

Annual Report

2013



Jagdhan Finance
& Investment Ltd.



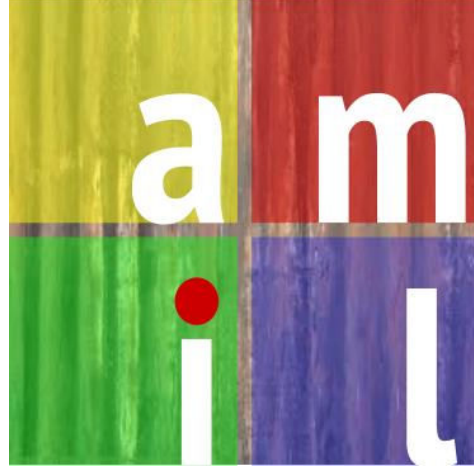
Table of Contents

S. No	Section	Pg
1	Introduction	01
2	Chairman's Report	02
3	Chief Executive Officer's Report	03
4	Institutional Objectives	04
5	Board of Directors and Committees	06
6	Management Team	07
7	Financial Behaviour and Demand	08
8	Products and Services	09
9	Area of Operations	10
10	Operational Highlights	11
10.1	Status of Field Offices	11
10.2	Portfolio Highlights	12
10.3	Implemented Operational Strategies	13
11	The Way Forward	14
11.1	Management Strategy (2013-2014)	14
12	Annual Accounts	15
12.1	Report of the Board of Directors	15
12.2	Auditors Report	17
12.3	Individual Auditors Report	18
12.4	Company Financials	20
	Balance Sheet	20
	Statement of Profit and Loss (P/L) Account	21
	Statement of Cash Flows	22

List of Tables and Figures

S. No	Section	Pg
Tables		
1	Product Range and Characteristics	09
2	Operational Highlights	11
4	Statement of Balance Sheet	20
5	Statement for Profit and Loss (P/L) Account	21
6	Statement of Cash Flows	22
Figures		
1	Loan purpose and median loan amount requirements	08
2	Maximum Monthly Repayment Capacity	08
3	Sources of Borrowing & Median Amounts	08
4	Status of Field Offices	11
	Based on Outstanding Loan Balance	11
	Based on Active Clients	11
5	Portfolio Highlights	12
	What our loans were used for	12
	No. Of Active Loans	12
	Distribution based on Loan Sizes	12
	Distribution based on Gender of Clients	12

Introduction



Vision

An urban society in which low income communities have sufficient opportunities to improve their well-being.

दृष्टीकोन

शहरी समाजव्यवस्था जेथे कमी उत्पन्न असलेल्या समाजाला त्यांच राहणीमान सुधारण्याची पुरेशी संधी मिळेल.

Mission

To provide affordable, convenient & timely financial services to low income urban clientele in a financially sustainable manner.

हेतू

कमी उत्पन्न गटातील शहरी ग्राहकांना त्यांची आर्थिक स्थिती सुधारण्याच्या दृष्टीने योग्य दरात, सोईस्कर आणि वेळेवर अशी आर्थिक सेवा निरंतर पुरविणे.

Chairman's Report



It gives me pleasure to report on the first full year of operations of Jagdhan Finance and Investment Limited. The year 2012-13 marked our entry in Mumbai slums, and much of the goals for the year were achieved during the period.

The microfinance landscape in India continues to evolve, both in its regulation as well as in the resulting slowdown among lenders and investors. Despite this challenging environment, Jagdhan took form and began operating in a market traditionally seen as high risk by some. MFI presence is quite limited in Mumbai slums and we see a significant opportunity to bring responsible microfinance to this market.

During this formative year, our focus was on establishing robust systems and in identifying a core team that will build on the foundations that have been created. In addition to the continued and able leadership of Meenal, our CEO, the Company made some crucial hires at all levels. We are now a growing group of 24 committed and capable professionals. This preparation should hold us in good stead in the years to come.

Alongside our people, we made significant progress in the establishment of a real-time Management Information System that will be the backbone of our operations in the future. Five Field Offices were set up in the slums and operations have begun in earnest. Financial Reporting, Internal Audits, and enhanced use of technology were all achieved in different measures during the period, with much more development planned in the coming year.

Jagdhan is committed to microfinance that responds to clients' preferences and livelihood patterns. The coming years hold great promise in reaching untouched markets, in combining other products with our loans, and in ensuring affordable finance in a timely and sustainable manner. During 2013-14 our focus will be to expand the scale and depth of our operations, establish Research and Social Performance capability, augment Operations and Audit capabilities, and begin borrowing relationships.

I congratulate the team of Jagdhan for their strong beginning, and look forward to many more years of learning, growth and stabilisation as we embark upon this journey together.

With Regards

A handwritten signature in blue ink, appearing to read 'Tanmay Chetan'. The signature is fluid and cursive, written over a light blue horizontal line.

Tanmay Chetan
(Chairperson)

Chief Executive Officer's Report



On behalf of my colleagues, it is a delight to present the first Annual Report for the Company. Jagdhan began its microfinance operations to cater to the financial needs of the low income families that reside in various slum pockets of Mumbai. The city attracts large numbers of 'working population' from all over India, with people migrating in the hope of supporting themselves and their families. Most of our clients echo this story. Overall, 41.3% households in Mumbai reside in its 2,019 slums with a total of 9,34,996 hutments.

We have set-up Field Offices in 5 localities that cover slums and markets in Wakola (Santacruz), Vikhroli Parksite (Vikhroli) and Khardev Nagar, Lumbinibaug and Cheeta Camp in Chembur. As on 31st March 2013, we had 1,958 active clients with a portfolio outstanding of 1.98 crore. At the end of the financial year, our total staff strength was 24, out of which 50% were Client Officers, and the case load per Client Officer was 163 clients. Overall the growth in terms of outreach and productivity has been measured and cautious, and we look forward to build on it in the coming years.

The focus in the coming year is on scaling-up, establishing research to support operations strategy and upgrading technology for greater efficiency. Research will assist in developing marketing strategy, identifying new markets, deepening outreach and obtaining client feedback. The IT team will be working on client relationship management systems for internal feedback and in relaying information to clients via an SMS platform.

The Board members - Tanmay Chetan, Rebecca Mckenzie, Tara Nair and Orlanda Ruthven - have played a proactive role in the development of strategy and team building within the organization. The Audit and Finance Committee as well as the Remuneration, Nominations and Corporate Governance (RNCG) Committee have become functional this year and their regular interaction with the management has been very fruitful.

I look forward to all my colleagues playing a leading role; supporting team work and contributing strengthen our strategy and its execution. I would like to make a special mention of my colleagues: Medha (CFO), Balaji (Head-HR &IT) and Ram (Regional Manager) for their leadership and commitment. The role played by our Client Officers who are at the forefront of our operation, deserve a special mention, and I sincerely thank them for their dedication. I congratulate one and all for the completion of a very exciting and challenging year and wish the very best for the year ahead!

With Regards

A handwritten signature in blue ink, appearing to read 'Meenal Patole'.

Meenal Patole
(Chief Executive Officer)

Institutional Objectives

To be a market leader in its reach of low income urban clients

Jagdhan aims to be the market leader in terms of both scale as well as quality of its services and is a feasible objective for the Company over a 3-5 year term. The main determinants would be: a stable regulatory regime, availability of funding, and maintaining the quality of operations that can handle sustained growth. This is planned to be achieved through an organic growth in geographical reach by adding not more than 1-2 regions each year over the next 5 years.

To design products and deliver high quality service

Jagdhan understands the social and economic context of the market segment it serves and designs products that suit their credit requirement.

- **Product design:** A market research study in 2011 revealed that a large proportion of potential clients were reluctant to enter into group guarantees. There was also a reluctance of weekly/ bi-weekly meetings due to the fast paced life in city slums. Taking these into consideration Jagdhan offers Individual & Group loans to its clients with flexible instalment repayment options to choose. Namely: Monthly, Weekly and Bi-Weekly.
- **Regional network:** Jagdhan employs a hub-spoke strategy for operations. Operations are carried out from 'Field Offices' located within the slums. All transactions are handled from these offices. This improves the efficiency of operations as the Client Officers do not need to spend large amounts of time in moving around the slums from door-to-door.
- **Selection of Client Officers:** Jagdhan Client Officers typically belong to the low-income areas of Mumbai. They bring intimate knowledge of livelihoods and other risks in the slums. Client Officers are predominantly women, as Jagdhan encourages women in this role and makes it culturally easier to deal with clients, who are also predominantly women.

To be a cutting edge
institution in research
led product
customization

Jagdhhan plans to create a high quality research department which will combine market and social research, and create a system wherein the management responds to issues in a timely manner. This approach (called ASPiRE – Agora Social Performance – Improvements through Research) relies on regular client level primary research. Research will thus aim to improve operations strategy around product suitability, client satisfaction, client protection, over-indebtedness, transparency as well as capture client well-being levels and track them over time to understand any changes taking place and the role of Jagdhhan's work in them.

