outstanding account		
Opening balance	-	-
Add: Amounts recorded on grants during the year	59,144,752	-
Less: Grants forfieted during the year	2,010,793	-
	57,133,959	**-**
Less: Deferred stock compensation expense	51,104,088	-
Closing balance	**6,029,871**	**-**
e. Surplus in Statement of Profit and Loss		
Opening balance	1,308,230,077	760,863,750
Add: Profit for the year	1,772,187,778	757,887,961
Less: Dividends proposed to be distributed	59,120,653	43,066,485
Less: Tax on proposed dividend	12,035,574	8,767,323
Less: Depreciation adjustment	-	7,110,234
Less: Transferred to statutory reserve	354,437,556	151,577,592
Closing balance	**2,654,824,072**	**1,308,230,077**
Total	**10,965,714,000**	**6,503,170,122**

* Transfer of 20% of the profit after Tax to the statutory reserves in accordance with the provisions of section 45 – IC Reserve Bank of India Act,1934.

Notes forming part of financial statements

Note 5 - Long-term borrowings

(Amount in ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
(a) Non Convertible Debentures		
Secured		
Nil (PY. 40) 12.75% Secured Redeemable Non Convertible Debentures of ₹10,000,000/- each redeemable at par at the end of 3 years from the date of allotment July 31, 2013 (Refer Note (i) below)	-	400,000,000
600 (PY. 600) 12.60% Secured Redeemable Non Convertible Debentures of ₹1,000,000/- each redeemable at par at the end of 5 years from the date of allotment July 01, 2014 (Refer Note (i) below)	600,000,000	600,000,000
Nil (PY. 500) 13.65% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000/- each redeemable at par at the end of 2 years from the date of allotment December 12, 2014 (Refer Note (i) below)	-	500,000,000
250 (PY.400) 13.25% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000/- each redeemable at par ₹ 15 Crs by December 26, 2016 and ₹ 25 Crs by December 26, 2017 from the date of allotment December 26,2014 (Refer Note (i) below)	250,000,000	400,000,000
500 (PY.750) 13.00% Secured Redeemable Non Convertible Debentures of ₹ 750,000/- each (PY. ₹ 1,000,000/- each) ₹18.75 Crs by September 20, 2016 and ₹ 18.75 Crs by March 20, 2017 from the date of allotment March 20, 2015 (Refer Note (i) below)	187,500,000	375,000,000
1,000 (PY.NIL) 12.15% Secured Redeemable Non Convertible Debentures of ₹ 10,00,000/-each redeemable at par by May 12, 2017 from the date of allotment May 12, 2015 (Refer Note (i) below)	1,000,000,000	-
1,000 (PY.NIL) 12.15% Secured Redeemable Non Convertible Debentures of ₹ 10,00,000/-each redeemable at par by June 23, 2017 from the date of allotment June 23, 2015 (Refer Note (i) below)	1,000,000,000	-
1,000 (PY.NIL) 12.35% Secured Redeemable Non Convertible Debentures of ₹ 10,00,000/- each redeemable at par by August 5, 2021 with put/call option August 5, 2018 from the date of allotment August 5, 2015 (Refer Note (i) below)	1,000,000,000	-
Total - (A)	**4,037,500,000**	**2,275,000,000**

Contd...

Notes forming part of financial statements

(Amount in ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
(b) Term loans		
Secured		
from Banks (Refer Note (ii) below)	9,891,437,910	7,774,185,538
from NBFCs (Refer Note (ii) below)	1,019,332,642	1,130,315,283
from other parties (Refer Note (ii) below)	1,883,332,500	1,151,433,563
	12,794,103,052	**10,055,934,384**
Unsecured		
from other parties (Refer Note (ii) below)	500,000,000	500,000,000
	500,000,000	**500,000,000**
Total - (B)	**13,294,103,052**	**10,555,934,384**
Total - (A+B)	**17,331,603,052**	**12,830,934,384**

i) Debentures are secured by hypothecation of book debts.

(ii) Terms of repayment for borrowings including current maturities :

Secured

Terms of Repayment and Interest			Amount Outstanding (₹) March 31, 2016	
Rate of Interest	**Maturity**	**Instalments**	**Current**	**Non Current**
Repayable in Monthly Instalments				
At Base Rate	< 1 Year	9	400,000,000	
	2 Year			-
Base Rate + 0.35%	< 1 Year	12	1,000,000,000	
	2 Year	12		1,000,000,000
Base Rate + 0.40%	< 1 Year	60	1,090,908,658	
	2 Year	48		863,636,364
Base Rate + 0.75%	< 1 Year	31	450,000,000	
	2 Year	32		450,000,000
Base Rate + 0.80%	< 1 Year	9	428,571,429	
	2 Year	12		571,428,571
Base Rate + 1.00%	< 1 Year	24	500,000,000	
	2 Year	4		83,333,333
Base Rate + 1.15%	< 1 Year	12	84,999,996	
	2 Year	7		49,583,339
Base Rate + 1.25%	< 1 Year	20	288,095,238	
	2 Year	11		261,904,762
Base Rate + 1.50%	< 1 Year	17	483,695,694	
	2 Year	6		187,500,000
Base Rate + 1.55%	< 1 Year	12	125,000,004	
	2 Year	8		83,333,328
Base Rate + 1.65%	< 1 Year	5	27,083,331	
Base Rate + 1.75%	< 1 Year	95	1,840,416,269	
	2 Year	64		1,141,667,208

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Notes forming part of financial statements

Terms of Repayment and Interest			Amount Outstanding (₹) March 31, 2016	
Rate of Interest	**Maturity**	**Instalments**	**Current**	**Non Current**
Base Rate +1.80%	< 1 Year	12	285,714,286	
	2 Year	5		119,047,619
Base Rate + 1.85%	< 1 Year	35	354,166,663	
	2 Year	21		249,997,031
Base Rate + 2.00%	< 1 Year	12	166,666,667	
	2 Year	4		55,555,555
Base Rate + 2.05%	< 1 Year	14	211,111,111	
Base Rate + 2.20%	< 1 Year	12	249,999,996	
	2 Year	6		124,980,137
Base Rate + 2.25%	< 1 Year	47	1,182,552,000	
	2 Year	6		45,428,654
Base Rate +2.35%	< 1 Year	10	199,898,869	-
Base Rate +2.40%	< 1 Year	36	897,142,857	
	2 Year	21		523,333,333
Base Rate + 2.50%	< 1 Year	65	988,266,680	
	2 Year	8		108,900,000
Base Rate + 2.60%	< 1 Year	3	22,500,000	
Base Rate + 3.70%	< 1 Year	22	699,999,998	

Terms of Repayment and Interest			Amount Outstanding (₹) March 31, 2016	
Rate of Interest	**Maturity**	**Instalments**	**Current**	**Non Current**
Repayable in Quarterly Instalments				
Base Rate + 0.15%	< 1 Year	3	214,285,714	
	2 Year	4		285,714,286
Base Rate + 0.25%	< 1 Year	3	321,428,571	
	2 Year	4		428,571,429
Base Rate + 0.40%	< 1 Year	4	150,000,000	
	2 Year	8		900,000,000
Base Rate + 0.80%	< 1 Year	3	139,285,714	
	2 Year	4		185,714,286
Base Rate + 0.95%	< 1 Year	16	675,000,000	
	2 Year	12		462,500,000
Base Rate +1.00%	< 1 Year	3	60,000,000	
	2 Year	4		80,000,000
	3 Year	3		60,000,000
Base Rate +1.10%	< 1 Year	4	150,000,000	
	2 Year	2		75,000,000
Base Rate +1.15%	< 1 Year	8	1,500,000,000	
Base Rate + 1.25%	< 1 Year	17	266,666,667	
	2 Year	12		166,638,575
	3 Year	9		124,989,878
Base Rate + 1.40%	< 1 Year	12	714,285,713	
	2 Year	9		535,714,287
Base Rate + 1.5%	< 1 Year	10	800,200,000	
	2 Year	2		187,200,000

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Notes forming part of financial statements

Terms of Repayment and Interest			Amount Outstanding (₹) March 31, 2016	
Rate of Interest	**Maturity**	**Instalments**	**Current**	**Non Current**
Base Rate + 1.85%	< 1 Year	4	428,571,429	
	2 Year			
Base Rate + 2.00%	< 1 Year	3	75,000,000	
	2 Year	2		24,984,178
Base Rate +2.05%	< 1 Year	8	208,336,000	
	2 Year	7		176,865,091
Base Rate + 2.20%	< 1 Year	4	125,000,000	
	2 Year	1		31,250,000
Base Rate + 2.25%	< 1 Year	6	589,285,714	
Base Rate + 2.30%	< 1 Year	11	850,750,000	
	2 Year	4		80,000,000
Base Rate + 2.35%	< 1 Year	4	269,285,714	
Base Rate +2.4%	< 1 Year	3	280,000,000	
Base Rate +2.60%	< 1 Year	2	102,500,000	
Base Rate + 2.80%	< 1 Year	8	143,333,333	
	2 Year	2		41,666,666
Base Rate +3.05%	< 1 Year	4	83,333,161	
Repayable in annually				
At Base Rate	< 1 Year	1	125,000,000	
	2 Year	1		125,000,000
Repayable in Bullet				
Base Rate + 1.05%	< 1 Year	1	600,000,000	-
Base Rate + 0.5%	< 1 Year	1	600,000,000	-
Base Rate + 2.0%	< 1 Year	1	180,000,000	-
Total			**21,628,337,476**	**9,891,437,910**

Terms of Repayment and Interest			Amount Outstanding (₹) March 31, 2016	
Rate of Interest	**Maturity**	**Instalments**	**Current**	**Non Current**
Borrowings from NBFCs				
Repayable in Monthly Instalments				
Interest Rate - 10.00%	< 1 Year	12	360,000,000	
	2 Year	12		360,000,000
	3 Year	7		220,000,000
Interest Rate - 10.90%	< 1 Year	12	7,951,033	
	2 Year	12		8,862,328
	3 Year	36		33,186,639
Interest Rate - 12.25%	< 1 Year	12	130,434,783	
Interest Rate - 12.50%	< 1 Year	24	196,612,346	
	2 Year	12		109,404,887
Interest Rate - 13.00%	< 1 Year	12	130,434,782	
Interest Rate - 13.75%	< 1 Year	9	63,428,483	
Interest Rate - 11.30%	< 1 Year	12	181,818,182	
	2 Year	12		181,818,182
	3 Year	7		106,060,606

Notes forming part of financial statements

Terms of Repayment and Interest			Amount Outstanding (₹) March 31, 2016	
Rate of Interest	**Maturity**	**Instalments**	**Current**	**Non Current**
Repayable in Quarterly Instalments				
Repayable in Bullet				
Interest Rate - 13.75%	< 1 Year	1	500,000,000	-
Total			**1,570,679,609**	**1,019,332,642**

Terms of Repayment and Interest			Amount Outstanding (₹) March 31, 2016	
Rate of Interest	**Maturity**	**Instalments**	**Current**	**Non Current**
Borrowings from Others				
Repayable in Monthly Instalments				
Interest Rate - 11.75%	< 1 Year	9	450,000,000	
	2 Year	12		600,000,000
	3 Year	9		450,000,000
Interest Rate - 12.75%	< 1 Year	17	481,413,336	
Interest Rate - 13.00%	< 1 Year	5	3,353,560	
Total			**934,766,896**	**1,050,000,000**
Bullet				
Interest Rate - 10.25%	< 1 Year	2	333,333,334	
	2 Year	2		333,332,500
Interest Rate - 11%	< 1 Year	2	333,333,333	
	2 Year	2		333,333,333
	3 Year	1		166,666,667
Total			**666,666,667**	**833,332,500**
Grand Total			**1,601,433,563**	**1,883,332,500**

