

**AGORA MICROFINANCE INDIA LTD (AMIL)**  
Annual Report  
April 2015 - March 2016

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Tanmay Chetan – Chairperson  
Meenal Patole – CEO and Managing Director  
Rebecca McKenzie – Director  
Asit Mehta – Director  
Orlanda Ruthven – Director

### BOARD COMMITTEES

#### Audit & Finance Committee

Asit Mehta – Chairperson  
Rebecca McKenzie – Member  
Medha Wilson – Member

#### Remuneration, Nomination and Corporate Governance Committee

Tanmay Chetan – Chairperson  
Orlanda Ruthven – Member

#### Management Team

Meenal Patole – CEO and Managing Director  
Subba Reddy – Chief Operating Officer  
Amandeep Singh – Head of Finance & Internal Audit  
Ramakrishna Sahu – Head of Operations

### Grievance Redressal Officer

Amandeep Singh

### Registered Address

4/2, 1st Floor, Chandrodya CHS, Swastik Park, CST Road,  
Chembur ( East ), Mumbai - 400071

### Lenders

MAS Financial Services Ltd  
Reliance Capital  
Ananya Finance for Inclusive Growth Private Limited

### Principal Bankers

HDFC Bank Limited  
ICICI Bank  
Shamrao Vithal Co-op Bank Limited  
Kotak Mahindra Bank

### Auditors

Sharp & Tannan  
Chartered Accountants  
Mumbai

### Company Secretary

D.S. Momaya & Co.  
Company Secretaries  
Navi Mumbai

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OVERVIEW



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

दृष्टीकोन  
शहरी समाजव्यवस्था जेथेकमी उत्पन्न  
असलेल्या समाजाला त्यांच राहणीमान  
सुधारण्याची पुरेशी संधी मळिल.

**Mission:**  
*To provide affordable, convenient and 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 नरितर पुरवण



## CODE OF CONDUCT/CLIENT PROTECTION PRINCIPLES

All of AMIL's work is conducted within a framework of 11 client protection principles enumerated below. These principles are adapted and revised as per the most up to date RBI notifications to NBFCs and NBFC-MFIs for implementation of Fair Practices Codes.

**1. Inclusive and Non-Discriminatory:** Our services and products are available to all; we will not discriminate based on community, religious, caste or gender reasons, or for reasons of poverty or disability.

**2. Ethical Staff Behaviour:** Our staff will treat you in a fair, honest and respectful manner at all times. Our collection officers will not indulge in the following:

- Any behaviour that in any manner would suggest any kind of threat or violence.
- Contact clients at odd hours, as per the RBI guidelines for loan recovery agents.
- Will not visit clients at inappropriate occasions such as bereavement, sickness, etc, to collect dues.

**3. Appropriate Product Design and Delivery:** We will constantly work to ensure that our products and delivery mechanisms are flexible in order to meet the diverse needs of our clients. We will actively seek feedback from you regarding your product and service preferences. We will extend product and services as bundled product except insurance.

**4. Disclosure:** We will communicate all the terms and conditions for all products/services offered to clients in the official regional language or a language understood by them and shall cover aspects such as loan terms and conditions, pricing, charges etc. We shall also hand over duplicate copies of the sanction

letter, repayment schedule, loan card etc and other loan documents as and when a request is received.

**5. Avoidance of Over-Indebtedness:** We will thoroughly assess your household income(s) and expenditure(s) to ensure that your loan size matches your capacity to make repayments. We will not lend to clients who have outstanding loans with more than one other lender. We will use the Credit Bureau information while assessing the number of loans and indebtedness levels of each client.

**6. Transparent Pricing:** We will ensure that you are fully aware of all of our product terms and conditions and prices. The pricing of our products will be simple to understand and fair. There will be no hidden costs. Our relationship is based on a detailed agreement which will depict the key terms and conditions of loan and repayment. There shall be only three components in the pricing of the loan Viz, the interest charge, the processing charge and insurance premium. All interest and fees payable as an all-inclusive APR and equivalent monthly rate will be indicated in the sanction letter/loan documentation. No penalty will be charged on delayed payments. Complete information on pricing will be displayed at all our offices.

**7. Appropriate Collection Practices:** You are expected to pay your loan on time but if you cannot, we will work with you to overcome problems that you are facing. We will never use abusive language, physical force, humiliate you, or violate your right to privacy. All recoveries will take place at the place designated in the loan contract. We will provide a valid receipt for each and every payment received from the borrower.

**8. Flexibility:** You can choose the term of repayment (Weekly, Fortnightly or Monthly). We do not charge extra for this flexibility or for pre-payment of any loan.

**9. Privacy of Information:** We will not share your personal details or information with any person or organisation without your consent, or unless required to by the law.

**10. Freedom of Choice:** We respect that you are the best person to make decisions for yourself and your family. We shall endeavour to raise clients' awareness of the options, choices and responsibilities vis-à-vis financial products and services available and also inform clients the organisation's policies and procedures to help them understand their rights as borrowers at regular intervals.

**11. Complaints and Grievances:** Customers have a right to make complaints. We will always listen to customer comments and complaints and respond to them quickly and fairly by establishing a dedicated feedback and grievance redressal mechanism to correct any error and handle/receive complaints speedily and efficiently. We shall also ensure that clients are made aware of the existence and purpose of these mechanisms and how to access them.

In establishing compliance with the above, appropriate policies and systems have been established within Operations. The implementation of the above Client Protection Principles can be seen in the Operations Policies and Internal Audit systems of the company.

## CHAIRMAN'S REPORT



Economies of scale are slowly becoming evident in our operations, as our growth continues into the new year. Similarly, we see signs of small reductions in our borrowing costs as well as lenders showing more confidence in working with us. Both these aspects are welcome and give us the impetus that we require at this stage. Alongside these positive developments, we are continuously trying to ascertain how we can better leverage technology and keep improving the efficiency of our processes. Some interesting initiatives are in the pipeline as we speak.

It gives me pleasure to report on a defining year for AMIL. A start-up's first challenge is attaining basic business viability, and AMIL achieved this on a monthly basis despite constraints on funding, size and scale, and within its first five years of operations. We expect a full-year profit in the coming year and further growth and consolidation resulting from this landmark achievement.

Despite enormous growth opportunities, the economics of microfinance for smaller entities in India can be challenging, with a lending cap often coupled with a high cost of borrowing, due to the unproven track record in early days. We are grateful to our main lenders who have shown confidence during this tricky period of development. MAS Financial Services, Ananya and Reliance Capital have been our early supporters and have provided timely liquidity for the growth of operations, which has been instrumental in our progress so far.

During the year AMIL performed a difficult review of its structure and made appropriate changes to suit its operations, which enabled it to achieve greater efficiency while keeping the focus on the quality of its loan book. With a net interest margin of more or less 10%, there is little space for either high operating costs or less-than-excellent portfolio quality. I am happy to report that AMIL performed on both these counts in the year, as the numbers show.

The Mumbai market is still somewhat underserved even though competition is intensifying in some parts of the city. We expect another 3-4 years of consistent strong growth before the Company settles down into a more organic growth cycle. During this growth phase the leadership of the Company will need to continue being vigilant, disciplined and creative, as they have been so far.

A number of individuals have excelled in the year and deserve a mention for their contribution to the Company. Meenal, our CEO has been the untiring leader in the institution; so have been Ram Sahu in Operations and Amandeep Singh in Finance and Audit. Our Client Officers and Branch management have all performed to a high standard and I congratulate them for their achievements. On the Board and its committees, my colleagues have provided continuous support and guidance and have invested the time and attention beyond what is normally required, and I extend our gratitude to them for the contributions made. Last but by no means the least, our shareholders deserve special mention for their continued confidence in the work of AMIL.

We are on a vibrant journey with AMIL, and I look forward to the coming years with considerable excitement, confidence and hope. As we grow and consolidate, hopefully so do our clients.

Tanmay Chetan  
Chairperson of the Board



## CEO'S REPORT



In 2015-16 AMIL completed its fifth year of its operations in Mumbai, India, with a number of key milestones achieved. The first being month on month break even in September 2015 with 8,486 active clients and a loan portfolio at ~USD2.5million. The Company closed the financial year with a portfolio size of ~USD2.4million and the active client base crossing the 10,000 mark (at 11,408). The Company grew 100% and the month on month break even led to cutting YTD losses by nearly 60%. Portfolio quality improved significantly. PAR 30 that was at 1.03% at the beginning of the financial year was at 0.38% at the end of March 2016 (excluding annual write-offs). The Indian Microfinance sector perceives the Mumbai market as one with huge potential, yet challenging in terms of following traditional microfinance through Grameen model replication. This is due to the nature of the clientele who juggle multiple livelihoods, lead an intense and extremely busy life, are nevertheless aware and understand managing their own portfolio prudently. In this context, AMIL's success in maintaining high portfolio quality is noteworthy. The key strength of AMIL's operations has always been its focus on understanding the market, and a comprehensive and diligent approach to risk mapping which feeds into strategy.

The last year's achievements can be attributed to a number of factors, including some level of business restructuring. The first and foremost is the resolve of the management to plan and commit to operations break-even. Backed by

a very committed team at the Head Office, the management was able to steer and implement the break-even plan in a span of three months – July to September 2015. The steps taken involved role consolidation, management team's decision to postpone its own increment/incentive until break even, high cost solutions/services substituted with quality local services, logistics planning, negotiations for lowering borrowing costs and so on. We also commenced the process of loan process decentralisation wherein key processes related to loan documentation would be at Branch level, thus further reducing administrative cost and the efficiency for clients. The Operations Team played a crucial role by putting up consistent month on month growth with diligence to ensure portfolio quality. The support of our shareholders, AMNV during this period is underscored. AMIL received two rounds of equity in FY15-16 and this not only supported the efforts towards operations break-even, but the continued confidence of the shareholder in AMIL played a crucial role in domestic debt fund raising.

Besides the business achievements, AMIL's sectoral presence received a boost with the election of its CEO to the Governing Board of MFIN (Microfinance Institutions Network), a member institution for the microfinance sector and a self-regulatory organisation (SRO) recognised by the Reserve Bank of India. MFIN has been playing a crucial role in policy advocacy for the sector and NBFC-MFI regulation implementation. As documented in MFIN's annual publication "The Microscope FY14-15", AMIL is 4th in terms of percentage of female employed (65%) and in 3rd position for employing female loan officers (77%) across all member organisations. These recognitions are noteworthy and demonstrate our mission focus.

The ensuing year is going to be exciting as well! AMIL plans to grow significantly with new operations in four more locations in Mumbai, potentially doubling its active client base and the portfolio. As per our business projection AMIL aims to reach ~20,000 clients with portfolio size of USD4.8million by March 2017. This would require additional debt funding to the tune of

USD2.45million. To fuel the growth and enhance profitability, a key factor would be access to lower cost funding. Besides commencing four new Branches, the Company plans to roll out a couple of new products to its existing and new clients. These include a Top-up loan for existing clients who have regular working capital requirement and would like to stagger their borrowings, and a Flexi-business loan for those clients who require bigger loans and longer terms as per business cycle needs. Such new products will be customer centric, boost client businesses and propel growth. AMIL has a real time MIS that networks all its branches. A new addition this year on technology front will be the implementation of a bar code mechanism for client identification in our MIS. This would bring efficiency, minimise data errors and reduce staff workload as well.

The next five years are extremely crucial growth years for AMIL. The main challenge would be scalability that includes diversification to urban pockets beyond Mumbai. The first five years of operations in Mumbai has demonstrated model viability and while other urban centers may not offer the same population density, the management is confident that with appropriate technology such outreach aggregation can be achieved. The key strengths of the Company are in its bottom up strategy, client centric approach, comprehensive risk mapping and our long term vision to impact wellbeing. As per our five year projections we aim to reach 90,000 clients with a portfolio size of USD30.41 million.

