

SPANDANA SPHOORTY FINANCIAL LIMITED

Committed to low-income households since 1998



SPANDANA

ANNUAL REPORT 2014-15



Message From Managing Director



Dear Stakeholders,

We continued the hard work of bringing the Company to the growth path this year as well after the debilitating crisis of October-2010. As the saying goes, “as the going goes tough, the tough gets going”. With increased monitoring and supervision of the MFIs, particularly by various stakeholders and despite the challenges being faced by the Company we are glad to share that Company posted a 63% growth in profit after tax. With this we are glad to share with you that we closed the year FY 15 on high spirit and a belief that the company is certainly on the path of recovery and growth.

Against the approved funding of Rs.1150 crores to the company under the aegis of the CDR-Empowered group in December 2013, sanctions were received for Rs.1021 crore and an amount of Rs.637 crore was released as on March 31, 2015. We are positive that the remaining approved funding shall be released very soon.

Our non-ap good book has grown by 40% and the AP portfolio has come down by 45%. We continue to

improve our geographical diversification by growing in non-ap states.

We continue to make investments in new technologies and improvements in processes.

The above highlights indicate the tremendous amount of pressure the company has been facing and the way it has been handling all the pressures. While the detailed numbers are presented in this annual report, the results are quite encouraging and we are hopeful that there would a significant jump in the numbers in the coming financial year.

We continue to be watchful on the icing on the cake that we had received from the regulator in terms of extension of forbearance on NOF and CRAR till March 31, 2016. As part of the exemption, the company was also able to bring in Rs.5 crore equity upfront from some of the existing institutional shareholders within a month of the stipulation. This also shows the confidence reposed by the existing institutional shareholders in the company and underpins the recovery prospects.

At the industry / sector level, financial inclusion continues to be the thrust of all the stakeholders. With the issuance of guidelines for small finance banks and payment banks, there is a clear indication of the recognition of the excluded segment of the population and the institutions that are catering to those segments. With the establishment of Mudra Bank, we are hopeful that many of the MFIs would benefit in terms of refinance support. With the issuance of guidelines enabling NBFC-MFIs to become banking correspondents, we see a changing landscape in the financial inclusion segment.

The Reserve Bank of India has also increased the loan cap levels enabling the MFIs to lend a higher amount to the microfinance clients. While this is a positive change which will definitely increase the overall efficiency of the organization with the increasing loan sizes, we believe that the target segment that we are dealing and the nature of peer pressure mechanism will put huge burden on the group mechanism if the loan size increases beyond a limit. Accordingly, we have taken a conscious decision not to increase the limit and we are glad that there has been an acceptance of this philosophy across the industry association and the members.

The company has continued to be and would remain one of the largest financial inclusion engines in India. As per MFIN-Micrometer of March 2015, Spandana continues to be the one of the top ten MFIs in the country in terms of gross loan portfolio and loan disbursements.

The Company has now reached a critical juncture wherein the regulatory forbearance is available till March 2016. We need to put extra efforts to bring in the equity to comply with the regulatory requirement as well as to fund the growth of the organization.

I take this opportunity to thank all the stakeholders who stood behind the company during the period of crisis and provided the required support and guidance. I seek your renewed support to take the company to greater heights.

Padmaja G Reddy,
Managing Director

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Index Page : Ravi Kumar Eluri, Zonal Manager : Madanpalli, Andhra Pradesh (Silkworm rearing)
Satyamurthy Ganugula, Andhra Pradesh (Way to village)

Corporate Philosophy

NAME

Spandana stands for 'responsiveness'. Spandana started as a response to a need and an opportunity and continues to operate with the same philosophy.

After transformation into an NBFC, Spandana added the following phrases to its name - Sphoorty Financial Services. Sphoorty stands for 'inspiration' - this exemplifies the growth of Spandana in provision of larger bouquet of financial services to larger client base.

MISSION

We want to be one of the most significant microfinance service providers by offering a range of financial and non financial products and services to low income households and individuals to improve the quality of life. We constantly endeavour to deliver quality services to our clients and remunerative returns to our Investors by maintaining highest levels of transparency and integrity. We strive to be the most preferred Employer in the Industry



LOGO

Spandana's logo depicts a sunflower's open petals. This highlights the responsiveness of Spandana towards its client needs. The disjoint petals highlight that Spandana is an open and innovative organization which promotes its employees to challenge the conventional methods and conventional wisdom and bring about innovation in their actions such that the theme of Operational Efficiency is sustained.

CORPORATE COLOR

The sunrise yellow – as corporate color of Spandana comes from the Sunflower and denotes a sense of celebration associated with the opening of sunflower and starting of economic activities in our client households.

CORE VALUES

TRICS exemplifies our core values -

Transparency - Maintaining simplicity and clarity in all activities and operations, so that high standards of fairness can be established in all the dealings.

Responsiveness - Constantly working to identify the changing needs of clients and potential clients, and developing suitable products and services to address these needs thus keeping Spandana ahead of its competitors.

Integrity - Maintaining high standards of conduct, truthfulness and honesty in all dealings, in order to honour the commitment made to our clients and organization.

Commitment - Performing all activities and tasks with professionalism and enthusiasm in order to give the highest level of client satisfaction and optimal efficiency.

Team Spirit- Working together as to create synergy that results in exponential growth

Background

Spandana Sphoorty Financial Limited (SSFL) has been operating as a Non Banking Finance Company (NBFC) incorporated under the Companies Act, 1956 and licensed by the Reserve Bank of India under the Reserve Bank of India Act, 1934 to carry on the business of a Non Banking Financial Institution without accepting public deposits. With release of NBFC- Micro Finance Institution (NBFC-MFI) as a new category of NBFCs, the company had applied with RBI for reclassification as an NBFC-MFI. The company has been reclassified as NBFC-MFI effective April 13, 2015.

The micro-credit program of Spandana started in 1997 when Spandana operated as a Society (Spandana Urban and Rural development Organisation – SRUDO). Later, it formalized itself into an NBFC (SSFL). Spandana's lending programme is committed to strengthening the socio-economic status of low-income households – particularly women – in rural and urban areas by providing financial services on a continual basis in order to improve livelihoods, establish identity and enhance self-esteem.