Terms of Repayment and Interest			Amount Outstanding (₹) March 31, 2016	
Rate of Interest	**Maturity**	**Instalments**	**Current**	**Non Current**
Unsecured				
Borrowings from Others				
Repayable in Bullet				
Interest Rate - 15%	> 3 Year		-	500,000,000
Total			**-**	**500,000,000**

Notes forming part of financial statements

(ii) Terms of repayment for borrowings including current maturities :

Secured

Terms of Repayment and Interest			Amount Outstanding (₹) March 31, 2015	
Rate of Interest	**Maturity**	**Instalments**	**Current**	**Non Current**
Repayable in Monthly Instalments				
Base Rate + 1.00%	< 1 Year	12	250,000,000	
	2 Year	12		250,000,000
Base Rate + 1.25%	< 1 Year	12	60,000,000	
	2 Year	10		50,000,000
Base Rate + 1.50%	< 1 Year	12	260,869,565	
	2 Year	5		108,695,654
Base Rate + 1.55%	< 1 Year	2	12,500,000	-
Base Rate + 1.65%	< 1 Year	23	133,750,000	
	2 Year	5		27,083,331
Base Rate + 1.70%	< 1 Year	33	548,333,333	
	2 Year	22		297,361,112
Base Rate + 1.75%	< 1 Year	57	1,174,476,151	
	2 Year	21		540,315,538
Base Rate + 1.85%	< 1 Year	7	145,833,339	-
Base Rate + 1.90%	< 1 Year	12	75,000,000	-
Base Rate + 1.95%	< 1 Year	15	173,333,339	-
Base Rate + 2.00%	< 1 Year	74	1,344,710,130	
	2 Year	49		822,916,676
	3 Year	10		180,555,561
Base Rate + 2.05%	< 1 Year	9	75,000,005	-
Base Rate + 2.25%	< 1 Year	107	2,452,613,876	
	2 Year	48		1,049,252,000
	3 Year	6		45,446,316
Base Rate + 2.30%	< 1 Year	1	8,333,676	-
Base Rate + 2.50%	< 1 Year	65	767,164,454	
	2 Year	22		368,266,666
	3 Year	3		46,400,000
Base Rate + 2.80%	< 1 Year	8	180,796,107	
Base Rate + 3.00%	< 1 Year	35	1,298,666,685	
	2 Year	22		699,999,998

Notes forming part of financial statements

(ii) Terms of repayment for borrowings including current maturities :

Terms of Repayment and Interest			Amount Outstanding (₹) March 31, 2015	
Rate of Interest	**Maturity**	**Instalments**	**Current**	**Non Current**
Repayable in Quarterly Instalments				
Base Rate + 1.25%	< 1 Year	4	100,000,000	
	2 Year	4		100,000,000
Base Rate + 1.50%	< 1 Year	8	525,000,000	
	2 Year	6		425,000,000
Base Rate + 1.75%	< 1 Year	9	509,987,639	
Base Rate + 1.85%	< 1 Year	3	321,428,571	
	2 Year	4		428,571,429
Base Rate + 2.00%	< 1 Year	12	391,250,000	
	2 Year	8		130,000,000
	3 Year	5		92,500,000
Base Rate + 2.05%	< 1 Year	4	83,333,333	
	2 Year	4		83,333,334
	3 Year	4		83,333,334
Base Rate + 2.10%	< 1 Year	2	50,000,000	
Base Rate + 2.25%	< 1 Year	14	1,616,071,429	
	2 Year	6		589,285,714
Base Rate + 2.30%	< 1 Year	12	405,000,000	
	2 Year	5		158,750,000
Base Rate + 2.35%	< 1 Year	4	285,714,285	
	2 Year	3		214,285,714
Base Rate + 2.50%	< 1 Year	11	720,499,382	
	2 Year	8		774,500,000
Base Rate + 2.60%	< 1 Year	4	82,500,000	-
Base Rate + 2.75%	< 1 Year	2	20,000,000	-
Base Rate + 2.80%	< 1 Year	15	439,583,333	
	2 Year	4		83,333,333
	3 Year	2		41,666,667
Base Rate + 3.00%	< 1 Year	4	450,000,000	-
Base Rate + 3.05%	< 1 Year	4	83,333,334	
	2 Year	4		83,333,161
Repayable in Bullet				
Base Rate + 1.75%	< 1 Year	1	600,000,000	
Base Rate + 2.60%	< 1 Year	1	250,000,000	
Total			**15,895,081,966**	**7,774,185,538**

Notes forming part of financial statements

(ii) Terms of repayment for borrowings including current maturities :

Terms of Repayment and Interest			Amount Outstanding (₹) March 31, 2015	
Rate of Interest	**Maturity**	**Instalments**	**Current**	**Non Current**
Borrowings from NBFCs				
Repayable in Monthly Instalments				
Interest Rate - 12.25%	< 1 Year	11	119,565,217	
	2 Year	12		130,434,783
Interest Rate - 12.50%	< 1 Year	18	143,982,766	
	2 Year	24		196,612,346
	3 Year	12		109,404,887
Interest Rate - 13.00%	< 1 Year	11	119,565,217	
	2 Year	12		130,434,783
Interest Rate - 13.75%	< 1 Year	24	157,354,959	
	2 Year	10		63,428,484
Repayable in Bullet				
Interest Rate - 13.75%	> 1 Year	1		500,000,000
Total			**540,468,159**	**1,130,315,283**

Terms of Repayment and Interest			Amount Outstanding (₹) March 31, 2015	
Rate of Interest	**Maturity**	**Instalments**	**Current**	**Non Current**
Borrowings from Others				
Repayable in Monthly Instalments				
Interest Rate - 11%	< 1 Year	12	20,658,120	
	2 Year	5		3,353,560
Interest Rate - 11.75%	< 1 Year	8	12,000,000	-
Interest Rate - 12.75%	< 1 Year	24	777,813,333	
	2 Year	17		481,413,336
Total			**810,471,453**	**484,766,896**
Repayable in Bullet				
Interest Rate - 10.25%	< 1 Year	2	333,333,333	
	2 Year	2		333,333,333
	3 Year	2		333,333,334
Total			**333,333,333**	**666,666,667**
Grand Total			**1,143,804,786**	**1,151,433,563**
Unsecured				
Borrowings from Others				
Repayable in Monthly Instalments				
Interest Rate - 4%	< 1 Year	6	57,400,000	-
Repayable in Bullet				
Interest Rate - 15%	> 3 Year	6	-	500,000,000
Total			**57,400,000**	**500,000,000**

Notes forming part of financial statements

Note 6 - Long-term provisions

		(Amount in ₹)
Particulars	**As at March 31, 2016**	**As at March 31, 2015**
(a) Provision - Others		
(i) Provision for receivables under financing activity		
Provision for standard assets (Refer Note 25.5)	128,480,354	58,873,439
Provision for non performing assets (Refer Note 25.5)	2,408,089	615,864
Total	**130,888,443**	**59,489,303**

Note 7 - Short-term borrowings

		(Amount in ₹)
Particulars	**As at March 31, 2016**	**As at March 31, 2015**
Cash credit from banks (Refer Note (i) below)	10,404,739	45,034,516
Total	**10,404,739**	**45,034,516**
Note: i) Cash credit from banks are secured by hypothecation of book debts		

Note 8 - Trade payables

		(Amount in ₹)
Particulars	**As at March 31, 2016**	**As at March 31, 2015**
Trade payables	151,876,163	117,838,474
Total	**151,876,163**	**117,838,474**

Notes forming part of financial statements

Note- 9 Other current liabilities

(Amount in ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
(a) Current maturities of non convertible debentures (Refer Note (i) below)	1,237,500,000	705,000,000
(b) Provision for gratuity (net) (Refer Note 26.1)	40,519,009	25,470,955
(c) Current maturities of long-term debt (Refer Note (i) below)	24,800,450,648	17,636,754,911
(d) Interest accrued but not due on borrowings	434,570,409	216,468,638
(e) Other payables		
(i) Statutory remittances	51,188,197	31,617,948
(ii) Security deposits from customers	1,337,902	9,514,589
(iii) Unclaimed security deposits from customers	13,352,327	13,756,512
(iv) Deposit from vendors	125,000	125,000
(v) Other payables	464,901,788	280,828,219
Total	**27,043,945,280**	**18,919,536,772**

Note (i) :Current maturities of long term debts

Particulars	As at March 31, 2016	As at March 31, 2015
(a) Non Convertible Debentures *		
Secured		
Nil (PY 330) 12.75% Secured Redeemable Non Convertible Debentures of ₹1,000,000/- each redeemable at par at the end of 2 years from the date of allotment August 30, 2013	-	330,000,000
500 (PY 750) 13.00% Secured Redeemable Non Convertible Debentures of ₹ 750,000/- each (PY ₹1,000,000/- each) ₹ 18.75 Crs by September 20, 2016 and ₹ 18.75 Crs by March 20, 2017 from the date of allotment March 20, 2015	187,500,000	375,000,000
40 (PY. 40) 12.75% Secured Redeemable Non Convertible Debentures of ₹10,000,000/- each redeemable at par at the end of 3 years from the date of allotment July 31, 2013	400,000,000	-
500 (PY. 500) 13.65% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000/- each redeemable at par at the end of 2 years from the date of allotment December 12, 2014 (Refer Note (i) below)	500,000,000	-
400 (PY.400) 13.25% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000/- each redeemable at par ₹ 15 Crs by December 26, 2016 and ₹ 25 Crores by December 26, 2017 from the date of allotment December 26,2014 (Refer Note (i) below)	150,000,000	-
Total	**1,237,500,000**	**705,000,000**

Contd...

Notes forming part of financial statements

Particulars	As at March 31, 2016	As at March 31, 2015
		(Amount in ₹)
(b) Term loans (Refer Note 5 (ii))		
From banks		
-Secured	21,628,337,476	15,895,081,966
From Non Banking Financial Companies		
-Secured	1,570,679,609	540,468,159
From other parties		
-Secured	1,601,433,563	1,143,804,786
-Unsecured	-	57,400,000
Total	**24,800,450,648**	**17,636,754,911**

*Debentures are secured by hypothecation of book debts.