To ensure business
sustainability

Jagdhhan aims at achieving its desired scale of operations in the coming 3-4 years, after which it will be able to achieve a sustainable 12%+ return on equity from thereon. Investors will therefore be encouraged to have an investment horizon of 8-10 years to obtain the financial return. Simultaneously, Jagdhhan will ensure that the profit motive does not lead to a dilution in its reach in the low-income market segment.

To provide for a positive
working environment
and career growth
opportunities

Jagdhhan strives to provide a balanced professional work environment. This is being achieved through a combination of skill development opportunities and a strong performance based compensation structure. A comprehensive Human Resource Policies enable employees to understand the work environment better and perform to their potential. Systems of regular feedback mechanisms, corrective actions and other redressing mechanisms are already in place.

Board of Directors and Committees



Tanmay Chetan
*Chair of the Board
Chair, Audit and Finance
Committee*

Co-founder of the Agora Group. Managing Partner, Agora Microfinance LLP, Supervisory Board Chair, Agora Microfinance N.V.



Rebecca McKenzie
Director
Chair, RCG
Member, Audit and
Finance Committee

Co-founder of the Agora group. CEO, Agora Microfinance N.V., Director-Operations, Agora Microfinance LLP.



Orlanda Ruthven
Director

Faculty, Centurion University; Quality and Standards, Gram Tarang.



Tara S Nair
Director
Member, RCG

Associate Professor, Gujarat Institute of Development Research, Ahmedabad.



Meenal Patole
Director and CEO

Managing Director and Chief Executive Officer.

Management Team



Meenal Patole

Meenal leads the management team at Jagdhan. She has a background in the areas of socio-economic development related to livelihoods, microfinance, youth employability and urban reform. In the past, she has worked with the British Council Division, EDA Rural Systems Pvt Ltd, ACTED (Paris), CARE India, Frankfurt School of Finance and Management and USAID.

Medha is the Chief Financial Officer and Head of Internal Audit at Jagdhan. She holds an Associate Chartered Accountant Qualification from ICAEW (UK) and a BSc. in Econometrics and Mathematical Economics from the London School of Economics and Political Science. She has previously worked for KPMG and as a Project Manager-Global Programs at MF Transparency (USA).



Medha Ravi



V. Sankara
Subramanian
(Balaji)

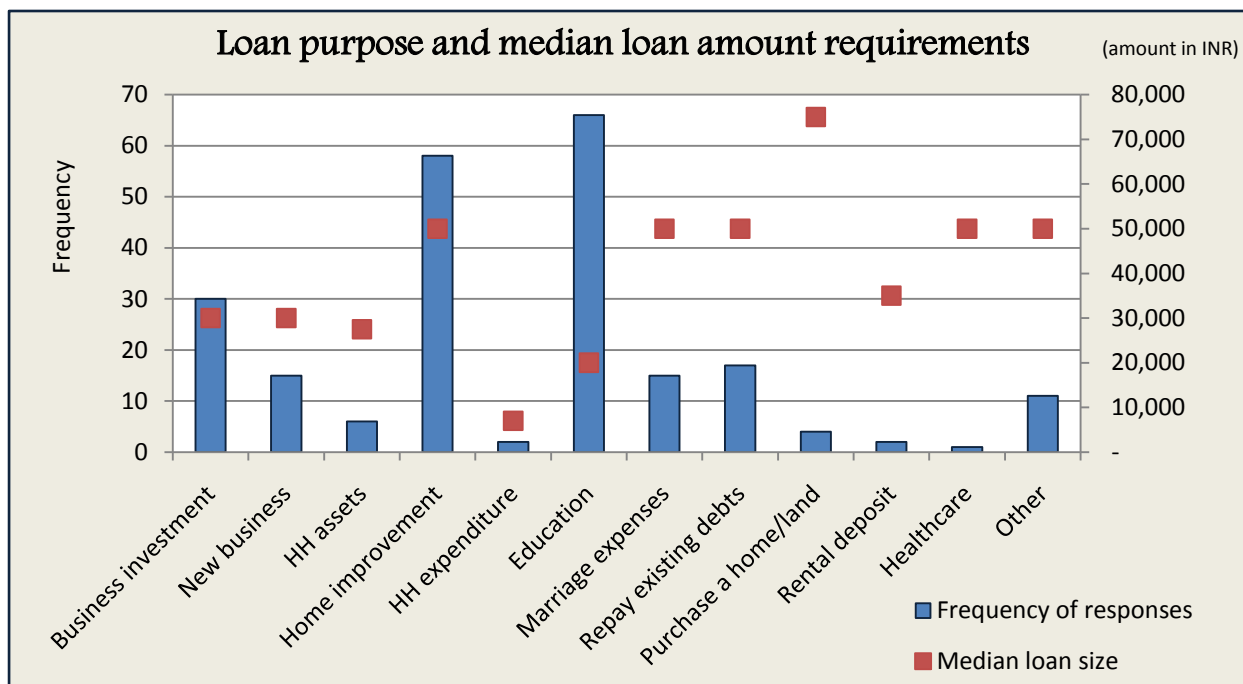
Balaji is the Head of Department for both Human Resources as well as IT at Jagdhan. He holds a B.Com from St. John's College, Tirunelveli and an M.B.A in Human Resources from Madurai Kamaraj University. He is also a Certified Recruitment Analyst and Compensation and Benefits Manager from CAMI and a Certified Assessor from T.V. Rao Learning Systems. He has previously worked as Senior Manager-HR at Hand in Hand Tamil Nadu and as an HR Officer at Population Services International.

Ram is the Regional Manager for Operations at Jagdhan. He has worked with Bhartiya Samruddhi Finance Limited, where he has held the responsibilities of Unit Head in the Cuttack Urban Unit, Field Executive (Operation) at the Bargarh Unit, and Livelihood Service Advisor & Representative at the Berhampur Unit. He holds an MBA in Finance and LLB from Berhampur University.



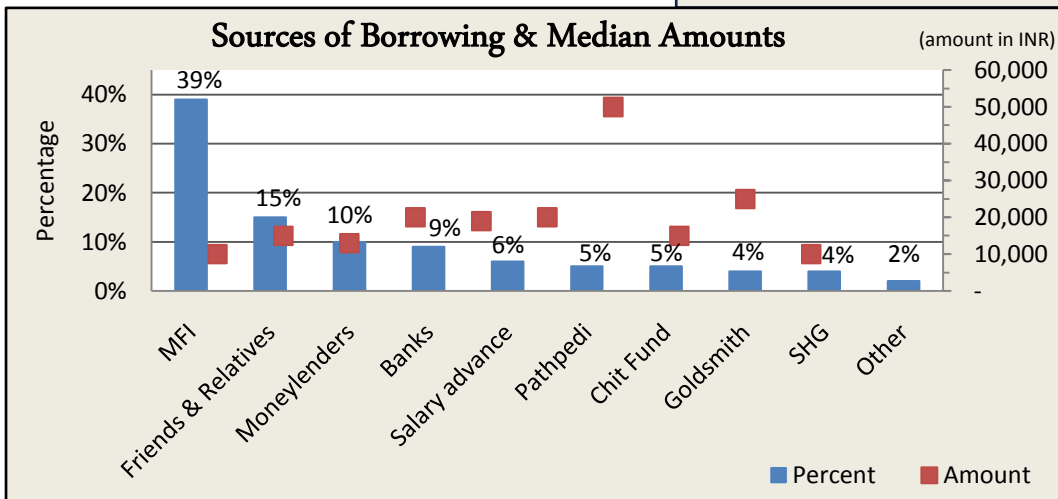
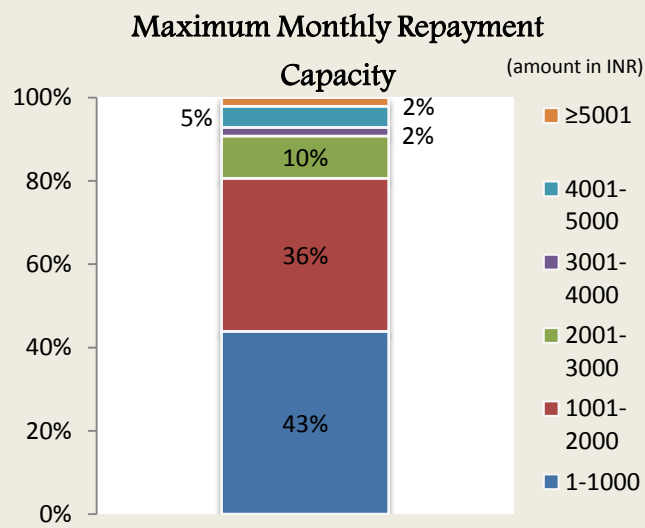
Ramakrishna
Sahu

Financial Behaviour and Demand



-Loans for education and home improvement seem to be the most popular, home improvement loans tend to be of a higher amount than business investments and starting new businesses

-The majority (43%) can repay upto 1,000 while a further 36% can repay upto 2,000 per month



43% of the respondents had availed micro finance either from MFIs or SHGs. A Further 19% used formal institutions while the rest (38%) borrowed were from informal sources

(Data Source- Jagdhan Market Research Study, 2011)

Products and Services

- Open to both men and women. When group lending, groups can be of mixed gender.
- Pre-payment and payment of higher instalment amount is allowed with no penalties.
- Interest is charged on a daily balance basis. This offers cost benefits to those who wish to make pre-payments or pay a higher loan instalment.
- Pre-closures are permitted, with specific conditions laid down for Group loans.

