



“ Never lose  
an opportunity  
of urging a  
practical beginning,  
however small,  
for it is wonderful  
how often in such matters  
the mustard-seed  
germinates  
and roots itself.”

-Florence Nightingale

**03** | INTRODUCTION

**04** | AT A GLANCE

**08** | BOARD OF DIRECTORS

**12** | DIRECTORS' REPORT

**18** | MANAGEMENT  
DISCUSSION & ANALYSIS

**26** | EMPLOYEE SPEAK

**30** | CUSTOMER SPEAK

**32** | PAN INDIA NETWORK

**34** | AUDITORS REPORT &  
FINANCIAL STATEMENTS



## **Towards sustainable socio-economic progress**

Established in the year 2008, Suryoday Micro Finance Pvt. Ltd., a registered Non-Banking Finance Company, engaged in providing loans to women from Economically Weaker Sections, is proud to present before you its journey including financial statements in the previous financial year.

With encouragement and appreciation from you all, the company is now poised to expand its area of operations across India and cater to those who do not have access to traditional banking, with an objective to promote self-employment and financial inclusion.

SIMPLICITY  
ETHICS & INTEGRITY  
RESPECT EMPLOYEE FRIENDLY  
SIMPLICITY



**AT A GLANCE**

EMPLOYEE FRIENDLY

ETHICS &  
INTEGRITY

RESPECT

CUSTOMER FOCUS

SIMPLICITY

RESPECT  
ETHICS & INTEGRITY

ETHICS & INTEGRITY

EMPLOYEE FRIENDLY

SIMPLICITY

ETHICS & INTEGRITY

RESPECT

EMPLOYEE FRIENDLY  
SIMPLICITY

## Suryoday: At a glance

Since its inception in December 2008, Suryoday Micro Finance has achieved many a milestone that have instilled trust and confidence in its systematic approach and working towards the goal of sustainable improvement in standard of living. A glance will reinforce Suryoday's enterprising leap to the present day achievements.

# 2008



- Incorporated in November 2008 under the Companies Act with Registered Office in Chennai

# 2009



- RBI License for NBFC Operations
- Private Equity Funding Agreement with Aavishkaar Goodwell
- CRISIL Grading of mfR5
- 10 Branches across Pune and Solapur in Maharashtra; Chittoor in Andhra Pradesh
- Cumulative Disbursement of ~ Rs. 15 crores, Gross Loan Portfolio of ~ Rs. 11 crores with ~ 15000 Active Customers

# 2010



- Launch of Second Cycle Loan Products
- Series B Funding of Rs. 21 crores with investments from Aavishkaar Goodwell and Lok Capital
- Upgrade in CRISIL Grading to mfR4
- 31 Branches across Pune, Solapur, Mumbai and Kolhapur in Maharashtra; Bhubaneswar in Odisha; Chittoor in Andhra Pradesh; Salem and Trichy in Tamilnadu
- Cumulative Disbursement of ~ Rs. 106 crores, Gross Loan Portfolio of ~ Rs. 52 crores with ~ 80,000 Active Customers

# 2011



- New Products Launched - Monthly/Fortnightly Repayments
- CRISIL Grading of mfR4 retained
- Cumulative Disbursement of ~ Rs. 220 crores, Gross Loan Portfolio of ~Rs. 80 crores with ~ 90,000 Active Customers



## 2012

- Series C Equity Infusion from HDFC Holdings and HDFC Life
- CRISIL Grading Upgraded to mfr3
- Cumulative Disbursement of ~ Rs. 350 crores, Gross Loan Portfolio of ~ Rs. 112 crores with ~ 1,40,000 Active Customers
- Number of Branches: 34
- Expansion into Karnataka and Gujarat

## 2013

- Series D Equity Infusion of ~Rs. 20 crores from Aavishkaar Goodwill and Lok Capital
- Series E Equity Infusion of Rs. 15 crores from domestic Investors
- Cumulative Disbursement of ~ Rs. 422 crores, Gross Loan Portfolio of ~ Rs. 152 crores with ~1,56,000 Active Customers
- Number of Branches: 46
- Received a debt rating of BBB- (With +ve outlook) from ICRA in Sept 2013
- Received RBI approval for NBFC-MFI status in Dec 2013

## 2014

- CRISIL Grading mfr3 retained
- Cumulative Disbursement of ~Rs. 785 crores, Gross Loan Portfolio of ~Rs. 326.6 crores with ~2.74 Lac Active Customers
- With addition of 24 new branches and entry into state of Rajasthan, total number of branches stands at 70
- Received a debt rating of BBB (With stable outlook) from ICRA in June 2014.





## PROFILE: BOARD OF DIRECTORS

---

**Sheela Bhide**, Independent Director - She holds a Doctorate in International Trade from the Institute of International Studies, Geneva; a Masters Degree in Economics from George Mason University and a Masters in Public Policy from John F. Kennedy School of Government, Harvard University. She joined the Indian Administrative Services in 1973 and in the course of her 36 year long career with the Gol, has held various posts such as Chairman and Managing Director, ITPO; Additional Secretary and Financial Advisor, Ministry of External Affairs; Additional Secretary and Financial Advisor, Ministry of Defence and Joint Secretary, Ministry of Corporate Affairs.

**R. Ramachandran**, Additional Non Executive Director - He is an illustrious banker with global experience. He retired as the Chairman & Managing Director of Andhra Bank in Dec 2011 prior to which he was Executive Director at Syndicate Bank. He is currently a Non Executive Director of SIDBI and an Independent Director in Gati - Kintentsu Express Pvt Ltd and a director of Meliora Asset Reconstruction Company Ltd.

**John Arunkumar Diaz**, Nominee Director - He holds a Master's Degree in Management from XLRI. He is currently an entrepreneur / consultant and also a trustee and member of the Investment Committee of Aavishkaar Goodwell. He was earlier the head of Reuters Consulting for South Asia and had a distinguished career spanning 28 years at Standard Chartered Bank in various positions and international locations.

**Venkatesh Natarajan**, Nominee Director - He has over 14 years of experience in product development and venture capital at Intel. He has led several equity deals in design software, computing and wireless technology sectors and acted as operational consultant to various MFIs in India. He is an MBA from Cornell University and has an Engineering degree from Annamalai University.

**Mathew Joseph**, Nominee Director - A Chartered Accountant with over 25 years of experience in Banking and Financial Services. He is currently, the member of Executive Management of HDFC Ltd.

**R. Baskar Babu**, Executive Director - An Engineering and Management Graduate with over 19 years of experience in Financial Services. He has earlier worked with Cholamandalam, HDFC Bank and GE Commercial Finance in various leadership positions. His dream has been to create a world-class organization, which will positively impact a sizeable percentage of population.



## PROFILE: LEADERSHIP TEAM

---

### **B. G. Shiva Shankar Adiga**, AVP - MIS/Analytics

A Graduate in Commerce with over 8 years of work experience in Credit, Operations and MIS, he has worked in organizations like GE Capital and DCB Bank.

### **Rajendra Samant**, State Head - Maharashtra I

A Graduate in Commerce with over 16 years of work experience in Financial Services, he has worked in organizations like Cholamandalam, HDFC Bank and DCB Bank.

### **Sarveish Kharangate**, State Head - Maharashtra II

A PGDBA with over 17 years of work experience in both Retail Assets and Liabilities in Financial Services, he has worked in organizations like Weizmann Finance, Tata Finance, Cholamandalam and ICICI Bank.

### **S. Yagnaraman**, State Head - Tamil Nadu

An MBA with over 16 years of work experience in Financial Services, he has worked in organizations like Cholamandalam, GE Capital, Citigroup, ING Vysya and DCB Bank.

### **Ravi Tuli**, State Head - Gujarat

An MBA with over 18 years of work experience in Auto, Banking and Financial Services, he has worked in organizations like Cholamandalam, Bharti-AXA and DCB Bank.

### **Narayanan Iyer**, State Head - Rajasthan

A Graduate in Commerce with over 17 years of work experience in Financial Services, he has worked in organizations like Sundaram Finance, Cholamandalam, GE Capital, ICICI Bank and DCB Bank.

### **Pradeepta Dash**, State Head - Odisha

An MBA with over 18 years of work experience in Financial Services, he has worked in organizations like Access Fincomark, Tata Finance, ICICI Bank and HDFC Bank.

“ A woman is full circle.  
Within her is the **power**  
to create, nurture  
and **transform.**”

-Diane Mariechild



**DIRECTOR'S REPORT**

EMPLOYEE FRIENDLY  
ETHICS & INTEGRITY  
RESPECT  
CUSTOMER FOCUS  
SIMPLICITY  
RESPECT  
ETHICS & INTEGRITY  
ETHICS & INTEGRITY  
EMPLOYEE FRIENDLY  
SIMPLICITY  
ETHICS & INTEGRITY  
RESPECT  
EMPLOYEE FRIENDLY  
SIMPLICITY

## DIRECTORS' REPORT TO MEMBERS

Your directors have pleasure in presenting the Sixth Annual Report together with the audited accounts of the company for the financial year ended 31<sup>st</sup> March, 2014.

### 1. Financial Results

The summarized financial results of the Company are given here under:

Particulars	Year ended 31 March, 2014 (Rs In Crores)	Year ended 31 March, 2013 (Rs In Crores)
Income from operations	57.23	23.13
Other Income	4.37	2.56
Total Income	61.60	25.69
Total Expenditure	48.72	22.82
Net Profit/(Loss) after Taxation	8.82	1.95

### 2. Dividend

Your Directors do not recommend any dividend for the year considering the need to conserve resources.

### 3. Sources of funds

Your company raised about Rs. 289.50 crores by way of debt facilities from various lenders and Rs. 59.07 crores by way of loan portfolio buy outs / securitization.

During the year, your Company received a capital infusion from domestic investors aggregating to Rs. 15 crores. Also in the month of June 2014, your Company received a capital infusion of Rs. 15 crores from M/s International Finance Corporation and Rs. 12 crores from its existing investors viz M/s Aavishkaar Goodwell India Microfinance Development Company II Ltd., Lok Capital II LLC and Aavishkaar Venture Management Services Pvt. Ltd.

### 4. Compliance with RBI Guidelines

Your Company was classified as a NBFC-MFI on December 2013. Your Company has complied with all applicable regulations of the Reserve Bank of India. As per Non-Banking Finance Companies RBI Directions, 1998, the Directors hereby report that the Company did not accept any public deposits during the year and did not have any public deposits outstanding at the end of the year.