Note -10 Short-term provisions

Particulars	As at March 31, 2016	As at March 31, 2015
		(Amount in ₹)
(a) Provision for employee benefits		
(i) Compensated absences	88,173,725	55,961,380
(b) Provision - Others		
(i) Provision for tax (net of advance tax ₹1,802,356,464/- (as at March 31, 2015 ₹ 927,200,486/-)	22,615,445	20,799,514
(ii) Provision for proposed equity dividend	59,120,653	43,066,485
(iii) Provision for tax on proposed equity dividend	12,035,574	8,767,323
(iv) Provision for receivables under financing activity		
Provision for standard assets (Refer Note 25.5)	389,828,600	279,813,055
Provision for non performing assets (Refer Note 25.5)	55,103,424	16,851,033
Total	**626,877,421**	**425,258,790**

Notes forming part of financial statements

Note 11 - Fixed assets

(Amount in ₹)

	Fixed Assets	Gross Block				Accumulated Depreciation & amortisation					Net Block	
		Balance as at April 1, 2015	Additions	Disposals	Balance as at March 31, 2016	Balance as at April 1, 2015	Depreciation / amortisation expense for the year	On disposals	Transition Adjustment recorded against surplus balance in statement of P/L **	Balance as at March 31, 2016	Balance as at March 31, 2016	Balance as at March 31, 2015
A	**Tangible Assets**											
	Computers	129,957,673	47,597,803	9,298,103	168,257,373*	65,640,639	34,645,666	8,842,706	-	91,443,599	76,813,774	64,317,034
		(76,230,070)	(62,191,672)	(8,464,069)	(129,957,673)*	(42,094,270)	(25,061,778)	(8,161,931)	(6,646,522)	(65,640,639)	(64,317,034)	(34,135,800)
	Leasehold improvements	39,823,658	8,989,200	1,128,422	47,684,436	20,479,345	8,708,436	1,112,599	-	28,075,182	19,609,254	19,344,313
		(37,002,646)	(11,566,644)	(8,745,632)	(39,823,658)	(22,787,993)	(5,715,743)	(8,024,391)	-	(20,479,345)	(19,344,313)	(14,214,652)
	Furniture and Fixtures	53,314,943	12,827,612	1,902,998	64,239,557	29,061,096	9,011,115	1,538,606	-	36,533,605	27,705,952	24,253,847
		(37,129,111)	(19,342,338)	(3,156,506)	(53,314,943)	(19,826,287)	(11,375,011)	(2,165,533)	(25,331)	(29,061,096)	(24,253,847)	(17,302,824)
	Vehicles	6,851,215	1,895,263	141,779	8,604,699*	989,546	1,015,322	141,761	-	1,863,107	6,741,592	5,861,669
		(2,415,507)	(6,133,009)	(1,697,301)	(6,851,215)*	(992,545)	(792,519)	(795,518)	-	(989,546)	(5,861,669)	(1,422,962)
	Office equipments	57,664,030	21,564,547	3,408,768	75,819,809*	29,145,063	13,244,970	2,910,494	-	39,479,539	36,340,270	28,518,967
		(41,173,672)	(19,409,046)	(2,918,688)	(57,664,030)*	(10,167,835)	(17,449,136)	(2,571,504)	(4,099,596)	(29,145,063)	(28,518,967)	(31,005,837)
	Total (A)	**287,611,519**	**92,874,425**	**15,880,070**	**364,605,874**	**145,315,689**	**66,625,509**	**14,546,166**	**-**	**197,395,032**	**167,210,842**	**142,295,830**
	Previous Year	**(193,951,006)**	**(118,642,709)**	**(24,982,196)**	**(287,611,519)**	**(95,868,930)**	**(60,394,187)**	**(21,718,877)**	**(10,771,449)**	**(145,315,689)**	**(142,295,830)**	**(98,082,075)**
B	**Intangible Assets- others**											
	Computer software	68,248,118	51,032,036	-	119,280,154	31,078,178	13,620,000	-	-	44,698,178	74,581,976	37,169,940
		(53,224,381)	(15,023,737)	-	(68,248,118)	(24,055,048)	(7,023,130)	-	-	(31,078,178)	(37,169,940)	(29,169,333)
	Total (B)	**68,248,118**	**51,032,036**	**-**	**119,280,154**	**31,078,178**	**13,620,000**	**-**	**-**	**44,698,178**	**74,581,976**	**37,169,940**
	Previous Year	**(53,224,381)**	**(15,023,737)**	**-**	**(68,248,118)**	**(24,055,048)**	**(7,023,130)**	**-**		**(31,078,178)**	**(37,169,940)**	**(29,169,333)**
	Total (A) + (B)	**355,859,637**	**143,906,461**	**15,880,070**	**483,886,028**	**176,393,867**	**80,245,509**	**14,546,166**	**-**	**242,093,210**	**241,792,818**	**179,465,770**
	Previous Year	**(247,175,387)**	**(133,666,446)**	**(24,982,196)**	**(355,859,637)**	**(119,923,978)**	**(67,417,317)**	**(21,718,877)**	**(10,771,449)**	**(176,393,867)**	**(179,465,770)**	**(127,251,408)**

1. * Net of grants received for purchase of computers ₹496,078/- (PY - ₹ 1,433,435/-), Vehicles NIL (PY - ₹ 887,720/-) and Office equipments ₹356,432/- (PY - ₹376,156/-)

2. ** In compliance with Companies Act 2013, carrying amount of the Asset shall be recognized in the opening balance of retained earnings where the remaining usefull life of an asset is NIL

3. All the tangible assets/ intangible assets are owned by the Company and are not on lease

4. Amounts within brackets represent previous year's figures.

Notes forming part of financial statements

Note 12 - Non-current investments

		(Amount in ₹)
Particulars	**As at March 31, 2016**	**As at March 31, 2015**
Trade investments, at cost (unquoted) in other entities		
Investment in equity instruments		
Alpha Micro Finance Consultants Pvt Ltd, 100,000 Equity shares (P.Y.100,000) of ₹10/- each fully paid up	1,000,000	1,000,000
Ujjivan Social Services Foundation		
1,000 Equity shares (P.Y. 1,000) of ₹10/- each at cost fully paid up	10,000	10,000
Total	**1,010,000**	**1,010,000**
Aggregate amount of unquoted investments	1,010,000	1,010,000

Note 13 Long-term loans and advances

(Unsecured, considered good unless otherwise stated)

		(Amount in ₹)
Particulars	**As at March 31, 2016**	**As at March 31, 2015**
(a) Capital advances	57,969,145	4,577,706
(b) Security deposits	83,151,683	56,575,847
(c) Employees loans and advances	9,468,463	7,303,678
(d) Prepaid expenses	4,799,462	-
(e) Other deposit	316,953	-
Total	**155,705,706**	**68,457,231**

Note 14 Other non current assets

(Unsecured, considered good unless otherwise stated)

		(Amount in ₹)
Particulars	**As at March 31, 2016**	**As at March 31, 2015**
(a) Receivable under financing activity (long-term) unsecured (Refer Note 25.5)		
Considered good	12,848,035,376	5,887,343,934
Considered doubtful	2,408,089	615,864
(b) Interest accrued on long term deposits	3,037,523	2,211,269
(c) Term deposits (more than 12 months maturity) *	188,057,726	94,891,201
Total	**13,041,538,714**	**5,985,062,268**

* Under lien against loans availed by the Company.

Notes forming part of financial statements

Note-15 Trade receivables under financing activity

(Amount in ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
Trade receivables outstanding for a period exceeding six months from the date they were due for payment (Refer Note 25.5)		
Secured, considered good	-	-
Unsecured, considered good	-	-
Doubtful	12,882,916	3,908,103
	12,882,916	**3,908,103**
Other trade receivables (Refer Note 25.5)		
Secured, considered good	-	-
Unsecured, considered good	37,717,973,114	26,276,105,683
Doubtful	62,580,134	18,936,801
	37,780,553,248	**26,295,042,484**
Total	**37,793,436,164**	**26,298,950,587**

i) Assets derecognised on account of securitization of receivables is ₹3,242,158,514/- (P.Y. ₹ 554,464,340/-)

Note - 16 Cash and Bank balances

(Amount in ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
I. Cash & cash equivalents		
a) Cash in hand	3,275,627	2,199,306
b) Balances with Banks		
(i) In Current account (Refer Note i below)	874,102,351	814,636,906
(ii) In deposit accounts with original maturity less than 3 months	3,590,000,000	5,561,000,000
	4,467,377,978	**6,377,836,212**
II. Other bank balances		
a) In earmarked deposits (Refer Note ii below)	445,280,265	70,000,000
	445,280,265	**70,000,000**
Total	**4,912,658,243**	**6,447,836,212**

Note

(i) Balance with banks of ₹13,548,937/- (P.Y. ₹14,110,750/-) is used only for repayment of Security deposit of customers.

(ii) Under lien against loans availed by the Company.

Notes forming part of financial statements

Note 17 Short-term loans and advances

		(Amount in ₹)
Particulars	**As at March 31, 2016**	**As at March 31, 2015**
(a) Deposits - Unsecured, considered good	1,049,456	639,058
(b) Loans and advances		
Unsecured, considered good	32,617,290	31,553,095
Unsecured, considered doubtful	2,070,307	1,574,593
	34,687,597	**33,127,688**
Less: Provision for doubtful loans and advances	2,070,307	1,574,593
	32,617,290	**31,553,095**
(c) Prepaid expenses	22,489,322	12,029,779
(d) Other advances *		
Unsecured, considered good	240,644,451	162,399,606
Unsecured, considered doubtful	3,429,707	5,780,476
	244,074,158	**168,180,082**
Less: Provision for doubtful advances	3,429,707	5,780,476
	240,644,451	**162,399,606**
Total	**296,800,519**	**206,621,538**

* Includes advance for expenses and amounts towards collateral for securitisation of receivables.

Note 18 Other current assets

		(Amount in ₹)
Particulars	**As at March 31, 2016**	**As at March 31, 2015**
(a) Interest accrued on		
(i)Fixed deposits	16,713,815	20,745,624
(ii)Receivables under financing activity	571,597,723	400,254,458
(b) Accrued income	1,169,497	1,404,089
Total	**589,481,035**	**422,404,171**

Notes forming part of financial statements

Note 19 Income from Operations

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Interest on loans	9,309,641,501	5,508,316,784
Loan processing fees	708,085,628	472,722,340
Other financial services	54,779,399	12,125,910
Total	**10,072,506,528**	**5,993,165,034**

Note 20 Other Income

(Amount in ₹)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Interest on fixed deposits	88,606,249	68,374,237
Profit on sale of current investments	87,318,455	44,659,163
Fee income, other than financing activity	4,464,716	1,547,797
Profit on sales of fixed assets (net)	545,209	-
Miscellaneous income	22,664,682	11,054,360
Total	**203,599,311**	**125,635,557**

Note 21 Employee benefits expense

(Amount in ₹)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Salaries and wages (net)	1,692,389,530	1,148,753,295
Expenses on employee stock option	6,029,871	-
Contributions to provident and other funds (Refer Note 26.1)	132,625,907	90,768,740
Staff welfare expenses	135,461,842	88,173,523
Total	**1,966,507,150**	**1,327,695,558**

Notes forming part of financial statements

Note 22 Administrative and Other expenses

(Amount in ₹)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Electricity & water charges	20,459,544	15,066,067
Rent	121,422,881	92,189,270
Donation	2,500,000	500,000
Repairs & maintenance		
Buildings	4,047,911	4,392,249
Others	50,006,386	18,088,563
Security & house keeping expenses	37,312,677	25,777,246
Office maintenance	14,132,345	13,972,758
Insurance	3,904,527	4,808,570
Rates & taxes	52,700,249	16,172,026
Audit fees (Refer Note (i) below)	2,926,412	2,171,901
Professional charges	230,258,761	116,018,207
Sitting fee	4,480,275	1,077,727
Postage & courier	31,815,262	21,293,039
Printing & stationery	49,950,441	38,901,974
Recruitment expenses	12,095,434	10,487,042
Telephone charges	67,305,732	34,891,794
Training & conference charges	32,791,035	45,418,764
Travelling & conveyance expenses	220,000,572	148,604,603
Expenditure on Corporate social responsibility (Refer Note 29)	17,778,393	14,664,484
Advances written off	11,083,329	928,190
Less: Provision reversed	2,519,639 8,563,690	- 928,190
Fixed Assets Written off	87,407	852,563
Loss on sale of fixed assets (net)	-	432,585
Provision for other advances	664,584	1,842,465
Miscellaneous expenses	36,541,138	25,719,304
Total	**1,021,745,656**	**654,271,391**