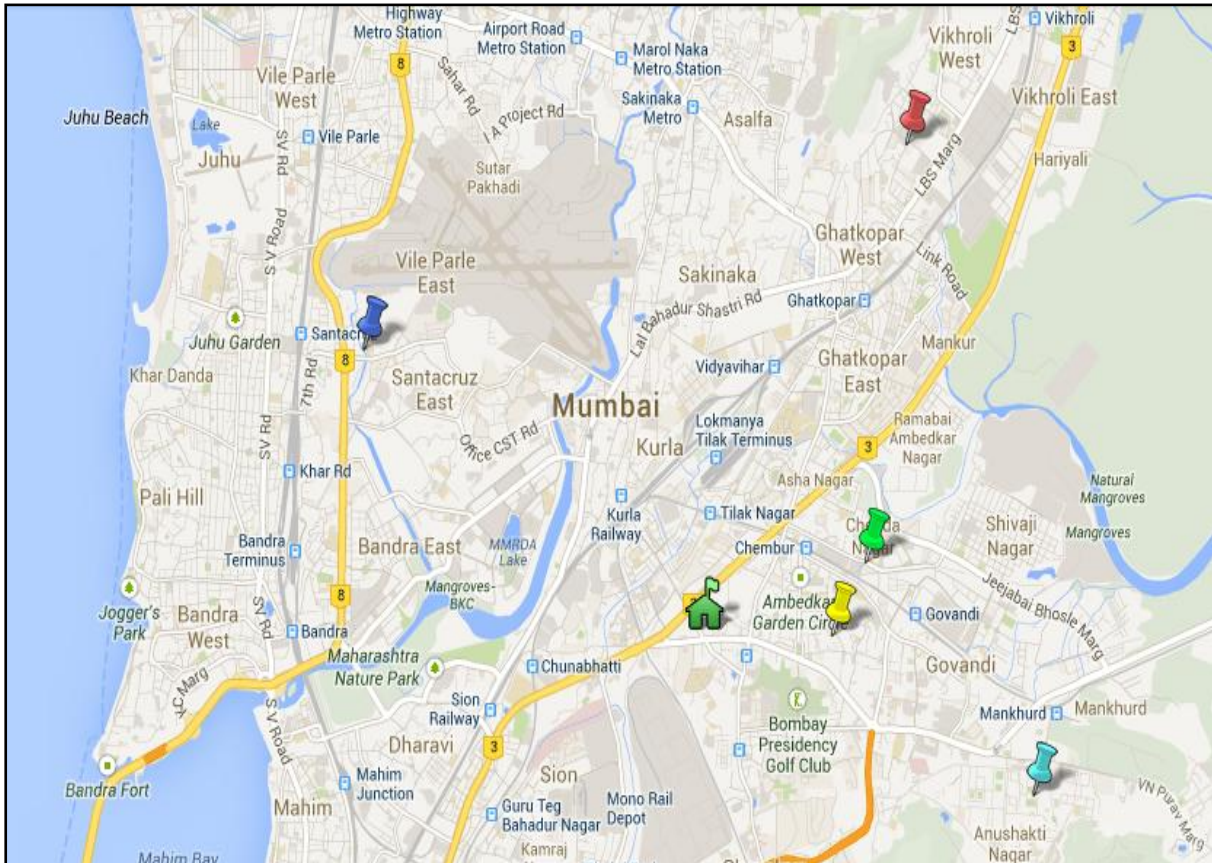
We offer three micro-credit products to our customers:






- 1) **Individual Loans** – Caters to both business and household needs, including need for asset purchase, working capital, home improvement, consumption, social events, debt repayment and so on.
- 2) **Educational Loan** – Education loan can be obtained by parents or an individual above 18 years of age, pursuing studies, skill enhancement courses, professional courses. The loan can be used to pay for fees, books, any other material required to pursue education.
- 3) **Group Loan**– Groups consist of 4-6 members who know each other, reside in the same locality and are not immediate relatives. Each member can borrow for a different purpose, where the maximum loan amount cannot be more than 20% higher than the lowest sanctioned limit. First loan to a group is limited to 15,000 per client only.

Features	Individual Loan	Educational Loan	Group Loan
Loan Size	Upto Rs 50,000	Upto Rs 30,000	Upto Rs 30,000
Term	12 – 24 months	12 – 24 months	12 – 24 months
Interest Rate	26% p.a. reducing balance	26% p.a. reducing balance	26% p.a. reducing balance
Loan Processing Fee	1% of the loan amount	1% of the loan amount	1% of the loan amount
Instalment Frequency	Weekly, Bi-weekly or Monthly	Weekly, Bi-weekly or Monthly	Weekly, Bi-weekly or Monthly
Guarantor requirement	Upto 30,000- one guarantor required	Upto 15,000- one guarantor required	Group guarantee: 4-6 members
	>30,000- two guarantors required, one compulsory outside household	>15,000- two guarantors required, and from outside household	

Area of Operations

Head Office and Field Office Locations



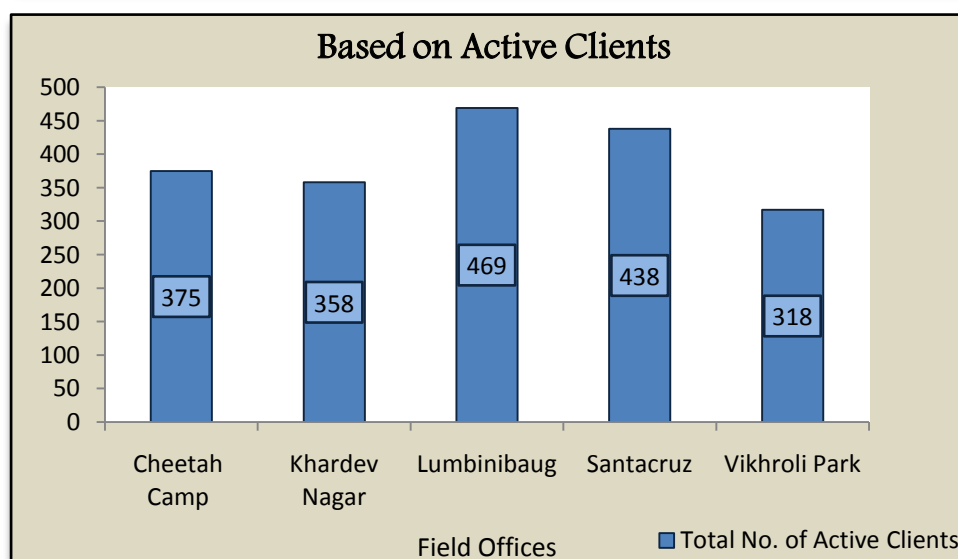
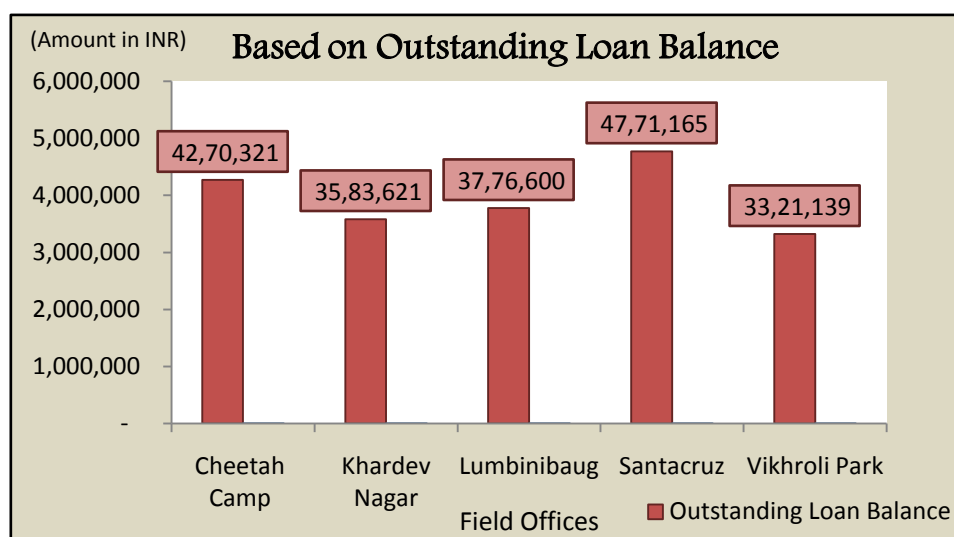
Key	
Santacruz Field Office	
Vikhroli Park Site Field Office	
Lumbinibaug Field Office	
Khardev Nagar Field Office	
Cheetah Camp Field Office	