I take this opportunity to thank our shareholders AMNV, Netherlands, for their continuing faith in AMIL management and equity support. A special thanks to the Board of Directors of AMIL for their proactive participation in Company governance and strategy. The team's hard work and commitment deserves acknowledgement and I wish to thank each and every AMIL staff for that. Wishing everyone a good business year ahead!

Meenal Patole  
CEO and Managing Director

## COMPANY STRUCTURE

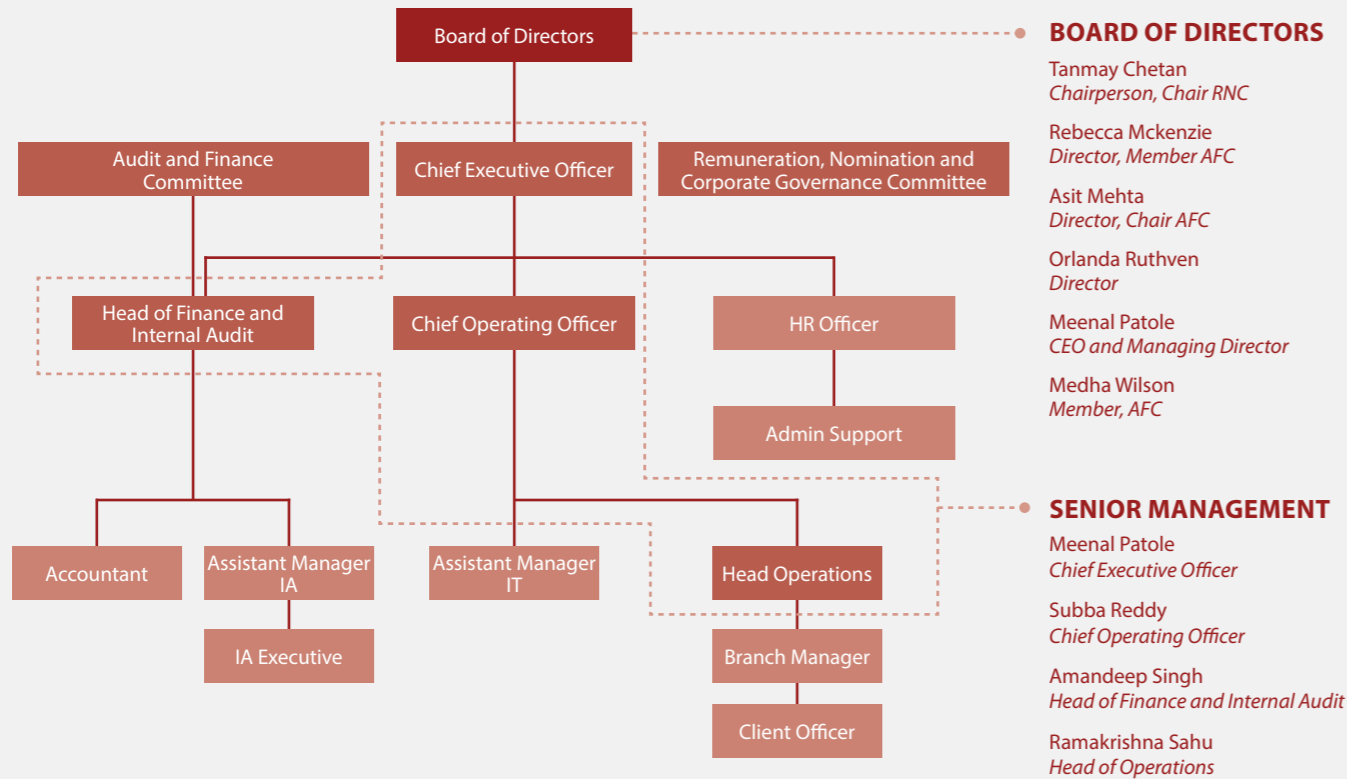
The current governance structure of AMIL includes two Directors who represent the principal shareholder - AMNV, two Independent Directors and the CEO in an ex-officio capacity. The Board of Directors meets on a quarterly basis, and oversees the implementation of the strategy of the company. In addition, the shareholders meet in an Annual General Meeting (AGM) which is scheduled before the 30th of September every year. An Extra General

Meeting (EGM) can be organised in case of any pertinent matter.

The Board is assisted by relevant Sub-Committees. The respective Committees are authorised by the Board to act on its behalf and may direct members of Senior Management to participate in the functioning of the Committee. The following two Committees are currently active: Audit and Finance Sub-Committee (AFC)

and Remuneration, Nomination and Corporate Governance Sub-Committee (RNCG).

The senior management of AMIL includes the CEO and the Heads of Departments (Finance, Operations, HR, IT/MIS, Internal Audit and Research). At present, four managers oversee all of the functions of the senior management.





## AREAS OF OPERATION

The Mumbai slums present a vast microfinance market in the form of households engaged in informal and formal employment and in home-based and other micro-enterprises, and in need of capital.

AMIL is headquartered in Mumbai and currently operates 6 branches in the Mumbai suburbs.

### CONTACT DETAILS:

#### ● Head Office

#### ● Vikroli Park FO

C – 4, Room No. 5, BMC Colony, Parksite Vikhroli, Vikhroli (West), Mumbai – 400 086  
Ph: +91 22 - 25181554

#### ● Khardev Nagar

Building No.36, Room No. 1277, Chembur OM CHS Ltd., (Reg. No. BOM/HSG/7504/81),  
Near Sai Mandir, Subash Nagar, Chembur, Mumbai – 400 071  
Ph: +91 22 - 25213557

#### ● Deonar FO

D-43, Shopping centre, Deonar BMC Colony, Near Shivsena Shakha, Mumbai – 400 043  
Ph: +91 22 - 25511556

#### ● Cheethah Camp FO

1st Floor, No.1, Datta Nagar, Behind Abhinav Gyan Mandir School,  
S.T. Road, Trombay, Mumbai – 400 088  
Ph: +91 22 - 25511555

#### ● Lumbinibaug FO

Commercial Unit No. 3, Ground Floor, RAJI COMMERCIAL COMPLEX PREMISES  
CO-OP. HSG. SOC. LTD., No. 117/118, Raji Commercial Complex, Municipal M (W)  
Section D, Peston Sagar No. III, PL Lokhande Marg, Chembur, Mumbai – 400 089  
Landmark: Below SK Rai College  
Ph: +91 22 - 25251553

#### ● Santacruz FO




Gala Nos. 31 and 32, Bldg. No. 4, Khandwala SRA Society, Datta Mandir Road,  
Vakola Bridge, Mumbai – 400 055. Behind saibaba Mandir  
Ph: +91 22 - 26691090



## PRODUCTS AND SERVICES




AMIL follows both individual and group methodology, depending on the choice of clients as well as funding related restrictions. Both the methodologies are well tested and show strong portfolio quality over the last four years.

Broadly, the loans can be classified as Business Loans or Non-Business Loans. AMIL offers 6 different products to its clients, within these two categories, as of 31 March 2016:

|   |   |  |
|---|---|--|
|    |    |   |
| <b>BUSINESS LOAN – HOUSEHOLD (MICROCREDIT)</b>  | <b>NON-BUSINESS LOAN – HOUSING</b>  | <b>NON-BUSINESS LOAN – EDUCATION</b>   |
| <b>Purpose:</b><br>Income generation activities   | <b>Purpose:</b><br>Housing needs  | <b>Purpose:</b><br>Tuition, night classes, private schooling, vocational training fee/material, transportation, exam related expenses, school materials (uniforms, books etc). |
| <b>Loan Size:</b><br>Individual Lending: 50,000 - 1,00,000<br>Group: 20,000 – 50,000  | <b>Loan Size:</b><br>Individual Loan: Up to 100,000   | <b>Loan Size:</b><br>Individual Loan: Up to Rs50,000<br>Group Loan: Up to Rs30,000   |
| <b>Loan Term:</b><br>12 - 24 months for loan up to Rs30,000<br>24 months for loan >Rs30,000   | <b>Loan Term:</b><br>12 - 24 months for loan up to Rs30,000<br>24 months for loan >Rs30,000   | <b>Loan Term:</b><br>12 - 24 months for loan up to Rs30,000<br>24 months for loan >Rs30,000  |
| <b>Interest rate:</b><br>~ 26% per year on declining balance method   | <b>Interest rate:</b><br>~ 26% per year on declining balance method   | <b>Interest rate:</b><br>~ 26% per year on declining balance method  |
| <b>Loan processing fees:</b><br>1% on loan amount upfront in cash + Sales Tax (ST) of 14.5% on the processing fee + Swachh Bharat Cess (SBT) 0.5% on the processing fee | <b>Loan processing fees:</b><br>1% on loan amount upfront in cash + Sales Tax (ST) of 14.5% on the processing fee + Swachh Bharat Cess (SBT) 0.5% on the processing fee | <b>Loan processing fees:</b><br>1% on loan amount upfront in cash + Sales Tax (ST) of 14.5% on the processing fee + Swachh Bharat Cess (SBT) 0.5% on the processing fee        |

## PIPELINE

For the financial year 2016-17, AMIL has in its pipeline development a Business Top-up Loan which aims at providing short term loans for Businesses whose demand and supply are seasonal in nature. The product is aimed at existing clients who have demonstrated a good credit history with the company. The loan will be extended to clients after their 6th instalment of their 3rd cycle loan.

|   |   |   |
|---|---|---|
|    |    |    |
| <b>NON-BUSINESS LOAN – MEDICAL</b>  | <b>NON-BUSINESS LOAN – GENERAL PURPOSE</b>  | <b>SMALL ENTERPRISE LOAN</b>  |
| <b>Purpose:</b><br>Medical expenses   | <b>Purpose:</b><br>Any general purpose  | <b>Purpose:</b><br>Income generation activities to existing businesses with relevant license or registration certification  |
| <b>Loan Size:</b><br>Individual Loan: Up to Rs30,000  | <b>Loan Size:</b><br>Group Loan: Up to Rs20,000 per member  | <b>Loan Size:</b><br>Group Loan: Up to Rs20,000 per member  |
| <b>Loan Term:</b><br>12 - 24 months for loan up to Rs30,000<br>24 months for loan >Rs30,000   | <b>Loan Term:</b><br>12 - 24 months   | <b>Loan Term:</b><br>12 - 36 months   |
| <b>Interest rate:</b><br>~ 26% per year on declining balance method   | <b>Interest rate:</b><br>~ 26% per year on declining balance method   | <b>Interest rate:</b><br>~ 26% per year on declining balance method   |
| <b>Loan processing fees:</b><br>1% on loan amount upfront in cash + Sales Tax (ST) of 14.5% on the processing fee + Swachh Bharat Cess (SBT) 0.5% on the processing fee | <b>Loan processing fees:</b><br>1% on loan amount upfront in cash + Sales Tax (ST) of 14.5% on the processing fee + Swachh Bharat Cess (SBT) 0.5% on the processing fee | <b>Loan processing fees:</b><br>3% on loan amount upfront in cash + Sales Tax (ST) of 14.5% on the processing fee + Swachh Bharat Cess (SBT) 0.5% on the processing fee |