Note (i)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
(i) Payments to the auditors comprises (net of service tax input credit)		
Audit services	1,900,000	1,500,000
Tax audit	300,000	300,000
Other attest services	500,000	150,000
Reimbursement of expenses and levies	226,412	221,901
Total	**2,926,412**	**2,171,901**
Services related to IPO adjusted against securities premium	5,375,000	-

Notes forming part of financial statements

Note 23 Finance costs

(Amount in ₹)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
(a) Interest expense on		
(i) Borrowings	4,075,589,047	2,551,522,441
(ii) Others	4,057,944	461,078
(b) Loan processing fees, bank charges and other related costs	155,351,791	161,823,445
Total	**4,234,998,782**	**2,713,806,964**

Note 24 Provision / write off for receivables under financing activity

(Amount in ₹)

Particulars	Year ended March 31, 2016		Year ended March 31, 2015	
Bad debts written off	33,055,547		16,050,087	
Less: Provision reversed	(14,100,092)	18,955,455	(10,078,002)	5,972,085
Provision for receivables under financing activities		233,767,169		204,504,597
Total		**252,722,624**		**210,476,682**

Notes forming part of financial statements

25.1 Contingent liabilities and commitments (to the extent not provided for)

(Amount in ₹)

	Particulars	As at March 31, 2016	As at March 31, 2015
(i)	Contingent liabilities		
	(a) Disputed taxes – Service tax	4,226,041	4,226,041
(ii)	Commitments		
	a) Estimated amount of contracts remaining to be executed on capital account and not provided for		
	Tangible assets	1,266,650	1,725,895
	Intangible assets	86,030,000	2,800,000

During the year, the Company had received demand order from service tax authorities against show cause notices received in earlier years. The Order pertains to applicability of service tax on securitisation. The amount of service tax demand aggregated to ₹42,26,041/- (plus penalty and interest, as applicable). The Company had filed appeal against the demand order with The Commissioner of Service Tax (Appeals) and has deposited ₹3,16,953/- (amounting to 7.5% of the demand) as pre deposit against demand. 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, 2016.

25.2 Earnings in foreign currency - ₹ Nil (PY - Nil)

25.3 Expenditure in foreign currency - ₹ Nil (PY - Nil)

25.4 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days at the Balance Sheet date. The above information regarding Micro Enterprises and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

25.5 Asset Classification & Provisioning:

The Company follows Prudential Norms of the Reserve Bank of India (RBI) with regard to classification in respect of all loans extended to its customers. Loans where the installment is overdue for a period of ninety days or more or on which interest amount remained overdue for a period of ninety days or more is treated as Non performing assets.

The Company complies with the prudential norms of the Reserve Bank of India (RBI) with regard to income recognition, asset classification and provisioning. The Company is following provisioning norms as recommended vide DNBS.CC.PD. No.250/03.10.01/2011-12 dated 2 December 2011, DNBS.PD/CC.No. 263/03.10.038/2011-12 dated 20 March 2012 and DNBS. (PD).CC. No. 347 /03.10.38/2013-14 dated 1 July 2013.

Accordingly the Company in line with guidelines laid down under the DNBS(PD)CC.No.347/30.10.038/ 2013-14 dated July 01,2013 has provided 1% of the total outstanding portfolio as at March 31, 2016. The Company has made ₹69,381,671/- in addition to the above mentioned RBI norms

Classification of Loans and provision made for Standard / sub standard / doubtful / loss assets are as given below:

Contd...

Notes forming part of financial statements

		(Amount in ₹)
Classification of Assets	**As at March 31, 2016**	**As at March 31, 2015**
Standard assets	50,566,008,490	32,163,449,617
Sub-standard assets	40,719,252	11,987,744
Doubtful assets	37,151,887	11,473,025
Total	**50,643,879,629**	**32,186,910,386**
Note: 14 Non current- Receivable under financing activity- Standard assets	12,848,035,376	5,887,343,934
Note: 14 Non current-Receivable under financing activity- Non performing assets	2,408,089	615,864
Note-15 Current-Trade receivables under financing activity- Standard assets	37,780,553,248	26,295,042,485
Note-15 Current-Trade receivables under financing activity- Non performing assets	12,882,916	3,908,103
Total	**50,643,879,629**	**32,186,910,386**

Provision	**As at March 31, 2016**	**As at March 31, 2015**
Standard assets	518,308,954	338,686,494
Sub-standard assets	20,359,626	5,993,872
Doubtful assets	37,151,887	11,473,025
Total	**575,820,467**	**356,153,391**
Note: 6 Long term -Provision for standard assets	128,480,354	58,873,439
Note: 6 Long term -Provision for non performing assets	2,408,089	615,864
Note: 10 Short term -Provision for standard assets	389,828,600	279,813,055
Note: 10 Short term -Provision for non performing assets	55,103,424	16,851,033
Total	**575,820,467**	**356,153,391**

25.6 Disclosure Pursuant to Reserve Bank of India Notification DNBS.200/CGM (PK)-2008 dated 1st August 2008

(i) **Capital to Risk asset ratio**

		(Amount in ₹)
Particulars	**As at March 31, 2016**	**As at March 31, 2015**
Tier I Capital	11,627,627,471	7,161,215,820
Tier II Capital	918,308,954	838,686,494
Total	**12,545,936,425**	**7,999,902,314**
Total Risk Weighted Assets	51,970,023,492	33,005,824,940
Capital Ratios		
Tier I Capital as a percentage of Total Risk Weighted Assets (%)	22.37%	21.70%
Tier II Capital as a percentage of Total Risk Weighted Assets (%)	1.77%	2.54%
Total Capital (%)	**24.14%**	**24.24%**

Contd...

Notes forming part of financial statements

(ii) **Exposure to Real Estate Sector**

Direct exposure towards residential mortagages

		(Amount in ₹)
Particulars	**As at March 31, 2016**	**As at March 31, 2015**
Lending fully secured by mortagages on residential property	206,998,803	3,200,000

(iii) **Exposure to Capital Market**

The Company does not have any exposure to Capital Market as at March 31, 2016

(iv) **Maturity Pattern of Assets and Liabilities**

Maturity pattern of certain items of assets and liabilities as on March 31, 2016

				(Amount in ₹)
Particulars	**Liabilities**		**Assets**	
	Borrowings from Banks and others	**Market Borrowings**	**Advances**	**Investments**
Up to one month	1,980,620,579	-	3,928,648,874	-
Over one month to 2 months	1,668,844,678	-	4,052,451,811	-
Over 2 months up to 3 months	1,882,716,148	-	3,912,544,355	-
Over 3 months up to 6 months	7,879,751,912	-	10,700,465,760	-
Over 6 months to 1 year	12,813,517,723	-	15,199,325,364	-
Over 1 year to 3 years	16,020,794,482	-	12,695,897,401	-
Over 3 years to 5 years	1,123,308,157	-	80,843,434	-
Over 5 years	-	-	73,702,630	1,010,000
Total	**43,369,553,679**	**-**	**50,643,879,629**	**1,010,000**

Notes:

1. The above borrowing excludes interest accrued but not due.

2. The above information has been considered as per the Asset Liability Management (ALM) Report compiled by the Management and reviewed by the ALM committee.

Notes forming part of financial statements

25.7 Additional disclosure

Disclosure of frauds reported during the year vide DNBS PD.CC NO. 256 / 03.10.042 / 2012 -13 dated March 02, 2012

March 31, 2016

	Less than ₹ 1 lakh		₹ 1 to ₹ 5 lakhs		₹ 5 - 25 lakhs		Total	
	No. of Accounts	Value ₹	No. of Accounts	Value ₹	No. of Accounts	Value ₹	No. of Accounts	Value ₹
A) Person involved								
Staff	659	3,194,706	-	-			659	3,194,706
Customer								
Staff and customer								
Total	**659**	**3,194,706**	**-**	**-**	**-**	**-**	**659**	**3,194,706**
B) Type of fraud								
Misappropriation and criminal breach of trust	659	3,194,706	-	-			659	3,194,706
Fraudulent encashment / Manipulation of books of accounts								
Unauthorised credit facility extended								
Cheating and forgery								
Total	**659**	**3,194,706**	**-**	**-**	**-**	**-**	**659**	**3,194,706**

March 31, 2015

	Less than ₹ 1 lakh		₹ 1 to ₹ 5 lakhs		₹ 5 - 25 lakhs		Total	
	No. of Accounts	Value ₹	No. of Accounts	Value ₹	No. of Accounts	Value ₹	No. of Accounts	Value ₹
A) Person involved								
Staff	437	1,411,065					437	1,411,065
Customer								
Staff and customer								
Total	**437**	**1,411,065**	**-**	**-**	**-**	**-**	**437**	**1,411,065**
B) Type of fraud								
Misappropriation and criminal breach of trust	437	1,411,065					437	1,411,065
Fraudulent encashment / Manipulation of books of accounts								
Unauthorised credit facility extended								
Cheating and forgery								
Total	**437**	**1,411,065**	**-**	**-**	**-**	**-**	**437**	**1,411,065**

Note:

The above summary is prepared based on the information available with the Company and relied upon by the auditors.

25.8 Disclosure as required under DNBS (PD) CC. No. 300 / 03.10.038/2012-13 dated August 3, 2012 .

Margin Cap of the Company as on 31 March 2016 is 9.96%. This has been computed as suggested by MFIN in their representation to The Reserve Bank of India dated August 29, 2012 (Subject reference : RBI/2012-13/161 ONBS (PO) CC.No.300 /03.10.038/2012-13. dated August 3, 2012).

25.9 Disclosure as required under DNBR (PD) CC. No. 002 / 03.10.001/2014-15 dated November 10, 2014.

25.9.1 Concentration of Advances

(Amount in ₹)

Particulars	March 31, 2016	March 31, 2015
Total Advances to twenty largest borrowers	19,084,909	11,546,325
Percentage of Advances to twenty largest borrowers to Total Advances	0.03%	0.02%

25.9.2 Concentration of Exposures

(Amount in ₹)

Particulars	March 31, 2016	March 31, 2015
Total Exposure to twenty largest customers	18,839,843	11,083,898
Percentage of Exposures to twenty largest customers to Total Exposure on customers	0.04%	0.04%

25.9.3 Concentration of NPAs

(Amount in ₹)

Particulars	March 31, 2016	March 31, 2015
Total Exposure to top four NPA accounts	385,539	562,799

25.9.4 Sector-wise NPAs

(Amount in Percentage)

Particulars	March 31,2016	March 31,2015
Agriculture & allied activities	0.09%	0.04%
MSME	-	-
Corporate borrowers	-	-
Services	-	-
Unsecured personal loans	0.12%	0.06%
Auto loans	-	-
Other personal loans	0.47%	0.23%

25.9.5 Movement of NPAs

Particulars	March 31, 2016	March 31, 2015
(i) Net NPAs to Net advances (%)	0.04%	0.02%
Movement of NPAs (Gross)		
(a) Opening balance	23,460,769	11,840,239
(b) Additions during the year	144,266,164	35,872,502
(c) Reductions during the year	89,855,795	24,251,972
(d) Closing balance	77,871,138	23,460,769
Movement of Net NPAs		
(a) Opening balance	5,993,872	2,235,217
(b) Additions during the year	72,109,259	17,936,251
(c) Reductions during the year	57,743,506	14,177,596
(d) Closing balance	20,359,625	5,993,872
Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	17,466,897	9,605,022
(b) Provisions made during the year	72,156,905	17,936,251
(c) Write-off / write-back of excess provisions	32,112,289	10,074,376
(d) Closing balance	57,511,513	17,466,897

25.9.6 During the period there are no instances of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeding the sanctioned limit or outstanding or entire outstanding whichever is higher.