Operational Highlights (2012-2013)

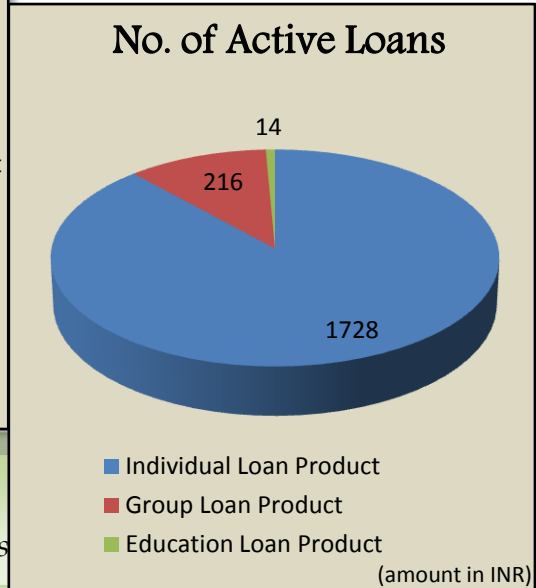
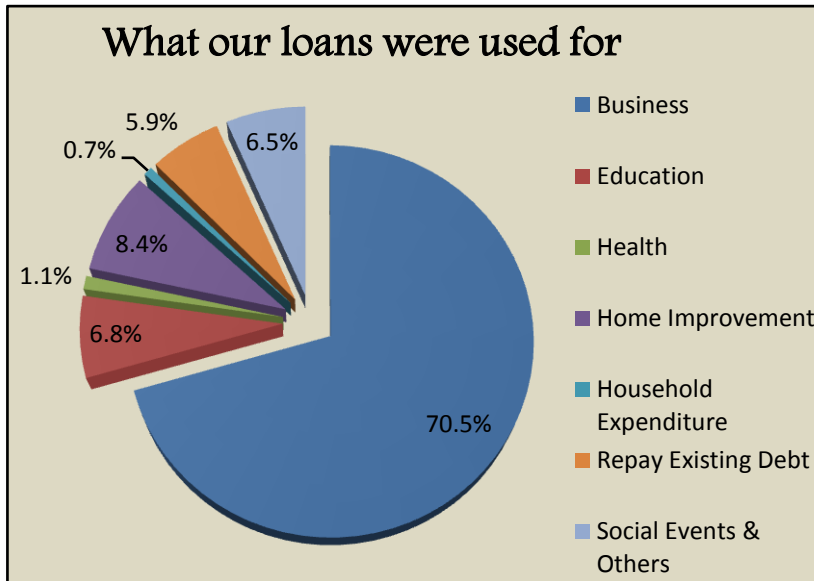
Operational Highlights	FY ended March 2013
No. Of Field Offices	5
No. Of Active Clients	1,958
Total Loan Portfolio Outstanding	1,97,22,846
Average loan disbursement size	16,771
Portfolio At Risk (PAR 30)	1.11%

(Data Source: Octopus, MIS)

Status of Field Office

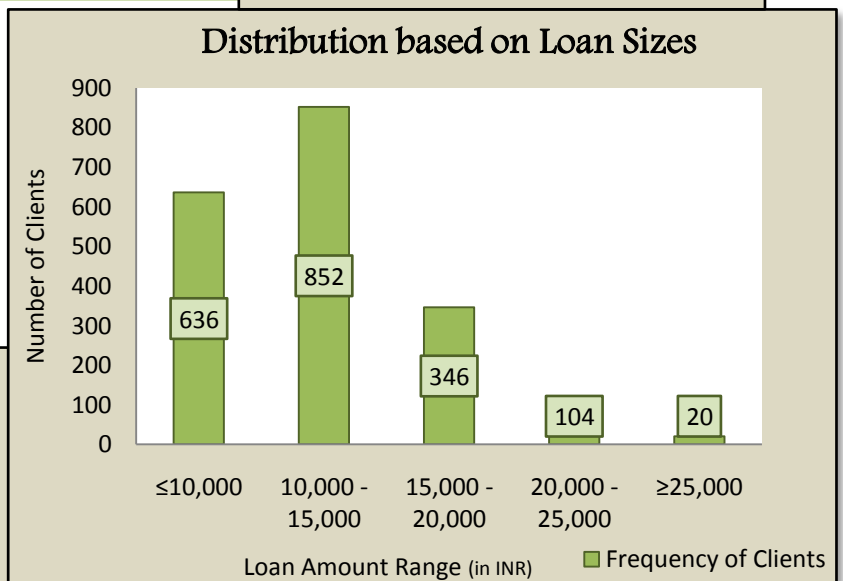
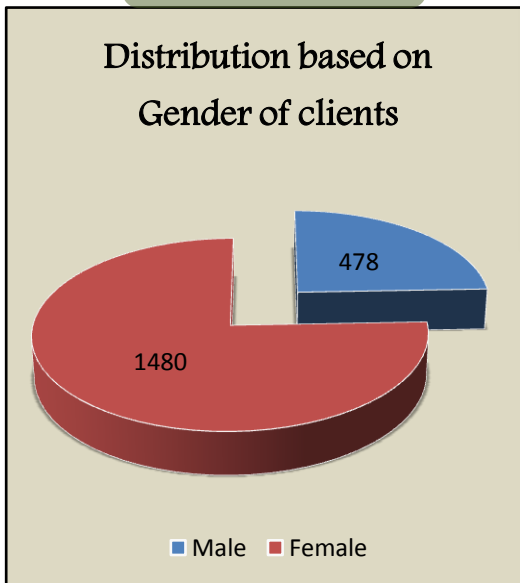


Portfolio Highlights, 31st March 2013



88% of our clients preferred the Individual Loan Product. 70.5% used their loans for Business Purposes

76% of our clients are women while 24% are men



(Data Source: Octopus, MIS)

32% of our clients took loans below 10,000 while a further 44% of our clients took loans between 10,000 and 15,000

Implemented Operational Strategies

○ **A real-time Management Information System**

Jagdhan has successfully implemented a real-time version of Octopus (loan-tracking system) integrated with an accounting system (Tally). The systems are fully functional and provide easy, real-time access to operational and financial information. The system generates a number of operational and financial reports for management decision making and external reporting.

○ **Cashless disbursements**

Jagdhan has also standardized a process of cashless disbursements. All loan disbursements are made through cheques. As a next step a similar system for repayments will be explored, even though this is likely to take much longer and might not be in place before 2014.

○ **Establishment of Internal Audit and Control Systems**

Jagdhan has established a system of checks and balances that reduce operational and financial risks in the processes. For example, cheque based disbursements have replaced cash transactions, eliminating the risks arising out of regular cash handling. The Finance department has established controls and authorization processes for handling of funds and the Operations department has established a system of supervision and close monitoring of loan related transactions.

The Way Forward

Management Strategy 2013-2014

- Raise resources to finance growth and expansion plans, such as raising domestic equity and accessing funds from debt markets
- Research will analyze new products, evaluate effectiveness and profitability and provide input for expansion strategy
- Research will gather information on feasibility of projects, customizing products and assist in augmenting business outreach
- Research will concentrate on profiling our clients to know them better as well as assist in customizing products based on their needs
- Compile a research database that will capture social and market related issues. This will allow for detailed quantitative analysis of market information
- Research will supplement operations by providing a deeper understanding on client retention
- Develop a Client Relationship Management tool in Octopus for better client management and review
- Front-end digitization of data collection – As a next step to the real-time MIS, Jagdhan is currently exploring efficient ways to move from a paper-based data collection system to an electronic system. This will lead to uploading information instantly into the MIS and improve efficiency by doing away with a two-step process
- Delinquency tracking systems and management review through the Bad Debt Committee for risk reduction
- Client officers will be trained in a new cash flow format to capture client household data for assessing repayment capacity and for research purposes
- An incentive structure at all levels in the organization to increase efficiency and growth amongst staff.

Annual Accounts

Report of the Board of Directors

Your Directors hereby present the Annual Report on the business of the Company together with the Audited Statement of Accounts for the year ended 31st March 2013.