### 5. Shifting of Registered Office from the State of Tamil Nadu to the State of Maharashtra

The Shareholders vide special resolution dated 3<sup>rd</sup> March, 2014 approved the shifting of the Registered Office from the State of Tamil Nadu to the State of Maharashtra, by amendment to the Situation Clause of the Memorandum of Association of your Company.

---

Your Company is in the process of obtaining the necessary statutory approvals for shifting the Registered Office of your Company to Maharashtra.

## **6. Capital Adequacy**

The capital adequacy ratio was 28% as on 31<sup>st</sup> March, 2014. The Net Owned Funds (NOF) as on that date was about Rs. 87.49 crores approx. The minimum capital adequacy requirement stipulated for the company by RBI is 15.00%.

## **7. Employees Stock Option Scheme (ESOS)**

On June 10, 2010, your company established an Employees Stock Option Scheme (ESOS). Under the plan, the company is authorized to issue upto 7,30,450 Equity shares of Rs. 10 each to eligible employees. In July 2010, 3,96,000 shares were issued with a three year vesting out of which 53,000 have lapsed on account of employee separations till June 15, 2014 and 30,000 shares have been exercised.

## **8. Directors' Responsibility Statement**

The Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956 reporting the compliance with the accounting standards, is attached and forms part of the Directors' report.

## **9. Directors**

During the financial year ended 31<sup>st</sup> March, 2014, the following changes took place in the Board:

Mr. V. L. Ramakrishnan and Mr. Ganesh Rao ceased to be the Directors w.e.f. December 31, 2013. The Board places on record its appreciation for the services rendered by Mr. V. L. Ramakrishnan and Mr. Ganesh Rao to the Board and the Company.

Mr. R. Baskar Babu, Director retires at the ensuing Sixth Annual General Meeting and being eligible has offered himself for re-appointment.

Mr. R. Ramachandran was appointed as an additional Non-executive Director on June 7, 2014. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Ramachandran holds office only upto the date of the forthcoming Annual General Meeting of the Company. Resolutions seeking approval of the members for the re-appointment of Mr. R. Ramachandran as Director liable to retire by rotation, have been incorporated in the notice of the forthcoming Annual General Meeting.

The accounts for the financial year ended 31<sup>st</sup> March, 2014 which are appended to this report have been signed on behalf of the Board by Mr. R. Baskar Babu, Director & CEO, Dr. (Mrs) Sheela Bhide, Independent Director and Ms. Priya Vishwanathan, Company Secretary.

## **10. Auditors**

M/s S. R. Batliboi & Associates LLP, Chartered Accountants, Auditors of the Company retires at the forthcoming Annual General Meeting and have opted not to be re-appointed as the auditors at the ensuing Sixth Annual General Meeting. The Company has received a special notice from a member proposing the appointment of M/s B S R & Co. LLP as the statutory auditors of the Company at the ensuing Sixth Annual General Meeting. Accordingly, the

---

Company had approached M/s B S R & Co. LLP, Chartered Accountants for their appointment as auditors of the Company. M/s B S R & Co. LLP have accepted the Company's request and the company has received confirmation that their appointment, if made, will be within the limits prescribed under Section 139 of the Companies Act, 2013. Therefore, it is proposed to appoint M/s B S R & Co. LLP as the statutory auditors of the Company at the ensuing Annual General Meeting of the Company. The Board places on record its sincere appreciation for the service rendered by M/s SR Batliboi & Associates LLP.

#### **11. Information as per Section 217(1) (e) of the Companies Act, 1956**

The company has no activity relating to consumption of energy or technology absorption. The company does not have any foreign currency earnings or outflow during the year.

#### **12. Personnel**

During the year, there were no employees who were in receipt of remuneration as per the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

#### **13. Subsidiary Company**

Indian Association for Savings and Credit (IASC) ceased to be the subsidiary of the Company w.e.f January 30, 2014.

#### **14. Committees of the Board**

The following are the committees constituted by the Board:

##### **A. Audit Committee**

The Audit Committee of the Board consists of the following members, namely,

- Dr. (Mrs.) Sheela Bhide, Independent Director
- Mr. Venkatesh Natarajan, Nominee Director
- Mr. John Arunkumar Diaz, Nominee Director
- Mr. Mathew Joseph, Nominee Director

##### **B. Resourcing Committee**

The Resourcing Committee of the Board consists of the following members, namely,

- Mr. Baskar Babu, Executive Director
- Mr. John Arunkumar Diaz, Nominee Director
- Mr. Venkatesh Natarajan, Nominee Director
- Mr. Mathew Joseph, Nominee Director



---

### **C. Remuneration Committee**

The Remuneration Committee of the Board consists of the following members, namely,

- Dr. (Mrs.) Sheela Bhide, Independent Director
- Mr. John Arunkumar Diaz, Nominee Director
- Mr. Venkatesh Natarajan, Nominee Director
- Mr. Mathew Joseph, Nominee Director

### **D. Management Committee**

The Management Committee of the Board consists of the following members, namely,

- Dr. (Mrs.) Sheela Bhide, Independent Director
- Mr. John Arunkumar Diaz, Nominee Director
- Mr. Venkatesh Natarajan, Nominee Director
- Mr. Mathew Joseph, Nominee Director
- Mr. Baskar Babu, Executive Director

### **E. Board Risk Management Committee**

The Board Risk Management Committee of the Board consists of the following members, namely,

- Dr. (Mrs.) Sheela Bhide, Independent Director
- Mr. John Arunkumar Diaz, Nominee Director
- Mr. Venkatesh Natarajan, Nominee Director
- Mr. Mathew Joseph, Nominee Director

The aforesaid committees function in accordance with the terms of reference as laid down by the Board from time to time.

### **Acknowledgement**

The Directors wish to thank the customers, bankers, shareholders and other service agencies for their support. The directors especially thank our employees for their substantial contribution to the company during the period under review.

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

Mumbai  
June 26, 2014

**Dr. (Mrs.) Sheela Bhide**  
Director





MANAGEMENT DISCUSSION & ANALYSIS



SIMPLICITY RESPECT  
ETHICS & INTEGRITY  
ETHICS & INTEGRITY  
EMPLOYEE FRIENDLY  
SIMPLICITY  
ETHICS & INTEGRITY  
RESPECT EMPLOYEE FRIENDLY  
SIMPLICITY  
EMPLOYEE FRIENDLY  
ETHICS & INTEGRITY RESPECT  
CUSTOMER FOCUS



### 3. Years at a Glance

	Units	2009 - 10	2010 - 11	2011 - 12	2012 - 13	2013 - 14	CAGR %
Members Enrolled	No.	24,814	93,509	96,758	1,11,865	2,12,880	54%
Active Members	No.	24,678	85,445	1,01,163	1,56,204	2,74,057	62%
Centers	No.	1,565	6,758	6,432	10,548	20,872	68%
Branches	No.	14	31	27	46	70	38%
Districts Covered	No.	4	9	10	18	29	49%
States Covered	No.	3	4	5	6	6	15%
Employees	No.	135	307	252	402	637	36%
Cumulative Loan Disbursed	No.	24,814	1,18,323	2,15,081	3,26,946	5,39,826	85%
Portfolio Outstanding	In Crore	15	47	92	152	326	85%

Suryoday started operations with 5 branches in Pune in May 2009 with 2 Weekly Repayment Loan Products. In early 2011, based on customer preference, Suryoday introduced products with monthly repayment which has enabled the company to focus on better servicing the customer and in expanding its portfolio. Geographical presence has increased from 14 branches in March 2010 to 70 by March 2014. The company nearly doubled both GLP as well as Customer base. The company's processes, systems and support architecture has been tested and stabilized to support sustained high growth in the coming years.

### 4. Performance Highlights (Amounts in INR Crore)

Particulars	FY 13	FY 14
Total Revenue	25.69	61.60
Total Expenses	22.82	48.72
Profit After Tax	1.95	8.82
Total Assets	203	399
Earnings Per Share	1.14	3.52

Suryoday ended the financial year on a very positive note with pre-tax profit of Rs. 12.88 Crores against Rs. 2.86 Crores in the previous financial year i.e. a growth of 350% YOY.

The Company believes in prudent management of operating cost as a percentage of GLP. The Operating Expense Ratio was at 7.7% for FY14 and the company is endeavoring to reduce the same to below 7% during FY15.

As per the industry data published by MFIN (Industry self-regulatory body), Suryoday's GLP per branch is at Rs. 4.67 Crore and GLP per employee is at Rs. 51.28 Lac which is among the top 10.

Throughout its journey, Suryoday kept its focus on protecting and strengthening equity funding and took to funding through borrowing to keep focus on enhancing return on equity.

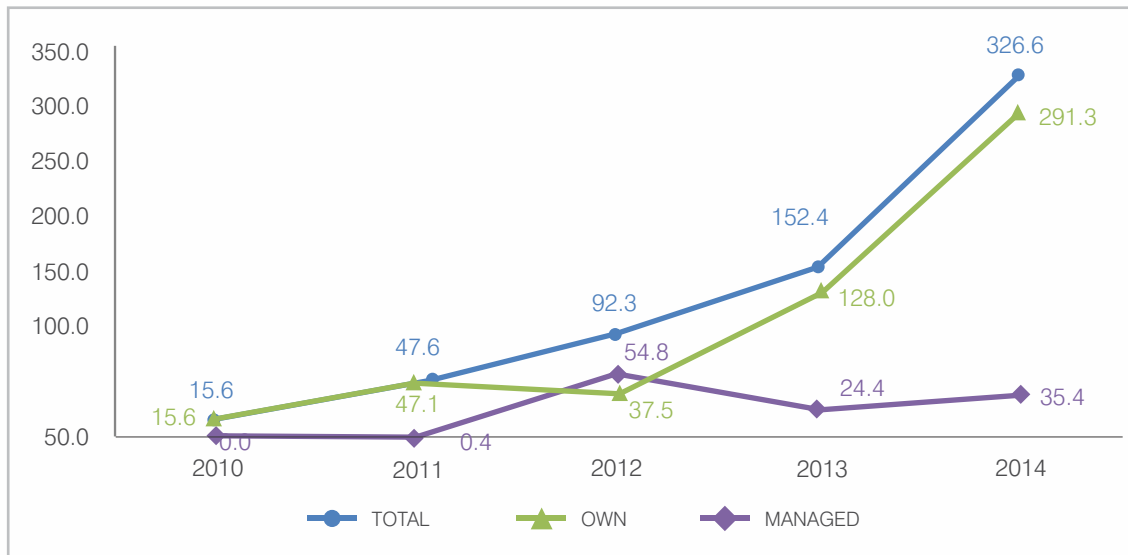
With continued focus on controlling the costs, decreasing cost of borrowings and improving debt equity ratio, the company is witnessing improved profitability and is confident of sustaining the same in the coming years.