**AMIL**  
MAR 2016

## MEETING THE FINANCIAL NEEDS OF MUMBAI'S URBAN SLUMS



**2.5m**  
LOAN PORTFOLIO  
(USD)



**0.38%**  
PAR 30

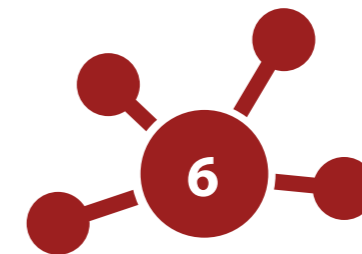


**291**  
AVERAGE LOAN SIZE  
(USD)

**NO OF  
NOI**



**STAFF**



**BRANCHES**

**OPERATIONS  
MUMBAI  
CITY**

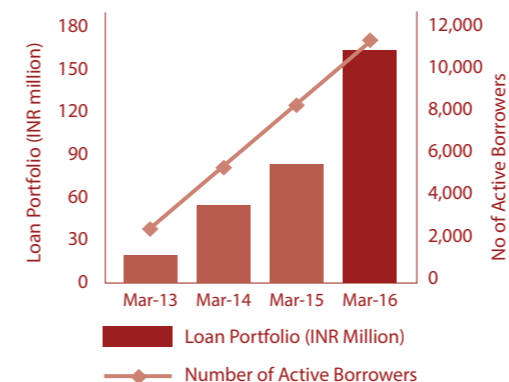


## OPERATIONAL AND FINANCIAL HIGHLIGHTS

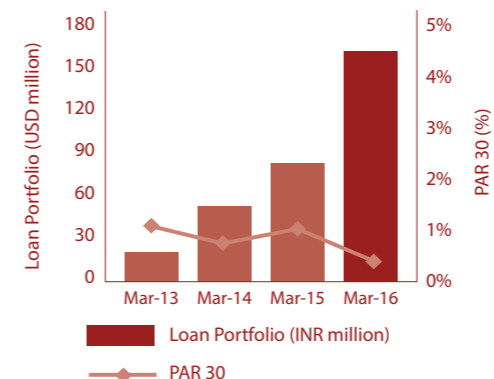
| DESCRIPTION                                  | Mar-13     | Mar-14     | Mar-15     | Mar-16             |
|--|------------|------------|------------|--------------------|
| No of field offices                          | 5          | 5          | 6          | <b>6</b>           |
| Number of active borrowers                   | 1,958      | 5,108      | 8,171      | <b>11,408</b>      |
| - Women borrowers (%)                        | 76%        | 77%        | 74%        | <b>76%</b>         |
| - Loans for business purposes (%)            | 71%        | 74%        | 85%        | <b>64%</b>         |
| Loan portfolio (USD)                         | 360,928    | 902,472    | 1,330,690  | <b>2,457,498</b>   |
| Loan portfolio (INR)                         | 19,737,863 | 54,040,221 | 82,810,136 | <b>162,467,849</b> |
| Par30 days                                   | 1.11%      | 0.69%      | 1.03%      | <b>0.38%</b>       |
| Average loan size (USD)                      | 307        | 246        | 243        | <b>291</b>         |
| Average loan size (INR)                      | 14,373     | 14,719     | 14,901     | <b>19,055</b>      |
| Average loan size / Estimated gni per capita | 20.07%     | 15.67%     | 15.09%     | <b>17.65%</b>      |

| FINANCIAL RATIOS                         | Mar-13  | Mar-14   | Mar-15  | Mar-16        |
|--|---------|----------|---------|---------------|
| Loan interest yield ratio                | 17.34%  | 22.88%   | 23.20%  | <b>22.26%</b> |
| Loan fee income ratio                    | 1.41%   | 1.90%    | 1.57%   | <b>1.53%</b>  |
| Portfolio yield                          | 18.75%  | 24.78%   | 24.77%  | <b>23.79%</b> |
| Provision expense ratio                  | 1.52%   | 1.78%    | 1.81%   | <b>0.72%</b>  |
| Financial cost ratio                     | 0.00%   | 0.18%    | 5.67%   | <b>7.65%</b>  |
| Total                                    | 1.52%   | 1.95%    | 7.48%   | <b>8.37%</b>  |
| Personnel cost ratio                     | 61.05%  | 39.12%   | 24.06%  | <b>13.10%</b> |
| Admin cost ratio                         | 26.58%  | 18.17%   | 12.97%  | <b>6.12%</b>  |
| Total operating cost ratio               | 87.63%  | 57.29%   | 37.02%  | <b>19.22%</b> |
| Total expense ratio                      | 89.15%  | 59.24%   | 44.50%  | <b>27.59%</b> |
| Margin analysis / Average loan portfolio | -70.40% | -3 4.46% | -19.73% | <b>-3.80%</b> |
| Return on total assets                   | -12.91% | -32.37%  | -14.64% | <b>-2.18%</b> |
| Return on equity                         | -13.32% | -35.97%  | -22.31% | <b>-5.11%</b> |
| Operating self sufficiency               | 34%     | 44%      | 58%     | <b>90%</b>    |
| Debt / Equity                            | 0.04    | 0.17     | 0.96    | <b>1.60</b>   |
| Capital Adequacy                         | 200.85% | 112.67%  | 58.91%  | <b>47.36%</b> |

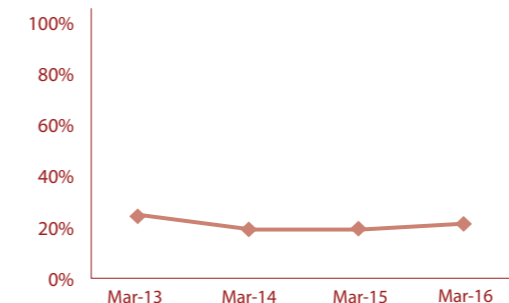
### LOAN PORTFOLIO (INR, M) VS NO OF ACTIVE BORROWERS



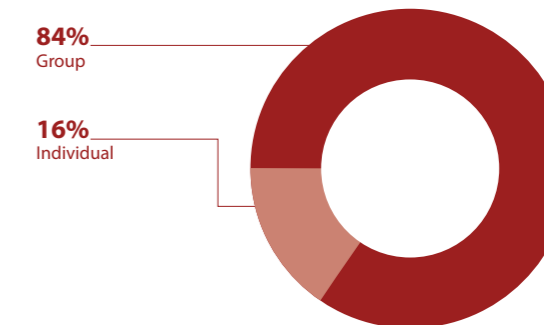
### LOAN PORTFOLIO (INR, M) VS PAR 30 (%)



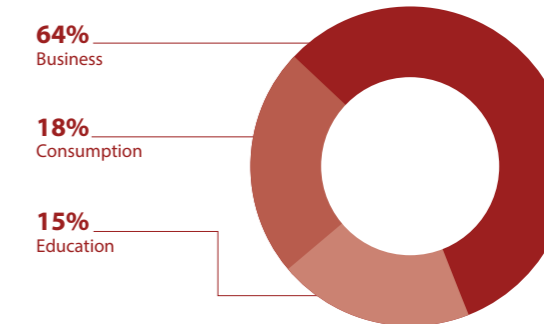
### AVERAGE LOAN SIZE / ESTIMATED GNI PER CAPITA



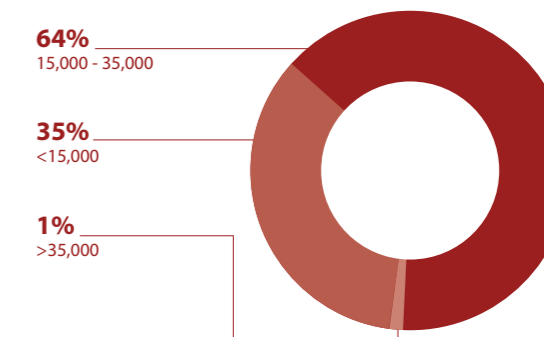
### LOAN PORTFOLIO BY PRODUCT



### LOAN PORTFOLIO BY PURPOSE



### LOAN PORTFOLIO BY LOAN SIZE



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Board's Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your company for the financial year ended, 31st March, 2016.

| Particulars                     | Current year      | Previous Year |
|---------------------------------|-------------------|---------------|
| Sales                           | 29,198,588        | 16,952,173    |
| Other Income                    | 1,319,731         | 679,758       |
| <b>Total Income</b>             | <b>30,518,319</b> | 17,631,931    |
| Depreciation                    | 903,670           | 992,107       |
| Tax                             |                   |               |
| Current Tax                     | 0.00              | 0.00          |
| Deferred Tax                    | 0.00              | 0.00          |
| <b>Profit/(Loss) after Tax</b>  | <b>-3,319,667</b> | -12,819,356   |
| Earnings per share (Rs.): Basic | -4.90             | -19.07        |
| Diluted                         | -4.90             | -19.07        |

### STATE OF COMPANY'S AFFAIRS

During the year under review, the total Income of the Company was Rs.30,518,319 against Rs.17,631,931 in the previous year. The Company's Net Loss after tax during the year 2015-2016 radically reduced to Rs.3,319,667 compared to Rs.12,819,356 in the previous year. Your Directors are continuously looking for avenues for future growth of the Company.

### TRANSFER TO RESERVES IN TERMS OF SECTION 134 (3) (J) OF THE COMPANIES ACT, 2013

In the view of losses, your directors do not propose to transfers any amount to reserves .

### DIVIDEND

Since, the Company has incurred losses during the year, the Directors do not recommend dividend for the year ended 31st March 2016.

### TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

The provisions of Section 125(2) of the Companies Act, 2013 do not apply as there was no dividend declared and paid last year.

### CHANGES IN SHARE CAPITAL, IF ANY

During the year, the Company has issued and allotted 2,448 Equity Shares of Rs.10 each at a premium of Rs.91.40 per share and 2,536 Equity Shares of Rs.10 each at a premium of Rs.12,213.74 per share to two shareholders, on private placement basis, in terms of the resolution of the shareholders passed at the Extra Ordinary General Meeting held on March 31, 2015 and September 03, 2015.

### MATERIAL CHANGES BETWEEN THE DATE OF THE BOARD REPORT AND END OF FINANCIAL YEAR

There have been no 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.

### ANNUAL RETURN

The Extract of Annual Return as required under section 92(3) of the Companies Act, 2013 in Form MGT-9 is annexed herewith for your kind perusal and information. **(Annexure: 1)**

## DIRECTORS' REPORT (Continued)

### MEETINGS OF THE BOARD OF DIRECTORS

The following Meetings of the Board of Directors were held during the Financial Year 2015-16:

| SN | Date of Meeting | Board Strength | No. of Directors Present |
|----|-----------------|----------------|--------------------------|
| 1  | 18/04/2015      | 6              | 4                        |
| 2  | 08/06/2015      | 6              | 4                        |
| 3  | 24/06/2015      | 6              | 4                        |
| 4  | 30/07/2015      | 6              | 4                        |
| 5  | 13/08/2015      | 6              | 4                        |
| 6  | 11/09/2015      | 6              | 4                        |
| 7  | 30/09/2015      | 5              | 5                        |
| 8  | 26/10/2015      | 5              | 4                        |
| 9  | 30/10/2015      | 5              | 4                        |
| 10 | 30/11/2015      | 5              | 4                        |
| 11 | 30/12/2015      | 5              | 4                        |
| 12 | 08/02/2016      | 5              | 4                        |
| 13 | 17/03/2016      | 5              | 5                        |

(c) 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;

(d) The directors had prepared the annual accounts on a going concern basis; and

(e) The directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

(f) 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.

### DIRECTORS

During the Current Financial year 2015-16 the following changes have occurred in the constitution of directors of the company:

| S.No | Name           | Designation | Date of appointment | Date of cessation | Mode of Cessation |
|------|----------------|-------------|---------------------|-------------------|-------------------|
|      | TARA           |             |                     |                   |                   |
| 1.   | KESHABDAS NAIR | Director    | -                   | 30.09.2015        | Retirement        |

### STATUTORY AUDITOR AND AUDITORS' REPORT

Pursuant to the provisions of Section 139 and 142 of the Companies Act, 2013, M/s. S. R. Batliboi & Associates LLP Chartered Accountants, are appointed as Statutory Auditors of the Company in place of M/s Sharp & Tannan, who have shown their unwillingness to be reappointed, to hold office up to the financial year 2018-2019, subject to the ratification by the members at every Annual General Meeting to be held during their term. The appointment of M/s. S. R. Batliboi & Associates LLP, as Statutory Auditors of the Company, is eligible for ratification and they have consented to the same and have confirmed that the appointment, if ratified, shall be within the limits prescribed under the Companies Act, 2013 and that they are not disqualified for such appointment within the meaning of Section 139 and 142 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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;

## DIRECTORS' REPORT (Continued)

There are no qualifications or adverse remarks in the Auditors' Report which require any clarification/ explanation. The Notes on financial statements are self-explanatory, and needs no further explanation.