1. Financial Results

The Company earned an income of Rs 55,63,564 and incurred an expenditure of Rs 1,63,27,884 with a Net Loss after tax of Rs 78,27,793

2. Corporate Governance

Your Company believes in adopting and following the best Corporate Governance practices. The Company believes that good Corporate Governance is the key driver of sustainable corporate growth and long term value addition for its shareholders. The Company's philosophy of Corporate Governance envisages the attainment of high levels of transparency, accountability and equity in all facets of its operations with its stakeholders, customers, shareholders, employees, governments including the society of which the Company is a part.

3. Deposits

The Company has not accepted any deposits in violation of Sec 58-A of the Companies Act, 1956

4. Dividends

Your Directors have not recommended payment of dividend for the current year

5. Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the company, Dr. Orlanda Ruthven will retire by rotation and is eligible and available for reappointment.

6. Directors Responsibility Statement

In accordance with the requirements of Section 217 (2AA) of the Companies Amendment Act (2000), the Directors of the Company declare:

- i) That in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) That 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.
- iii) That the Directors had prepared the Annual Accounts on a going concern basis.

7. Statement Under Section 217(2A) of The Companies Act, 1956

No employee of the Company has come under the limit as specified under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended by Companies (Particulars of Employees) Rules, 2011.

8. Auditors

M/s Asit Mehta & Associates, Chartered Accountants, Mumbai have audited the accounts for the year ended 31st March, 2013. M/s Asit Mehta & Associates, Chartered Accountants, Mumbai will retire at the ensuing Annual General Meeting.

9. Auditors Report

The observation of the auditors is self- explanatory and/or is suitably explained in the notes to the accounts.

10. Technology Absorption, Conservation of Energy and Foreign Exchange Earnings and Outgo

The information as required to be disclosure under Section 217 (1) (e) of the Companies Act (1956) read with Companies Disclosure of Particulars in the Report of Board of Directors Rules, 1988 is not applicable, so far as Energy Conservation & Technology Absorption is concerned

There were Foreign Exchange Earnings / Outgo during the year under report as follows:

Earnings in Foreign Currency:	0
Expenses incurred in Foreign Currency:	2,46,304

11. Acknowledgements

Your Directors wish to place on record their appreciation for the support received by the Company from its Bankers, Business Associates as well as Employees of the Company

For and on Behalf of the Board


Managing Director


Director

Date: June, 25th 2013

Place: Mumbai

Auditors Report

To The Board of Directors of Jagdhan Finance and Investment Limited

We have audited the attached Balance Sheet of Jagdhan Finance & Investment Ltd., as at 31st March 2013 and the Statement of Profit and Loss for the year ended on that date annexed thereto.

Further to our audit report of even date issued under section 224 of the Companies Act 1956, as required by the Non Banking Finance Companies Auditor's Report (Reserve Bank) Directions, 1998 based on the information and explanations given to us and based on the records produced, we state below a statement of matters specified in paragraph 3 of the said directions.

The Company was incorporated on 31st May, 1996 and the Company had applied for registration as provided in section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934), and further the Company has received from the Reserve Bank of India, the Certificate of Registration under category B as a company not accepting public deposits.

The Board of Directors has passed a resolution on 25th April, 2012 for the non-acceptance of any public deposits and the Company has not accepted any public deposits during the year ending 31st March, 2013. Further, a resolution has been passed that the Company will not accept any public deposit in the current financial year.

The Company has complied with the prudential norms relating to income recognition, accounting standards, asset clarification and provisioning for bad and doubtful debts as applicable.

For Asit Mehta & Associates

Chartered Accountants

Firm Registration Number: 100733W



Asit. P. Mehta

Partner

Membership No: 034179

Place: Mumbai

Date: June 25, 2013

Individual Auditors Report

To the Members of Jagdhan Finance and Investment Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Jagdhan Finance and Investment Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss for the year then ended, Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

- a) In the case of the Balance Sheet, of the state of affairs of the Company as on March 31, 2013; and
- b) In the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet and Statement of Profit and Loss dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and Statement of Profit and Loss comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
3. The Company has applied to Reserve Bank of India for Classification as Non Banking Financial Company – Micro Finance Institution ('NBFC – MFI'). The application is pending approval as on the date of our audit report.

Non Banking Financial Company – Micro Finance Institution

The Company has made an application to the Reserve Bank of India on 23rd October, 2012 for grant of registration as NBFC – MFI. Within the NBFC – MFI guidelines, the company collects client cashflow information rather than income, and determines qualifying assets accordingly. We are informed that, the Company has made representation to RBI for relaxation of conditions prescribed in RBI's Circular No: DNBS.CC.PD.No. 250/03.10.01/2011-12 and is hopeful of favourable consideration.

For Asit Mehta & Associates
Chartered Accountants
ICAI Firm Registration Number: 100733W



Asit Mehta
Partner
Membership Number: 034179
Date: June 25, 2013

Company Financials (2012-2013)

Statement of Balance Sheet as on 31. March. 2013				
(All amount In Rupees)				
Particulars		Note No.	As at 31 st March, 2013	As at 31 st March, 2012
I	EQUITY AND LIABILITIES			
(1)	Shareholder's Funds			
	(a) Share Capital	1	63,20,400	63,20,400
	(b) Reserves and Surplus	2	4,85,12,920	5,63,40,713
	(c) Money received against share warrants		-	-
			5,48,33,320	6,26,61,113
(2)	Share application money pending allotment			
			-	-
(3)	Non-Current Liabilities			
	(a) Long-term borrowings		-	-
	(b) Deferred tax liabilities (Net)		-	-
	(c) Other long term liabilities		-	-
	(d) Long term provisions	3	4,08,719	2,54,819
			4,08,719	2,54,819
(4)	Current Liabilities			
	(a) Short-term borrowings		-	-
	(b) Trade payables		-	-
	(c) Other Current Liabilities	4	13,96,765	11,55,720
	(d) Short-term provisions	5	6,27,314	2,41,831
			20,24,079	13,97,551
	Total		5,72,66,118	6,43,13,483
II	ASSETS			
(1)	Non-Current Assets			
	(a) Fixed assets			
	(i) Tangible assets	6	6,32,335	5,78,303
	(ii) Intangible assets	7	12,08,798	18,89,034
	(iii) Capital work-in-progress		-	-
	(iv) Intangible assets under development		-	-
			18,41,133	24,67,337
	(b) Non-current investments		-	-
	(c) Deferred tax assets (net)	8	91,68,721	61,60,842
	(d) Long term loans and advances	9	41,13,768	5,98,078
	(e) Other non-current assets		-	-
			1,32,82,489	67,58,920
(2)	Current assets			
	(a) Current investments		-	-
	(b) Inventories		-	-
	(c) Trade receivables		-	-
	(d) Cash and Cash Equivalents	10	2,42,37,688	44,698,344
	(e) Short-term loans and advances	11	1,74,67,725	1,02,39,242
	(f) Other current assets	12	4,37,083	1,49,640
			4,21,42,496	5,50,87,226
	Total		5,72,66,118	6,43,13,483

Statement of Profit and Loss for the year ended on 31. March. 2013				
<i>(All amount In Rupees)</i>				
Particulars		Note No.	For the year ended 31st March, 13	For the year ended 31st March, 12
I	Revenue from Operations	13	34,33,749	4,49,847
II	Other Income	14	21,29,815	51,064
III	Total Revenue (I + II)		55,63,564	5,00,911
IV	Expenses:			
	Cost of materials consumed (including packing materials consumed)		-	-
	Purchase of Stock-in-Trade		-	-
	Changes in inventories of finished goods, work-in progress and Stock-in-Trade		-	-
	Employee Benefit Expense	15	1,12,10,807	90,85,708
	Finance Costs		-	-
	Depreciation and amortization expense	6,7	8,47,744	2,97,516
	Other expenses	16	40,22,999	1,10,63,920
	Provision for Standard and Non Performing Assets		2,46,335	51,802
	Total		1,63,27,884	2,04,98,946
V	Profit before exceptional and extraordinary items and tax (III-IV)		(1,07,64,321)	(1,99,98,035)
VI	Exceptional Items		-	-
VII	Profit before extraordinary items and tax (V - VI)		(1,07,64,321)	(1,99,98,035)
VIII	Extraordinary Items		-	-
IX	Profit before tax (VII - VIII)		(1,07,64,321)	(1,99,98,035)
X	Tax Expense			
	(1) Current tax		-	-
	(2) Deferred tax asset		(30,07,879)	(61,60,842)
	(3) Mat Adjustment		-	-
	(4) Short/ (Excess) provision for current tax in respect of earlier year(s)		(71,352)	-
XI	Profit/ (Loss) for the Year (IX-X)		(78,27,793)	(1,38,37,194)
XII	Earnings per equity share:			
	(1) Basic		(12.38)	(32.19)
	(2) Diluted		(12.38)	(32.19)