## 7. MF Loan Book Portfolio at a Glance

### Loan Portfolio Mix

(Amounts in Crore)



## 8. Regulatory Compliance

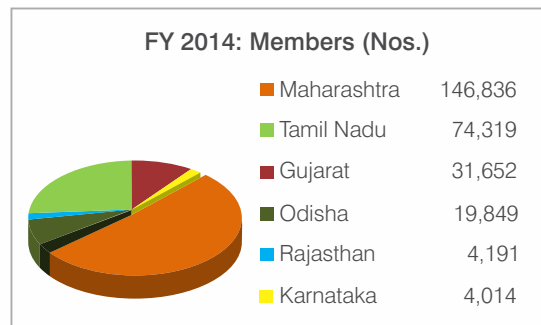
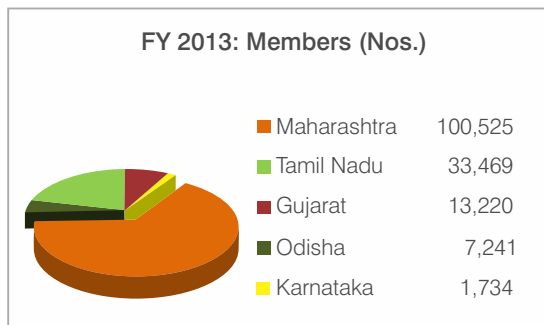
The company is categorized as a systemically important non-deposit taking NBFC and has complied with all applicable regulations of Reserve Bank of India. The directors hereby confirm that the company did not accept any public deposits during the year and did not hold public deposits outstanding at the end of the year and company does not intend to accept deposits.

The company is in compliance with RBI notifications.

## 9. Risk Management & Mitigation

The repayment rate is around 99.5% representing robust quality of credit assessment process. Our credit risk is contained through various credit assessment initiatives, salient ones being credit policies focusing on occupation, income levels and history of credit behavior, mandatory credit bureau checks on all our loans.

To mitigate geographical concentration risk we have expanded in different geographies, by expanding business in the states of Tamil Nadu, Gujarat, Odisha and Rajasthan as illustrated by the graph below:







## 12. CSR Activities

### CSR activity Highlight for Fy14

CSR Activity	Activity Type	Customer Reached
Financial Literacy	Bank Account opening	32,458
Livelihood Skill Training	Perfume Making	2,225
Livelihood Skill Training	Phenyl making	2,191
Livelihood Skill Training	Candle making	168
Health Check up	Eye Camp	722
Health Check up	Dental camp	451
Health Check up	Gynac	1,134
Health Check up	Cancer	138
Health Check up	General Check up	323
Education & awareness	Financial Literacy	558
Education & awareness	Health	2,380
Education & awareness	Skill training/livelihood Awareness	3,306

#### Financial Inclusion Drive

Suryoday encourages its customers to open a bank account and save a minimum amount every month. Our relationship officers motivate the members regularly and also track the savings pattern during our center meetings. So far, approximately 33,000 accounts have been opened and an amount of approx. Rs. 1.4 crores has been channelized into the savings.

#### Livelihood

This program is intended to impart soft skills to our members by providing various trainings like how to make Perfumes, Phenyl, Candle and Washing Powder. So far, over 1800 programs have been conducted, benefiting over 8200 customers.

#### Health and Education Awareness

Suryoday holds health check-up camps in the communities on a regular basis and also educates its customers and their dependants on the importance of acquiring education.





**EMPLOYEE SPEAK**

ETHICS & INTEGRITY  
EMPLOYEE FRIENDLY  
SIMPLICITY  
ETHICS & INTEGRITY  
RESPECT EMPLOYEE FRIENDLY  
SIMPLICITY  
EMPLOYEE FRIENDLY  
ETHICS & INTEGRITY  
RESPECT  
CUSTOMER FOCUS





“ The working atmosphere at Suryoday is very transparent, friendly and like a family. The processes are simple and provide an environment for continuous learning. I feel proud to be part of Suryoday, which provides good growth opportunities. ”

**Savita Salekar**  
Executive Operations

“ I have been with Suryoday since May 2012 and I am proud to be a part of such a reputable organisation. I have seen Suryoday grow from 30 branches in 2012 to 70+ branches now.

I would also like to thank my seniors for showing trust on me and giving me the opportunity to learn new things under their guidance & supervisions. I also thank the management for taking care of each and every employee and creating a friendly work atmosphere. Suryoday is a great place to work and I can proudly say that I am a satisfied employee of Suryoday. ”

**Naina Patel**  
Executive - Office Support



“ I have been part of Suryoday family from inception, joining as a Branch Manager at Pune. Working with Suryoday has been exciting and satisfying for me. It has given me a platform where I could play my role efficiently in a healthy environment.

For me, every day is a unique experience in itself. No one day is similar; every day brings its own unique challenges.

"Suryoday" is where dreams are truly implemented. I feel so proud to be part of such a great team! ”

**Amol Chavan**  
Senior Area Manager - Business

“ I joined Suryoday as Accounts Officer in August 2010 and since then I have been experiencing a very healthy and passionate environment for work. There is a famous quote saying, “Learning new things is a best indicator of growth” and I can say that Suryoday as an organization and my colleagues have always supported and guided me to explore my capabilities and strengths to learn new things.

It feels great to be associated with an organization which is built on the foundation stones of Ethics and Integrity. I would like to take this opportunity to invite all Suryodayans to mutually participate in taking our organization to the new horizons of success with your ideas, efforts and hard work. ”

**Dattatray Deshmukh**  
Deputy Manager - Accounts

“A successful woman  
is the one  
who can build  
a firm **foundation**  
with the bricks  
others have thrown at her.”

- Anonymous



**CUSTOMER SPEAK**

SIMPLICITY

ETHICS & INTEGRITY

RESPECT EMPLOYEE FRIENDLY  
SIMPLICITY

EMPLOYEE FRIENDLY

ETHICS & INTEGRITY RESPECT

CUSTOMER FOCUS

SIMPLICITY RESPECT  
ETHICS & INTEGRITY

ETHICS & INTEGRITY







**PAN INDIA NETWORK**



RESPECT EMPLOYEE FRIENDLY  
SIMPLICITY

EMPLOYEE FRIENDLY

ETHICS &  
INTEGRITY

RESPECT

CUSTOMER FOCUS

SIMPLICITY RESPECT  
ETHICS & INTEGRITY

ETHICS & INTEGRITY

EMPLOYEE FRIENDLY

SIMPLICITY





**AUDITORS REPORT & FINANCIAL STATEMENTS**

EMPLOYEE FRIENDLY  
ETHICS & INTEGRITY  
RESPECT  
CUSTOMER FOCUS  
SIMPLICITY  
RESPECT  
ETHICS & INTEGRITY  
ETHICS & INTEGRITY  
EMPLOYEE FRIENDLY  
SIMPLICITY  
ETHICS & INTEGRITY  
RESPECT  
EMPLOYEE FRIENDLY  
SIMPLICITY



- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) in the case of the Statement of Profit & Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

#### **Report on other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227 (3) of the Act, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet, Statement of Profit & Loss, and Cash flow Statement dealt with by this Report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, the statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4<sup>th</sup> April, 2014 issued by the Ministry of Corporate Affairs; and
  - e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

#### **For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W

#### **Per Bharath N S**

Partner

Membership no.: 210934

**Place: Mumbai**

**Date: June 26, 2014**

**Annexure referred to in paragraph [1] of our report of even date****Re: Suryoday Micro Finance Private Limited ('the Company')**

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- ii. (a) Having regard to the nature of business of the Company, Clause (ii) of the order is not applicable to the Company.
- iii. (a) The Company has granted loan to one firms and three directors covered in the register maintained under Section 301 of the companies Act, 1956. The maximum amount involved during the year was Rs. 25 Million and the year – end balance of loans granted to one such party was Rs. 13.3 Million.
- (b) In our opinion and according to the information and explanation given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) In respect of loans granted, repayment of the principal amount is as stipulated and payments of interest have been regular.
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (e) According to the information and explanations given to us, the Company has not taken any loans, Secured /unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956. Accordingly, the provisions of Clauses 4 (iii) (e) to (g) of the order are not applicable to the Company and hence not commented upon.
- iv. In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- v. (a) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v) (b) of the Order is not applicable to the Company and hence not commented upon.
- vi. The company has not accepted any deposits from the public.

- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. To the best of our knowledge and as explained, the Company is not engaged in the business of sale of any goods. Therefore, in our opinion, the provisions of Clause 4(iii) of the order are not applicable to the Company.
- ix. (a) Undisputed statutory dues including provident fund, employee's state insurance, income-tax, service tax and cess have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few instance in employees' state insurance and employee provident fund. Statutory dues pertaining to professional tax have not been regularly deposited with the appropriate authorities and there have been serious delays in large number of cases.* The provisions relating to investor education and protection fund, sales-tax, wealth-tax, customs duty and excise duty are not applicable to the Company.
- (b) According to the information and explanation given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employee's state insurance, income-tax, service tax, and cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of income tax, service tax, and cess which have not been deposited on account of any dispute.
- x. The Company has not accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- xi. Based on our audit procedures and as per the information and explanation given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii. According to the information and explanation given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund / society. Therefore, the provision of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xv. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from Bank or financial institutions.
- xvi. Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained
- xvii. According to the information and explanation given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

 **AUDITORS REPORT & FINANCIAL STATEMENTS**

---

- xviii. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. The Company did not have any outstanding debentures during the year.
- xx. During the year, the Company has not raised any money from public issues and accordingly clauses (xx) of the Order is not applicable to the Company.
- xxi. We have been informed that during the year the relationship officer of the Company along with the branch manager had misappropriated cash amounting to Rs. 33,500/- at one of its branches. *The branch manager and the relationship officer have been dismissed. The Company has recovered the misappropriated amount.*

**For S. R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W

**Per Bharath N S**

Partner

Membership no.: 210934

**Place: Mumbai****Date: June 26, 2014**



**Suryoday Micro Finance Private Limited**
**Balance Sheet as at March 31, 2014** (All amounts are in Indian Rupees, unless otherwise stated)

Particulars	Notes	As at March 31, 2014	As at March 31, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	4	267,027,130	233,693,790
Reserves and surplus	5	604,957,418	404,795,028
Employees' Stock Option Outstanding		2,930,779	2,679,107
<b>Non-Current Liabilities</b>			
Long term borrowings	6	1,090,899,274	470,639,789
Long term liabilities	9	1,168,959	677,700
Long term provisions	10	8,938,979	3,968,062
Deferred gains (non-current)	29	3,406,229	613,624
<b>Current Liabilities</b>			
Short term borrowings	7	20,793,611	2,235
Trade Payables	8	3,633,924	1,580,137
Other current liabilities	9	1,943,815,491	888,912,678
Short term provisions	10	21,127,792	9,065,152
Deferred gains - (current)	29	27,933,303	16,129,626
<b>TOTAL</b>		<b>3,996,632,889</b>	<b>2,032,756,928</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed assets	11		
Tangible assets		9,931,292	6,896,615
Intangible assets		508,473	178,640
Non-current investment	12	-	21,400,000
Deferred tax assets (net)	13	12,142,621	6,486,444
Long term loans and advances	14	30,605,474	24,542,326
Long term Trade Receivables	15	800,597,919	368,973,944
Other non current assets	17	143,734,752	30,109,063
<b>Current Assets</b>			
Current investments	12	8,835,570	-
Trade Receivables	15	2,112,779,198	911,545,407
Cash and bank balances	16	753,897,994	567,457,155
Short term loans and advances	14	73,659,140	65,179,453
Other current assets	17	49,940,455	29,987,881
<b>Total</b>		<b>3,996,632,889</b>	<b>2,032,756,928</b>

 Summary of significant accounting policies 3

The accompanying notes are an integral part of the financial statements.