Further the Auditors' Report for the financial year ended, 31st March, 2016 is annexed herewith for your kind perusal and information. **(Annexure: 2)**

### REMUNERATION POLICY

#### Remuneration to Executive Directors:

The remuneration paid to Executive Directors is approved by Board in Board meeting, subject to the subsequent approval of the shareholders at the General Meeting and such other authorities, as may be required. The remuneration is decided after considering various factors such as qualification, experience, performance, responsibilities shouldered, industry standards as well as financial position of the Company.

### LOANS, GUARANTEES AND INVESTMENTS

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the said provision is not applicable.

### CORPORATE SOCIAL RESPONSIBILITY

The company does not meet the criteria of Section 135 of Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 so there is no requirement to constitute Corporate Social Responsibility Committee.

### INDEPENDENT DIRECTORS AND DECLARATION

The provisions of Section 149 pertaining to the appointment of Independent Directors do not apply to our Company.

### NOMINATION AND REMUNERATION COMMITTEE

The provisions of Section 178(1) relating to constitution of Nomination and Remuneration Committee are not applicable to the Company and hence the Company has not devised any policy relating to appointment of Directors, payment of Managerial remuneration, Directors qualifications, positive attributes, independence of Directors and other related matters as provided under Section 178(3) of the Companies Act, 2013.

### RELATED PARTY TRANSACTIONS

There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. Further there are no related party transactions during the year under review and attached herewith in Form No. AOC-2 for your kind perusal and information.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

The particulars as required under the provisions of Section 134(3) (m) of the Companies Act, 2013 in respect of conservation of energy and technology absorption have not been furnished considering the nature of activities undertaken by the company during the year under review.

## DIRECTORS' REPORT (Continued)

### FOREIGN EXCHANGE EARNINGS AND OUTGO

There were no foreign exchange earnings and outgo during the year under review.

### INTERNAL FINANCIAL CONTROLS

The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

### GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

1. Details relating to deposits covered under Chapter V of the Act.
2. Issue of equity shares with differential rights as to dividend, voting or otherwise.
3. Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except ESOS referred to in this Report.
4. Neither the Managing Director nor the Whole-time Directors of the Company receive any remuneration or commission from any of its subsidiaries.

5. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

Your Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

### ACKNOWLEDGMENT

Your Directors wish to express their grateful appreciation to the continued co-operation received from the Banks, Government Authorities, Customers, Vendors and Shareholders during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed service of the Executives, staff and Workers of the Company.

Date: **12/09/2016**

Place: **Mumbai**

**For & on behalf of the Board of Directors**

**Patole Meenal**  
**DIN : 03162474**  
**(Director)**  
**504, 5TH FLR, RIDDHI SIDDHI**  
**HEIGHTS, PLOT NO 59, AIROLI,**  
**NAVI MUMBAI -**  
**400708 Maharashtra**

**Tanmay Chetan**  
**DIN : 03594936**  
**(Director)**  
**5 Pennymoor Walk,**  
**London, W9 3DT,**  
**United Kingdom**

## ANNEXURE 1 - EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31/03/2016

[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   | U65921MH1996PLC240921   |
| ii) Registration Date  | 31/05/1996  |
| iii) Name of the Company   | AGORA MICROFINANCE INDIA LIMITED  |
| iv) Category / Sub-Category of the Company                                     | Public Company<br>Limited by shares<br>Company having share capital   |
| v) Address of the Registered office and contact details                        | 4/2, First Floor, Chandrodaya CHS, SWASTIK PARK CST ROAD Chembur (East) Mumbai,<br>Mumbai City - 400071 Maharashtra<br>Telephone: 022 - 2527 1551<br>Email: meenal@amil.co.in |
| vi) Whether listed company   | No  |
| vii) Name, Address and Contact details of Registrar and Transfer Agent, if any |   |

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

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

| Sl. No. | Name and Description of main products/services | NIC Code of the Product/service | % to total turnover of the company |
|---------|--|---------------------------------|------------------------------------|
| 1       | Microfinance                                   | 65,910                          | 100                                |

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

| S.No. | Name and address of the company | Cin/gln | Holding/ subsidiary/associate | % of shares held | Applicable section |
|-------|---------------------------------|---------|-------------------------------|------------------|--------------------|
| 1     | Nil                             | Nil     | Nil                           | Nil              | Nil                |

## ANNEXURE 1 - EXTRACT OF ANNUAL RETURN (Continued)

### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity):

#### i) Category-wise Share Holding

| Category of Shareholders                                  | No. of Shares held at the beginning of the year |          |         | % of Total Shares | No. of Shares held at the end of the year |          |        | % Change during the year |
|---|---|----------|---------|-------------------|---|----------|--------|--------------------------|
|   | Demat   | Physical | Total   |                   | Demat                                     | Physical | Total  |                          |
| <b>A. PROMOTERS</b>                                       |   |          |         |                   |   |          |        |                          |
| 1. Indian   |   |          |         |                   |   |          |        |                          |
| a) Individual/HUF   |   | 329,694  | 329,694 | 48.91             | 332,142                                   | 332,142  | 49.06  | 0.15                     |
| b) Central Govt   |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil                      |
| c) State Govt (s)   |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil                      |
| d) Bodies Corp.   |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil                      |
| e) Banks / FI   |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil                      |
| f) Any Other...   |   |          |         |                   |   |          |        |                          |
| <b>Sub-total (A) (1):-</b>                                |   | 329,694  | 329,694 | 48.91             | 332,142                                   | 332,142  | 49.06  | 0.15                     |
| 2. Foreign  |   |          |         |                   |   |          |        |                          |
| a) NRIs - Individuals                                     |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil                      |
| b) Other - Individuals                                    |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil                      |
| c) Bodies Corp.   |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil                      |
| d) Banks / FI   |   |          |         |                   |   |          |        |                          |
| e) Any Other...   |   | 342,340  | 342,340 | 51.09             | 344,876                                   | 344,876  | 50.94  | (0.15)                   |
| <b>Sub-total (A) (2):-</b>                                |   | 342,340  | 342,340 | 51.09             | 344,876                                   | 344,876  | 50.94  | (0.15)                   |
| <b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b> |   | 672,034  | 672,034 | 100.00            | 677,018                                   | 677,018  | 100.00 | 0.00                     |



## ANNEXURE 1 - EXTRACT OF ANNUAL RETURN (Continued)

| 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 |                          |
| <b>B. PUBLIC SHAREHOLDING</b>   |   |          |         |                   |   |          |        |                   |                          |
| 1. Institutions   |   |          |         |                   |   |          |        |                   |                          |
| a) Mutual Funds   |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| b) Banks / FI   |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| c) Central Govt   |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| d) State Govt(s)  |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| e) Venture Capital Funds  |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| f) Insurance Companies  |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| g) FIs  |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| h) Foreign Venture Capital Funds  |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| i) Others (specify)   |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| <b>Sub-total (B)(1):-</b>   |   |          |         |                   |   |          |        |                   |                          |
| 2. Non-Institutions   |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| a) Bodies Corp.   |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| i) Indian   |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| ii) Overseas  |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| b) Individuals  |   |          |         |                   |   |          |        |                   |                          |
| i) Individual shareholders holding nominal share capital upto Rs. 1 lakh          |   | 6        | 6       | Nil               | 6   | 6        | Nil    | Nil               | Nil                      |
| ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| c) Others (specify)   |   | Nil      | Nil     | Nil               | Nil                                       | Nil      | Nil    | Nil               | Nil                      |
| <b>Sub-total (B)(2):-</b>   |   |          |         |                   |   |          |        |                   |                          |
|   |   | 6        | 6       | 0.00              | 6   | 6        | 0.00   | 0.00              |                          |
| <b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>                                |   |          |         |                   |   |          |        |                   |                          |
|   |   | 6        | 6       | 0.00              | 6   | 6        | 0.00   | 0.00              |                          |
| <b>C. SHARES HELD BY CUSTODIAN FOR GDRS &amp; ADRS</b>                            |   |          |         |                   |   |          |        |                   |                          |
| <b>Grand Total (A+B+C)</b>  |   | 672,040  | 672,040 | 100.00            | 677,024                                   | 677,024  | 100.00 | 0.00              |                          |

## ANNEXURE 1 - EXTRACT OF ANNUAL RETURN (Continued)

| (ii) Shareholding of Promoters   |                       | Shareholding at the beginning of the year |                                  |  | Share holding at the end of the year |                                  |  | % change in share holding during the year |
|--|-----------------------|---|----------------------------------|--|--------------------------------------|----------------------------------|--|---|
| Sl. No.  | Shareholder's Name    | 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  | Meenal Patole         | 329,694                                   | 49.06                            | Nil  | 332,142                              | 49.06                            | Nil  | 0.00                                      |
| 2  | Agora Microfinance NV | 342,340                                   | 51.24                            | Nil  | 344,876                              | 50.94                            | Nil  | -0.30                                     |
| (iii) Change in Promoters' Shareholding ( please specify, if there is no change) |                       |   |                                  |  |                                      |                                  |  |   |
| Sl. No.  | Name                  | Particulars                               | No. of Shares                    | % of total Shares of the company                 | No. of Shares                        | % of total Shares of the company | Cumulative Shareholding during the year          | % of total Shares of the company          |
| 1  | Meenal Patole         | At the beginning of the year              | 329,694                          | 49.06  |                                      |                                  |  |   |
|  |                       | 18/04/2015 - Allotment                    |                                  |  |                                      |                                  | 1,972  |   |
|  |                       | 11/09/2015 - Allotment                    |                                  |  |                                      |                                  | 476  |   |
|  |                       | At the end of the year                    |                                  |  |                                      |                                  | 332,142  | 49.06                                     |
| 2  | Agora Microfinance NV | At the beginning of the year              | 342,340                          | 51.24  |                                      |                                  |  |   |
|  |                       | 18/04/2015 - Allotment                    |                                  |  |                                      |                                  | 2,045  |   |
|  |                       | 11/09/2015 - Allotment                    |                                  |  |                                      |                                  | 491  |   |
|  |                       | At the end of the year                    |                                  |  |                                      |                                  | 344,876  | 50.94                                     |



## ANNEXURE 1 - EXTRACT OF ANNUAL RETURN (Continued)

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

| Sl. No. | Name                     | Particulars                  | 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       | Urmila Sitaram Kadu      | At the beginning of the year | 1   | 0.00                             |   |                                  |
|         |                          | At the end of the year       |   |                                  | 1                                       | 0.00                             |
| 2       | Jayashri Sakharam Ghadge | At the beginning of the year | 1   | 0.00                             |   |                                  |
|         |                          | At the end of the year       |   |                                  | 1                                       | 0.00                             |
| 3       | Asif Kureshi             | At the beginning of the year | 1   | 0.00                             |   |                                  |
|         |                          | At the end of the year       |   |                                  | 1                                       | 0.00                             |
| 4       | Prashant Y Gangji        | At the beginning of the year | 1   | 0.00                             |   |                                  |
|         |                          | At the end of the year       |   |                                  | 1                                       | 0.00                             |
| 5       | Shilpa Raju Kale         | At the beginning of the year |   |                                  |   |                                  |
|         |                          | 13/08/2015 - Transfer        |   |                                  | 1                                       |                                  |
|         |                          | At the end of the year       |   |                                  | 1                                       | 0.00                             |
| 6       | Nirmala Shashikant Waman | At the beginning of the year |   |                                  |   |                                  |
|         |                          | 13/08/2015 - Transfer        |   |                                  | 1                                       |                                  |
|         |                          | At the end of the year       |   |                                  | 1                                       | 0.00                             |