Spandana follows both the group based and the individual micro-credit lending model wherein both the models, the loans are given to individuals based on their household economics. Besides micro-credit, it has other products – like – Farm Equipment, Small Mortgages, loans against Gold jewellery etc. At peak, SSFL had an Asset Under Management of Rs.4,500 crore (USD 1 Bn) largely funded by debt/ loan-book assignments from over 40 Banks/ Fis.

Through its 16 years history, Spandana had been funded by different Financial Institutions – like Public Sector Banks, Private Sector Banks, Foreign Banks, Development Financial Institutions and other Financial Institutions.

In Oct-2010, with restrictions imposed by the AP-MFI (prevention of money lending) legislation, the collections from the state of Andhra Pradesh had reduced. The company was not able to continue lending due to requirements of taking prior approval against each loan under the said legislation. Since the crisis, microfinance sector got support from the regulators in various forms directly benefitting the company. Adoption of Malegam Committee recommendations, greater regulatory oversight upon MFIs by RBI including the creation of separate MFI-NBFC category has helped the company in clearing the grey areas in the business environment. With the Corporate Debt Restructuring in FY12, the company has been successful in 'holding-on' of non-AP operations and across 10 non-AP states, it has a strong workforce and franchise with Rs.1,000 crore Good Book which can be further grown.



Spandana has been one of the largest and most seasoned MFI in India. Through its history, it has seen two very large and debilitating crises on its operations and has emerged back with resilience.

Both these crisis put a fundamental question mark on its lending model and belief that the low-income community is credit worthy and lending to them can be a good business proposition. In both the crisis, the common thread has been that these were in the form of mass-scale defaults and both were triggered by the administration, part of which could not resound with the market linked approach to lending to the low-income community.

Those inherent risks are now largely addressed with higher level of regulatory supervision on this sector by the Reserve bank of India, addressing some of the potential vulnerabilities – charging/ pricing, soft recovery practices, prevention of over-indebtedness of borrowers etc.

Milestones

| | |
|------------------|---|
| <u>2014-2015</u> | Recorded profit after tax of Rs.104 crore. Stable outreach and the size of good book marginally increased. Improves geographical diversification with largest state now accounting for < 25% Good Book. [Note: Reclassified as NBFC-MFI effective April 13, 2015] |
| <u>2013-2014</u> | Recorded Profit After Tax of Rs. 64 crore. Receives approval for resumed lending from CDR forum. Stable outreach and the size of good book maintained, improves geographical diversification with largest state now accounting for < 30% Good Book. Interim relief from Supreme Court on AP-MFI Act helps the company resume lending in AP, leading to improved overdue recoveries. |
| <u>2012-2013</u> | Recorded a return to growth where the Standard book started growing from the Q-3:FY13 onwards. Operating profits helped the company pass the acid test of viability again. Spandana is 3rd largest MFI by volume of disbursements in FY13. Cumulative disbursements cross Rs. 20,000 Cr. since inception of the program. |
| <u>2011-2012</u> | CDR agreements signed with restructuring of debt for 7 years. With liquidity relief, the drop in the good book could be controlled and with cost rationalisation, the operating break-even restored by the end of the year (Q-4:FY12). |
| <u>2010-2011</u> | H-2: AP-MFI (regulation of money lending) Act puts onerous curbs leading to large scale defaults in the State of Andhra Pradesh which constitutes 51% of the Portfolio. Spandana opts for Corporate Debt Restructuring (CDR) with its lenders. |
| <u>2010-2011</u> | H-1: Highest rating grade of mFR1 from CRISIL; AUM crosses Rs. 4,500 crore (USD1Bn), 14,000 on roll staff prepares for further Equity raise to fuel the next round of growth. |
| <u>2009-2010</u> | Stable growth of ~ 100% in outreach and retained surplus for the year crosses Rs. 200 crore mark. |
| <u>2008-2009</u> | Second round of PE investments, Rollout into Jharkhand, Reached 2.5 mn households |
| <u>2007-2008</u> | Investment of USD 10 mn by two private equity funds, Name changed to Spandana Sphoorty Financial Limited (SSFL) [January 3, 2008], Rollout into Rajasthan, Madhya Pradesh, Chhattisgarh |
| <u>2005-2006</u> | Cumulative disbursements cross Rs. 1,000 crore CRISIL grading upgraded to mFR2, Rollout into Tamil Nadu, Pilot launch of Farm-equipment loan product |
| <u>2004-2005</u> | Fresh loan disbursements and client servicing out of the NBFC structure. Society operations scaled down, Rollout into Karnataka State. |
| <u>2003-2004</u> | Asset Under Management crosses Rs. 50 crore SSIFL receives business commencement certificate [November 11,2003], Receives CRISIL grading of mFR3 |
| <u>2002-2003</u> | Number of staff members cross 100, servicing over 40,000 customers, Spandana becomes the largest MFI in India (Asset Under Management, borrower base), With critical mass achieved, need felt to transform into a more regulated legal structure, Spandana Sphoorty Innovative Financial Services limited (SSIFL) incorporated [March 10,2003] |
| <u>2001-2002</u> | M-CRIL* rating benchmarks Spandana as one of the most cost-efficient MFIs in the world |
| <u>2000-2001</u> | Microfinance programme grows to over 5,000 customers Commercial loans from Small Industries Development Bank of India (SIDBI) and ICICI Bank supports growth |
| <u>1999-2000</u> | First commercial loan from Rashtriya Mahila Kosh (RMK) Microfinance programme scales up to cumulative disbursement of Rs. 1 crore |
| <u>1998-1999</u> | Spandana achieves financial break-even in the first full financial year of its operation |
| <u>1997-1998</u> | Spandana started its operations as a Non-Government Organisation (NGO) at Guntur Andhra Pradesh Spandana works on a range of community welfare programs while keeping microfinance at the core. Some of these interventions include- clean drinking water, sanitation and health |

M-CRIL: Micro-Credit Ratings International Limited is a specialized microfinance rating agency accredited by Consultative Group to Assist the Poor, world Bank
 1 crore = 10 million
 45 INR = 1 USD (approx exchange rate) in 2010

Glimpses into our clients

Client Case Studies Spandana helps people to work for the overall development of their families by giving them small unsecured loans at their door step which is used by the families in generating income to support their respective families and thereby develop economically and earn reputation and respect in the society. Their small dreams are now becoming a reality with a sense of great achievements. A couple of case studies of our borrowers are;