**For S. R. Batliboi &  
Associates LLP**
**For and on behalf of the board of directors  
Suryoday Micro Finance Private Limited**
**Chartered Accountants**

 ICAI Firm's registration  
number: 101049W

**Per Bharath N. S.**

Partner

**Membership no.: 210934**

Place: Mumbai

Date: June 26, 2014

**R. Baskar Babu**

Executive Director

Place: Mumbai

Date: June 26, 2014

**Sheela Bhide**

Director

**Priya Vishwanathan**

Company Secretary

## AUDITORS REPORT & FINANCIAL STATEMENTS

### Suryoday Micro Finance Private Limited

#### Statement of Profit and Loss for the year ended March 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

Particulars	Notes	March 31, 2014	March 31, 2013
<b>Revenue</b>			
Revenue from operations	18	572,341,764	231,264,502
Other income	19	43,700,692	25,988,108
<b>Total revenue</b>		<b>616,042,456</b>	<b>257,252,610</b>
<b>Expenses</b>			
Finance costs	20	284,034,834	94,477,782
Employee benefits expense	21	136,097,803	85,893,061
Other expenses	22	63,341,683	45,370,739
Depreciation and amortization expense	23	3,732,455	2,875,286
<b>Total Expenses</b>		<b>487,206,775</b>	<b>228,616,868</b>
<b>Profit before exceptional item and tax</b>		<b>128,835,681</b>	<b>28,635,742</b>
Exceptional items		-	-
<b>Profit before tax</b>		<b>128,835,681</b>	<b>28,635,742</b>
<b>Tax expense:</b>			
Current tax		45,789,614	12,927,301
Pervious Year Tax		469,604	-
Deferred tax		(5,656,177)	(3,836,213)
<b>Profit for the year</b>		<b>88,232,640</b>	<b>19,544,654</b>
<b>Earnings per share information -</b>			
Earnings per equity share [nominal value of share Rs.10/-]	24		
Basic earnings per share (Rs/-)		3.52	1.14
Diluted earnings per share (Rs/-) (Refer note 24)		3.52	1.13
Summary of significant accounting policies	3		

The accompanying notes are an integral part of the financial statements.

**For S. R. Batliboi &  
Associates LLP**

**Chartered Accountants**

ICAI Firm's registration  
number: 101049W

**Per Bharath N. S.**

Partner

**Membership no.: 210934**

Place: Mumbai

Date: June 26, 2014

**For and on behalf of the board of directors  
Suryoday Micro Finance Private Limited**

**R. Baskar Babu**

Executive Director

Place: Mumbai

Date: June 26, 2014

**Sheela Bhide**

Director

**Priya Vishwanathan**

Company Secretary

**Suryoday Micro Finance Private Limited**
**Cash flow statement for the year ended March 31, 2014**

(All amounts are in Indian Rupees, unless otherwise stated)

Particulars	March 31, 2014	March 31, 2013
<b>Cash flow from operational activities</b>		
<b>Profit before tax</b>	<b>128,835,681</b>	<b>28,635,742</b>
Non-cash adjustment to reconcile profit before tax to net cash flows :		
Depreciation and amortization	3,732,455	2,875,286
Employee stock option scheme	292,832	557,136
Interest income on bank and other deposits	(31,725,153)	(22,923,747)
Loss on Sale of Asset	-	571,897
Provision for Standard and Non performing assets	16,224,556	8,701,213
Bad debts written off (including exceptional item if any)	-	1,339,304
Dividend Income - MF Liquid Funds	(5,875,573)	(917,836)
<b>Operating profit before working capital changes</b>	<b>111,484,798</b>	<b>18,838,995</b>
Movements in working capital :		
Increase / (decrease) in Short term borrowings	20,791,376	(25,071,605)
Long-term borrowings (net)	620,259,485	363,268,430
Increase / (decrease) in Trade payables	2,053,787	(2,146,467)
Increase / (decrease) in Provisions	17,033,557	(956,355)
Increase / (decrease) in Other current liabilities	1,055,394,072	594,354,828
Increase / (decrease) in Deferred gains	14,596,282	(18,126,163)
Decrease / (increase) in Trade Receivables	(1,201,233,791)	(633,197,979)
(Increase) / decrease in bank deposits (having original maturity of more than three months and less than 12 months) (Net)	(72,453,701)	(134,515,973)
(Increase) / decrease in bank deposits (having original maturity of more than 12 months) (Net)	-	52,878,702
Decrease / (increase) in Long term Trade Receivables	(447,848,531)	(273,303,896)
Decrease / (increase) in Long term loans and advances	(16,802,599)	21,825,769
Decrease / (increase) in Short term loans and advances	(8,479,687)	(45,094,564)
Decrease / (increase) in Other Non current assets	(109,355,262)	47,482,938
Decrease / (increase) in Other current assets	(18,791,449)	(14,752,588)
<b>Cash generated from /(used in) operations</b>	<b>(33,351,663)</b>	<b>(48,515,928)</b>

## AUDITORS REPORT & FINANCIAL STATEMENTS

### Suryoday Micro Finance Private Limited

#### Cash flow statement for the year ended March 31, 2014

(All amounts are in Indian Rupees, unless otherwise stated)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Direct taxes paid (net of refunds)	(35,519,767)	(19,323,136)
<b>Net cash flow from/ (used in) operating activities (A)</b>	<b>(68,871,430)</b>	<b>(67,839,064)</b>
<b>Cash flows from investing activities</b>		
Investment in IASC	-	(11,700,000)
Sale of shares of IASC	12,564,430	-
Dividend Income	5,875,573	917,836
Interest received on deposits	26,293,601	16,925,343
Purchase of fixed assets, including Capital Work In Progress	(7,096,966)	(6,375,468)
<b>Net cash flow from/ (used in) investing activities (B)</b>	<b>37,636,638</b>	<b>(232,289)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of equity share capital	33,333,340	99,433,790
Receipt of Securities premium from issue of equity share capital	111,888,590	234,770,427
<b>Net cash flow from/ (used in) in financing activities (C)</b>	<b>145,221,930</b>	<b>334,204,217</b>
<b>Net increase / (decrease) in cash and cash equivalents (A + B + C)</b>	<b>113,987,138</b>	<b>266,132,864</b>
Cash and cash equivalents at the beginning of the year	422,941,182	156,808,318
<b>Cash and cash equivalents at the end of the year</b>	<b>536,928,320</b>	<b>422,941,182</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	465,861	595,837
With banks- on current account	302,250,441	97,557,241
- on deposit account	234,212,018	324,788,104
<b>Total cash and cash equivalents (note 16)</b>	<b>536,928,320</b>	<b>422,941,182</b>

As per our report of even date

**For S. R. Batliboi &  
Associates LLP**

**Chartered Accountants**

ICAI Firm's registration  
number: 101049W

**Per Bharath N. S.**

Partner

**Membership no.: 210934**

Place: Mumbai

Date: June 26, 2014

**For and on behalf of the board of directors  
Suryoday Micro Finance Private Limited**

**R. Baskar Babu**

Executive Director

Place: Mumbai

Date: June 26, 2014

**Sheela Bhide**

Director

**Priya Vishwanathan**

Company Secretary

**Suryoday Micro Finance Private Limited**  
**Notes to the Financial statements for the year ended March 31, 2014**

**1. Background and nature of operations**

Suryoday Micro Finance Private Limited (the Company) was incorporated on 10<sup>th</sup> November 2008. The company is engaged in extending micro credit to economically weaker women who are otherwise unable to access finance from the mainstream banking channels. The company during the year provided small value collateral free loans up to Rs. 26,000 for a tenor of 18 months to 24 months with fortnightly/monthly repayment. The company broadly follows the Grameen model with suitable adaptations using the Joint Liability Groups (JLG) framework, where each member of the group guarantees the loan repayment of the other members of the group.

The company obtained registration with Reserve Bank of India (RBI) for carrying on micro finance activity on April 22, 2009 and is a non-deposit taking non-banking finance company (NBFC-ND). From the Financial year 2012-13, the company is a Systemically Important NBFC-ND.

The company obtained NBFC- MFI registration and has been converted to NBFC-MFI with effect from December 9, 2013, as required vide circular No.DNBS.CC.PD.No. 250/03.10.01/2011-12 dated December 02, 2011.

**2. Basis of preparation of financial statements**

The financial statements of the company have been prepared in accordance with generally accepted accounting principles and practices prevalent in the non-banking finance industry in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended), the relevant provisions of the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs and the guidelines issued by the RBI as applicable to a Systemically Important non deposit accepting NBFC. The financial statements have been prepared on an accrual basis and under the historical cost convention, except where otherwise stated. The accounting policies have been consistently applied by the company and are consistent with those used in the previous year.

**3. 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. Securitisation / assignment of Trade receivables**

In accordance with the RBI Guidelines on Securitisation of Standard Assets, the Company de-recognises the trade receivables transferred by way of securitisation / assignment when the criteria for "True sale" comprising, inter alia, contractual transfer of the assets and effective transfer of risks and rewards as specified in the guidelines have been met.

## AUDITORS REPORT & FINANCIAL STATEMENTS

### Suryoday Micro Finance Private Limited Notes to the Financial statements for the year ended March 31, 2014

#### C. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. All other income is recognised on accrual basis, when there is no uncertainty over ultimate realization / collection.