## ANNEXURE 1 - EXTRACT OF ANNUAL RETURN (Continued)

### (v) Shareholding of Directors and Key Managerial Personnel

| Sl. No. | Name          | Particulars                  | 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       | Meenal Patole | At the beginning of the year | 329,694                                   | 49.06                            |   |                                  |
|         |               | 18/04/2015 - Allotment       |   |                                  | 1,972                                   |                                  |
|         |               | 11/09/2015 - Allotment       |   |                                  | 476                                     |                                  |
|         |               | At the end of the year       |   |                                  | 332,142                                 | 49.06                            |

### V. INDEBTEDNESS :

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

|  | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|----------------------------------|-----------------|----------|--------------------|
| <b>Indebtedness at the beginning of the financial year</b> |                                  |                 |          |                    |
| i) Principal Amount  | 41,090,391                       | 0               | 0        | 41,090,391         |
| ii) Interest due but not paid                              | 0                                | 0               | 0        | 0                  |
| iii) Interest accrued but not due                          | 0                                | 0               | 0        | 0                  |
| <b>Total (i+ii+iii)</b>                                    | <b>41,090,391</b>                | <b>0</b>        | <b>0</b> | <b>41,090,391</b>  |
| <b>Change in Indebtedness during the financial year</b>    |                                  |                 |          |                    |
| Addition   | 29,728,926                       | 0               | 0        | 29,728,926         |
| Reduction  | 0                                | 0               | 0        | 0                  |
| <b>Net Change</b>  | <b>29,728,926</b>                | <b>0</b>        | <b>0</b> | <b>29,728,926</b>  |
| <b>Indebtedness at the end of the financial year</b>       |                                  |                 |          |                    |
| i) Principal Amount  | 70,819,317                       | 0               | 0        | 70,819,317         |
| ii) Interest due but not paid                              | 0                                | 0               | 0        | 0                  |
| iii) Interest accrued but not due                          | 0                                | 0               | 0        | 0                  |
| <b>Total (i+ii+iii)</b>                                    | <b>70,819,317</b>                | <b>0</b>        | <b>0</b> | <b>70,819,317</b>  |

## ANNEXURE 1 - EXTRACT OF ANNUAL RETURN (Continued)

### VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL :

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

| Sl. No. | Name of MD/WTD/Manager | Gross salary  |   |  |              |                |            | Ceiling as per the Act |
|---------|------------------------|---|---|--|--------------|----------------|------------|------------------------|
|         |                        | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | Stock Option | Sweat Equity   | Commission |                        |
|         |                        |   |   |  |              | as % of profit | others     |                        |

#### B. Remuneration to other directors

| Sl. No. | Name of Directors | Independent Directors   |   |  |           | Other Non-Executive Directors              |            |        |           | Overall Ceiling as per the Act |             |
|---------|-------------------|---|---|--|-----------|--|------------|--------|-----------|--------------------------------|-------------|
|         |                   | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | Total (1) | Fee for attending board committee meetings | Commission | Others | Total (2) |                                | Total (1+2) |
|         |                   |   |   |  |           |  |            |        |           |                                |             |

## ANNEXURE 1 - EXTRACT OF ANNUAL RETURN (Continued)

### C. Remuneration to key managerial personnel other than md/manager/wtd

| Sl. No. | Name of Key Managerial Personnel | Gross salary  |   |  | Commission   |              |                |        |        |       |
|---------|----------------------------------|---|---|--|--------------|--------------|----------------|--------|--------|-------|
|         |                                  | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | Stock Option | Sweat Equity | as % of profit | Others | Others | Total |
|         |                                  |   |   |  |              |              |                |        |        |       |

### VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES :

| Type                                | Section of the Companies Act | Brief Description | Details of Penalty /Punishment/ Compounding fees imposed | Authority [RD / NCLT/ COURT] | Appeal made, if any (give Details) |
|-------------------------------------|------------------------------|-------------------|--|------------------------------|------------------------------------|
| <b>A. COMPANY</b>                   |                              |                   |  |                              |                                    |
| Penalty                             |                              |                   | Nil  |                              |                                    |
| Punishment                          |                              |                   | Nil  |                              |                                    |
| Compounding                         |                              |                   | Nil  |                              |                                    |
| <b>B. DIRECTORS</b>                 |                              |                   |  |                              |                                    |
| Penalty                             |                              |                   | Nil  |                              |                                    |
| Punishment                          |                              |                   | Nil  |                              |                                    |
| Compounding                         |                              |                   | Nil  |                              |                                    |
| <b>C. OTHER OFFICERS IN DEFAULT</b> |                              |                   |  |                              |                                    |
| Penalty                             |                              |                   | Nil  |                              |                                    |
| Punishment                          |                              |                   | Nil  |                              |                                    |
| Compounding                         |                              |                   | Nil  |                              |                                    |



## ANNEXURE 2 - INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AGORA MICROFINANCE INDIA LIMITED

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Agora Microfinance India Limited** (the 'Company'), which comprise the Balance Sheet as at 31st March, 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 specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 Rules made thereunder.

We conducted our audit 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 gives 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 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 31st March, 2016, and its loss and its cash flows for the year ended on that date.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- As required by the Companies (Auditor's Report) Order, 2016 (the 'Order') issued by the Central Government of India in terms of Section 143(11), of the Act, we give in the **Annexure 'A'**, a Statement on the matters specified in paragraphs 3 and 4 of the Order.
- As required by Section 143(3) of the Act, we report that:
  - 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;
  - 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;
  - 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;

- in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- on the basis of the written representations received from the directors as on 31st March, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016, from being appointed as a director in terms of Section 164(2) of the Act; and
- 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 'B'**;
- 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:
  - the Company does not have any pending litigations which would impact its financial position;
  - the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
  - there has been no delay in transferring amounts, required to be transferred, to Investor Education and Protection Fund by the Company.

SHARP & TANNAN  
Chartered Accountants  
Firm's Registration No.109982W  
by the hand of

EDWIN P. AUGUSTINE  
Partner  
Membership No.  
043385

Mumbai, 29th June, 2016





## ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT

(REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE)

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, these fixed assets have been physically verified by the management, which in our opinion is reasonable, considering the size of the Company and nature of its assets. The frequency of physical verification is reasonable and no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us, the Company does not have any immovable properties. Accordingly, the Paragraph 3(i)(c) of the Order is not applicable to the Company.
- (ii) The Company's business does not involve inventories. Accordingly, the Paragraph 3(ii) of the Order is not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the Paragraph 3(iii) of the Order is not applicable to the Company.
- (iv) According to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of loans, investments, guarantees and security.
- (v) According to the information and explanations given to us and the records examined by us, the Company has not accepted any deposits from the public during the year. Accordingly, the Paragraph 3(v) of the Order is not applicable to the Company.
- (vi) The Paragraph 3(vi) of the Order is not applicable to the Company with respect to maintenance of cost records.
- (vii) (a) According to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues, where applicable, to the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at the last day of the financial year for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and the records examined by us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, and value added tax as at 31st March, 2016, which have not been deposited on account of a dispute pending.
- (viii) According to the information and explanations given to us and as per the records of the Company examined by us, the Company has not defaulted in repayment of loans or borrowings to financial institutions and banks. The Company has not taken any loans or borrowings from Government. The Company has not issued any debentures. Accordingly, the Paragraph 3(viii) of the Order is not applicable to the Company.
- (ix) According to the information and explanations given to us, the Company has not raised monies by way of initial public offer or further public offer (including debt instruments). In our opinion and according to the explanations given to us, on an overall basis, the term loans were applied for the purposes for which those were raised.
- (x) During the course of our examination of the books and records of the Company carried out in accordance with generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any fraud by the Company or any fraud on the Company by its officers or employees noticed or reported during the year nor have we been informed of such case by management.
- (xi) According to the information and explanations given to us, the managerial remuneration has been paid or provided in accordance with the approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, the Paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us, all transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and the relevant details 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 and records examined by us, the Company has made private placement of shares during the year and the requirements of Section 42 of the Act have been complied with and the amounts raised have been used for the purposes for which the funds were raised.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him during the year. Accordingly, the Paragraph 3(xv) of the Order is not applicable to the Company.
- (xvi) According to the information and explanations given to us and records examined by us, the Company has registered under Section 45-IA of the Reserve Bank of India Act, 1934.

SHARP & TANNAN  
Chartered Accountants  
Firm's Registration No.109982W  
by the hand of

EDWIN P. AUGUSTINE  
Partner  
Membership No.  
043385

Mumbai, 29th June, 2016



## ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT

(REFERRED TO IN PARAGRAPH 2(F) OF OUR REPORT OF EVEN DATE)

We have audited the internal financial controls over financial reporting of **Agora Microfinance India Limited** (the 'Company') as of 31st March, 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 (ICAI). 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 Companies Act, 2013 (the 'Act').

### AUDITORS' 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 and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable, to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. 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 judgment, 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, 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 31st March, 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 ICAI.

SHARP & TANNAN  
Chartered Accountants  
Firm's Registration No.109982W  
by the hand of

EDWIN P. AUGUSTINE  
Partner  
Membership No.  
043385

Mumbai, 29th June, 2016



## BALANCE SHEET AS AT MARCH 31, 2016

| Particulars                    | Notes | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) |
|--------------------------------|-------|-----------------------|-----------------------|
| <b>Equity and Liabilities</b>  |       |                       |                       |
| <b>Shareholders' funds</b>     |       |                       |                       |
| Share capital                  | 3     | 6,770,240             | 6,720,400             |
| Reserves and surplus           | 4     | 72,035,727            | 44,326,185            |
|                                |       | <b>78,805,967</b>     | 51,046,585            |
| <b>Non-current liabilities</b> |       |                       |                       |
| Long-term borrowings           | 5     | 40,763,871            | 1,666,668             |
| Long-term provisions           | 6     | 2,249,833             | 1,156,145             |
|                                |       | <b>43,013,704</b>     | 2,822,813             |
| <b>Current liabilities</b>     |       |                       |                       |
| Short-term borrowings          | 7     | 30,055,446            | 39,423,723            |
| Other current liabilities      | 8     | 54,418,096            | 888,007               |
| Short-term provisions          | 6     | 446,473               | 6,993,349             |
|                                |       | 84,920,015            | 47,305,079            |
| <b>TOTAL</b>                   |       | <b>206,739,686</b>    | 101,174,477           |

## BALANCE SHEET AS AT MARCH 31, 2016 (Continued)

### Assets

|                               |    |                    |             |
|-------------------------------|----|--------------------|-------------|
| <b>Non-current assets</b>     |    |                    |             |
| Fixed assets                  |    |                    |             |
| Tangible assets               | 9  | 517,463            | 1,030,998   |
| Intangible assets             | 10 | 542,435            | 906,072     |
| Deferred tax assets (net)     | 11 | -                  | -           |
| Long-term loans and advances  | 12 | 41,918,214         | 16,992,453  |
| Other non-current assets      | 13 | -                  | -           |
|                               |    | <b>42,978,112</b>  | 18,929,523  |
| <b>Current assets</b>         |    |                    |             |
| Cash and bank balances        | 14 | 37,303,022         | 12,968,445  |
| Short-term loans and advances | 12 | 123,528,423        | 67,974,939  |
| Other current assets          | 13 | 2,930,129          | 1,301,570   |
|                               |    | 163,761,574        | 82,244,955  |
| <b>TOTAL</b>                  |    | <b>206,739,686</b> | 101,174,477 |

Summary of significant accounting policies 2.1  
The accompanying notes are an integral part of the financial statements.