Smt. Lata Bai Devangan was also running a small General store in her village Malighori, Balod. Started with a small kirana shop at her veranda, she has now become a proud owner of a Cloth Store. She believes the concept "necessity is the mother of invention". The support for her necessity was provided by Spandana by providing loan to a person who can put her effort and make herself a self made person. She joined hands with Spandana in the year 2012 at Balod. Prior to 2012, her family's only source of income was the general store at her veranda and the income from that business was not enough to fulfill the needs of her family of 4. The annual income of her family was below Rs.60000/- p.a. But after she joined hands with Spandana after getting a training, she understood the importance of high income and with courage and conviction took the first loan of Rs.14,000 from Spandana. Subsequently, she took loans of Rs. Rs.15000/- and then Rs.10000/-, and repaid all her loans timely. She earned a good reputation in the society. Her family income has grown by over 1 lac p.a.. And now she not only sells her clothes at the store, but also does small sewing & stitching jobs and also provided jobs to the needy of her village. She has now become an employer of few needy women and has been paying them salary too for supervising her cloth store. A tremendous turnaround in growth with a positive attitude.



Smt. Maheshwari Thakur is a small entrepreneur who has developed her business in a very short time. She now owns a shop in Tarud village in Balod where she deals with daily needs, coffee, paper, stationary etc. For her, it is not just a business but a ray of hope. The income earned from this source has now become a major income source for her household. Sri Bodhan Singh, her husband was always encouraging her to be an entrepreneur. She joined hands with Spandana in the year 2012 when Spandana had opened a branch in Balod. Prior to 2012, her family's only source of income was agriculture wherein they used to get income once in 6 months. The annual income of her family was below Rs.60000/- p.a. But after Spandana started its operation in Balod, she got trained from Spandana and understood the importance of regular income. With courage, she took her first loan of Rs.14000/- from Spandana and gradually increased to Rs.15000/- and then Rs.28000/-. She had repaid all the loans timely and also earned respect in the society. Annual income of her family has now increased to more than Rs.1 lac p.a. Her children are studying in a good school. The couple is happy as they both are able to generate income for their family. She proved the age old proverb, where there is a will, there is a way.

Glimpses into our clients

Balappanavar Shanthavwa, aged 51 years, lives proudly with her only son in Hulagur village, Gadag Region of Karnataka. She was in utter distress when her husband passed away eight years ago and with courage and conviction, decided to live a life of self-respect. She took her first loan of Rs.14000 seven years ago from Spandana and invested it in her handicraft business. She makes her livelihood by selling different type of handicraft decorated items designed with rope. She is one of the quality clients of Spandana who is currently in her 7th cycle loan of Rs 30,000. Presently she is not only earning a good amount of profit from her business but also gave proper education and life fulfilling all basic requirements for her son. Now her son is also working with her proud mother.



Mrs. Mumtaj Mulani Mubarakh, aged 42 years, lives in Vita, Maharashtra with her husband and three children. Four years back she got associated herself with Spandana to become financially independent and provide her children with better education and future. She then came to SSFL where a loan of Rs. 14,000 was given to her with which she made her husband start a tractor mechanic shop. As the years pass by, her business also flourished and she went on taking subsequent cycle loans



from the company of Rs. 18000, Rs. 20000 and Rs. 22000 and purchased 5 goats with it. She plans to diversify her business and set up chicken shop with a loan of Rs.28,000. (Contributed by Nikhar Agarwal, Operation Manager).

Management Discussion & Analysis

The year progressed well for the microfinance sector with the increase in the regulatory support for the microfinance sector in general and the changes in the banking sector. There has been a regulatory support for the microfinance sector in general. The thrust on financial inclusion continues to be the focus of all the key stakeholders and with the establishment of MUDRA Bank, the support for microfinance sector is expected to be continued in the years to come.

At the industry level, the Gross Loan Portfolio has grown by 61% and the growth in clients is at 29%. Disbursements have grown by 55% and funding grew by 84%. In terms of regional distribution, the eastern region is catching up with the southern region with 28% of the GLP deployed in the eastern vis a vis 30% in the southern region. 22% is deployed in the north and 20% in the western region.

The company maintained the growth momentum with a 7% marginal increase in the loan portfolio, despite the challenges in getting the debt from the CDR lenders.

I. The chronicle:

From the start of operations till FY10, the company recorded a very healthy growth rate (CAGR of 100%) and good profitability and return on equity. As it closed the FY10, It had gradually expanded its financial inclusion footprint from its origins in Guntur district of Andhra Pradesh (AP) to 11 states across the country with over 1,500 branches reaching out to 41 lac clients. It had an Asset Under Management (AUM) of over Rs.3,500 crore, out of this, 36.6% was off balance sheet (assigned to Banks/ FI) and the rest was on the balance sheet funded by paid up equity share capital of Rs.13.5 crore and debt of about Rs.2,200 crore besides the reserves and surplus. With a high leverage, PAT of over Rs.200 crore gave a return on equity of over 50%.

It had sufficient cash in hand besides approved lending limits available from many of its 40 plus lenders. With this, the growth continued unabated till Sep-2010 when it reached out to over 50lakh clients with an AUM of Rs.4,500 crore (= USD 1Bn, by that times' USD rates). That was the crest of the business cycle. The company was in the midst of raising equity to the tune of over Rs.2,000 crore to improve its capitalization and reduce leverage. Before the plans could fructify, from there onwards, the slide towards trough began.

Though the company operated in 11 states, 51% of its AUM was in the State of AP where it had the vintage. This was mainly because the company was following both the geographical as well as product diversification at the same time. In the process, most of the new products were getting rolled out in the AP market before they mature and they can be rolled out into other geographies, thereby proportionately increasing exposure to the state.

For various reasons, following a slew of events, the AP state govt put legislative curbs on the MFI activities in the state. This was a debilitating blow to the company. The recoveries from AP market dwindled and the company

went in for various measures to repair the situation. However, the situation persisted. In the mean time, fearing large scale defaults, lead lenders of the company prompted it to get into Corporate Debt restructuring (CDR). RBI was also supportive and allowed restructuring of MFI loans by Banks though the loans on-lent by MFIs were unsecured.