Statement of Cash Flow for the year ended on 31. March. 2013

(All amount In Rupees)

Particulars	Year ended 31 st March 2013		Year ended 31 st March 2012	
	Rupees	Rupees	Rupees	Rupees
A Cash Flow from Operating Activities				
Profit/ (Loss) before tax:		(1,07,64,321)		(1,99,98,035)
Adjustment for:				
Depreciation/ Amortisation/ Diminution	8,47,744		2,97,516	
Unrealised exchange (Gain)/ Loss	-		-	
Provision for Loan Reserve Loss	2,46,335		51,802	
Profit/ Loss on sale of fixed assets	-		(5,000)	
Profit/ Loss on sale of investments	-		-	
Interest income on Fixed deposit	(21,19,779)		(51,064)	
Loan Loss Reserve	2,78,899		21,45,187	
Written off Fixed Asset	-		28,589	
Other Income	-		-	
Operating profit before Working Capital Changes		(7,46,801)		24,67,030
Adjustments for changes in Working capital				
Long term loans & advances	(27,45,109)		(8,67,972)	
Other non-current assets	-		-	
Inventories	-		-	
Trade Receivables	-		-	
Short term Loans and advances	(75,07,382)		(95,97,065)	
Other current assets	(1,30,099)		(2,100)	
Loan term Provision	2,93,048		4,44,848	
Other long term liabilities	-		-	
Trade Payables	-		-	
Other current liabilities	2,41,046		10,77,403	
Short term Provisions	-		-	
Cash generated from operations		(98,48,497)		(89,44,886)
Income taxes paid (including fringe benefit tax)		(2,13,59,618)		(2,64,75,891)
Net Cash from Operating activities		2,83,328		5,107
		(2,16,42,946)		(2,64,80,998)
B Cash Flow from Investing Activities				
Fixed Assets:				
Purchase	(7,80,145)		(27,64,853)	
Sale	-		5,000	
Investments:				
Purchase	-		-	
Sale	-		-	
Interest received	19,62,435		18,546	
Dividend received	-		-	
Net Cash from/ used in investing activities		11,82,290		(27,41,307)

C	Cash Flow from Financing Activities				
	Share application money received	-		-	
	Proceeds from insurance of Share Capital	-		7,35,82,585	
	Proceeds from Long term borrowings	-		-	
	Repayment of Long term borrowings	-		-	
	Proceeds from Short term borrowings	-		-	
	Repayment of Short term borrowings	-		-	
	Interest paid	-		-	
	Dividend paid	-		-	
	Net Cash from/used in financing activities		-		7,35,82,585
D	Net Increase/ (Decrease) In Cash and Cash Equivalents		(2,04,60,657)		4,43,60,280
	Cash and Cash Equivalents (Opening balance)		4,46,98,344		3,38,064
	Cash and Cash Equivalents (Closing balance)		2,42,37,688		4,46,98,344
	Notes:				
1	Figures in brackets represent outflows of cash and cash equivalents				
2	Cash and cash equivalents comprise of:				
			As at 31st Mar, 2013	As at 31st Mar, 2012	As at 31st Mar, 2011
			(In)	(In)	(In)
	Cash on hand		2,87,630	11,52,846	3,38,039
	Bank Balance:				
	With Scheduled Banks:				
	In Current Accounts		2,39,50,058	4,35,45,499	25
	In Margin Money Deposit Account (Restricted)		-	-	-
	In Dividend Account (Restricted)		-	-	-
			2,42,37,688	4,46,98,344	3,38,064
	As per our report attached to the Balance Sheet				

Notes forming part of the Financial Statements for the year ended March 31, 2013

NOTE 1 – Share Capital

Particulars			As at 31 st March, 2013 in Rs	As at 31 st March, 2012 in Rs
Authorised: 30,00,000 (PY: 30,00,000) equity shares of Rs. 10 each			3,00,00,000	3,00,00,000
Issued Subscribed and Paid up: 6,32,040 (PY: 6,32,040) equity shares of Rs. 10 each fully paid up.			63,20,400	63,20,400
Total			63,20,400	63,20,400
Reconciliation of the no. Of shares outstanding at the beginning and at the end of the year		As at 31st March 2013 No. Of shares	As at 31st March 2013 (Rs)	As at 31st March 2012 No. Of Shares (Rs)
No of shares outstanding at the beginning of the year				
- Equity Shares		6,32,040	63,20,400	2,99,700
Add: Additionally shares issued during the year				
- Equity Shares		-	-	3,32,340
Less: Shares forfeited/ Bought back during the year				
- Equity Shares		-	-	-
No. Of Shares outstanding at the end of the year				
- Equity Shares		6,32,040	63,20,400	6,32,040
i) Number of shares held by each shareholder holding more than 5% shares in the company are as follows				
Particulars	Percentage of Shareholding	Number of shares as at 31st March, 2013	Percentage of Shareholding	Number of Shares as at 31st March, 2012
Equity Shares:				
Meenal Patole	49.00%	309,694	49.00%	3,09,694
Moringaway	49.35%	311,932	49.35%	3,11,932
ii) Shares held by Holding Company including shares held by Subsidiaries or by Associates of the Holding Company or the Ultimate Holding Company				
Particulars	Percentage of Shareholding	Number of shares as at 31st March, 2013	Percentage of Shareholding	Number of Shares as at 31st March, 2012
Moringaway	49.35%	311,932	49.35%	3,11,932
iii) Terms/ rights attached to shares:				
a) The company has only one class of equity shares having a par value of Rs 10/- per share. Each holder of equity share is entitled to one vote per share.				
b) In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholder.				

NOTE 2 – Reserves and Surplus

Particulars	As at 31 st March 2013 (in Rs)	As at 31 st March 2012 (in Rs)
Securities Premium Account:		
As per last Balance Sheet	7,02,59,185	
Additions on shares issued during the year		7,02,59,185
	7,02,59,185	7,02,59,185
Special Reserve Fund:		
As per last Balance Sheet	86,246	86,246
Add: Transferred from Profit & Loss Account		
	86,246	86,246
Surplus in the Statement of Profit or Loss:		
As per last Balance Sheet	(1,40,04,718)	(1,67,525)
Add: Profit/ (Loss) for the year	(78,27,793)	(1,38,37,194)
Add: Provision for NPA last year	(2,18,32,512)	(1,40,04,718)
Total	4,85,12,920	5,63,40,713

NOTE 3 – Long Term Provisions

Particulars	As at 31 st March 2013 (in Rs)	As at 31 st March 2012 (in Rs)
Provisions for Gratuity	3,70,187	2,52,692
Contingent Provision against Standard Assets	38,532	2,127
Total	4,08,719	2,54,819

NOTE 4 – Other Current Liabilities

Particulars	As at 31 st March 2013 (in Rs)	As at 31 st March 2012 (in Rs)
Provident Fund Contribution Payable	37,826	83,527
Duties & Taxes Payable	2,62,655	2,89,616
Other Payable	10,96,284	7,82,577
Total	13,96,765	11,55,720

NOTE 5 – Short-Term Provisions

Particulars	As at 31 st March 2013 (in Rs)	As at 31 st March 2012 (in Rs)
Contingent Provision against Standard Assets	2,59,605	49,675
Provision for Leave Encashment	3,67,709	1,92,156
Total	6,27,314	2,41,831

NOTE 6 - Tangible Fixed Assets

Particular	Cost				Depreciation/ Amortization/ Diminution				Net Block	
	As at 1 st Apr 2012	Additions during the year	Deductions during the year	As at 31 st Mar 2013	Upto 31 st Mar 2012	For the year	On deduction	Up to 31 st Mar 2013	As at 31 st Mar 2013	As at 31 st Mar 2012
	(in Rs)	(in Rs)	(in Rs)	(in Rs)	(in Rs)	(in Rs)	(in Rs)	(in Rs)	(in Rs)	(in Rs)
TANGIBLE ASSETS										
Plant & Equipment:										
Computers	2,84,994	1,50,805	-	4,35,799	96,330	93,916	-	1,90,246	2,45,553	1,88,664
Furniture & Fixtures	2,89,791	70,735	-	3,60,526	35,714	53,260	-	88,974	2,71,552	2,54,077
Office Equipment	1,49,360	-	-	-	13,798	20,332	-	34,130	1,15,230	1,35,562
Total	7,24,145	2,21,540	-	9,45,685	1,45,842	1,67,508	-	3,13,350	6,32,335	5,78,303
Previous Year	1,13,465	7,24,145	1,13,465	7,24,145	84,876	1,45,842	84,876	1,45,842	5,78,303	28,589