25.9.7 During the period company has not given any advances with intangible collateral such as charge over the rights, licenses, authority etc.

25.9.8 Registration obtained from other financial sector regulators

During the period the company has not obtained any registrations from other financial regulators.

25.9.9 Penalties imposed by RBI and other regulators

During the period there is no penalties imposed by RBI and other regulators.

Notes forming part of financial statements

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

Particulars	Rating Assigned
1. MFI Grading	CRISIL MFR 1
2. Long Term Bank Facilities /Non covertible Debentures	Long Term Borrowing ₹ 3500 Crs - CARE A NCD_100 Crs CARE A NCD_100 Crs CARE A NCD_100 Crs CARE A NCD_40 Crs CARE A NCD_60 Crs CARE A NCD_50 Crs ICRA A (Stable) NCD_40 Crs ICRA A - (Stable) NCD_75 Crs ICRA A - (Stable)
3. Short Term Bank Facilities / Commercial Paper	50 Crs CRISIL A1
4. Securitization Transantions	1.Oread PTC Series A1 - ICRA A-(SO) PTC Series A2 - ICRA BBB+(SO) 2. Saika PTC Series A1 - ICRA A+(SO) PTC Series A2 - ICRA A-(SO) 3. Opalina PTC Series A - ICRA A- (SO) 4.Hoshi PTC Series A - ICRA A (SO) 5. Phoibe PTC Series A - ICRA A (SO) 6. Megumi PTC Series A1 - ICRA A (SO) 7. Juventas PTC Series A1 - ICRA A (SO) PTC Series A2 - ICRA BBB+(SO)

25.9.11 Disclosure of Customer/Borrrower Complaints

Particulars	March 31, 2016	March 31, 2015
No. of complaints pending at the beginning of the year	11	13
No. of complaints received during the year	2,200	1,433
No. of complaints redressed during the year	2,197	1,435
No. of complaints pending at the end of the year	14	11

Notes forming part of financial statements

25.9.12 Provisions and Contingencies (shown under the head Expenditure in Statement of Profit and Loss)

(Amount in ₹)

Particulars	March 31, 2016	March 31, 2015
Provisions for depreciation on Investment	-	-
Provision for NPA	72,156,905	17,936,251
Provision for Standard Assets	161,610,264	186,568,346
Provision for Income tax	1,038,000,000	470,000,000
Provision for Doubtful Advances	664,584	1,842,465

25.9.13 Investments

(Amount in ₹)

Particulars	March 31,2016	March 31,2015
Value of Investments		
(i) Gross Value of Investments		
(a) In India	1,010,000	1,010,000
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	1,010,000	1,010,000
(b) Outside India.	-	-
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	-	-
(iv) Closing balance	-	-

25.9.14 Derivatives:

The Company has no transactions / exposure in derivatives in the currrent period and previous year.

Note 26 Disclosures under Accounting Standards

26.1 Employee Benefits:

The details of employee benefits are as given below:

I Defined Contribution Plans

During the year, the Company has recognized the following amounts in the statement of profit and loss

(Amount in ₹)

Particulars	Year ended March 31,2016	Year ended March 31,2015
Employers' Contribution to Provident & Pension Fund	92,106,898	60,211,165
Employers' Contribution to ESI	32,969,687	25,644,353

Notes forming part of financial statements

II Defined Benefit Plan

Contribution to Gratuity Fund:

Details of defined benefit plan of gratuity are given below:

(Amount in ₹)

Particulars	As at March 31,2016	As at March 31,2015
Components of employer expense		
Current Service cost	24,768,187	20,212,119
Interest cost	5,865,822	4,052,181
Expected return on plan assets	(5,224,440)	(5,074,490)
Actuarial Losses/(Gains)	15,109,440	11,367,765
Total expense/(income) recognized in the Statement of Profit & Loss	**40,519,009**	**30,557,575**
Actual Contribution and Benefit Payments for the Year ended		
Actual benefit payments	(5,966,535)	(3,850,213)
Actual Contributions	25,470,955	19,813,137
Change in Defined Benefit Obligation (DBO) during the year ended		
Present Value of DBO at the beginning of the year	80,986,224	54,278,862
Current service cost	24,768,187	20,212,119
Interest cost	5,865,822	4,052,181
Actuarial (gains)/losses	19,586,392	6,293,275
Actual return on plan assets	-	-
Benefits paid	(5,966,535)	(3,850,213)
Present Value of DBO at the end of the year	**125,240,090**	**80,986,224**

(Amount in ₹)

Particulars	As at March 31,2016	As at March 31,2015
Net asset/(liability) recognized in balance sheet as at		
Fair value of plan assets	84,721,081	55,515,269
Present Value of Defined Benefit Obligation	(125,240,090)	(80,986,224)
Excess of plan assets over present value of obligation	-	-
Net (liability) recognized in balance sheet	(40,519,009)	(25,470,955)
Prasent Value of DBO at the end of the year		
Current Liability	(40,519,009)	(25,470,955)
Non current liability	-	-
Change in Fair Value of Assets during the year ended		
Plan assets at the beginning of the year	55,515,269	39,552,345
Expected return on plan assets	5,224,440	5,074,490
Actuarial gain/(loss)	4,476,952	(5,074,490)
Actual Company Contributions	25,470,955	19,813,137
Benefit Paid	(5,966,535)	(3,850,213)
Plan assets at the end of the year	**84,721,081**	**55,515,269**

Contd...

Notes forming part of financial statements

		(Amount in ₹)
Particulars	**As at March 31,2016**	**As at March 31,2015**
Actuarial Assumptions		
Discount Rate	7.52%	7.74%
Expected Return on plan assets	8.00%	8.00%
Rate of increase in compensation	12.50%	10.00%
Attrition rate	18.41%	17.32%
Retirement age	60	60

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

Information of investment details of plan assets are not available hence not disclosed.

				(Amount in ₹)
Particulars	**As at March 31, 2016**	**As at March 31, 2015**	**As at March 31, 2014**	**As at March 31, 2013**
Defined Benefit Obligation at end of the year	125,240,090	80,986,224	54,278,862	38,848,414
Plan Assets at end of the period	84,721,081	55,515,269	39,552,345	21,225,930
Funded Status - Assets/ (Liabilities)	(40,519,009)	(25,470,955)	(14,726,517)	(17,622,484)
Experience Gain/(Loss) adjustments on plan liabilities	19,586,392	6,293,275	(340,486)	(340,486)
Experience Gain/(Loss) adjustments on plan Assets	4,476,951	5,074,490	29,246	299,427
Actuarial Gain/(Loss) due to change on assumptions	-	34,575,013	103,246	103,246

In absence of details relating to experience adjustment for the periods prior to March 2013 and expected future cash flow the same are not furnished.

III Other Long term employee benefits – Compensated absences

Details relating to experience adjustment and expected future cashflow is given below

		(Amount in ₹)
Particulars	**Year ended March 31,2016**	**Year ended March 31,2015**
Charge in statement of Profit & Loss	42,700,012	27,808,935
Liability as at the period end	88,173,725	55,961,380
Actuarial Assumptions		
Discount Rate	7.52%	7.74%
Rate of increase in compensation	12.50%	10.00%
Attrition rate	18.41%	17.32%
Retirement age	60	60

26.2 Segment Reporting

The company's business segment is micro finance services and the principal geographical segment is India. Accordingly no separate disclosure is required to be made under accounting standard 17, Segment Reporting

Notes forming part of financial statements

26.3 Related Party Disclosure

A. List of Related Parties are Given below:

Key Management Personnel	Mr. Samit Ghosh , Managing Director
	Mrs. Sudha Suresh, Chief Financial Officer
	Mr. Sanjeev Barnwal, Company Secretary
Enterprises owned by Key Management Personnel	Parinaam Foundation
	Ujjivan Social Services Foundation

B. Transactions with Related Parties during the year

(Amount in ₹)

Particulars	Key Management Personnel	
	March 31, 2016	March 31, 2015
Remuneration:		
Mr. Samit Ghosh		
- Salary	7,378,214	7,255,064
- Perquisite - ESOP	20,864,688	-
Mrs. Sudha Suresh		
- Salary	4,968,015	4,355,182
- Perquisite - ESOP	5,014,123	-
Mrs. Suhasini Ashok (upto August 31, 2014)	-	542,816
Mr. Sanjeev Barnwal (with effect from September 1, 2014)	2,146,996	1,178,236

Enterprises owned by Key Management Personnel

(Amount in ₹)

Particulars	March 31, 2016	March 31, 2015
Parinaam Foundation		
Amount received towards reimbursement of expenses	2,540,492	7,278,705
Donations paid	2,500,000	500,000
Ujjivan Social Services Foundation		
Investment in shares	-	-

C. Outstanding balance with related parties

(Amount in ₹)

Outstanding Balance with key managerial personnel	As at March 31, 2016	As at March 31, 2015
Due to Mr. Samit Ghosh	89,250	357,000
Due to Mrs. Sudha Suresh	60,375	210,000
Due to Mrs. Suhasini Ashok	-	26,273
Due to Mr. Sanjeev Barnwal	-	24,471
Outstanding balance with enterprises owned by Key Management Personnel		
Due from Parinaam Foundation	-	-

26.4 **Details of leasing arrangements**

The Company has taken on operating lease certain facilities and office premises for a period ranging from 11 months to 120 months which are non-cancellable for the period as reflected in the respective agreements. These lease agreements provide for increase in the lease payments by 10% to 15% over the period as mentioned in the agreements. The total minimum lease payments for the current period, in respect of operating leases, included under rent, aggregates to ₹121,422,881/- (P.Y. ₹92,189,270-)

The future lease payments in respect of the above are as follows:

(Amount in ₹)

Particulars	Year ended March 31,2016	Year ended March 31,2015
Not later than one year	133,266,252	43,061,728
Later than one year but not later than five years	296,513,939	58,774,804
Later than 5 years	177,805,085	-

26.5 **Earnings per share**

Particulars	Year ended March 31,2016	Year ended March 31,2015
Net profit / (loss) after tax (₹)	1,772,187,778	757,887,961
Weighted average shares outstanding – Basic (Nos.)	88,102,590	67,427,464
Weighted average shares outstanding – Diluted (Nos.)	92,366,982	71,375,884
Earnings / (loss) per share – Basic (₹)	20.12	11.24
Earnings / (loss) per share – Diluted (₹)	19.19	10.62

26.6 **Other ratios are indicated below**

Particulars	As at March 31,2016	As at March 31,2015
Debt Service Ratio	0.11	0.07
Interest Coverage Ratio	1.67	1.45
Debt Equity Ratio	3.86	4.46

Notes forming part of financial statements

26.7 **Deferred Tax**

In accordance with Accounting Standard -22 "Accounting for Taxes on Income", the company has recognized ₹87,961,905/- (PY ₹80,802,636/-) as deferred tax credit as detailed below:

(Amount in ₹)

Particulars	Deferred Tax (Assets) / Liabilities as on April 1, 2015	Current period (credit) / charge	Deferred Tax (Assets) / Liabilities as on March 31, 2016
Difference between book and tax depreciation	(1,548,897)	6,524,091	4,975,194
Provision for Employee benefits	(27,678,851)	(16,859,130)	(44,537,981)
Provision for doubtful assets/standard assets	(123,556,526)	(77,626,866)	(201,183,392)
Net Deferred Tax (Asset) / Liability	**(152,784,274)**	**(87,961,905)**	**(240,746,179)**

26.8 **Information on dividend for the year ended 31 March 2016**

The Board of Directors recommend a final dividend of ₹0.50 per equity share for the financial year ended March 31, 2016. The payment is subject to approval of the share holders in the ensuing Annual General Meeting of the Company as per the share holdings as on the book closure date. However, the Company has made provision in the books amounting to ₹59,120,653/- based on share holdings as on 13 May 2016.