With CDR sign-up in Sep-2011, almost an year after the crisis had hit, the company got an assurance of business continuity and survival. Its debt, originally repayable at an avg of 2.25 years was now restructured for 7 years besides part of debt having got converted into Optionally Convertible Cumulatively Redeemable Preference Shares (OCCRPS), thereby notionally marking out the AP-irrecoverable dues into a deferred payment instrument with ballooning maturity (70% of it is redeemable in FY18). Also factoring-in the risk (equity instrument from pure debt) in case the AP market doesn't open up soon and if overdues stay irrecovered for a longer period of time.

While there has not been a major breakthrough in AP, there have been glimmer of hopes. Meanwhile, the company has done better than all other MFIs wrt AP overdue recoveries and this has been the critical differentiator in helping the company overcome the crisis. The company has not deserted the AP market, instead, diversified into newer products (mainly secured) to hold ground. At the same time, with the AP-overdues hitting the 720days bucket in H2-FY12 and H1-FY13, loan loss provision was booked on this exposure making the company networth negative.

In non-AP, the company was able to reduce its downslide gradually. From Good Book of Rs.4,500 crore on 15-Oct-2010, the Good Book tapered to Rs.684crore in Sep-2012. Therefore Sep-12 was the trough of the business cycle. From there onwards, the cash flows available from deferment of repayments under CDR were redeployed into the non-AP market and the Good book grew to Rs.928 crore by FY13 end. Backed by performance in H2 of the year, the company returned to generate operating surplus in FY13.

Management Discussion & Analysis

ii. Overview:

In spite of the crisis, and initial sharp run down of good book, we have been able to maintain the outreach. We continue to operate in a total of 185 districts covering 71,250 towns/ villages/ settlements. This large distribution network continues to have the latent value.

The growth in good book and return to viability gave the company the hope of growth. The performance in FY15 clearly establishes that the company has now returned to the growth path.

iii. Reduction in debt exposure

Since the CDR cut-off date of 1-April, 2011, the company has been able to reduce the CDR lender's exposure substantially by 43%. **Illustration-1** depicts the reduction in exposure for lenders:

| Illustration-1 | |
|------------------------------------|---------|
| Net Exposure as on 31-Mar-2011 | 2163.90 |
| Outstanding Restructured Term Loan | 403.95 |
| OCCRPS | 807.62 |
| Net Exposure as on 31-Mar-2015 | 1211.57 |
| Reduction in CDR Exposure | 952.33 |

iv. FY15 performance:

The Company maintained the growth momentum during the FY15. Highlights of the FY15 performance include:

iv.a. AP Business:

In the past, the company had been made efforts at resolving the AP problem. Ranging from a possible negotiated settlement, either bilaterally or through industry associations, to a legal recourse, its efforts had not made much headway. But in April-2013, the company has approached the honorable Supreme Court (SC) and received an interim relief from there. The case is still being pursued in the SC. After this interim relief, the company intensified its overdue recovery efforts in AP. It recovered Rs.38 crore of overdues in FY15. To demonstrate that it has been able to resume operations, the company also made small loan disbursements to the tune of Rs.173.11 crore to good borrowers in AP who had made loan repayments. The company could recover an amount of Rs.103.69 crore of unsecured portfolio in Andhra Pradesh.

iv. b. Non-AP Business:

The business has been largely stable in other than the States of Andhra Pradesh and Telangana. The portfolio quality and cost structure has been stable. The company could reduce

its operating cost in lieu of the laying thrust on fortnightly repayment product.

In FY15, the size of good book did not undergo much change between the opening and closing of the year, but the company did well to improve the portfolio diversification across various states. **Illustration-2** is the table demonstrating the same:

| Illustration-2 | | | | |
|----------------------------|--------|--------|--------|--------|
| States | 12-Mar | 13-Mar | 14-Mar | 15-Mar |
| Karnataka | 40% | 33% | 28% | 21% |
| Madhya Pradesh | 19% | 25% | 23% | 27% |
| Orissa | 13% | 13% | 15% | 18% |
| Maharashtra | 14% | 15% | 14% | 14% |
| Andhra Pradesh & Telangana | 7% | 5% | 8% | 3% |
| Chhattisgarh | 2% | 4% | 5% | 7% |
| Other states** | 5% | 6% | 7% | 10% |

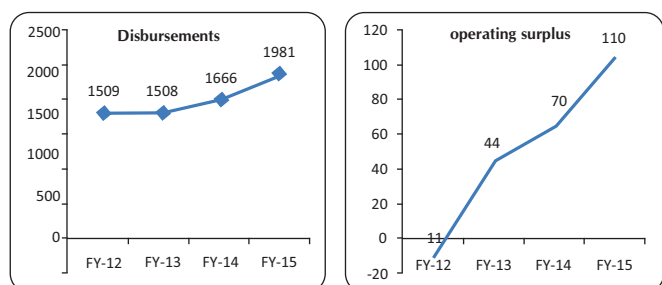
** Other States consist of Uttar Pradesh, Jharkhand, Gujarat, Goa, Kerala

Based on the experience gained in the past, the Company has decided to cap the state level exposure to a maximum of 30%. The company has thus been able to reduce the concentration in Karnataka from 40% in 2012 to 21% in 2015 and marginally increasing in Madhya Pradesh, Orissa, Chattisgarh and Other states. As we now receive fresh funding and grow the good book, our focus would be to grow in AP & TS, Maharashtra, Chattisgarh and Other States.

iv.c. Loan disbursements and operating surplus :

The company has been able to maintain an upward trend in loan disbursements in the last year as well as depicted in **illustration-3** despite the constraints in getting releases from banks and financial institutions. This clearly helps the company improve on its ability to generate revenue and margin as depicted in **Illustration-3**:

Illustration-3:



Management Discussion & Analysis

iv.d. Financial Highlights: **Illustration-4** is the P&L of the business with adjustments made to make the numbers comparable between different years, and before write-offs for this year (FY15).