As per our report attached.

**SHARP & TANNAN**  
Chartered Accountants  
Firm's Registration No. :109982W  
by the hand of

**For and on behalf of the Board of Directors**

Edwin P. Augustine  
Partner  
Membership No.043385

Meenal Patole  
Managing Director and  
Chief Executive Officer  
DIN 03162474

Tanmay Chetan  
Director  
DIN 03594936

Mumbai, 29th June, 2016

Mumbai, 29th June, 2016



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

| Particulars                                     | Notes | 2016-16<br>(Rupees) | 2014-15<br>(Rupees) |
|---|-------|---------------------|---------------------|
| <b>Revenue</b>                                  |       |                     |                     |
| Revenue from operations                         | 15    | 29,198,588          | 16,952,173          |
| Other income                                    | 16    | 1,319,731           | 679,758             |
| <b>Total revenue (I)</b>                        |       | <b>30,518,319</b>   | 17,631,931          |
| <b>Expenses</b>                                 |       |                     |                     |
| Employee benefits expense                       | 17    | 16,062,434          | 16,460,445          |
| Finance costs                                   | 18    | 9,970,378           | 4,705,571           |
| Other expenses                                  | 19    | 6,017,580           | 7,055,953           |
| Depreciation and amortisation expense           | 20    | 903,670             | 992,107             |
| Provisions and write-offs                       | 21    | 883,924             | 1,237,211           |
| <b>Total expenses (II)</b>                      |       | <b>33,837,986</b>   | 30,451,287          |
| <b>Profit/ (Loss) before tax (III)=(I)-(II)</b> |       | <b>(3,319,667)</b>  | (12,819,356)        |
| <b>Tax expenses</b>                             |       |                     |                     |
| Current tax                                     |       | -                   | -                   |
| Deferred tax                                    |       | -                   | -                   |
| <b>Total tax expense (IV)</b>                   |       | <b>-</b>            | -                   |
| <b>Profit/ (Loss) for the year (III)-(IV)</b>   |       | <b>(3,319,667)</b>  | (12,819,356)        |
| <b>Earnings per equity share</b>                |       |                     |                     |
| <b>[Nominal value of share Rs.10]</b>           | 27    |                     |                     |
| <b>Basic</b>                                    |       | (4.91)              | (19.07)             |
| <b>Diluted</b>                                  |       | (4.91)              | (19.07)             |

Summary of significant accounting policies 2.1  
The accompanying notes are an integral part of the financial statements

As per our report attached.

**SHARP & TANNAN**  
Chartered Accountants  
Firm's Registration No. :109982W  
by the hand of

**For and on behalf of the Board of Directors**

Edwin P. Augustine  
Partner  
Membership No.043385

Meenal Patole  
Managing Director and  
Chief Executive Officer  
DIN 03162474

Tanmay Chetan  
Director  
DIN 03594936

Mumbai, 29th June, 2016

Mumbai, 29th June, 2016

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

| Particulars   | 2016-16<br>(Rupees) | 2014-15<br>(Rupees) |
|---|---------------------|---------------------|
| <b>Cash flow from operating activities</b>  |                     |                     |
| Profit/ (Loss) before tax   | (3,319,667)         | (12,819,356)        |
| Adjustment for:   |                     |                     |
| Depreciation and amortisation expense   | 903,670             | 992,107             |
| Provision for employee benefits   | 62,702              | 212,778             |
| Loss/ (profit) on sale of fixed assets  | 57,611              | -                   |
| Provision for non-performing assets   | 589,452             | 357,781             |
| Other provisions and write-offs   | -                   | 476,619             |
| <b>Operating Profit/ (Loss) before working capital changes</b>                    | <b>(1,706,232)</b>  | (10,780,071)        |
| Movements in working capital:   |                     |                     |
| Increase 4/ (decrease) in other current liabilities                               | 202,508             | 725,161             |
| Decrease / (increase) in loans and advances                                       | (79,657,713)        | (28,769,915)        |
| Decrease / (increase) in other current and non current assets                     | (2,319,039)         | (816,595)           |
| Cash generated from / (used in) operations  | (81,774,244)        | (28,861,349)        |
| Direct taxes paid (net of refunds)  | (131,052)           | (60,155)            |
| <b>Net cash flow from / (used in) operating activities (A)</b>                    | <b>(83,611,527)</b> | (39,701,575)        |
| <b>Cash flows from investing activities</b>                                       |                     |                     |
| Purchase of fixed assets, including capital work in progress and capital advances | (91,810)            | (1,593,638)         |
| Proceeds from sale of fixed assets  | 7,700               | 41,143              |
| <b>Net cash flow from / (used in) investing activities (B)</b>                    | <b>(84,110)</b>     | (1,552,495)         |

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

| Particulars  | 2016-16<br>(Rupees) | 2014-15<br>(Rupees) |
|--|---------------------|---------------------|
| <b>Cash flows from financing activities</b>  |                     |                     |
| Proceeds from issuance of equity share capital (including share application money) | 31,247,639          | -                   |
| Share issue expenses   | (168,590)           | -                   |
| Long-term borrowings (net)   | 29,728,926          | 35,423,723          |
| Short-term borrowings (net)  | 47,222,239          | 1,666,664           |
| <b>Net cash flow from / (used in) financing activities (C)</b>                     | <b>108,030,214</b>  | 37,090,387          |
| <b>Net increase/(decrease) in cash and cash equivalents (A + B + C)</b>            |                     |                     |
|  | <b>24,334,577</b>   | (4,163,683)         |
| Cash and cash equivalents at the beginning of the year                             | 12,968,445          | 17,132,128          |
| <b>Cash and cash equivalents at the end of the year</b>                            | <b>37,303,022</b>   | 12,968,445          |

### Notes:

1) Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statement as specified in the Companies (Accounting Standards) Rules, 2006.

2) Previous year's figures been regrouped, wherever applicable.

As per our report attached.

**SHARP & TANNAN**  
Chartered Accountants  
Firm's Registration No. :109982W  
by the hand of

Edwin P. Augustine  
Partner  
Membership No.043385

Mumbai, 29th June, 2016

**For and on behalf of the Board of Directors**

Meenal Patole  
Managing Director and  
Chief Executive Officer  
DIN 03162474

Mumbai, 29th June, 2016

Tanmay Chetan  
Director

DIN 03594936

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(Amount in Rupees unless otherwise stated)

### 1. CORPORATE INFORMATION

Agora Microfinance India Limited ("the Company") is a public company domiciled in India and incorporated under the provision of the Companies Act, 1956. The Company was earlier known as Jagdhan Finance and Investment Limited and the new name of the Company is effective from November 17, 2014. The company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and has got classified as a Non-Banking Financial Company – Micro Finance Institution ('NBFC-MFI') with effect from February 9, 2015.

The company is primarily engaged in providing micro credit and related activities.

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014, and the provisions of the RBI as applicable to a NBFC-MFI and NBFC-ND. The financial statements have been prepared on an accrual basis and under the historical cost convention except interest on loans which have been classified as non-performing assets and are accounted for on realisation basis.

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

#### 2.1 Summary of Significant Accounting Policies

##### a. Use of estimates

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

##### b. Revenue recognition

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

- Interest income on loans given is recognised under the internal rate of return method. Income including interest or discount or any other charges on non-performing asset is recognised only when realised. Any such income recognised before the asset became non-performing and remaining unrealised shall be reversed.
- Loan processing fees collected from customers are recognised on an upfront basis at the time of disbursement of loan.
- Interest income on deposits with banks is recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.
- All other income is recognised on accrual basis.

##### c. Tangible fixed assets

All fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price and directly attributable cost of bringing the asset to its working condition for the intended use.

##### d. Intangible assets

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

##### e. Depreciation

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

##### f. Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of these from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

(Amount in Rupees unless otherwise stated)

### g. Leases (where the Company is the lessee)

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

### h. Foreign Currency transactions

- All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transaction.
- Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.
- Exchange differences arising on the settlement of monetary items or on the restatement of Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

### i. Income taxes

- Tax expenses comprise current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income tax Act, 1961, enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.
- Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and tax laws enacted or substantively enacted, at the reporting date.
- Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred

tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax asset is recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

- The carrying amount of deferred tax assets are reviewed at each reporting date. The company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-downs is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

### j. Retirement and other employee benefits

- Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to the Statement of profit and Loss for the year when the contributions are due.
- The Company has no obligation, other than the contribution payable to the provident fund employee state insurance. The cost of gratuity benefit is determined and provided in accordance with the Payment of Gratuity Act, 1972.
- Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

### k. Earnings per share

Basic earnings per share are computed by dividing the net profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

(Amount in Rupees unless otherwise stated)

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.

### l. Borrowing costs

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

### m. Provisions

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

### n. Cash and cash equivalents

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

### o. Classification of loan portfolio

Loans are classified as per management estimates as given below:

| Asset Classification         | Arrear Period                 |
|------------------------------|-------------------------------|
| Standard assets              | Overdue for less than 90 days |
| <b>Non-Performing assets</b> |                               |
| Sub-standard assets          | Overdue for 91 - 180 days     |
| Loss assets                  | Overdue over 180 days         |

The above classification is in compliance with the Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) Directions, 2011, as amended from time to time ('the NBFC-MFI Directions').

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

### p. Provisioning policy for loan portfolio

| Asset Classification | Arrear Period                  | Provision (%) |
|----------------------|--------------------------------|---------------|
| Standard assets      | Overdue for 0 - 90 days        | 1%            |
| Sub-standard asset   | Overdue for 91 - 180 days      | 1%            |
| Loss assets          | Overdue for more than 181 days | 1%            |

Loans are provided for as per above management estimates, subject to the minimum provisioning required as per the NBFC-MFI Directions.



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

### 3. SHARE CAPITAL

|   | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) |
|---|-----------------------|-----------------------|
| <b>Authorised shares</b>  |                       |                       |
| 30,00,000 (March 31, 2015: 30,00,000) equity shares of Rs.10 each             | 30,000,000            | 30,000,000            |
| <b>Issued, subscribed and fully paid-up shares:</b>                           |                       |                       |
| 6,77,024 (March 31, 2015: 6,72,040) equity shares of Rs.10 each fully paid up | 6,770,240             | 6,720,400             |
| <b>Total issued, subscribed and fully paid-up share capital</b>               | <b>6,770,240</b>      | <b>6,720,400</b>      |

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

| Equity shares                             | 31-Mar-16     |               | 31-Mar-15      |                  |
|---|---------------|---------------|----------------|------------------|
|   | No. of Shares | (Rupees)      | No. of Shares  | (Rupees)         |
| At the beginning of the year              | 672,040       | 6,720,400     | 672,040        | 6,720,400        |
| Issued during the year                    | 4,984         | 49,840        | -              | -                |
| <b>Outstanding at the end of the year</b> | <b>4,984</b>  | <b>49,840</b> | <b>672,040</b> | <b>6,720,400</b> |

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

#### (b) Terms/rights attached to equity shares

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

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

Note: During the year, the Company has issued and allotted 2,448 Equity Shares of Rs.10 each at a premium of Rs.91.40 per share and 2,536 Equity Shares of Rs.10 each at a premium of Rs.12,213.74 per share to two shareholders, on private placement basis, in terms of the resolution of the shareholders passed at the Extra Ordinary General Meeting held on March 31, 2015.