26.9 **Initial Public Offer/Listing**

The company has issued and allotted 17,055,277 shares at ₹10 each at a premium of ₹200 per share subsequent to the year end by way of Initial Public Offer(IPO). The shares of the company have been listed in National Stock Exchange and Bombay Stock Exchange subsequent to the IPO.

27 **Employee Stock Option Plan**

The Company has established Employee Stock Option Plan (ESOP) for compensation to its employees, being ESOP 2006, ESOP 2007, ESOP 2008 and ESOP 2010.

The guidance note issued by the Institute of Chartered Accountants of India requires the disclosure of pro forma net results and Earnings Per Share (EPS) both basic & diluted, had the Company adopted the fair value method amortising the stock compensation expense thereon over the vesting period, the reported profit for the year ended March 31, 2016 would have been lower by ₹28,081,792/-and the basic and diluted EPS would have been revised to ₹19.80/- and ₹18.88/- respectively.

Option activity under the plans is as given as below:

Particulars	Number	
	March 31,2016	March 31,2015
Options granted, beginning of year	3,948,420	4,138,088
Granted during the year	1,469,800	-
Exercised during the year	817,002	-
Forfeited/Expired during the year	336,826	189,668
Options granted, as of March 31,2016	4,264,392	3,948,420
Option exercisable at the year end	2,578,271	2,312,633
Weighted average of remaining contractual life (years) at the year end	1.11	2.09

Notes forming part of financial statements

28 As per RBI guidelines on Securitisation DNBR (PD) CC. No.002/03.10.001/2014-15 dated November 10, 2014 the details of securitisation are given below:

Particulars	March 31,2016	March 31,2015
	Numbers/Amount (₹)	Numbers/Amount (₹)
No of SPVs sponsored by the NBFC for securitisation transactions	7	3
Total amount of securitised assets as per books of the SPVs Sponsored	3,942,200,847	836,401,002
Total amount of exposures retained by the NBFC to comply with MRR as on the date of Balance sheet		
a) Off-balance sheet exposures		
First loss	246,531,114	-
Others		
b)On-balance sheet exposures		
First loss	199,180,491	66,047,037
Others		
Amount of exposures to securitisation transactions Other than MRR		
a) Off-balance sheet exposures		
i)Exposure to own securitizations		
First loss	NIL	NIL
Loss	NIL	NIL
ii)Exposure to third party securitisations		
First loss	NIL	NIL
Others	NIL	NIL
b) On-balance sheet exposures		
i)Exposure to own securitisations		
First loss	NIL	NIL
Others	NIL	NIL
ii) Exposure to third party securitisations		
First loss	NIL	NIL
Others	NIL	NIL

28.1 Details of Financial Assets sold to Securitisation Company

(Amount in ₹)

Particulars	March 31,2016	March 31,2015
No. of accounts	311,925	92,572
Aggregate value of accounts sold to Securitisation Company	3,942,200,847	836,401,002
Aggregate Consideration	3,694,171,165	817,732,668
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Quantum of credit enhancement in the form of deposits	199,180,491	47,378,703
Aggregate gain /(loss) over net book value excluding service fee	52,870,277	11,909,768

Notes forming part of financial statements

29 Corporate Social Responsibility

a) Gross amount required to be spent by the company during the year ended March 31, 2016 ₹ 16,500,523/- (PY ₹9,012,511/-)

b) Amount spent during the year on:

Particulars	In Cash	Yet to be paid in Cash	Total
Construction/acquisition of any asset	14,226,398	-	14,226,398
On purposes other than above	3,551,995	-	3,551,995

Amount spent during the year 2014-15 on:

Particulars	In Cash	Yet to be paid in Cash	Total
Construction/acquisition of any asset	12,659,621	-	12,659,621
On purposes other than above	2,004,863	-	2,004,863

30 Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current year classification / disclosure.

For and on behalf of the Board of Directors

Samit Ghosh
Managing Director

Sunil Patel
Director

Sanjeev Barnwal
Company Secretary

Sudha Suresh
Chief Financial Officer

Place: Bangalore
Date: 25 May 2016

Schedule to the Balance Sheet of Ujjivan Financial Services Limited (Formerly Ujjivan Financial Services Private Limited)- a Non Deposit taking Non Banking Financial Company

(as required in terms of Paragraph 13 of Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015)

₹ in lakhs

	Particulars		
	Liabilities side	**Amount outstanding**	**Amount Overdue**
(1)	**Loans and advances availed by the Non Banking finance company inclusive of interest accrued thereon but not paid**		
	a) Debentures -Secured	52,750	NA
	- Unsecured	Nil	NA
	(other than falling within the meaning of public deposits)		
	b) Deferred Credits	Nil	NA
	c) Term Loans	380,946	Nil
	d) Inter corporate Loans and borrowing	Nil	NA
	e) Commercial Paper	Nil	NA
	e) Public Deposit	NA	NA
	f) Other loans (Cash credit from banks)	104	NA
	Assets Side	**Amount outstanding**	
(2)	**Break up of Loans and advances including Bills Receivables (Other than those included in 4 below:)**		
	a) Secured	Nil	
	b) Unsecured:		
	i) Long term loans and advances	1,557	
	ii) Receivable from financing activities	506,439	
	iii) Short term loans and advances	2,968	
	iv) Other current assets	5,895	
	v)Other non current assets	1,911	
(3)	**Break up of Leased assets and stock on hire and other assets counting towards AFC activities**		
	(i) Lease assets including lease rentals under Sundry Debtors		
	(a) Financial Lease		Nil
	(b) Operating Lease		Nil
	(ii) Stock on assets including hire charges under Sundry Debtors		
	a) Assets on Hire		Nil
	b) Repossessed Assets		Nil
	(iii) Other loans counting towards AFC activities		
	a) Loans where assets have been repossessed		Nil
	b)Loans other than (a) above		Nil

			₹ *in lakhs*
	Particulars		
(4)	**Break up of Investments**		
	Current Investments	Nil	Nil
	1. Quoted		
	(i) Shares - a Equity		
	b Preference		
	(ii) Debentures and bonds		
	(iii) Units of mutual funds		
	(iv) Government Securities		
	(v) Others		
	2. Unquoted		
	(i) Shares - a Equity		
	b Preference		
	(ii) Debentures and bonds		
	(iii) Units of mutual funds		
	(iv) Government Securities		
	(v) Others		
	Long term investments	Nil	Nil
	1.Quoted		
	(i) Shares - a Equity		
	b Preference		
	(ii) Debentures and bonds		
	(iii) Units of mutual funds		
	(iv) Government Securities		
	(v) Others		
	2. Unquoted		
	(i) Shares - a Equity	10	Nil
	b Preference		
	(ii) Debentures and bonds		
	(iii) Units of mutual funds		
	(iv) Government Securities		
	(v) Others		

Particulars				
(5)	**Borrower Group wise classification of assets financed as in (2) & (3) above**			
	Please see note 2 below			
	Category	**Amount Net of Provisions**		
		Secured	**Unsecured**	**Total**
	(i) Related parties**			
	a Subsidiaries	Nil	Nil	Nil
	b Companies in the Same Group	Nil	Nil	Nil
	c Other related parties	Nil	Nil	Nil
	2. Other than related parties	-	500,681	500,681
	Total	**-**	**500,681**	**500,681**

Ujjivan Financial Services Ltd.

(6) Investor Group wise classification of all investments(Current and long term) in shares and securities (both quoted and unquoted) please see note 3 below			
	Category	**Market value/Breakup or fair value or NAV**	**Book Value (Net of Provisions)**
	(i) Related parties**	Nil	Nil
	a Subsidiaries	Nil	Nil
	b Companies in the Same Group	Nil	Nil
	c Other related parties	Nil	Nil
	2. Other than related parties	Nil	10
	Total	**Nil**	**10**

** As per accounting standard of ICAI (Please see note 3)

(7) Other information

	Particulars	**Amount**
	(i)Gross Non performing Assets	
	a. Related parties	Nil
	b. Other than related parties	779
	(ii)Net Non performing Assets	
	a. Related parties	Nil
	b. Other than related parties	204
	(iii)Assets acquired in satisfaction of debt	Nil

Notes:

1. As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance in public Deposit (Reserve Bank) Directions,1998.

2. Provisioning norms shall be applicable as prescribed in Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015.

3. All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4) above.

For and on behalf of the Board of Directors

Samit Ghosh
Managing Director

Sunil Patel
Director

Ujjivan Financial Services Ltd.

Sanjeev Barnwal
Company Secretary

Sudha Suresh
Chief Financial Officer

Place: Bangalore
Date: May 25, 2016

To,

The Shareholder of Ujjivan Financial Services Limited

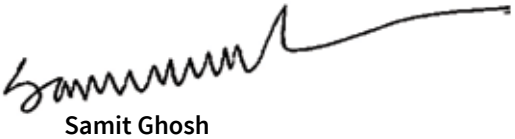
Dear Member,

You are cordially invited to attend the 12th Annual General Meeting of the members of Ujjivan Financial Services Limited ('the Company') to be held on **Wednesday, August 10, 2016 at 02:30 P.M**., at Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India.

The Notice of the meeting, containing the business to be transacted, is enclosed. As per section 108 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014 as amended, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing the e-voting facility to its Members holding shares in physical or dematerialized form, as on the **cut-off date, being Wednesday, August 03, 2016**, to cast their vote through electronic means on all resolutions set forth in the Notice. The instructions for e-voting are enclosed herewith.