| Illustration-4 | | | | | | |
|--------------------------|------------|------------|-------------|---------------|------------|------------|
| States | FY-10 | FY-11 | FY-12 | FY-13 | FY-14 | FY-15 |
| Revenue | 724 | 782 | 357 | 273 | 280 | 325 |
| Opex | 153 | 215 | 191 | 112 | 107 | 100 |
| Depreciation | 3 | 5 | 4 | 3 | 3 | 3 |
| Financial cost | 221 | 308 | 173 | 114 | 100 | 112 |
| Operating Surplus | 347 | 255 | -11 | 44 | 70 | 110 |
| Provision + Writeoffs | 36 | 254 | 150 | 1,315 | 5 | 5 |
| PBT | 311 | 0 | -161 | -1,271 | 64 | 105 |

As can be observed, the Company has been able to generate operating surplus of Rs.224 crore and during the last 3 years. Year on Year, while the revenue has grown by 7%, the Operating Expenditure has reduced by 7% and finance cost has increased by 12% indicating the efforts put by the company and the management in bringing down the operating expenditure and going the extra mile in putting all the hard work required to bring back the company into the growth path.

iv.e. Cost rationalization:

The Company has been able to reduce the operating expenditure mainly because of increase in staff productivity in lieu of laying thrust on fortnightly repayment product, merging and closing some of the branches and restructuring the field operations. **Illustration-5**

| Illustration-5 | | | | |
|--------------------------|--------|--------|--------|-------------|
| States | 14-Mar | 15-Mar | Change | % Reduction |
| No. of Staff | 4,386 | 3,415 | -971 | -22% |
| No. of Credit Assistants | 2,995 | 2,684 | -311 | -10% |
| No. of branches | 1,391 | 787 | -604 | -43% |

v. Comparison with industry aggregates:

Despite the crisis and the choking of funds, Spandana continues to be one of the significant players in the financial inclusion domain in the country. This is evident from the aggregates reported for MFIN members. Microfinance Institutions Network (MFIN) is an association of 50 NBFC-MFIs, representing most of the formal MFIs. Comparing Spandana's numbers with the aggregates, **Illustration-6** shows the summary -

| Illustration-6 | | |
|---|-------------------------|-------------------------|
| Indicator | %age of industry (FY14) | %age of industry (FY15) |
| Branches | 11% | 7% |
| Client Base | 14% | 7% |
| Employees | 6% | 4% |
| Disbursement* | 5% | 3% |
| * both by number of loans and volume of loans disbursed | | |

The company continues to be committed to working for this segment and improve financial inclusion footprint. As fresh funding starts, we would be able to improve the utilization levels of the existing branch network.

WE CARE

We owe all our success to the community. Spandana Rural and Urban Development Organisation is the original parent NGO which started the microfinance programmes, and even today continues to carry on the community welfare activities. This gives an opportunity to all Spandanites to do voluntary work. Be it floods or any other catastrophe, this gives us an avenue to organize large scale relief activities and also provide support to the needy in whatever way we are capable of.

Voluntary Blood Donation:

Employees of Spandana had voluntarily donated blood on Jan 14, 2105 to support the needy and as part of CSR in collaboration with a reputed NGO in the state.



Employee Engagement Activities:

Various employee engagement activities were conducted during the year which includes conduct of cricket tournaments in Madhya Pradesh, Chattisgar, Karnataka and Odisha, celebrations of Independence Day etc.



Livelihood Training: Young male persons were imparted training on bicycle mechanic work in collaboration with one of the reputed cycle manufacturing firm. This has helped them to pave their way to earn livelihood as skilled mechanics.



Director's Report

Dear Members,

Your Directors have pleasure in presenting the 12th Annual Report on the business and operations of the Company and audited accounts for the financial year ended 31-Mar-2015.

1. Financial Summary or Highlights / Performance of the company (Standalone)

Financial performance of your Company for the financial year ended 31-Mar-2015 is summarized below:

(Rupees in Crore)

| Particulars | Financial Year Ended | |
|----------------------------------|----------------------|-----------|
| | 31-Mar-15 | 31-Mar-14 |
| Income from Operations | 301.97 | 275.04 |
| Other Income | 23.43 | 5.43 |
| Profit before Depreciation, | | |
| Interest and Tax (PBDIT) | 225.47 | 172.79 |
| Depreciation | 3.31 | 3.13 |
| Financial charges | 111.78 | 99.96 |
| Profit Before Tax | 105.33 | 64.38 |
| Provision for Tax - Current year | 0.78 | 0.07 |
| Profit/(Loss) After Tax | 104.55 | 64.31 |
| Transfer to Statutory Reserves | 20.91 | 12.86 |
| Balance carried to Balance sheet | 83.64 | 51.45 |

1. Dividends

Since the opening reserves of your Company are negative, the Company is not eligible to declare any dividend in terms of section 123 of Companies Act, 2013 read with the rules framed there under which become applicable with regards to any payment of dividend subsequent to March 31, 2014. Hence, no appropriation has been made towards the dividend payable on the OCCRPS for the current financial year. Your Company has sought an approval from the Ministry of Corporate Affairs ('MCA') for payment of dividend on the OCCRPS which is awaited as at March 31, 2015. Your Company has paid the previous year dividend to the holders of OCCRPS, subject to such approval from the MCA. Such payment has been treated as an advance in the books of account. OCCRPS carry a dividend of 0.001% p.a. and a redemption premium of 12% p.a., as specified in the MRA.

3. Brief description of the company's working during the year / state of company's affair

Your company maintained the growth momentum with a 7% marginal increase in the loan portfolio. It has received the support of investors, lenders and regulators in the last four years and sustained its operation. Your company continues to operate in 12 states of Madhya Pradesh, Andhra Pradesh, Telangana, Karnataka, Kerala, Maharashtra, Odisha, Goa, Chattisgarh, Gujarat, Jharkhand and Uttar Pradesh. The highlights are as follows:

| Details | Mar-11 | Mar-12 | Mar-13 | Mar-14 | Mar15 |
|---------------------------|--------|--------|--------|--------|----------|
| No. of States | 10 | 11 | 11 | 11 | 12 |
| No. of Districts | 182 | 185 | 179 | 182 | 185 |
| No. of Villages | 99,488 | 96,945 | 77,541 | 77,514 | 71,250 |
| No. of borrowers (Lakhs) | 41.8 | 34.4 | 24.7 | 22.4 | 20.1 |
| Portfolio o/s (Rs.Crores) | 2,851 | 2,233 | 2,223 | 2,107 | 2,244.09 |

3.1 Securitisation:

Your Company has not booked any new securitisation deals during FY-15.