NOTE 7 - Intangible Fixed Assets

Particular	Cost				Depreciation/ Amortization/ Diminution				Net Block	
	As at 1 st Apr 2012	Additions during the year	Deductions during the year	As at 31 st Mar 2013	Upto 31 st Mar 2012	For the year	On deductions	Up to 31 st Mar 2013	As at 31 st Mar 2013	As at 31 st Mar 2012
	(in Rs)	(in Rs)	(in Rs)	(in Rs)	(in Rs)	(in Rs)	(in Rs)	(in Rs)	(in Rs)	(in Rs)
INTANGIBLE ASSETS (Other than internally generated)										
Computer Software	20,40,708	-	-	20,40,708	1,51,674	6,80,236	-	8,31,910	12,08,798	18,89,034
Total	-	-	-	20,40,708	1,51,674	6,80,236	-	8,31,910	12,08,798	18,89,034
Previous Year	-	20,40,708	-	20,40,708	-	1,51,674	-	1,51,674	18,89,034	-

NOTE 8 – i) Break up of deferred tax liability as at year end:

Nature of timing difference	31 st March, 2013 Rs	31 st March, 2012 Rs
Provision for Depreciation	1,85,560	5,34,011
Total	1,85,560	5,34,011

ii) Break up of deferred tax asset as at the yearend:

Nature of timing difference	As at 31 st March, 2013 Rs	As at 31 st March, 2012 Rs
Provision for Leave Encashment	3,67,709	1,92,156
Provision for Gratuity	3,70,187	2,52,692
Provision for Standard and Non Performing Asset	2,46,335	51,802
Carried forward tax losses	2,88,73,566	1,99,75,360
Total	2,98,57,797	2,04,72,010

iii) Deferred tax asset/ (liability) net	91,68,721	61,60,842
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NOTE 9 – Long Term Loans and Advances

Particulars	As at 31 st March 2013 (in Rs)	As at 31 st March 2012 (in Rs)
Capital Advances	5,58,605	-
Taxes paid in advance less provisions (current tax)	2,17,082	5,106
Security Deposits		
Considered Good	4,41,350	22,850
Considered Doubtful	-	-
Loan Portfolio- Micro Credit*		
Joint Liability Group Loan		
Considered Good	1,63,417	5,70,122
Considered Doubtful	-	-
Individual Loan		
Considered Good	27,33,314	-
Considered Doubtful	-	-
Total	41,13,768	5,98,078

*Represents standard assets, sub-standard assets and loss assets classification by the company is more conservative than specified as per RBI Prudential norms for NBFCs (Refer note 17)

NOTE 10 – Cash and Cash Equivalents

Particulars	As at 31 st March 2013 (in Rs)	As at 31 st March 2012 (in Rs)
Balances with banks (including deposits with less than 3 months maturity)	2,39,50,058	4,35,45,499
Cheques, drafts in hand	-	-
Cash in hand	2,87,630	11,52,846
Total	2,42,37,688	4,46,98,344

NOTE 11 – Short Term Loans and Advances

Particulars	As at 31 st March 2013 (in Rs)	As at 31 st March 2012 (in Rs)
Security Deposits		
Considered Good	1,89,014	3,05,000
Considered Doubtful	-	-
	1,89,014	3,05,000
Loan Portfolio- Micro Credit*		
Joint Liability group loans	22,51,574	-
Considered Good	-	-
Considered Doubtful	-	-
	22,51,574	-
Individual Loans		
Considered Good	1,46,40,373	98,20,066
Considered Doubtful	-	-
	1,46,40,373	98,20,066
Other Short Term Loans & Advances		
Advance against salary	-	11,076
Prepaid Expenses	3,73,682	1,03,100
Others	13,083	-
	3,86,765	1,14,176
Total	1,74,67,726	1,02,39,242

*Represents standard assets, sub-standard assets and loss assets classifications by the company is more conservative than specified as per RBI Prudential norms for NBFCs (Refer Note 17)

NOTE 12 – Other Current Assets

Particulars	As at 31 st March 2013 (in Rs)	As at 31 st March 2012 (in Rs)
Interest Accrued	4,37,083	1,47,540
Others	-	2,100
Total	4,37,083	1,49,640

NOTE 13 – Revenue from Operations

Particulars	As at 31 st March 2013 (in Rs)	As at 31 st March 2012 (in Rs)
Interest Income-Micro Credit	31,75,529	3,38,282
Upfront Fees-Micro Credit	2,58,220	1,11,565
Total	2,42,37,688	4,46,98,344

NOTE 14 – Other Income

Particulars	For the year ended on 31 st March 2013 (in Rs)	For the year ended on 31 st March 2012 (in Rs)
Interest Income from Fixed Deposit	21,19,779	51,064
Other Income	10,036	-
Total	21,29,815	51,064

NOTE 15 – Employee Benefit Expense

Particulars	For the year ended on 31 st March 2013 (in Rs)	For the year ended on 31 st March 2012 (in Rs)
Salaries and Wages	1,07,81,066	83,84,771
Contribution to Provident and other funds	3,62,443	4,94,081
Staff welfare expenses	67,298	2,06,856
Total	1,12,10,807	90,85,708

NOTE 16 – Other Expenses

Particulars	For the year ended on 31 st March 2013 (in Rs)	For the year ended on 31 st March 2012 (in Rs)
Rent	8,49,940	8,10,770
Repairs and maintenance- others	2,13,796	2,55,823
Tour and Travel Expenses	5,16,760	12,03,296
Loans written off	32,564	20,93,385
Legal and Professional Fees	8,93,416	46,64,487
Auditors Remuneration	6,85,396	9,56,624
Advertising	57,217	1,37,511
Food and Beverages	1,13,047	2,29,195
Printing and Stationary	1,99,447	1,78,386
Communication Expense	1,54,544	1,52,675
Miscellaneous Expenses	3,06,872	3,81,770
Total	40,22,999	1,10,63,920

NOTE 16a – Auditors Remuneration includes details as below:

Particulars	For the year ended on 31 st March 2013 (in Rs)	For the year ended on 31 st March 2012 (in Rs)
As Auditors:		
Audit Fees	4,49,440	3,37,080
Interim Audit	-	1,53,194
Taxation matters	1,06,742	84,270
Other Services	73,034	1,82,416
Total	6,85,396	9,56,624

NOTE 17- Significant Accounting Policies and Notes forming Part of the Financial Statements for the Year ending 31st March, 2013

1. Expenditure incurred in Foreign Currency (on accrual basis)

Particulars	For the year ended	
	31 st March, 2013 (in Rs)	31 st March, 2012 (in Rs)
Professional Fees	246,304	143,884
Travelling Expenses	-	139,359
Software Cost (Capitalised)	-	1,496,905
	<u>2,46,304</u>	<u>17,80,148</u>

2. Earnings in Foreign Currency (on accrual basis)

Particulars	For the year ended	
	31 st March, 2013 (in Rs)	31 st March, 2012 (in Rs)
	NIL	NIL
	<u>-</u>	<u>-</u>

3. Capital Commitment (Not provided for in Books of accounts)

Particulars	For the year ended	
	31 st March, 2013 (in Rs)	31 st March, 2012 (in Rs)
For Purchase of Fixed Assets	3,37,199	-
	<u>3,37,199</u>	<u>-</u>

4. Operating Leases

Maturity pattern of the future minimum lease payments under operating leases are given as below.

Particulars	For the year ended	
	31 st March, 2013 (in Rs)	31 st March, 2012 (in Rs)
Less than 1 year	8,67,550	6,79,790
Less than 1 year and not later than 5 years	15,77,510	7,52,640
Later than 5 years	-	-
	<u>24,45,060</u>	<u>14,32,430</u>

5. Earnings Per Share (EPS)

Particulars	For the year ended	
	31 st March, 2013 (in Rs)	31 st March, 2012 (in Rs)
Profit attributable to Equity Shareholders	(78,27,793)	(1,38,37,194)
Weighted average number of equity shares outstanding during the year (No. Of shares)	6,32,040	4,29,803
Basic Earnings per share	(12.38)	(32.19)
Diluted Earnings per share	(12.38)	(32.19)
Face Value of equity share	10	10

6. Segment Reporting

Segment Identification

The Company has only one business segment, which is providing microfinance loans to individuals and Joint Liability Group.