Yours Truly

For **Ujjivan Financial Services Limited**



Samit Ghosh
CEO & Managing Director
DIN No: 00185369

Enclosures:

1. Notice to the 12th Annual General Meeting (AGM) of the Company
2. Instructions for e-voting
3. Proxy Form
4. Attendance Slip

NOTICE TO THE 12TH ANNUAL GENERAL MEETING

Notice is hereby given that the **12th Annual General Meeting (AGM)** of the members of **Ujjivan Financial Services Limited** ('the Company') will be held on **Wednesday, August 10, 2016 at 02:30 P.M.**, at Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India to transact the following business:

Ordinary Business:

Item No. 1 - Adoption of Financial Statements

To consider and adopt the Audited Financial Statements of the Company for the Financial Year ended March 31, 2016 and the Report of the Board of Directors and Auditors Report thereon.

Item No. 2 - Declaration of Dividend

To declare dividend of 5% i.e. ₹ 0.50 per equity share for FY 2015-16

Item No. 3 - Ratification of the appointment of Statutory Auditors

To ratify the appointment of "Deloitte Haskins and Sells" (Firm Reg. No. 008072S), Chartered Accountants, as Statutory Auditors of the Company for the FY 2016-17 and to authorise the Audit Committee and the Board of Directors to fix their remuneration, and for this purpose, to pass the following resolution, as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 139, 141, 142, and other applicable provisions, if any, of the Companies Act, 2013, and the Companies (Audit and Auditors) Rules, 2014, including any modification, variation or re-enactment thereof, the appointment of "Deloitte Haskins and Sells" , Chartered Accountants (Firm Reg. No. 008072S), as Statutory Auditors of the Company be and is hereby ratified, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and that the Audit Committee and the Board of Directors of the Company be and are hereby authorised to fix their remuneration for the said period and permit reimbursement of actual out of pocket expenses, as may be incurred in the performance of their duties."

Item No. 4 – To appoint a director in place of Mr. Venkatesh Natarajan (DIN: 02453219), who retires by rotation and being eligible, offers himself for re-appointment

Item No. 5 – To appoint a director in place of Mr. Jayanta Basu (DIN: 01268046), who retires by rotation and being eligible, offers himself for re-appointment

Special Business:

Item No. 6 - Ratification of Employee Stock Option Scheme 2015

To consider and if deemed fit, to pass with or without modification(s), the following resolution as a Special Resolution:-

"**RESOLVED THAT** pursuant to Regulation 12 of SEBI (Share Based Employee Benefits) Regulations, 2015 and applicable provisions of the Companies Act, 2013, the ESOP Scheme 2015 which was approved by the shareholders and formulated prior to the IPO and prior to the listing of the equity shares of the Company be and is hereby ratified for any fresh grants out of the approved pool of ESOP 2015."

By Order of the Board of Directors

Samit Ghosh

CEO & Managing Director

DIN: 00185369

Place: Bangalore

Date: May 25, 2016

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (AGM or the Meeting) is entitled to appoint a proxy to attend and vote on a poll, instead of himself/ herself and the proxy need not be a Member of the Company. A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. Further, a Member holding more than ten percent of the total share capital of the Company carrying voting rights, may appoint a single person as proxy and such person shall not act as proxy for any other person or Member. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not later than forty-eight hours before the commencement of the Meeting.
2. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 relating to the Special Business to be transacted at the Meeting is annexed hereto.
3. Members/Proxies should fill the Attendance Slip for attending the Meeting and bring their Attendance Slips along with their copy of the Annual Report to the Meeting.
4. In case of Joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Members who hold shares in dematerialized form are requested to write their DP ID and Client ID number(s) and those who hold share(s) in physical form are requested to write their Folio Number(s) in the attendance slip for attending the Meeting to facilitate identification of membership at the Meeting.
6. Corporate Members are requested to send a duly certified copy of the board resolution authorizing their representative(s) to attend and vote on their behalf at the Meeting.
7. The register of members and share transfer books of the Company would remain closed from **Thursday, August 04, 2016 to Wednesday, August 10, 2016** (both days inclusive).
8. Dividend on equity shares as recommended by the Board of Directors for the year ended March 31, 2016, if approved at the Meeting, will be payable to those Members who hold shares:
   (a) In dematerialized mode, based on the beneficial ownership details to be received from National Securities Depository Limited and Central Depository Services (India) Limited as at the close of business hours on **Wednesday, August 03, 2016**.
   (b) In physical mode, if their names appear in the Company's Register of Members after giving effect to all valid transfers in physical form lodged with the Company and / or its Registrar and Transfer Agents on or before **Wednesday, August 03, 2016**.
9. Members wishing to claim unclaimed dividends are requested to correspond with the Company Secretary of the Company, at the Company's registered office. Members are requested to note that dividends which not claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per the provisions of Section 205A of the Companies Act, 1956 (Section 124 of the Companies Act, 2013), be transferred to the Investor Education and Protection Fund.
10. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of section 72 of the Companies Act, 2013. Members desiring to avail of this facility may send their nomination in the prescribed Form No. SH-13 duly filled, to Karvy Computershare Private Limited ("**Karvy**"), Registrar and Transfer Agent **(R&T)** of the Company. Members holding shares in electronic form may contact their respective Depository Participants for availing this facility.
11. Brief profile and other required information about the Directors proposed to be re-appointed, as required under Regulation 36 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached to this Notice.
12. Relevant documents referred to in the accompanying Notice are open for inspection by the Members at the Registered Office of the Company on all working days between **10.00 A.M.** and **12.00 noon** up to the date of the Meeting. This notice and the Annual Report will also be available on the Company's website https://www.ujjivan.com/annualreports.html for download.
13. The Members, desiring any information relating to the accounts, are requested to write to the Company at an early date, so as to enable the management to keep the information ready.
14. Pursuant to sections 101 and 136 of the Companies Act, 2013 read with the Rules framed thereunder, the Annual Report for FY 2015-16 and this Notice, *inter alia* indicating the process and manner of Remote e-voting along with attendance slip and proxy form are being sent by e-mail to those Members whose e-mail addresses have been

made available to the Company /Depository Participants unless the Member has requested for a hard copy of the same. For Members who have not registered their e-mail addresses, physical copies of the Annual Report for FY 2015-16 and this Notice *inter-alia* indicating the process and manner of Remote e-voting along with attendance slip and proxy form, will be sent to them in the permitted mode.

In support of the Green Initiative, the Company hereby request Members who have not updated their email IDs to update the same with their respective Depository Participant(s) or the Karvy for receiving communications from the Company electronically. Further, Members holding shares in electronic mode are requested to direct change of address notifications and updates of savings bank account details to their respective Depository Participant(s). Members holding shares in physical mode are also requested to update their email addresses by writing to the R &T of the Company quoting their folio number(s).

15. The Company will use electronic mode of payment for making cash payment to the investors. In the cases of shareholder/s, where it is not possible to effect electronic payment, the dividend warrant instruments would be issued to them. Shareholders who are holding shares in Electronic Form are requested to contact their respective Depository Participants (DP) only for updating their bank details. They are also advised to seek 'Client Master Advice' from their respective DP to ensure that correct updation has been carried out in their record. It may be noted that the bank details data provided by the Depositories is solely used by the Company to effect the payment of dividend. Hence, it is utmost necessary for shareholders to ensure that the correct bank details are updated with DPs.

16. For registration of transfer of physical securities, the transferee(s) as well as transferor (s) shall furnish copy of PAN card to the Company for registration of such transfer of securities.

17. In terms of Sections 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 as amended, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing the e-voting facility to its Members holding shares in physical or dematerialized form, as on the cut-off date, being **Wednesday, August 03, 2016**, to exercise their right to vote through electronic means from a place other than the venue of the Meeting on any or all of the businesses specified in the accompanying Notice (the "Remote e-voting"). The Remote e-voting commences on **Saturday, August 06, 2016 (10:00 A.M.)** and ends on **Tuesday, August 09, 2016 (5:00 P.M.)**. Detail of the process and manner of Remote e-voting along with the User ID and Password is being sent to all the Members along with this Notice.

18. In terms of the Companies (Management and Administration) Rules, 2014 with respect to the Voting through electronic means, the facility for voting through electronic voting system ('Insta Poll') shall be made available at the AGM. The Members attending the meeting should note that those who are entitled to vote but have not exercised their right to vote through Remote e-voting, may vote at the AGM through 'Insta Poll' for all businesses specified in the accompanying Notice. The Members who have exercised their right to vote through Remote e-voting may attend the AGM but shall not vote at the AGM. The voting rights of the Members shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut-off date being **Wednesday, August 03, 2016**.

19. The Company has engaged the services of Karvy Computershare Private Limited as the Agency to provide Remote e-voting facility.

20. The Board of Directors has appointed Mr. S. Kannan, Consultant Company Secretary (FCS 6261, holding CP No. 13016), as a Scrutinizer to scrutinize the voting through Remote e-voting and voting process at AGM in a fair and transparent manner. In his absence, Mr. B L Vinay, Practicing Company Secretary (ACS 26638 and holding CP No. 10760) shall act as the Scrutinizer.

21. The Results on above resolutions shall be declared not later than 48 hours from the conclusion of the AGM of the Company and the resolutions will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favor of the resolutions.

22. The Results of voting declared along with Scrutinizer's Report(s) will be published on the website of the Company (www.ujjivan.com) and on Service Provider's website (https://evoting.karvy.com) within 48 hours from the conclusion of the AGM and the same shall also be simultaneously communicated to the BSE Limited and the National Stock Exchange of India Limited.

23. The route map of the venue of the Meeting is given in the Notice.

24. Detail of the process and manner of Remote e-voting along with the User ID and Password is being sent to all the Members along with this Notice. In case of any queries / grievances relating to voting by electronic means, the Members / Beneficial owners or in case any person, acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. August 03, 2016 may obtain the login ID and password by sending a request to Mr. Mohd Mohsin Uddin, Senior Manager,Karvy Computershare Pvt. Ltd., Karvy Selenium,Tower B, Plot number 31 & 32, Financial District, Gachibowli, Hyderabad 500 032, mohsin.mohd@karvy.com, Phone: +91 040 6716 1562 toll-free number 1-800-34-54-001.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

In respect of Resolutions set out at Item No. 6

As per Regulation 12 of Securities And Exchange Board Of India (Share Based Employee Benefits) Regulations, 2014 (SEBI ESOP Regulations), no company shall make any fresh grant which involves allotment or transfer of shares to its employees under any schemes formulated prior to its IPO and prior to the listing of its equity shares ('pre-IPO scheme') unless such pre-IPO scheme is in conformity with these regulations and such pre-IPO scheme is ratified by its shareholders subsequent to the IPO.

The Company, pursuant to resolutions passed by the Board and the Shareholders, dated September 29, 2015 and November 3, 2015, respectively has adopted ESOP 2015. The aggregate number of Equity Shares, which may be issued under ESOP 2015, shall not exceed 4,782,129 Equity Shares.

Further, pursuant to a separate resolution passed by the Shareholders on November 3, 2015, an aggregate of 779,059 cancelled/forfeited options, as on March 31, 2015, under ESOP 2006, ESOP 2007, ESOP 2008 and ESOP 2010 were transferred to option pool of ESOP 2015, thereby making the total employee stock option pool available being 5,561,188 options. The ESOP 2015 is in compliance with the SEBI ESOP Regulations, the Companies Act, 2013, and is implemented in accordance with guidance notes issued by ICAI and the relevant accounting standards.

In accordance with the ESOP 2015, each option on exercise would be eligible for one Equity Share on payment of the exercise price. As on March 31, 2016, the Company has granted 1,469,800 options under the ESOP 2015.