3.2 Public Deposits:

Your Company is registered with Reserve Bank of India (RBI), as a non-deposit accepting NBFC under section 45-1A of the RBI Act, 1934. Your Directors hereby report that the Company has not accepted any public deposits during the year under review and it continues to be a non-deposit taking non banking financial company in conformity with the guidelines of the RBI. As such no amount of principal and interest was outstanding during the year.

3.3 RBI Guidelines:

Capital to Risk Assets Ratio ('CRAR') of the Company as at March 31, 2015 continues to be lower than the minimum percentage prescribed by the RBI. The losses incurred were mainly attributable to the provisioning for the loan portfolio outstanding in the state of Andhra Pradesh. Your Company's Capital Adequacy Ratio is as follows:

| Capital Adequacy Ratio | 2014-15 | 2013-14 |
|-------------------------------|---------|---------|
| i) CAR – Tier I Capital (%) | -11.62 | 2.99 |
| ii) CAR – Tier II Capital (%) | 0 | 2.99 |
| Capital Adequacy Ratio (CAR) | -11.62 | 5.98 |

Director's Report

The modifications to the NBFC-MFI directions issued by RBI vide its circular no.RBI/2012-13/161 DNBS (PD) CC.No.300 /03.10.038/2012-13 dated August 3, 2012 have specified that provision made towards portfolio in the state of Andhra Pradesh should be in accordance with extant NBFC prudential norms and such provision should be added back notionally to the net owned funds for the purpose of calculation of the capital to risk assets ratio ('CRAR') and would be progressively reduced by 20% each year, over 5 years i.e. from March 31, 2013 to March 31, 2017. As per the progressive reduction 60% of provisioning made towards portfolio in the state of Andhra Pradesh has been notionally reckoned as a part of net own funds. Had the amount of provision referred to above, not been added back to the net owned funds, the CRAR as at March 31, 2015 would have been 68.17% (negative).

In view of the challenges being faced by your Company in maintaining the minimum NOF and CRAR as stipulated by RBI, the Company vide letter dated March 18, 2014 requested the RBI to provide an exemption from complying with the minimum NOF criteria and also for regulatory forbearance for not maintaining minimum CRAR. In response of the Company's request, the RBI vide its letter dated April 16, 2014 has provided an exemption from maintaining minimum CRAR and NOF for a period of two years till March 31, 2016, subject to the Company bringing in fresh capital of Rs.5 crores upfront. The Company has therefore issued and allotted 1,000,000 equity shares of face value of Rs.10 each at a premium of Rs.40 per share to its existing shareholders on May 16, 2014.

3.4 Auction of gold jewellery for recovery of overdue of loans against them: The following is the information related to auction of Gold jewelry conducted by the company pertaining to over dues of loans secured against gold jewellery during the financial year 2014-15:

| | |
|---------------------------------|------|
| No. of Loan Accounts | 778 |
| Outstanding Amounts (Rs. crore) | 2.87 |
| Value fetched (Rs. crore) | 2.89 |
| Sister concern participated | None |

3.5 Reserve Fund: As per section 45IC of RBI Act 1934, the Company has transferred Rs.23.71 crore in reserve fund i.e aggregating of 20% of its net profit

4. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE.

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

5. Auditors

5.1 Statutory Auditors: M/s. S R Batliboi & Co. LLP, Chartered Accountants were appointed as Statutory Auditors in accordance with the provision of section 139 of the Act, for a period of four years from FY15 to FY18 from the conclusion of the 11th Annual general Meeting until the conclusion of the 15th Annual General Meeting. As per Section 139 (2) of the Act and the applicable Rules of the Act, the appointment of Statutory Auditors needs to be ratified by the members at every Annual General Meeting.

5.2 Secretarial Audit: Pursuant to the requirements of Section 204(1) of the Act and Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. Y Ravi Prasad, Practicing Company Secretary, to conduct Secretarial Audit for the financial year 2014-15. The Secretarial Audit Report for the financial year ended March 31, 2015 is annexed herewith marked as Annexure -A to this Report.

5.3 Internal Audit: The Company had appointed Internal Auditors in the Board meeting dated 6th August, 2014 to carry out the internal audit functions. The Internal Auditors submits quarterly reports to the Audit Committee.

6. Share Capital: The paid up share capital of your Company as on 31st March, 2015 is Rs. 828 crore. During the year under review, the Company has issued 500,000 equity shares with differential rights.

Equity raise of Rs.5 crore was a criterion precedent to drawals under the CDR package. Hence, your company allotted equity raise as a condition precedent. Your company had vide shareholders approval dated 6-May-2014, allotted 10,00,000 equity shares of Rs. 10 each at a premium of Rs. 40, on private placement basis. The details of the allotment are as follows:

| Name | Amount (Rs. Cr) | No. of Shares |
|-------------------------------------|-----------------|------------------|
| JM Financial Trustee Co. Pvt. Ltd. | 2.72 | 5,44,000 |
| Valiant Mauritius Partners FDI Ltd. | 1.65 | 3,30,000 |
| Helion Venture Partners II LLC | 0.45 | 90,000 |
| Helion Venture Partners LLC | 0.18 | 36,000 |
| TOTAL | 5.00 | 10,00,000 |

Director's Report

6.1 Allotment of optionally convertible cumulative redeemable preference shares (OCCRPS): In accordance with Master Restructuring Agreement (MRA), the term loan of Rs. 9,406,000,000 (Previous year Rs. 9,060,000,000) existing as on April 1, 2011 are converted into OCCRPS at face value of Rs.10 each carrying dividend of 0.001% p.a. and shall be redeemed in a manner providing a yield of 12% per annum to the holder of OCCRPS. As on 31st March, 2015 the outstanding OCCRPS is Rs. 8,076,158,090.

Accordingly, OCCRPS of Rs.890,541,910 was redeemed during the year. During the year your Company has allotted preference shares against outstanding balance of Rs.31,000,000 to non-CDR lender BNP Paribas. Despite the delays in collections in Andhra Pradesh and Telangana, your company has been able to honour the commitments in terms of redemption of OCCRPS with slight delays.