- (i) Interest income on loans given is recognised under internal rate of return method.
- (ii) In accordance with the RBI guidelines, the company accounts for any loss arising from securitization immediately at the time of sale and the profit / premium is arising from securitization is a mortised over the life of the underlying portfolio loans.
- (iii) Income on Non-Performing Assets, Sub-standard Assets and Loss Assets is recognized only when income is received.
- (iv) Loan processing fees, being the revenue for processing the loan is recognized as income on upfront basis.
- (v) Interest income on deposits is recognized on a time proportion basis taking into account the amount outstanding and the implicit rate of interest.

#### D. Fixed Assets and Depreciation

Fixed Assets are stated at cost less accumulated depreciation and impairment loss, if any.

The cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Depreciation on fixed assets is calculated on a written down value basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. The company has used the following rates to provide depreciation on its fixed assets.

Particulars	Rates (WDV)
Office equipment	13.91%
Computers & accessories	40.00%
Furniture and fittings	18.10%

Improvements to leasehold premises are depreciated over the primary lease period or 36 months, whichever is lower on a straight line basis.

Intangible assets such as Software are amortized over a period of 36 months or license period whichever is lower on a straight line basis.

Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase.



**Suryoday Micro Finance Private Limited**  
**Notes to the Financial statements for the year ended March 31, 2014**

**E. Retirement and Other Employee Benefits**

**(i) Defined Contribution Plans**

Retirement benefits in the form of Provident Fund and Employee State Insurance Scheme are defined contribution schemes and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective funds.

**(ii) Defined Benefit Plan**

The company operates a defined benefit scheme for its employees, viz., gratuity scheme. The costs of providing benefits under this plan is determined on the basis of actuarial valuation at each year end. Separate actuarial valuation is carried out for each plan using the projected unit credit method. Actuarial gains and losses for both defined benefit plans are recognized in full in the period in which they occur in the statement of profit and loss. Gratuity scheme is funded with Life Insurance Corporation of India.

Gratuity liability is a defined benefit obligations and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains / losses are immediately taken to profit and loss account and are not deferred.

**F. Income Taxes**

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 enacted in India. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

**Suryoday Micro Finance Private Limited**  
**Notes to the Financial statements for the year ended March 31, 2014**

**G. Provisions, Contingent Liabilities And Contingent Assets**

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. 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.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

**H. Leases**

**Operating Lease**

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

**I. Foreign Currency Transactions**

- (i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

All exchange differences are recognized as income or as expenses in the period in which they arise.

**J. Earnings Per Share**

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

**K. Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.



**Suryoday Micro Finance Private Limited**

Notes to the Financial statements for the year ended March 31, 2014

**L. Classification and Provision for Loan Portfolio**

Loans are classified and provided for as per the Company's policy and Management's estimates, subject to the minimum classification and provisioning required as per Non banking financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. In addition the prudential norms as spelt out in the master circular No. DNBS (PD) CC. No. 347/03.10.38/2013-14 dated July 1, 2013 have also been given effect to and provisioning rate are as follows:

<b>Asset Classification</b>	<b>Provisioning percentage used by the Company</b>
Standard Assets - Not overdue and overdue for less than 89 days	1%
Non Performing Assets (NPA):	
Sub-Standard Assets - Overdue for 90 days and more but less than 179 days	50%
Doubtful Assets - Overdue for 180 days and more	100%
Loss Assets - Assets which are identified as loss asset by the company or the internal auditor or the external auditor or by the RBI	100%

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

**M. Impairment Of Assets**

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

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

**N. Employee Stock Compensation Cost**

"Employees (including senior executives) of the company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

**Suryoday Micro Finance Private Limited**  
**Notes to the Financial statements for the year ended March 31, 2014**

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Council of the Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the fair value method and recognized, together with a corresponding increase in the "Stock options outstanding account" in reserves. The cumulative expense recognized for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification."

**O. Segment reporting**

The company primarily operates only in one business segment of "Micro Credit" and accordingly no segment reporting is applicable.

**P. Investment**

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

**Q. Securitisation / Loan processing expenses**

Expenditure incurred on securitisation transactions are fully charged off in the year in which the securitisation is effected to the statement of profit and loss as per the guidelines on securitisation issued by the RBI. Expenditure incurred on borrowing transactions are fully charged off in the year in which the borrowing is effected to the statement of profit and loss.

**Suryoday Micro Finance Private Limited**
**Notes to the Financial statements for the year ended March 31, 2014**

(All amounts are in Indian Rupees, unless otherwise stated)

**4. Share Capital**

	As at March 31, 2014	As at March 31, 2013
Authorized shares		
35,000,000 (Previous year 35,000,000) equity Shares of Rs.10 each	350,000,000	350,000,000
Issued, subscribed and paid-up shares 26,702,713 (Previous year 23,369,379) equity shares of Rs.10 each	267,027,130	233,693,790
	<b>267,027,130</b>	<b>233,693,790</b>

**a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year**

	March 31, 2014		March 31, 2013	
	Shares	in Rs	Shares	in Rs
At the beginning of the year	23,369,379	233,693,790	13,426,000	134,260,000
Issued during the year	3,333,334	33,333,340	9,943,379	99,433,790
Outstanding at the end of the year	26,702,713	267,027,130	23,369,379	233,693,790

**b. Terms/rights attached to equity shares**

The Company has only one class of equity shares having a 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. The Company has not declared / proposed any dividend in the current year and previous year.

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

**c. Details of shareholders holding more than 5% shares in the Company (Equity shares of Rs. 10/- each fully paid)**

	March 31, 2014		March 31, 2013	
	No.	% holding in the class	No.	% holding in the class
Aavishkaar Goodwell India Microfinance Development Company Limited	6,142,857	23.00%	6,142,857	26.29%
Aavishkaar Goodwell India Microfinance Development Company II Limited	4,287,531	16.06%	4,287,531	18.35%
Lok Capital LLC	2,490,850	9.33%	2,490,850	10.66%
Lok Capital II LLC	2,344,116	8.78%	2,344,116	10.03%
Baskar Babu	1,476,435	5.53%	1,476,435	6.32%
V. L. Ramakrishnan	-	-	1,394,130	5.97%
Ganesh Rao*	1,399,435	5.24%	1,399,435	5.99%
P. Surendra Pai	4,644,575	17.39%	-	-

\* The 1,399,435 shares are jointly held by Mr. Ganesh Rao and Mrs. Meenakshi Rao.

As per 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.

## AUDITORS REPORT & FINANCIAL STATEMENTS

### Suryoday Micro Finance Private Limited Notes to the Financial statements for the year ended March 31, 2014

(All amounts are in Indian Rupees, unless otherwise stated)

#### d. Shares reserved for issue under options

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

#### 5. Reserves and Surplus

	March 31, 2014	March 31, 2013
<b>Securities premium account</b>		
Balance as per last financial statement	379,770,427	145,000,000
Add: Premium on Issue of equity shares	116,666,690	237,070,427
Less: Amounts utilized toward share issue expenses	4,778,100	2,300,000
	<b>491,659,017</b>	<b>379,770,427</b>
<b>Statutory reserve</b>		
Balance as per the last financial statements	6,853,850	2,944,920
Add: Transferred from statement of profit and loss (@ 20% of Profit after tax as required by section 45-IC of the Reserve Bank of India act, 1934)	17,646,528	3,908,930
<b>Closing Balance</b>	<b>24,500,378</b>	<b>6,853,850</b>
<b>General Reserve</b>		
Balance as per last financial statements	265,252	193,231
Add: Transferred from Employee stock option outstanding on forfeiture	41,160	72,021
<b>Closing Balance</b>	<b>306,412</b>	<b>265,252</b>
<b>Surplus/(deficit) in the statement of profit and loss</b>		
Balance as per last financial statements	17,905,499	2,269,775
Profit for the year	88,232,640	19,544,654
<b>Less: Appropriations</b>		
Transfer to statutory reserve	17,646,528	3,908,930
<b>Net surplus/(deficit) in the statement of profit and loss</b>	<b>88,491,611</b>	<b>17,905,499</b>
	<b>604,957,418</b>	<b>404,795,028</b>

#### 6. Long-term Borrowings

	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
<b>Term loans</b>				
Indian rupee loan from banks (secured)	622,906,788	302,129,657	1,022,083,315	316,530,224
Indian rupee loan from Non banking financial institution (Secured)	347,992,486	168,510,132	849,968,351	505,576,521
Non-convertible Debentures - Private placement	120,000,000			
<b>The above amount includes</b>				
Secured borrowings	1,090,899,274	470,639,789	1,872,051,666	822,106,745
Unsecured borrowings	-	-	-	-
Amount disclosed under the head "other current liabilities" (note 9)	-	-	(1,872,051,666)	(822,106,745)
<b>Net amount</b>	<b>1,090,899,274</b>	<b>470,639,789</b>	<b>-</b>	<b>-</b>

**Suryoday Micro Finance Private Limited**
**Notes to the Financial statements for the year ended March 31, 2014**

(All amounts are in Indian Rupees, unless otherwise stated)

**7. Short-term borrowings**

	March 31, 2014	March 31, 2013
Overdraft and working capital loans	20,793,611	2,235
- From banks (secured)		
	<b>20,793,611</b>	<b>2,235</b>

Overdraft and working capital loans are repayable on demand or within a maximum period of one year.

**8. Trade Payable**

	March 31, 2014	March 31, 2013
Payable For Expenses	3,633,924	1,580,137
	<b>3,633,924</b>	<b>1,580,137</b>

**9. Other Liabilities**

	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Capital creditors			-	262,700
Payable to related parties	-	-	-	113,906
Payable to Others#	-	-	-	9,700,000
Current maturities of long-term borrowings (Refer Note 6)	-	-	1,872,051,666	822,106,745
Advance for subscription of shares	-	-	-	-
Interest accrued and due on borrowings	-	-	4,371,108	6,566,715
Interest accrued but not due on borrowings			10,069,541	
Statutory dues Payable	-	-	4,578,458	3,128,544
Employee related payables	-	-	4,063,918	1,285,831
Payable for trade receivables assigned	-	-	48,142,829	42,355,823
Book overdraft	-	-	-	-
Provision for rent straight lining	1,168,959	471,800	-	-
Instalments received in advance	-	-	10,785	12,000
Deferred gain on securitisation / assignment	-	-	-	-
Others	-	205,900	527,186	3,380,414
	<b>1,168,959</b>	<b>677,700</b>	<b>1,943,815,491</b>	<b>888,912,678</b>

There is no overdue amount payable to Micro and Small Enterprises as defined under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED). Further, the Company has not paid any interest to any Micro and Small Enterprises during the current year.