In compliance to the SEBI ESOP Regulations, any further grants under the ESOP Scheme 2015 out of the approved pool require approval of the shareholders.

Accordingly, the Board recommends the resolution set forth in item no. 6, for the approval by the members of the Company.

None of the Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested in the resolution stated in Item No. 6 except to the extent of the Key Managerial Personnel of the Company being eligible, as employees, to participate in the said Scheme.

Additional information on Directors being appointed/ re-appointed as required under Regulation 36 the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, in the order of the items mentioned in the Notice:

1) Mr. Venkatesh Natarajan

(a) Brief Resume

Mr. Venkatesh Natarajan is a Non-Executive Director (DIN: 02453219) of the Company. He joined Lok Advisory Services Private Limited in 2006 with over 12 years' experience in early stage venture capital, product development and marketing. He holds an MBA from Cornell University and an M.S. in Electrical Engineering from Arizona State. He serves as a director in many other companies including Lok Advisory Services Private Limited, Equitas Finance Limited and Suryoday Micro Finance Limited.

(b) Nature of his expertise in specific functional areas

Mr. Venkatesh Natarajan has expertise in the fields of finance, investments, product development and marketing.

(c) Disclosure of relationships between directors inter-se

None

(d) Name of listed entities (other than the Company) in which he holds the directorship and the membership of Committees of the board

Directorships in Listed Companies	Membership of Committees in Listed Companies
None	None

(e) Shareholding in Ujjivan Financial Services Limited

None

2) Mr. Jayanta Basu

(a) Brief Resume

Mr. Jayanta Basu is a Non-Executive, Director (DIN: 01268046) of Ujjivan. He has done his post graduate diploma in management from the Indian Institute of Management, Ahmedabad and a bachelor's degree in economics from University of Delhi. He has approximately 19 years of experience in the fields of investments. He is currently a Designated Partner at CX Advisors LLP. He has previously worked with Citibank India.

(b) Nature of his expertise in specific functional areas

Mr. Jayanta Basu has expertise in the fields of finance, investments, management and marketing.

(c) Disclosure of relationships between directors inter-se

None

(d) Name of listed entities (other than the Company) in which he holds the directorship and the membership of Committees of the board

Directorships in Listed Companies	Membership of Committees in Listed Companies
None	None

(e) Shareholding in Ujjivan Financial Services Limited

None; however he is beneficiary in AAJV Investment Trust, an AIF registered with SEBI, holding 270,585 shares in the Company

By Order of the Board of Directors

Place: Bangalore

Samit Ghosh

Date: May 25, 2016

CEO & Managing Director

DIN: 00185369

Ujjivan Financial Services Limited

Registered Office: Grape Garden, No. 27, 3rd 'A' Cross, 18th Main, 6th Block,

Koramangala, Bangalore 560095, Karnataka, India

ATTENDANCE SLIP

CIN	:	U65999KA2004PLC035329
Name of the Company	:	Ujjivan Financial Services Limited
Registered Office	:	Grape Garden, No. 27, 3rd 'A' Cross, 18th Main, 6th Block, Koramangala, Bangalore 560095, Karnataka, India

Members attending the Meeting in person or by Proxy are requested to complete the Attendance slip and hand it over at the entrance of the meeting room.

Joint shareholders may submit additional slip at the venue of the meeting.

Registered Folio No.	
DP ID No.*	
Client ID No.*	

Name and address of the shareholder:

……
……

Signature:

No. of shares(s) held: ……...

I hereby record my presence at the 12th Annual General Meeting of the Company (AGM) to be held on **Wednesday, August 10, 2016** at 02:30 P.M. at Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India

Name and address of the Proxy…….

Signature:

UJJIVAN FINANCIAL SERVICES LIMITED

Registered Office: Grape Garden, No. 27, 3rd 'A' Cross, 18th Main, 6th Block, Koramangala, Bangalore 560095, Karnataka, India, Website: www.ujjivan.com , Email: compliance@ujjivan.com , CIN: U65999KA2004PLC035329

Form No. MGT - 11

Proxy Form

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies

(Management and Administration) Rules, 2014)

Venue of the Meeting: at Ujjivan Financial Services Limited, Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India

Day, Date and Time: **Wednesday, August 10, 2016 at 02:30 P.M**.

Name of the Member(s):
Registered Address:
E-mail Id:
Folio No. / Client Id*:
DP ID*:
No. of Shares held:

I / We, being the member(s) of …… shares of the above named company, hereby appoint

i) Name: ……Address: ……

……..…… E-mail Id: ……..…

Signature: …….. Or failing him

ii) Name: ……Address: ……

……..……E-mail Id: ……

Signature: …….. Or failing him

iii) Name: ……Address: ……

……..……E-mail Id: ……

Signature: ……..

as my/our proxy to attend and vote for me/us and on my/our behalf at the 12th Annual General Meeting of the company, to be held on **Wednesday, August 10, 2016 at 02:30 P.M**. at Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India and at any adjournment thereof in respect of such resolutions as are indicated below:

I/We direct my/our Proxy to vote on the Resolutions in the manner as indicated below:

Sr. No.	Resolution	For	Against	Abstain
Ordinary Business				
1.	Adoption of Financial Statements			
2.	Declaration of Dividend			
3.	Ratification of the appointment of Statutory Auditors			
4.	Re-Appointment of Mr. Venkatesh Natarajan, liable to retire by rotation and being eligible, offers himself for re-appointment			
5.	Re-Appointment of Mr. Jayanta Basu, liable to retire by rotation and being eligible, offers himself for re-appointment			
Special Business				
6.	Ratification of Employee Stock Option Scheme 2015			

Signed this ……day of ……2016

Affix revenue stamp of not less than ₹1

Signature of Shareholder Signature of Proxy holder(s)

Note:

- *This form of proxy in order to be effective should be duly completed and deposited at the Registered office of the Company at Grape Garden, No. 27, 3rd A Cross, 18th Main, Koramangala 6th Block, Bengaluru 560 095 not less than 48 hours before the commencement of the Meeting.*
- *It is optional to indicate your preference. If you leave the 'for,' 'against' or 'abstain' column blank against any or all of the resolutions, your proxy will be entitled to vote in the manner as he / she may deem appropriate*
- *A Proxy can act on behalf of Members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the company carrying Voting Rights. However, a Member holding more than ten percent of the total share capital of the company carrying Voting Rights may appoint a single person as Proxy for his entire shareholding and such person shall not act as a Proxy for another person or shareholder.*

The instructions for e-voting are as under

Pursuant to Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing the e-voting facility to its Members holding shares in physical or dematerialized form, as on the cut-off date, being **Wednesday, August 03, 2016**, to cast their vote through electronic means on all resolutions set forth in the Notice.

The process and manner for remote e-voting are as under:

A. For members who receive notice of annual general meeting through e-mail:

Member whose email IDs are registered with the Company/Depository Participants(s) will receive an email from Karvy informing them of their User-ID and Password. Once the Members receive the email, he or she will need to go through the following steps to complete the e-voting process:

i) Open your web browser during the voting period and navigate to https://evoting.karvy.com.

ii) Enter the login credentials (i.e., user-id & password)

User – ID for Members holding shares in demat form:

a) For NSDL: 8-character DP ID followed by 8-digit Client ID

b) For CDSL: 16-digit beneficiary ID

User-ID for Members holding shares in physical form:

Event number, followed by Folio Number registered with the Company

Password: Your unique password is printed on the form / forwarded via email through the electronic notice

Captcha: Enter the verification code i.e., please enter the alphabets and numbers in the exact way as they are displayed for security reasons.

iii) The e-voting period shall commence on **Saturday, August 06, 2016 (10:00 A.M.)** and ends on **Tuesday, August 09, 2016 (5:00 P.M.)**. Members, holding shares either in dematerialised form or physical form as on cut-off date, **Wednesday August 03, 2016**, may cast their vote electronically during this period. The remote e-voting module shall be disabled at 5.00 p.m. on Tuesday August 09, 2016. Once the vote on a resolution is cast by a Member, he/she shall not be allowed to change it subsequently or cast the vote again.

iv) After entering these details appropriately, click on 'LOGIN'.

v) Members holding shares in demat / physical form will now reach password change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password can be used by the demat holders for voting for resolution of any other company on which they are eligible to vote, provided that company opts for e-voting through Karvy Computershare Pvt. Ltd. e-voting platform. System will prompt you to change your password and update any contact details like mobile number, email ID etc., on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

vi) You need to login again with the new credentials.

vii) On successful login, the system will prompt to select the 'Event' i.e., 'Company Name'.

viii) If you are holding shares in demat form and had logged on to https://evoting.karvy.com and cast your vote earlier for any company, then your existing login id and password are to be used.

ix) On the voting page, you will see Resolution description and against the same the option 'FOR / AGAINST / ABSTAIN' for voting. Enter the number of shares (which represents number of votes) under 'FOR / AGAINST / ABSTAIN' or alternatively, you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR / AGAINST' taken together should not exceed your total shareholding. If you do not want to cast your vote, select 'ABSTAIN'.

x) After selecting the resolution you have decided to vote on, click on 'SUBMIT'. A confirmation box will be displayed. If you wish to confirm your vote, click on 'OK', else to change your vote, click on 'CANCEL' and accordingly, modify your vote.

xi) Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.

xii) Corporate / Institutional Members (Corporate / FIs / FIIs / Trusts / Mutual Funds / Banks, etc.) are required to send scan (PDF format) of the relevant board resolution to the Scrutiniser through e-mail to cs.skannan@gmail.com with copy to evoting@karvy.com . The file scanned image of the board resolution should be in the naming format 'Corporate Name_ Event number'.

xiii) If you are already registered with Karvy Computershare Pvt. Ltd. for e-voting, then you can use your existing user ID and password for casting your vote. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

xiv) Please contact Mr. Mohd Mohsin Uddin, Senior Manager, Karvy Computershare Pvt. Ltd., Karvy Selenium,Tower B, Plot number 31 & 32, Financial District, Gachibowli, Hyderabad 500032, mohsin.mohd@karvy.com, Phone: +91 040 6716 1562, toll-free number 1-800-34-54-001for any further clarifications.

B. For members who receive the notice of annual general meeting in physical form:

In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy] :

(i) The Initial password is provided as below/at the bottom of the Attendance Slip for the AGM :

REVEN (Remote e-voting Event Number) USER ID _____PASSWORD/PIN_____

(ii) Please follow all steps from Sl. No. A (i) to Sl. No. A(xi) above, to cast vote

C. Voting facility at Annual General Meeting:

(i) In addition to the remote e-voting facility as described above, the Company shall make a voting facility available at the venue of the annual general meeting, through electronic voting system and members attending the meeting, who have not already cast their votes by remote e-voting, shall be able to exercise their right at the meeting.

(ii) Members who have cast their votes by remote e-voting prior to the meeting may attend the meeting, but shall not be entitled to cast their vote again.

Venue of the 12th Annual General Meeting of UJJIVAN FINANCIAL SERVICES LIMITED to be held on **Wednesday, August 10, 2016 at 02:30 P.M**., at Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India.

Map of Venue below

Ujjivan has once again emerged as the best among equals by becoming the 3rd Best Place to Work in India as per the survey conducted by the Great Place to Work Institute in coordination with the Economic Times.

India's Best Companies To Work For 2016

A STUDY BY THE ECONOMIC TIMES | GREAT PLACE TO WORK

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