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

| Equity shares of Rs.10 each fully paid | As at March 31, 2016 |                        |
|--|----------------------|------------------------|
|  | No. of Shares        | % holding in the class |
| Meenal Patole                          | 332,142              | 49.06%                 |
| Agora Microfinance NV                  | 344,876              | 50.94%                 |

| Equity shares of Rs.10 each fully paid | As at March 31, 2015 |                        |
|--|----------------------|------------------------|
|  | No. of Shares        | % holding in the class |
| Meenal Patole                          | 329,694              | 49.06%                 |
| Agora Microfinance NV                  | 342,340              | 50.94%                 |

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







## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

### 7. SHORT-TERM BORROWINGS

|   | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) |
|---|-----------------------|-----------------------|
| <b>Term loans</b>   |                       |                       |
| Indian rupee loan from non banking financial companies (secured)* | 30,055,446            | 39,423,723            |
|   | <b>30,055,446</b>     | <b>39,423,723</b>     |

#### The above amount includes

|                      | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) |
|----------------------|-----------------------|-----------------------|
| Secured borrowings   | 30,055,446            | 39,423,723            |
| Unsecured borrowings | -                     | -                     |

\*Indian rupee loan secured by first pari passu charge over all loan receivables and margin money deposit.

### 8. OTHER CURRENT LIABILITIES

|   | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) |
|---|-----------------------|-----------------------|
| <b>Other liabilities</b>                            |                       |                       |
| Current maturities of long term borrowings (note 5) | 52,222,235            | 4,999,996             |
| Interest accrued but not due on borrowings          | 769,518               | 90,490                |
| Interest accrued and due on borrowings              | -                     | 170,792               |
| Statutory dues payable                              | 436,492               | 377,103               |
| Other payable                                       | 989,851               | 1,354,968             |
|   | <b>54,418,096</b>     | <b>6,993,349</b>      |

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

### 9. TANGIBLE ASSETS

|  | Furniture and<br>fixtures<br>(Rupees) | Computers<br>(Rupees) | Office equipment<br>(Rupees) | Total<br>(Rupees) |
|--|---------------------------------------|-----------------------|------------------------------|-------------------|
|--|---------------------------------------|-----------------------|------------------------------|-------------------|

#### Cost

|                          |                |                  |                |                  |
|--------------------------|----------------|------------------|----------------|------------------|
| <b>At April 1, 2014</b>  | 879,082        | 954,350          | 202,435        | 2,035,867        |
| Additions                | 83,225         | 322,070          | 74,826         | 480,121          |
| Disposals                | 102,002        | 75,065           | -              | 177,067          |
| <b>At March 31, 2015</b> | <b>860,305</b> | <b>1,201,355</b> | <b>277,261</b> | <b>2,338,921</b> |
| Additions                | 4,650          | 83,500           | 3,660          | 91,810           |
| Disposals                | 145,837        | -                | 19,687         | 165,524          |
| <b>At March 31, 2016</b> | <b>719,118</b> | <b>1,284,855</b> | <b>261,234</b> | <b>2,265,207</b> |

#### Depreciation

|                          |                |                  |                |                  |
|--------------------------|----------------|------------------|----------------|------------------|
| <b>At April 1, 2014</b>  | 235,016        | 424,394          | 52,132         | 711,542          |
| Charge for the year      | 172,246        | 414,160          | 100,813        | 687,219          |
| Disposals                | 45,326         | 45,512           | -              | 90,838           |
| <b>At March 31, 2015</b> | <b>361,936</b> | <b>793,042</b>   | <b>152,945</b> | <b>1,307,923</b> |
| Charge for the year      | 148,548        | 318,938          | 72,547         | 540,033          |
| Disposals                | 83,970         | -                | 16,242         | 100,212          |
| <b>At March 31, 2016</b> | <b>426,514</b> | <b>1,111,980</b> | <b>209,250</b> | <b>1,747,744</b> |

#### Net Block

|                          |                |                |                |                  |
|--------------------------|----------------|----------------|----------------|------------------|
| <b>At March 31, 2015</b> | <b>498,369</b> | <b>408,313</b> | <b>124,316</b> | <b>1,030,998</b> |
| <b>At March 31, 2016</b> | <b>292,604</b> | <b>172,875</b> | <b>51,984</b>  | <b>517,463</b>   |



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

| 10. INTANGIBLE ASSETS    | Software         |                  |
|--------------------------|------------------|------------------|
| <b>Gross block</b>       |                  |                  |
| At April 1, 2014         | 2,040,708        | 2,040,708        |
| Additions                | 1,113,517        | 1,113,517        |
| Deletions/Write off      | 2,020,408        | 2,020,408        |
| <b>At March 31, 2015</b> | <b>1,133,817</b> | <b>1,133,817</b> |
| Additions                | -                | -                |
| Deletions/Write off      | -                | -                |
| <b>At March 31, 2016</b> | <b>1,133,817</b> | <b>1,133,817</b> |
| <b>Amortisation</b>      |                  |                  |
| <b>At April 1, 2014</b>  | 1,511,731        | 1,511,731        |
| Charge for the year      | 304,888          | 304,888          |
| Deletions/Write off      | 1,588,875        | 1,588,875        |
| <b>At March 31, 2015</b> | <b>227,744</b>   | <b>227,744</b>   |
| Charge for the year      | 363,637          | 363,637          |
| Deletions/Write off      | -                | -                |
| <b>At March 31, 2016</b> | <b>591,381</b>   | <b>591,381</b>   |
| <b>Net block</b>         |                  |                  |
| <b>At March 31, 2015</b> | <b>906,073</b>   | <b>906,072</b>   |
| <b>At March 31, 2016</b> | <b>542,436</b>   | <b>542,435</b>   |

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

| 11. DEFERRED TAX  | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) |
|---|-----------------------|-----------------------|
| <b>Deferred tax liability</b>   |                       |                       |
| Differences in depreciation and other differences in block of fixed assets and intangible assets as per tax and books of accounts | -                     | -                     |
| <b>Deferred tax liability</b>   | -                     | -                     |
| <b>Deferred tax asset</b>   |                       |                       |
| Difference due to Depreciation impact   | -                     | 63,627                |
| Difference due to provision for leave encashment  | 151,756               | 158,837               |
| Difference due to provision for gratuity  | 212,490               | 269,124               |
| Difference due to disallowance of provision against standard assets and non performing assets                                     | 552,228               | 351,873               |
| Deferred tax on carried forward tax losses and unabsorbed depreciation  | 20,162,156            | 20,063,605            |
| Deferred tax asset not recognised   | (21,078,630)          | (20,907,066)          |
| <b>Deferred tax asset</b>   | -                     | -                     |
| <b>Deferred tax asset / (liability) net</b>   | -                     | -                     |

Deferred tax asset is recognised only to the extent of deferred tax liability as there is no virtual certainty supported by convincing evidence that they can be realised against future taxable profits. Deferred tax asset created in earlier years has been written off based on the latest business plan/projections.



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

| 12. LOANS AND ADVANCES             | Non-current           |                       | Current               |                       |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                    | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) |
| <b>A. Portfolio Loans</b>          |                       |                       |                       |                       |
| <b>Joint liability group loans</b> |                       |                       |                       |                       |
| Unsecured, considered good*        | 34,500,641            | 9,524,692             | 101,945,134           | 44,414,333            |
| Unsecured, considered doubtful**   | -                     | 30,891                | 216,362               | 546,315               |
|                                    | <b>34,500,641</b>     | <b>9,555,583</b>      | <b>102,161,496</b>    | <b>44,960,648</b>     |
| <b>Individual loans</b>            |                       |                       |                       |                       |
| Unsecured, considered good*        | 6,364,526             | 6,355,343             | 19,152,862            | 21,648,591            |
| Unsecured, considered doubtful**   | -                     | 17,917                | 288,324               | 272,054               |
|                                    | <b>6,364,526</b>      | <b>6,373,260</b>      | <b>19,441,186</b>     | <b>21,920,645</b>     |
| <b>(A)</b>                         | <b>40,865,167</b>     | <b>15,928,843</b>     | <b>121,602,682</b>    | <b>66,881,293</b>     |

\*Represents standard assets as per the asset classification policy for loan portfolio.

\*\*Represents non-performing assets as per the asset classification policy for loan portfolio.

### B. Security deposits

| B. Security deposits       | Non-current           |                       | Current               |                       |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                            | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) |
| Unsecured, considered good | 921,995               | 1,003,455             | -                     | -                     |
| <b>(B)</b>                 | <b>921,995</b>        | <b>1,003,455</b>      | <b>-</b>              | <b>-</b>              |

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

| 12. LOANS AND ADVANCES (CONTINUES)        | Non-current           |                       | Current               |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) |
| <b>C. Other loans and advances</b>        |                       |                       |                       |                       |
| Advance paid to suppliers                 | -                     | -                     | -                     | 142,400               |
| Employee loans (secured, considered good) | -                     | -                     | 79,335                | 80,900                |
| Other receivables ***                     | -                     | -                     | 335,379               | 708,567               |
| Advance income tax [TDS]                  | 131,052               | 60,155                | -                     | -                     |
| Prepaid expenses                          | -                     | -                     | 1,511,027             | 161,779               |
| <b>(C)</b>                                | <b>131,052</b>        | <b>60,155</b>         | <b>1,925,741</b>      | <b>1,093,646</b>      |
| <b>Total (A+B+C)</b>                      | <b>41,918,214</b>     | <b>16,992,453</b>     | <b>123,528,423</b>    | <b>67,974,939</b>     |

\*\*\*Other receivable includes Rs.25,848 due from Agora Microfinance NV (Holding Company).

| 13. OTHER ASSETS                                | Non-current           |                       | Current               |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) |
| <b>A. Portfolio Loans</b>                       |                       |                       |                       |                       |
| <b>Joint liability group loans</b>              |                       |                       |                       |                       |
| Interest accrued on investments                 | -                     | -                     | 598,898               | 267,871               |
| Interest accrued and not due on portfolio loans | -                     | -                     | 2,331,231             | 1,033,699             |
|   | <b>-</b>              | <b>-</b>              | <b>2,930,129</b>      | <b>1,301,570</b>      |

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

| 14. CASH AND BANK BALANCES                | Non-current           |                       | Current               |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) | 31-Mar-16<br>(Rupees) | 31-Mar-15<br>(Rupees) |
| <b>Cash and cash equivalents</b>          |                       |                       |                       |                       |
| Balances with banks:                      |                       |                       |                       |                       |
| On current accounts                       | -                     | -                     | 9,218,927             | 3,899,794             |
| On Deposit accounts ( less than 3 months) | -                     | -                     | 4,000,000             | -                     |
| Cash on hand                              | -                     | -                     | 84,096                | 43,652                |
|   | -                     | -                     | <b>13,303,022</b>     | 3,943,445             |
| <b>Other bank balances</b>                |                       |                       |                       |                       |
| Margin money deposit                      | -                     | -                     | 24,000,000            | 9,025,000             |
|   | -                     | -                     | <b>24,000,000</b>     | 9,025,000             |
|   | -                     | -                     | -                     | -                     |
|   | -                     | -                     | <b>37,303,022</b>     | 12,968,445            |