7. Extract of the annual return: The details forming part of the extract of the Annual Return in form MGT-9 is annexed herewith as "Annexure B"

8. Conservation of energy, technology absorption and foreign exchange earnings and outgo: The particulars required to be furnished under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are as under:

8.1 Conservation of Energy: Our operations are not energy-intensive. However, significant measures are taken to reduce energy consumption by using energy efficient computers and electrical equipments. Our field staff use motor bikes for reaching to customer locations for client servicing. We are planning in such a way that road travel can be reduced and fuel consumption is minimized. We are also promoting use of renewable energy sources among clients at their household levels.

8.2 Research and Development (R&D): Social research and development of new products and methodologies continue to be an ongoing process for the Company. This helps us to enhance quality of service and customer satisfaction through continuous innovation. The Company has been adapting various lending models within the limited scope of MFI norms and has successfully implemented fortnightly lending product.

8.3 Technology absorption, adaptation and innovation: Technology is being used as a business enabler at Spandana. We are improving our processes and controls

with higher technology development and adoption to get better operational efficiencies. This year has seen complete implementation of HRMS and automation in HR communications. We have also rolled out complete implementation of Credit Bureau report generation, usage and enabling processes. Our in-house software development capability gives us flexibility to innovate on product features and service our customers better.

8.4 Foreign exchange earnings and outgo: During the year, there was no foreign exchange earnings and outgo. Whereas the company had raised an equity of Rs.5 crore which was a condition precedent to drawals under this Facility Agreement. Hence, the company allotted equity shares of 10 lakhs through preferential basis vide EGM held on 6-May-2014.

9. Corporate social responsibility (CSR): In terms of section 135 and Schedule VII of the Companies Act, 2013 read with rules made there under, the Board of Directors of your Company have constituted a CSR Committee. The Committee comprises of the following Directors.

| Name | Designation |
|--------------------|------------------------------------|
| Mrs. Padmaja Reddy | Managing Director |
| Ms. Abanti Mitra | Independent Non Executive Director |
| Mr. Gopala Reddy | Independent Non Executive Director |

The average net loss of the company for the last three years is Rs. - 326.59 crore. Accordingly, no CSR activity is reported.

10. Comments on Auditors Report

There are no qualifications, reservations or adverse remarks made by the statutory auditors in their audit report and by secretarial auditor in their secretarial audit report.

| Auditor's Remark | Comments of the Board |
|------------------|-----------------------|
| None | None |

11. Directors and key managerial personnel:

Affairs of your Company are being managed by a professional Board comprising of eminent personalities having experience and expertise suited to guide the Company in right direction. Present Directors of your Company are:

Director's Report

| Name of Director | Category |
|-------------------------------|------------------------------------|
| Mrs. G. Padmaja Reddy | Managing Director |
| Mr. Lakshmi Narasaiah Gunturu | Independent Non Executive Director |
| Ms. Abanti Mitra | Independent Non Executive Director |
| Mr. P Madhava Rao | Independent Non Executive Director |
| Mr. Perur Seshappa Prasad | Independent Non Executive Director |
| Mr. Gopala Reddy Annapureddy | Independent Non Executive Director |

Mr. Potturi Madhava Rao, Mr. Perur Seshappa Prasad and Mr. Gopala Reddy Annapureddy were appointed as Independent Directors on the Board of the Company with effect from 15th September, 2014.

Mr. Khazan Singh Singhwan, Nominee Director of SIDBI rendered his resignation from the Board of Directors of the Company on 13th Aug, 2014.

The Board places on record its profound appreciation for the contributions made by Mr. Khazan Singh Singhwan during his tenure.

11.1 Rotation of Directors: As per Section 152 (6) (a) of Companies Act, 2013, not less than two-thirds of the total number of directors should retire by rotation, at every AGM.

For the purpose of this section, it is explained that the total number of directors to retire by rotation shall not include "Independent Directors".

Since the company consists of six directors out of which five are Independent directors and one is Managing Director, no director retires by rotation. The Company is in the process of expanding its Board Strength.

11.2 Declaration by Independent Directors: The Company has received from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed under sub section (6) of section 149 of the Companies Act, 2013.

Statement indicating the manner in which formal annual

| Name of the Employee and Age | Designation & nature of duties | Nature of Employment | Qualification & Experience | Remuneration p.m | Date of commencement of Employment | Last employment |
|---------------------------------|--------------------------------|----------------------|----------------------------|------------------|------------------------------------|---|
| Mrs. G. Padmaja Reddy. 47 years | Managing Director | Contractual | BCJ, MBA, > 20 years | 23,43,750 | 19-Apr-2003 | Director of Spandana Rural and Urban Development Organization |

evaluation has been made by the Board of its own performance and that of its committees and individual directors: Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration and other Committees. The manner in which the evaluation has been carried out has been explained hereunder.

The Board assesses its performance on select parameters related to roles, responsibilities and obligations, functioning of the Committees including assessing the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to perform their duties effectively. The evaluation criteria for the Directors were based on their participation and contribution in the meetings, the guidance offered the understanding of the areas which are relevant to them in their capacity as members of the Board.

11.3 Key Managerial Personnel:

Ms. Tasneem Shariff (Membership No. 17148) resigned as Company Secretary on 29th December, 2014.

Ms. Vibha Shinde (Membership No. A21668), was appointed as Company Secretary on 29th December, 2014 and she resigned on 14th January, 2015.

Mr. Mushtaq Simon Andrews resigned as CFO on 29th December, 2014.

Mr. Ravi Varma Pakalapati was appointed as CFO with effect from 29th December, 2014.

12. Particulars of Employees and Related Disclosures:

The information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

Employed throughout the year and in receipt of remuneration of Rs. 5,00,000/- per month and above:

Director's Report

Mrs. G Padmaja Reddy was re-appointed as Managing Director for tenure of five years i.e. from April 19, 2013 to April 18, 2018, vide Extra- ordinary General Meeting held on March 22, 2013. The Company had made an application to GOI for approval of the remuneration payable to MD.