# - As at March 31, 2013 the "payable to others" was payable to Centre for Community Development Services as a part of the purchase consideration payable by the Company for investment in Indian Association for Savings and Credit.

## AUDITORS REPORT & FINANCIAL STATEMENTS

### Suryoday Micro Finance Private Limited Notes to the Financial statements for the year ended March 31, 2014

(All amounts are in Indian Rupees, unless otherwise stated)

#### 10. Provisions

	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
<b>Provision for employee benefits</b>				
Provision for gratuity	933,000	124,000	-	-
<b>Other provisions</b>				
Provision for non performing assets	-	-	1,131,982	106,144
Provision for standard assets	8,005,979	3,844,062	19,995,810	8,959,008
Provisions for taxation (net of advance tax and tax deducted at source)	-	-	-	-
	<b>8,938,979</b>	<b>3,968,062</b>	<b>21,127,792</b>	<b>9,065,152</b>

Note 11. on fixed assets is set out in Page No. 56

#### 12. Investment

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
<b>Trade investments (valued at cost unless stated otherwise)</b>				
Unquoted equity instruments				
<b>Investment in subsidiary</b>				
293,936 (March 31, 2013: 600,000) Equity shares of Rs.10 each fully paid-up in Indian Association for Savings and Credit. Also refer note 35).		21,400,000	8,835,570	
	-	<b>21,400,000</b>	<b>8,835,570</b>	-

#### 13. Deferred tax (liability) / asset (net)

	March 31, 2014	March 31, 2013
<b>Deferred Tax Liability</b>		
Fixed assets: Impact of difference between tax depreciation and depreciation / amortization charged for the financial reporting	(932,387)	(800,470)
Others	-	-
<b>Gross Deferred Tax Liability</b>	<b>(932,387)</b>	<b>(800,470)</b>
<b>Deferred Tax Asset</b>		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	1,757,782	1,370,459
Provision for doubtful debts and advances	9,452,452	4,188,394
Others	-	127,121
<b>Gross Deferred Tax Asset</b>	<b>11,210,234</b>	<b>5,685,974</b>
<b>Net Deferred Tax Asset</b>	<b>12,142,621</b>	<b>6,486,444</b>



**Suryoday Micro Finance Private Limited**
**Notes to the Financial statements for the year ended March 31, 2014**

(All amounts are in Indian Rupees, unless otherwise stated)

**14. Loans and advances**

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
<b>Unsecured considered good</b>				
Capital advances	-	-	1,241,310	2,284
Rental deposits	6,189,900	5,251,900	-	364,000
Security deposits	2,163,482	3,579,973	-	-
Cash Collaterals with others	10,000,000	-	45,000,000	49,152,766
Employee advances	1,187,436	836,780	1,624,179	815,783
Loan to directors	-	3,500,000	-	-
Prepaid expenses	-	-	2,154,069	4,228,328
Balances with revenue authorities	-	-	1,087,105	655,403
Other advances	-	325,205	9,220,047	240,758
Advances tax and tax deducted at source, net of provision	11,064,656	4,104,543	-	-
Loan to IASC*	-	6,943,925	13,332,430	9,720,131
	<b>30,605,474</b>	<b>24,542,326</b>	<b>73,659,140</b>	<b>65,179,453</b>

\* Repayable by March 31, 2015 and is served by personal guarantee of the director of IASC. Also Refer Note 35.

**15. Trade Receivables**

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
<b>Portfolio Loan</b>				
(net of assets de-recognised on assignment / securitisation)				
Unsecured				
Considered good	800,597,919	368,973,944	2,112,779,198	911,333,119
Others (substandard and doubtful receivables as per Company's provisioning policy)	-	-	-	212,288
	<b>800,597,919</b>	<b>368,973,944</b>	<b>2,112,779,198</b>	<b>911,545,407</b>

Of the above, Trade receivables exceeding six months from the due date aggregates to Rs. 751,366/- (Previous year Rs. 1,279,456). Also refer Note 33 for provision for substandard and doubtful trade receivables.

## AUDITORS REPORT & FINANCIAL STATEMENTS

### Suryoday Micro Finance Private Limited

#### Notes to the Financial statements for the year ended March 31, 2014

(All amounts are in Indian Rupees, unless otherwise stated)

#### 16. Cash and bank balances

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
<b>Cash and cash equivalents</b>				
Balances with banks:				
On current accounts	-	-	302,250,441	97,557,241
Deposits with original maturity of less than three months	-	-	234,212,018	324,788,104
Cash on hand	-	-	465,861	595,837
	-	-	<b>536,928,320</b>	<b>422,941,182</b>
Other Bank Balances				
Deposits with original maturity for more than 3 months but less than 12 months	-	-	216,969,674	144,515,973
Deposits with original maturity for more than 12 months	139,080,547	29,725,285	-	-
	<b>139,080,547</b>	<b>29,725,285</b>	<b>216,969,674</b>	<b>144,515,973</b>
Amount disclosed under other assets (note 17)	(139,080,547)	(29,725,285)	-	-
	-	-	<b>753,897,994</b>	<b>567,457,155</b>

\* Deposits with banks include Rs. 44,93,52,239/- (March 31, 2013 Rs: 20,36,15,856/-) under lien marked towards term loans and overdraft facility availed from banks, financial institutions and towards cash collateral placed in connection with assignment / securitisation of receivables.

#### 17. Other assets

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Interest accrued but not due				
Trade receivables	-	-	36,006,853	17,215,404
Interest accrued but not due				
- with banks	4,530,369	383,778	13,316,616	10,000,373
- Others	123,836	-	616,986	2,772,104
Other non current bank balances (refer note 16)	139,080,547	29,725,285	-	-
	<b>143,734,752</b>	<b>30,109,063</b>	<b>49,940,455</b>	<b>29,987,881</b>



**Suryoday Micro Finance Private Limited**  
**Notes to the Financial statements for the year ended March 31, 2014**

(All amounts are in Indian Rupees, unless otherwise stated)

**11. Fixed Assets**  
**Tangible assets**

Categories	Gross Block			Depreciation			Net Block		
	As at April 1, 2013	Additions	Deletions March 31, 2014	As at April 1, 2013	For the year	Deletions March 31, 2014	As at March 31, 2014	As at March 31, 2014	As at April 1, 2013
Computers & Accessories	4,573,286	2,761,330	68,000	2,841,726	1,208,297	58,588	3,991,435	3,275,181	1,731,560
Furnitures and fittings	6,714,039	2,191,479	535,519	3,127,164	1,487,402	369,387	4,245,179	4,124,820	3,586,875
Office Equipments	2,278,833	1,864,178	67,800	700,653	856,259	12,992	1,543,920	2,531,291	1,578,180
<b>Total</b>	<b>13,566,158</b>	<b>6,816,987</b>	<b>671,319</b>	<b>6,669,543</b>	<b>3,551,958</b>	<b>440,967</b>	<b>9,780,534</b>	<b>9,931,292</b>	<b>6,896,615</b>
<b>Previous Year (2012-13)</b>	<b>7,912,278</b>	<b>6,885,158</b>	<b>1,231,278</b>	<b>4,545,639</b>	<b>2,665,785</b>	<b>541,881</b>	<b>6,669,543</b>	<b>6,896,615</b>	

**Intangible assets**

Categories	Gross Block			Amortisation			Net Block		
	As at April 1, 2013	Additions	Deletions March 31, 2014	As at April 1, 2013	For the year	Deletions March 31, 2014	As at March 31, 2014	As at March 31, 2014	As at April 1, 2013
Computer software	745,411	510,331	-	566,771	180,498	-	747,269	508,473	178,640
<b>Total</b>	<b>745,411</b>	<b>510,331</b>	<b>-</b>	<b>566,771</b>	<b>180,498</b>	<b>-</b>	<b>747,269</b>	<b>508,473</b>	<b>178,640</b>
<b>Previous Year (2012-13)</b>	<b>619,069</b>	<b>126,342</b>	<b>-</b>	<b>357,270</b>	<b>209,501</b>	<b>-</b>	<b>566,771</b>	<b>178,640</b>	



## AUDITORS REPORT & FINANCIAL STATEMENTS

### Suryoday Micro Finance Private Limited

#### Notes to the Financial statements for the year ended March 31, 2014

(All amounts are in Indian Rupees, unless otherwise stated)

#### 18. Revenue from operations

	March 31, 2014	March 31, 2013
<b>Interest income</b>		
Interest income on portfolio loans	501,648,399	175,010,593
Gain on assignment / securitisation	32,167,889	39,055,561
<b>Other operating income</b>		
Service charges	36,229,043	17,170,679
Others	2,296,433	27,669
<b>Revenue from operations</b>	<b>572,341,764</b>	<b>231,264,502</b>

#### 19. Other Income

Interest income - Fixed deposits	31,725,153	21,784,691
Interest on Staff Loan	813,162	591,051
Interest Income on IASC Loan	3,178,937	1,139,056
Bad debts recovered	83,210	982,306
Dividend on Liquid Funds	5,875,573	917,836
Interest on Income Tax Refund	130,160	-
Reimbursement of Expense	1,268,413	202,910
Other non-operating income	626,084	370,258
	<b>43,700,692</b>	<b>25,988,108</b>

#### 20. Finance costs

Interest	250,084,248	82,522,048
Bank charges	2,014,821	793,752
Securitisation / loan processing expenses	31,935,765	11,161,982
	<b>284,034,834</b>	<b>94,477,782</b>

#### 21. Employee benefit expense

Salaries, wages and bonus	120,493,681	78,112,073
Contribution to provident and other funds	9,852,605	5,842,172
Employee stock option expenses	292,832	557,136
Gratuity expense	2,204,000	(202,351)
Staff welfare expenses	3,254,685	1,584,031
	<b>136,097,803</b>	<b>85,893,061</b>

**Suryoday Micro Finance Private Limited**
**Notes to the Financial statements for the year ended March 31, 2014**

(All amounts are in Indian Rupees, unless otherwise stated)

**22. Other expenses**

	March 31, 2014	March 31, 2013
Rent	10,231,450	6,290,411
Electricity	1,177,987	541,310
Insurance	653,723	805,928
Travel and conveyance	6,101,831	3,970,094
Communication expenses	4,285,405	2,286,242
Business promotion expenses	983,721	604,770
Directors sitting fees	288,000	223,500
Repairs and maintenance		
- Building	745,924	102,200
- Others	79,736	964,778
Software expenses	-	-
Legal and professional fees	8,164,628	9,546,291
Payment to auditors (Refer details below)	1,951,200	1,376,356
Rates and taxes	2,664,278	2,388,683
Printing and stationery	4,934,189	2,113,686
Provision for standard assets	15,092,574	9,071,471
Provision for trade receivables	1,131,982	-
Bad debts written off	-	1,339,304
Miscellaneous expenses	4,855,055	3,173,818
Loss on sale of assets	-	571,897
	<b>63,341,683</b>	<b>45,370,739</b>