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

| 15. REVENUE FROM OPERATIONS        | 2015 - 16         | 2014 - 15  |
|------------------------------------|-------------------|------------|
| <b>Interest income</b>             |                   |            |
| Interest on portfolio loans        | 27,298,137        | 15,874,733 |
| <b>Other operating revenue</b>     |                   |            |
| Loan processing fees               | 1,873,610         | 1,074,940  |
| Recovery against loans written off | 26,841            | 2,500      |
|                                    | <b>29,198,588</b> | 16,952,173 |

| 16. OTHER INCOME              | 2015 - 16        | 2014 - 15 |
|-------------------------------|------------------|-----------|
| Interest on fixed deposits    | 1,284,693        | 606,902   |
| Interest on employee loans    | 28,928           | 33,657    |
| Interest on income tax refund | 2,105            | 17,979    |
| Miscellaneous income          | 4,005            | 21,220    |
|                               | <b>1,319,731</b> | 679,758   |

| 17. EMPLOYEE BENEFITS EXPENSE                        | 2015 - 16         | 2014 - 15  |
|--|-------------------|------------|
| Salaries and bonus / incentive                       | 14,681,942        | 15,153,781 |
| Leave benefits                                       | 350,771           | 360,293    |
| Contribution to Provident Fund                       | 599,338           | 534,412    |
| Contribution to Employee State Insurance Corporation | 181,568           | 159,838    |
| Gratuity expenses                                    | 83,534            | 38,789     |
| Staff welfare expense                                | 165,281           | 213,332    |
|  | <b>16,062,434</b> | 16,460,445 |

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

| 18. FINANCE COSTS                                  | 2015 - 16        | 2014 - 15 |
|--|------------------|-----------|
| Interest expense                                   |                  |           |
| On term loans from non banking financial companies | 9,385,152        | 3,882,066 |
| Other finance costs / Processing fees              | 503,106          | 781,022   |
| Bank charges                                       | 82,120           | 42,483    |
|  | <b>9,970,378</b> | 4,705,571 |

| 19. OTHER EXPENSES                           | 2015 - 16        | 2014 - 15 |
|--|------------------|-----------|
| Rent   | 2,086,115        | 1,698,445 |
| Rates and taxes                              | 2,500            | 2,500     |
| Insurance                                    | 80,065           | 76,788    |
| Repairs and maintenance                      | 294,997          | 313,765   |
| MFIN membership and subscription fee         | 100,000          | 110,000   |
| Advertising                                  | 11,661           | 24,146    |
| Electricity charges                          | 136,453          | 89,906    |
| Travelling and conveyance                    | 450,114          | 594,374   |
| Communication expenses                       | 451,804          | 397,653   |
| Printing and stationery                      | 530,493          | 693,859   |
| Legal and professional fees                  | 488,865          | 482,097   |
| Directors' sitting fees                      | 60,000           | 160,000   |
| Auditors' remuneration (refer details below) | 491,464          | 1,366,101 |
| Other provisions and write off               | 272,101          | 69,647    |
| Loss on sale / Discard of fixed asset        | 57,612           | 476,619   |
| Technical services                           | 142,000          | 147,802   |
| Miscellaneous expenses                       | 361,337          | 352,251   |
|  | <b>6,017,580</b> | 7,055,953 |

|                                     | 2015-16        | 2014-15   |
|-------------------------------------|----------------|-----------|
| Payment to auditors                 | (Rupees)       | (Rupees)  |
| <b>As auditor:</b>                  |                |           |
| Audit fee                           | 330,000        | 1,258,444 |
| Limited review                      | -              | -         |
| <b>In other capacity:</b>           |                |           |
| Other services (certification fees) | 150,000        | 100,000   |
| Reimbursement of expenses           | 11,464         | 7,657     |
|                                     | <b>491,464</b> | 1,366,101 |

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

| 20. DEPRECIATION AND AMORTISATION EXPENSE | 2015 - 16      | 2014 - 15 |
|---|----------------|-----------|
| Depreciation of tangible assets           | 540,033        | 687,219   |
| Amortisation of intangible assets         | 363,637        | 304,888   |
|   | <b>903,670</b> | 992,107   |

| 21. PROVISIONS AND WRITE-OFFS                   | 2015 - 16      | 2014 - 15 |
|---|----------------|-----------|
| Contingent provisions against standard assets   | 883,924        | 141,361   |
| Contingent provision against substandard assets | -              | 1,095,850 |
|   | <b>883,924</b> | 1,237,211 |

The company has defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for Gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of Rs.1,000,000 as per The Payment of Gratuity Act, 1972.



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

(Amount in Rupees unless otherwise stated)

### 22. RETIREMENT BENEFITS

The company has defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for Gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of Rs.1,000,000 as per The Payment of Gratuity Act, 1972.

| Particulars*                                       | For the year ended<br>March 31, 2016 |
|--|--------------------------------------|
| Current Service cost                               | 1,000,000                            |
| Interest cost on benefit obligation                | 27,671                               |
| Expected Return on plan assets                     | (803,122)                            |
| Net actuarial (gain) / loss recognised in the year | 202,446                              |
| Net Employee benefit expense                       | 16,062,434                           |
| Actuary return on plan assets                      | 803,121.7                            |

### Balance sheet

Details of provision for gratuity:

| Particulars                   | Gratuity<br>31-Mar-16 |
|-------------------------------|-----------------------|
| Defined benefit obligation ** | 625,155               |
| Fair value of plan assets *   | (16,062,434)          |
| <b>Plan liability</b>         | <b>16,687,589</b>     |

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

| Particulars*                               | Gratuity<br>31-Mar-16 |
|--|-----------------------|
| Opening defined benefit obligation         | NA                    |
| Interest cost                              | 27,671                |
| Current service cost                       | 1,000,000             |
| Benefits paid                              | (15,281,528)          |
| Actuarial ( gains ) / losses on obligation | 30,316,291            |
| <b>Closing defined benefit obligation</b>  | <b>16,062,434</b>     |

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

| Particulars                              | Gratuity<br>31-Mar-16 |
|--|-----------------------|
| Opening fair value of plan assets        | 16,460,445            |
| Expected return                          | 823,022               |
| Contributions by employer                | 780,906               |
| Benefits paid                            | (15,281,528)          |
| Actuarial gains / ( losses )             | 13,279,589            |
| <b>Closing fair value of plan assets</b> | <b>16,062,434</b>     |

The company expects to contribute Rs83,534 ( March 31, 2015: Rs38,789 ) to gratuity in the next year.

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

| Particulars             | Gratuity<br>31-Mar-16 |
|-------------------------|-----------------------|
| Investment with insurer | N.A                   |

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

The principal assumptions used in determining gratuity:

| Particulars                         | Gratuity<br>31-Mar-16 |
|-------------------------------------|-----------------------|
| Discount rate **                    | 7.68%                 |
| Expected rate of return on assets * | 5%                    |
| Salary escalation rate per annum ** | 5%                    |
| Rates of leaving service **         | 25.26%                |

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

(Amount in Rupees unless otherwise stated)

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

| Particulars                                 | Gratuity<br>31-Mar-16 |
|---|-----------------------|
| Defined benefit obligation **               | 625,155               |
| Plan assets *                               | 16,062,434            |
| Surplus / ( Deficit ) *                     | 15,437,279            |
| Experience adjustment on plan liabilities * | 625,155               |
| Experience adjustment on plan assets *      | 16,062,434            |

\*As per the information provided by the Company.

\*\*As per the actuary's report.

### 23. SEGMENT INFORMATION

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

### 24. (A) RELATED PARTIES

i. Name of the related parties with whom transactions have been entered

|                          |   |
|--------------------------|---|
| Key Management Personnel | Mrs. Meenal Patole<br>(Managing Director and Chief Executive Officer) |
|--------------------------|---|

ii. Related party transactions

| Particulars               | 2015-16   | 2014-15   |
|---------------------------|-----------|-----------|
| Mrs. Meenal Patole        |           |           |
| Salaries and Perquisites  | 2,380,342 | 2,575,290 |
| Reimbursement of expenses | 1,221,747 | 971,857   |
| TDS receivable            | 69,820    |           |
| Issue of Share Capital    | 24,480    |           |
| Securities Premium        | 223,748   |           |

### 24. (B) RELATED PARTIES

i. Name of the related parties with whom transactions have been entered.

|               |                       |
|---------------|-----------------------|
| Key Personnel | Agora Microfinance NV |
|---------------|-----------------------|

ii. Related party transactions

| Particulars                  | 2015-16    | 2014-15 |
|------------------------------|------------|---------|
| Transactions during the year |            |         |
| Agora Microfinance NV        |            |         |
| Stamp Charges Receivable     | 25,148     | Nil     |
| TDS receivable               | 25,360     | Nil     |
| Securities Premium           | 30,974,051 | Nil     |

### 25. CAPITAL COMMITMENTS

Capital commitments as on March 31, 2016: Nil (March 31, 2015: Nil).

### 26. EARNING AND EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS)

There are no earnings and expenditure in foreign currency for current financial year and for previous financial year.

### 27. EARNINGS PER SHARE (EPS)

Profit/(Loss) and number of shares data used in computation of basic and diluted EPS

| Particulars  | 2015-16     | 2014-15      |
|--|-------------|--------------|
| Net profit/(Loss) for calculation of EPS                     | (3,319,667) | (12,819,356) |
| Weighted average number of equity shares - basic/diluted EPS | 676,406     | 672,040      |
| Basic EPS (Rs.)  | (4.91)      | (19.07)      |
| Diluted EPS (Rs.)  | (4.91)      | (19.07)      |
| Nominal Value of shares (Rs.)                                | 10.00       | 10.00        |

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

(Amount in Rupees unless otherwise stated)

### 28. LOAN PORTFOLIO AND PROVISION FOR STANDARD AND SUBSTANDARD ASSETS:

| Asset classification | Portfolio Loans outstanding (Gross) |                | Provision for standard and substandard assets |                      | Portfolio Loans outstanding (Net) |                 |               |
|----------------------|-------------------------------------|----------------|---|----------------------|-----------------------------------|-----------------|---------------|
|                      | March 31, 2016                      | March 31, 2015 | March 31, 2015                                | Additions in 2015-16 | March 31, 2016                    | March 31, 2015  |               |
| Standard             | 1,619.63                            | 819.42         | 5.19  | 11.00                | 16.19                             | 1,603.44        | 814.23        |
| Substandard          | 5.04                                | 8.67           | 5.15  | (5.10)               | 0.05                              | 4.99            | 3.52          |
| <b>Total</b>         | <b>1,624.67</b>                     | <b>828.09</b>  | <b>10.34</b>                                  | <b>5.90</b>          | <b>16.24</b>                      | <b>1,608.43</b> | <b>817.75</b> |

### 29. LEASES

Head office and branch office premises are acquired on operating lease. The branch office premises are generally rented on cancellable term for less than twelve months with no escalation clause and renewable at the option of the Company.

There are no restrictions imposed by lease arrangements. There are no subleases. Lease payments during the year charged to statement of profit and loss were as follows:

| Particulars   | 2015-16   | 2014-15   |
|---|-----------|-----------|
| Operating lease payments recognised during the year | 1,966,115 | 1,611,029 |

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

(Amount in Rupees unless otherwise stated)

### 30. NET INTEREST MARGIN (NIM)

The net interest margin (NIM) for the Company, for the year ended March 31, 2016, is 4.51%. The computation of NIM has been based on guidelines communicated by RBI vide its letter dated April 4, 2013, to Micro Finance Institutions Network.

### 31. DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES

There are no amounts that need to be disclosed in accordance with the Micro, Small and Medium Enterprise Development Act, 2006 (the 'MSMED'), pertaining to micro or small enterprises.

For the year ended March 31, 2016, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

### 32. PREVIOUS YEAR'S FIGURES HAVE BEEN REGROUPED WHERE NECESSARY TO CONFIRM TO THIS YEAR'S CLASSIFICATION.

**SHARP & TANNAN**  
Chartered Accountants  
Firm's Registration No. :109982W  
by the hand of

Edwin P. Augustine  
Partner  
Membership No.043385

Mumbai, 29th June, 2016

Signature to Note 1 to 32

**For and on behalf of the Board of Directors**

Meenal Patole  
Managing Director and  
Chief Executive Officer  
DIN 03162474

Mumbai, 29th June, 2016

Tanmay Chetan  
Director

DIN 03594936



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