Further, the company provides services only in India and, accordingly, no disclosures are required under secondary segment reporting

7. Dues to Micro, Small and Medium Enterprises

The particulars required to be disclosed under the Micro, Small and Medium Enterprises Act, 2006 in respect of principal amount remaining unpaid to any supplier as at the year end, amount due to the suppliers beyond the appointed day during the year, amount of interest if any, accrued and remaining unpaid as at the end of the year etc. Could not be disclosed for want of information whether sundry creditors include dues payable to any such undertaking

8. Transfer to Special Reserve Fund

The Company has incurred losses during the year due to which there has been no transfer to the Reserve Fund in accordance with the provision of Section 45-IC of the RBI Act, 1934

9. Related Party Disclosures**Names of related parties and related party relationship****Related Parties where control exists**

Significant Shareholding	Moringaway
Fellow Subsidiary	Agora Microfinance Zambia

Key Managerial Personnel

Managing Director and CEO	Meenal Patole
Chief Financial Officer	Medha Ravi

Related parties with whom transactions have taken place during the year

Managing Director and CEO	Meenal Patole
Chief Financial Officer	Medha Ravi

Related Party Transactions

Name of Related Party	Relationship	Nature of Transaction	Volume of Transaction	
			31- Mar-13 (in Rs)	31-Mar-12 (in Rs)
Meenal Patole	Key Managerial Personnel Remuneration		28,05,840	31,88,760
Medha Ravi	Key Managerial Personnel Remuneration		18,84,640	1,75,000

Name of Related Party

Name of Related Party	Relationship	Nature of Transaction	Volume of Transaction	
			31- Mar-13 (in Rs)	31-Mar-12 (in Rs)
Meenal Patole	Key Managerial Personnel Remuneration		28,05,840	31,88,760
Medha Ravi	Key Managerial Personnel Remuneration		18,84,640	1,75,000

Note: All the transactions with related party are undertaken at Arm's length and relationship has not influenced the price at which transactions are undertaken

NOTE -**1. Corporate Information**

The Company is a Non- banking Financial Company (NBFC) registered with Reserve Bank of India ("RBI") under Section 45-IA of the Reserve Bank of India Act, 1934 and primarily engaged in provision of micro credit and related activities.

The Company has applied to Reserve Bank of India, in terms of Circular No: NBS.CC.PD.No. 250/03.10.01/2011-12, for granting registration certificate under the category Non Banking Financial Company - Micro Finance Intitution ('NBFC- MFI'). The application is pending for approval as on the date of this reporting period. If registration under the said category is granted, Assets classification Norms and Provisioning Norms shall change to comply with the aforesaid Circular.

2. Summary of Significant Accounting Policies**a) Basis of Preparation of Financial Statementse**

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting and in accordance with the provisions of the *Companies Act, 1956* and the accounting principles generally accepted in India and comply with the accounting standards prescribed in the *Common (Accounting Standards) Rules, 2006* issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards as amended, to the extent applicable.

The Company is Non Small and Medium Sized Company ("Non SMC") as defined in the General Instructions in respect of Accounting Standards notified under the Act. Accordingly, all accounting standards prescribed in *Companies (Accounting Standards) Rules, 2006* are followed by the Company.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

c) Assets – Fixed and Intangible**Fixed Assets**

Fixed Assets are stated at the cost of acquisition or construction less accumulated depreciation and impairment loss, if any. The cost of fixed assets includes taxes (net of recoverable taxes), duties, freight, and other incidental expenses related to the acquisition and installation of the respective assets.

Intangible Assets

Intangible Assets are stated at cost of acquisition net of recoverable taxes less accumulated amortization/ depletion, The Company follows conditions of identification and recognition of Intangible assets as stipulated in AS 26 intangible assets.

d) Depreciation on Tangible Fixed Asset

Fixed Assets are depreciated pro rata from the date on which the asset is ready for commercial use on Written down Value Method, based on rates decided by management on the basis of useful life of asset, technological obsolescence.

Depreciation rates as per companies policies are as follows

Asset	Depreciation (%)
Computers	60%
Furniture & Fixtures	18.91%
Office Equipments	15%

e) Amortisation of Intangible Assets

Intangible Assets in nature of Computer Softwares, recognized in financial statements are amortised over a useful life of 3 years on pro rata basis from the date of purchase. The management estimates the useful life of the asset based on the nature of the asset, technical, technological and other obsolescence.

f) Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use.

In assessing values in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

g) Revenue Recognition

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

- (i) Interest Income: Interest income is recognised and accounted on accrual basis. Interest income on Loan portfolio overdue for period more than 30 days is not accrued in books of accounts and is accounted on realisation basis.
- (ii) Income from other financial services are recognized on accrual basis except for upfront loan processing fees which is recognised on actual basis when loans are disbursed
- (iii) Interest Income on deposits with banks is recognised on accrual basis taking into account the amount outstanding and as per rates applicable
- (iv) Dividend income is recognised only at the time right to payment is established
- (v) All other income is recognised on accrual basis

h) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Lease rental payments under operating Leases are recognized as an expense on a straight line basis over the lease period.

i) Foreign Currency Transactions

Foreign Currency Transactions are recorded at exchange rates prevailing on the date of transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date and the resultant exchange differences are recognized in the profit and loss account.

j) Taxation

Income tax expenses comprises current income tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge of credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtually certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

Provision for income tax is made on the basis of the rules and regulations as prescribed under the Income Tax Act, 1961.

k) Employee Benefits**Defined Contribution Scheme:**

Contribution payable to the recognised provident fund is charged to the profit and loss account in the period in which the liability is incurred.

Defined Benefit Plan:

The Company has recognised its liability in respect of Gratuity in its books, though not in accordance with the actuarial method prescribed under the Accounting Standard (AS) – 15 'Employee Benefits'. The liability is unfunded.

Accumulated Leave balances which is expected to be utilised in future periods is classified as Short Term employee benefits and are accordingly provided for at the reporting date.

l) Earnings per share ('EPS')

The basic earnings per share are computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting period.

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

m) Provisions and Contingent Liabilities

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Contingent assets are not recognized in the financial statements.

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc are recorded when it is probable that a liability has been incurred and the amount can be reasonable estimated.

n) Classification of Loan Portfolio**(i) Loan Portfolio is classified as below:**

Asset Classification	Arrear Period
Standard Assets	Overdue for 0 days
Non-Performing Assets	
Sub Standard Assets	Overdue for 1-180 days
Loss assets	Overdue over 180 days

(ii) Provisioning policy for Loan Portfolio

The company follows provision policy in accordance with the classification policy and rates approved by the Management. The provisioning policy on Portfolio assets to the extent deviate from the RBI Prudential Norms. However, the policy adopted by the company is conservative vis-a-vis RBI Prudential Norms. The financial effect of the same is as below.

As per RBI Prudential Norms						
Asset Classification	Arrear Period as per RBI	Provision rate as per RBI	Amount (in Rs)	Arrear Period as per Company	Provision (%) as per Company	Amount (in Rs)
Standard assets	Overdue for 0 day	0.25%	22,608	Overdue for 0 days	0.25%	22,608
Sub Standard assets	Overdue for 18 months	10%	19,243	Overdue for 1-30 days	10%	19,243
				Overdue for 31-60 days	25%	4,026
				Overdue for 61-90 days	50%	3,353
				Overdue for 91-180 days	75%	40,642
Doubtful Assets	Overdue upto one year	20%	Nil	N.A.	20%	Nil
	Overdue for one to three years	30%	Nil	N.A.	30%	Nil
	Overdue for more than 3 years	75%	Nil	N.A.	75%	Nil
Loss Assets		100%	1,41,555	Overdue over 180 days	100%	1,41,555

The above provisioning norms approved by the management, are confirmatory to Non Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Further, on December 2, 2011, the RBI, vide Circular No. DNBS.CC.PD.No, 250/03.10.01/2011-12, introduced New Category of NBFCs – ‘Non Banking Financial Company – Micro Finance Institutions’ (NBFC- MFIs) whereby the directions for NBFCs to be registered as NBFC – MFI have been notified. The Company has applied to the RBI for registration as NBFC – MFI in accordance with the aforesaid Circular.

o) Additional Annexure as per Regulatory requirements

The disclosures required in terms of Paragraph 13 of the Non Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 are given in the Annexure 1 Forming part of these Financial Statements.

Loans & Advances grouping for year ended 31st March 2013

a)	Gross Loan		
	Long Term Advance		28,96,731
	Group Loans	1,63,417	
	Individual Loans	27,33,314	
	Short Term Advances		1,68,91,947
	Group Loans	23,02,576	
	Individual Loans	1,45,89,371	
	Subtotal		1,97,88,678
b)	Long Term Advance		
	Security Deposit		4,41,350
	Taxes Paid in Advance		2,17,082
	Capital Advances		5,58,605
	Subtotal		12,17,037
c)	Other Short Term Loans & Advances		
	Security Deposits		1,89,014
	Prepaid Expense		3,73,682
	Others		13,083
	Subtotal		5,75,779
	Total		2,15,81,494

Provisioning policy for Loan Portfolio

Asset Classification	Arrear Period	Provision %	Amount (in Rs)
Standard Asset	Overdue for 0 days	0.50%	45,216
Sub Standard Assets	Overdue for 1-30 days	10%	11,543
	Overdue for 31-60 days	25%	4,026
	Overdue for 61-90 days	50%	3,353
	Overdue for 91-180 days	75%	40,642
Loss Assets	Overdue over 180 days	100%	1,41,555





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