**Details of payment to auditors:**
**As auditor:**

Statutory audit *	1,450,000	1,000,000
Tax audit	150,000	100,000
Other services *	100,000	250,000
Out of pocket expenses	251,200	26,356
	<b>1,951,200</b>	<b>1,376,356</b>

\* Excludes applicable service taxes

**23. Depreciation and amortization expense**

Amortization of intangible assets	180,498	209,501
Depreciation of tangible assets	3,551,957	2,665,785
	<b>3,732,455</b>	<b>2,875,286</b>

## AUDITORS REPORT & FINANCIAL STATEMENTS

### Suryoday Micro Finance Private Limited Notes to the Financial statements for the year ended March 31, 2014

(All amounts are in Indian Rupees, unless otherwise stated)

#### 24. Earnings per share

Particulars	March 31, 2014	March 31, 2013
Net profit after tax as per statement of profit and loss	88,232,640	19,544,654
Weighted number of equity shares in computing the basic earnings per share	25,075,413	17,114,793
<b>Basic earnings per share</b>	<b>3.52</b>	<b>1.14</b>
Weighted number of equity shares in computing the diluted earnings per share	25,294,580	17,325,837
<b>Diluted earnings per share*</b>	<b>5.09</b>	<b>1.13</b>

\*For the year ended March 31, 2014, after considering the ESOP, the EPS becomes antidilutive, hence, both Basic Earnings per share and Diluted Earnings per share are retained at Rs. 3.52 per share.

#### 25. Related party information

##### Name of related parties

<b>Enterprises having significant influence over the Company</b>	Aavishkaar Goodwell India Microfinance Development Company Limited, (Mauritius) Aavishkaar Goodwell India Microfinance Development Company II Limited, (Mauritius)
<b>Subsidiaries/Associates</b>	Indian Association for Savings and Credit-Ceased to be subsidiary from January 30, 2014 (also refer to note 35)
<b>Key management personnel</b>	Mr. Baskar Babu Ramachandran, Executive Director Mr. V. L. Ramakrishnan, Director (Till December 31, 2013) Mr. Ganesh Rao, Director (Till December 31, 2013)
<b>Relatives of key management personnel</b>	Mrs. Annapoorani (Wife of Mr. V. L. Ramakrishnan) Mrs. Meenakshi Rao (Wife of Mr. Ganesh Rao) Mrs. Shilpa Bhaskar Babu (Wife of Mr. R. Baskar Babu)

\* Transactions with relatives of key management personnel are based on declarations by the KMPs and relied upon by the auditors.

**Suryoday Micro Finance Private Limited**
**Notes to the Financial statements for the year ended March 31, 2014**

(All amounts are in Indian Rupees, unless otherwise stated)

## Related party transactions

Particulars	Enterprises having significant influence over the Company		Subsidiaries		Key management personnel		Total	
	31-Mar 2014	31-Mar 2013	31-Mar 2014	31-Mar 2013	31-Mar 2014	31-Mar 2013	31-Mar 2014	31-Mar 2013
<b>Issue of Equity Shares</b>	-	28,590,430	-	-	46,445,750	30,800,000	46,445,750	59,390,430
Mr. Baskar Babu Ramachandran, Director	-	-	-	-	-	10,130,000	-	10,130,000
Mr. V. L. Ramakrishnan, Director	-	-	-	-	-	10,335,000	-	10,335,000
Mr. Ganesh Rao, Director	-	-	-	-	-	10,335,000	-	10,335,000
Mr. Surendra Pai	-	-	-	-	46,445,750	-	46,445,750	-
Aavishkaar Goodwell India Microfinance Development Company II Limited, (Mauritius)	-	28,590,430	-	-	-	-	-	28,590,430
<b>Loan to Directors</b>	-	-	-	-	-	3,500,000	-	3,500,000
Mr. Baskar Babu Ramachandran, Director	-	-	-	-	-	1,500,000	-	1,500,000
Mr. V. L. Ramakrishnan, Director	-	-	-	-	-	1,000,000	-	1,000,000
Mr. Ganesh Rao, Director	-	-	-	-	-	1,000,000	-	1,000,000
<b>Remuneration</b>	-	-	-	-	12,530,878	13,908,984	12,530,878	13,908,984
Mr. Baskar Babu Ramachandran, Director	-	-	-	-	5,210,333	4,841,760	5,210,333	4,841,760
Mr. V.L. Ramakrishnan, Director	-	-	-	-	3,544,295	4,238,112	3,544,295	4,238,112
Mr. Ganesh Rao, Director	-	-	-	-	3,776,250	4,829,112	3,776,250	4,829,112
<b>Loan given</b>	-	-	25,000,000	20,000,000	-	-	25,000,000	20,000,000
Indian Association for Savings and Credit	-	-	25,000,000	20,000,000	-	-	25,000,000	20,000,000
<b>Interest income received</b>	-	-	3,178,397	1,139,056	539,764	360,845	3,718,161	1,499,901
Indian Association for Savings and Credit	-	-	3,178,397	1,139,056	-	-	3,178,397	1,139,056
Mr. Baskar Babu Ramachandran, Director	-	-	-	-	247,319	157,663	247,319	157,663
Mr. V. L. Ramakrishnan, Director	-	-	-	-	127,729	101,591	127,729	101,591
Mr. Ganesh Rao, Director	-	-	-	-	164,716	101,591	164,716	101,591
<b>Balance outstanding:</b>	-	-	13,332,430	16,664,056	-	-	13,332,430	16,664,056
Indian Association for Savings and Credit	-	-	13,332,430	16,664,056	-	-	13,332,430	16,664,056
Centre for Community Development Services	-	-	-	-	-	-	-	-
<b>Assets sold to the director</b>	-	-	-	-	230,353	-	230,353	-
Ganesh Rao	-	-	-	-	112,462	-	112,462	-
V. L. Ramkrishnan	-	-	-	-	117,891	-	117,891	-
<b>Loan receivable from directors</b>	-	-	-	-	-	3,500,000	-	3,500,000
Mr. Baskar Babu Ramachandran, Director	-	-	-	-	-	1,500,000	-	1,500,000
Mr. V. L. Ramakrishnan, Director	-	-	-	-	-	1,000,000	-	1,000,000
Mr. Ganesh Rao, Director	-	-	-	-	-	1,000,000	-	1,000,000

## AUDITORS REPORT & FINANCIAL STATEMENTS

### Suryoday Micro Finance Private Limited

#### Notes to the Financial statements for the year ended March 31, 2014

(All amounts are in Indian Rupees, unless otherwise stated)

#### 26. Employment benefits disclosures

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service, subject to a maximum of Rs. 1,000,000. The scheme is funded with Life Insurance Corporation Of India. The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet.

#### Statement of Profit and Loss

##### Net employee benefit expense

	March 31, 2014	March 31, 2013
Current service cost	1,265,000	681,000
Interest cost on benefit obligation	168,000	197,000
Expected return on plan assets	(212,000)	(117,000)
Net actuarial loss recognized in the year	983,000	(1,048,000)
<b>Net (benefit) / expense</b>	<b>2,204,000</b>	<b>(287,000)</b>
Actual Return on Plan Asset*	175,000	117,000

\* Represents expected returns determined by the actuary for the financial year 2013-14

#### Balance sheet

##### Reconciliation of present value of the obligation and the fair value of plan assets:

	March 31, 2014	March 31, 2013
Present value of obligation as at the end of the year	4,527,000	2,148,000
Fair value of plan assets as at the end of the year	3,594,000	2,024,000
Net asset / (liability) recognized in balance sheet	(933,000)	(124,000)

There are no experience adjustments for the years ended March 31, 2010, March 31, 2009 and March 31, 2008.

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

	March 31, 2014	March 31, 2013
Opening defined benefit obligation	2,148,000	2,317,000
Interest cost	168,000	197,000
Current service cost	1,265,000	681,000
Benefits paid	-	-
Actuarial loss / (gain) on obligation	946,000	(1,047,000)
Closing defined benefit obligation	4,527,000	2,148,000

**Suryoday Micro Finance Private Limited**
**Notes to the Financial statements for the year ended March 31, 2014**

(All amounts are in Indian Rupees, unless otherwise stated)

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

	March 31, 2014	March 31, 2013
Opening fair value of plan assets	2,023,594	1,236,594
Expected return on plan assets	212,000	117,000
Contributions by employer	1,395,000	669,000
Benefits paid	-	-
Actuarial gain / (loss) on plan assets	(37,000)	1,000
Fair value of plan assets at end of year	3,593,594	2,023,594
Estimated employer contributions for the next year	1,000,000	700,000
Actual return on plan assets	175,000	117,000

**The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:**

	March 31, 2014	March 31, 2013
	%	%
Discount rate	8.70%	7.8%
Expected rate of return on assets	9%	9.0%
Employee turnover	30.0%	30.0%
Salary growth rate	7.5%	6.5%

The fund is administered by Life Insurance Corporation of India ("LIC"). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to change in the market scenario.



## AUDITORS REPORT & FINANCIAL STATEMENTS

### Suryoday Micro Finance Private Limited Notes to the Financial statements for the year ended March 31, 2014

(All amounts are in Indian Rupees, unless otherwise stated)

#### 27. Commitments and Contingencies

##### a) Commitments

At March 31, 2014, the company has commitments of Rs. 6,850,000 (March 31, 2013: Nil relating to the leasehold improvements, net of advances.)

Refer note 28 below for leasehold commitments.

##### b) Contingent liabilities

	March 31, 2014	March 31, 2013
The Company is contingently liable to banks / financial institutions with respect to assignment / securitisation of trade receivables to the extent of cash collateral deposits / guarantees.	65,737,814	134,578,222
Provident Fund*	-	492,971

\*The Company has duly accepted the full Demand in the current year and has paid the amount of Rs.5, 28,981/- (including interest) on March 01, 2014.

#### 28. Lease Disclosures

##### Operating Lease :

The company has entered into commercial lease of certain office premises and vehicles. There are no restriction placed upon the Company by entering into these leases.

Particulars	March 31, 2014	March 31, 2013
Not less than one year	11,713,610	7,684,105
Later than one year but not later than five years	18,038,050	12,989,987
Later than five years	-	-

#### 29. Details of securitisation / assignment

Particulars	March 31, 2014	March 31, 2013
Total number of receivables securitised / assigned	47,222	94,895
Assets de-recognised during the year	543,324,217	273,235,444
Sale consideration received for the securitised / assigned receivables	590,736,866	294,650,424
Cash collaterals provided as first loss and second loss facility during the year	50,914,723	102,340,674
Total gain on securitisation / assignment to be amortized over the life of the receivables during the year	47,412,649	21,414,980
Gain recognized in the profit and loss account during the year	29,241,925	41,798,771
Broken Period Gain Recognised	3,694,730	65,801
Gain recognized in the statement of profit and loss during the year	29,241,925	39,055,561
Unamortized income as at the year end	18,170,724	13,934,238
Broken Period Interest Reversed	6,703,413	65,801
Deferred gain on securitisation / assignment as at year end	31,339,532	16,743,250
Cash collaterals as at the year end (excluding accrued interest)	65,737,814	103,383,065
Credit enhancement in the form of guarantees as at year end	-	31,195,157
Credit enhancement in the form of cash collateral deposits / guarantees as at year end	65,737,814	134,578,222



**Suryoday Micro Finance Private Limited**  
**Notes to the Financial statements for the year ended March 31, 2014**

(All amounts are in Indian Rupees, unless otherwise stated)

**30. Employees Stock Option Scheme**

The company provides share-based payment schemes to its employees. During the year ended March 31, 2014, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below.

On June 10, 2010, the Company established an Employees Stock option Scheme. Under the plan, the company is authorized to issue up to 7,30,450 Equity Shares of Rs.10 each to eligible employees. Employees covered by the plan are granted an option to purchase shares of the company subject to requirement of vesting.

**The details of the Employee Stock Option Scheme 2010 are as under:**

Grant Date	June 10, 2010
Number of Options granted	396,000
Method of Settlement	Equity
Vesting	40% after one year from the date of grant i.e. July 1, 2011; 30% after two years from the date of grant i.e. July 1, 2012; and balance 30% after three years from the date of grant i.e. July 1, 2013
Exercisable period	3 years from the Vesting date
Vesting Conditions	No Vesting Conditions has been prescribed
Exercise Price Per Option (Rs)	Rs. 10/-

**The following are the outstanding options as at year end:**

Particulars	As at	As at
	March 31, 2014	March 31, 2013
Total Options granted and outstanding, beginning of the year	351,000	396,000
Add: Options Granted during the year	-	-
Less: Options forfeited / Lapsed during the year	(50,000)	(45,000)
Options Exercised as at end of the year	-	-
Options Outstanding as at end of the year	346,000	351,000
- Vested	346,000	245,700
- Yet to Vest	-	105,300

The value of options have been estimated on the date of the grant using Black-Scholes model.

The key assumptions used in Black Scholes model for calculating value of options as on the date of the grant are:

Variables	Tranche 1	Tranche 2	Tranche 3
1. Risk Free Interest Rate	8.75%	8.75%	8.75%
2. Expected Life (in years)	2.56	3.56	4.56
3. Expected Volatility	0.40	0.38	0.42
4. Dividend Yield	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (Rs.)	7.56	8.24	9.12

## AUDITORS REPORT & FINANCIAL STATEMENTS

### Suryoday Micro Finance Private Limited

#### Notes to the Financial statements for the year ended March 31, 2014

(All amounts are in Indian Rupees, unless otherwise stated)

#### 31. Additional disclosures as required by circular no DNBS(PD).CC.No.125/03.05.002/2008-2009 dated August 1, 2008 issued by the Reserve Bank of India:

##### a) Capital to Risk Assets Ratio

Particulars	March 31, 2014	March 31, 2013
CRAR (%)	27.64%	40.61%
CRAR - Tier I Capital (%)	26.72%	40.61%
CRAR - Tier II Capital (%)	0.92%	0.00%

##### b) Exposure to real estate sector

The Company does not have any direct or indirect exposure towards real estate sector.

##### c) Information on Net interest margin during the year:

Particulars	For the Year ended March 31, 2014
Average Interest (a)	26.05%
Average effective cost of borrowing (b)	15.67%
Net interest margin (a-b)	10.38%

##### d) Asset liability management

#### Maturity pattern of certain items of assets and liabilities as at March 31, 2014 (Rs. in Crores)

	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from banks	6.08	5.18	12.88	27.75	54.10	70.52	-	-	176.51
Market borrowings #	7.12	9.24	8.72	23.83	36.04	34.85	-	-	119.80
									296.31
<b>Assets</b>									
Advances (net)*	18.22	18.61	18.89	57.28	98.36	79.99	-	-	291.35
Investments	-	-	-	0.45	0.45	0.46	-	-	1.36
									<b>292.71</b>

#### Maturity pattern of certain items of assets and liabilities as at March 31, 2013

	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from banks	1.29	2.86	3.62	8.25	15.62	30.21	-	-	61.87
Market borrowings #	3.58	5.26	4.54	16.20	20.99	16.85	-	-	67.43
									129.30
<b>Assets</b>									
Advances (net)*	7.79	8.04	8.01	24.04	43.26	36.90	-	-	128.04
Investments	-	-	-	-	-	-	-	2.14	2.14
									<b>130.18</b>

# Represents working capital loans from others

\* Represents maturity of Instalments

**Suryoday Micro Finance Private Limited**
**Notes to the Financial statements for the year ended March 31, 2014**

(All amounts are in Indian Rupees, unless otherwise stated)

**32. Additional disclosures as required by circular no.DNBS. PD. No. 301/3.10.01/2012-13 dated August 21, 2012 issued by the Reserve Bank of India:**
**Appendix 2**

S. No	Particulars	Amount in Rs.	
		Mar 31, 2014	Mar 31, 2013
1	No of SPVs sponsored by the NBFC for securitisation transactions	8	11
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	543,324,217	544,830,286
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	* First loss	-	-
	* Others	-	-
	b) On-balance sheet exposures		
	* First loss (In the form of Security deposit)	65,737,814	72,187,906
	* Others	-	-
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitisations		
	* First loss	-	-
	* loss	-	-
	ii) Exposure to third party securitisations		
	* First loss	-	-
	* Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	* First loss	-	-
	* Others	-	-
	ii) Exposure to third party securitisations		
	* First loss	-	-
	* Others	-	-

## AUDITORS REPORT & FINANCIAL STATEMENTS

### Suryoday Micro Finance Private Limited

#### Notes to the Financial statements for the year ended March 31, 2014

(All amounts are in Indian Rupees, unless otherwise stated)

#### 33. Trade receivables classification and and provision for non performing assets

Particulars	Gross Loan Outstanding		Provision For Assets		Net Loan Outstanding	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Unsecured Loans						
<b>A) Loan</b>						
Standard assets	2,911,864,519	1,280,307,063	28,001,789	12,803,071	2,883,862,730	1,267,503,992
Sub standard assets & Doubtful assets	761,232	212,288	380,616	106,144	380,616	106,144
<b>Loss assets</b>	<b>751,366</b>	<b>-</b>	<b>751,366</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,913,377,117</b>	<b>1,280,519,351</b>	<b>29,133,771</b>	<b>12,909,215</b>	<b>2,884,243,346</b>	<b>1,267,610,136</b>

#### 34. Loans and advances include:

Amount Receivable from	Balance as at March 31, 2014	Balance as at March 31, 2013	Maximum amount outstanding at any time during the year ended March 31, 2014	Maximum amount outstanding at any time during the year ended March 31, 2013
<b>Subsidiary:</b>				
Indian Association for Savings and Credit	13,332,430	16,664,056	21,664,056	20,000,000
<b>Key Managerial personnel:</b>				
Mr. Baskar Babu Ramachandran, Director	-	1,500,000	-	1,500,000
Mr. V. L. Ramakrishnan, Director	-	1,000,000	-	1,000,000
Mr. Ganesh Rao, Director	-	1,000,000	-	1,000,000
	<b>13,332,430</b>	<b>20,164,056</b>	<b>21,664,056</b>	<b>23,500,000</b>

**Suryoday Micro Finance Private Limited****Notes to the Financial statements for the year ended March 31, 2014**

(All amounts are in Indian Rupees, unless otherwise stated)

**35. Divestment in IASC**

The Company acquired the full shareholding in IASC from HDFC Limited and Centre for Community Development Services (CCDS) on September 26, 2012 for a total consideration of Rs. 21.4 million.

Pursuant to share purchase agreement dated September 26, 2012 the company is entitled to be indemnified from CCDS for any additional losses and the same is to be adjusted against the purchase consideration. Accordingly, during the year the company has adjusted losses amounting to Rs. 3.35 million against the purchase consideration payable and reduced the value of investment to 18.05 million.

Due to the non-strategic alignment of business between IASC and the Company and the challenges of sustainability of IASC without scaling up the Bank Linkage Model and Section 25 Constitution the company decided to divest. The same has been recorded in the board meeting held on December 12, 2013.

Pursuant to share purchase agreement dated January 20, 2014, between the Company and New Opportunity Consultancy Pvt Ltd, the Company entered into an agreement to sell full shareholding in Indian Association for Savings and Credit (IASC) for a total consideration of Rs. 18.05 million on a staggered basis. Company has sold 51% of share in IASC to New Opportunity Consultancy Pvt. Limited on January 16, 2014 and thus no longer Subsidiary as of March 31, 2014.

**36. Comparatives**

Previous year figures have been regrouped / reclassified wherever necessary to correspond with current year's classification / disclosure.

As per our report of even date

**For S. R. Batliboi &  
Associates LLP**

**Chartered Accountants**

ICAI Firm's registration  
number: 101049W

**Per Bharath N. S.**

Partner

**Membership no.: 210934**

Place: Mumbai

Date: June 26, 2014

**For and on behalf of the board of directors  
Suryoday Micro Finance Private Limited**

**R. Baskar Babu**

Executive Director

Place: Mumbai

Date: June 26, 2014

**Sheela Bhide**

Director

**Priya Vishwanathan**

Company Secretary



A series of horizontal dotted lines for writing notes, spanning the width of the page.





**Suryoday** 

**Enabling Dreams. Empowering Lives.**

**Suryoday Micro Finance Pvt. Ltd.**

**Corporate Office**

1101, Sharda Terraces, Plot 65,  
Sector 11, CBD Belapur,  
Navi Mumbai - 400 614  
+91 22 4043 5800

**Registered Office**

#6, C. S. Towers, 3rd Floor,  
34/76 Bazullah Road,  
T. Nagar, Chennai - 600 017

[www.suryodaymf.com](http://www.suryodaymf.com)