13. Corporate Governance: Your Company philosophy on Corporate Governance envisages adherence to the highest levels of transparency, accountability and fairness, in all areas of its operations .The Company deals with clients who are by and large, excluded from the mainstream financial markets. The Company does not view Corporate Governance principles as set of binding obligations, but believes in using it as a framework to be followed in spirit. The Company being NBFC adopts best practices and

follows guidelines issued by RBI from time to time. As a part of Corporate Governance, various Committees were formed to look after the progress made, putting in place a progressive risk management system, policy and strategy to be followed in conformity with corporate governance standards.

Details of the Board Committees and other related information are provided hereunder:

| Name of the Committee | Members |
|---|---|
| Audit, Compliance & Corporate Governance Committee | Mr. P S Prasad Mr. Madhava Rao Ms. Abanti Mitra |
| Remuneration & Nomination Committee | Mrs. Padmaja Reddy Ms. Abanti Mitra Mr. P S Prasad Mr. Madhava Rao |
| Risk & Fraud Control and Monitoring Committee | Mrs. Padmaja Reddy Mr. P S Prasad Mr. Gopala Reddy |
| Asset Liability Management & Credit Policy Committee | Mrs. Padmaja Reddy Mr. Madhava Rao Mr. Gopala Reddy |
| Product, Process & Grievance Redressal Committee | Mrs. Padmaja Reddy Ms. Abanti Mitra Mr. P S Prasad |
| Asset Sale Committee | Mrs. Padmaja Reddy Mr. Madhava Rao Mr. Gopala Reddy |
| Executive Committee | Mrs. Padmaja Reddy Ms. Gopala Reddy Mr. Madhava Rao |
| Corporate Social Responsibility Committee | Mrs. Padmaja Reddy Ms. Abanti Mitra Mr. Gopala Reddy |

Director's Report

13.1 Number of meetings of the Board of Directors: Five board meetings were held during the financial year 2014-2015. Your Board approved various agenda items through circular resolution as well, based on the urgency of the matter.

The details of Board meetings are given below:-

| Date of Meeting | Board Strength | No. of Director's present |
|-----------------|----------------|---------------------------|
| 5-May-2014 | 4 | 2 |
| 6-Aug-2014 | 4 | 2 |
| 15-Sep-2014 | 4 | 3 |
| 29-Dec-2014 | 6 | 5 |
| 24-Mar-2015 | 6 | 5 |

13.2 Nomination and Remuneration Committee : The Company has constituted the Committee comprises of 4 Members namely Mr. P. S Prasad, Mr. Madhava Rao, Ms. Abanti Mitra, Ms. Padmaja Gangireddy.

The Nomination and Remuneration (N&R) Committee has adopted a policy which, inter alia, deals with the manner of selection of Board of Directors, Managing Director, CFO, Senior Executives and their remuneration. The scope of the committee includes:

- Determination of key performance indicators of senior executives of the Company and specify deliverables for the executive in line with the business plan of the Company.
- Senior executive to include the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Whole Time Directors, the Heads of Departments of various functions and other key management personnel as decided from time to time in consultation with the Board of the Company and other stakeholders, including the CDR forum.
- Evaluation and approval of the compensation packages of above mentioned persons with particular reference to fixed and variable pay (including bonuses and Employees Stock Options).
- Reviewing the overall compensation structure and policies of other executive of the Company with a view to attract, retain and motivate employees, consider grant of stock options to employees, reviewing compensation levels of the MFI's employees vis- a- vis other MFI's and industry in general.
- Objectively examining the annual manpower plan in relation to the business plan of the company and examining management recommendations regarding manpower strategy and suggesting corrective action, if required.

- Finalization of organization structure including top field level functionaries and direct reportees on a period basis or as and when required.
- Recommendation of appointments of senior management to the Board of the company.

14. Details of establishment of vigil mechanism for directors and employees: Your Company has established the Vigil Mechanism to encourage employees to report suspected legal violations, fraudulent or irregular conduct of an employee or business associate of the Company. Such incidents, if not reported would breach trust and endanger the Company's reputation. Through this mechanism, the Company provides a channel to the employees and Directors to report to the management about unethical behavior, actual or suspected fraud or violation of the Codes of conduct or legal or regulatory requirements incorrect or misrepresentation of any financial statements and reports, etc.

The Company has a Fraud Risk and Management Policy to deal with instances of fraud and mismanagement, if any. The FRM Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern. A Committee has been constituted which looks into the complaints raised. The Committee reports to the Board.

Director's Report

15. Particulars of Loans, Guarantees or Investments Under Section 186 : Section 186 of the Companies Act, 2013 is not applicable to your company.

16. Particulars of contracts or arrangements with related parties: All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business. There are no materially significant related party transactions made by the company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the Company at large. All Related Party Transactions are placed before the Audit Committee as also the Board for approval. The particulars of Contracts or arrangements with related parties referred to in section 188(1) are disclosed in the notes to financial statements.

17. Risk management policy: Your Company is engaged in the business of micro finance providing small value unsecured loans to low-income clientele in urban and rural areas. Your company has established a reasonably fair risk management policy. There is a periodic review at the board level to manage, monitor and report the principal risks and uncertainties that can impact the ability of the company to achieve its objectives.

18. Directors' Responsibility Statement : In accordance with the clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, the Directors of your Company hereby state that:-

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

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

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

(d) the annual accounts have been prepared on a going concern basis.

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

19. Future Outlook: SSFL continues to be one of the largest MFIs making substantive impact in the financial inclusion space across India. Non-AP portfolio of your Company has been fairly diversified. Except for Andhra Pradesh and Telangana, where the standard portfolio is as low as 4%, the standard portfolio in the rest of the states is near 100%. Your Company has been making all the best possible efforts to recover the dues from Andhra Pradesh and hopes to recover the overdues in this financial year. Your company has demonstrated its ability in terms of promoter commitment, management stability, significant technology adoption, process strengthening, internal controls and compliance with emergent industry and RBI norms for MFI NBFCs. Non-AP&TS Operations are sustainable (near 100% recovery rates) and profitable (costs under control) on a standalone basis (with high operational efficiencies). Your company had made significant investments in the technology upgradation. With renewed support from all the stakeholders, lenders, investors and RBI in the financial year-2015-16, your Company is confident that it will soon improve its corporate performance further.

20. Gratitude and acknowledgement: The Board expresses its deep sense of gratitude to the Government of India, Reserve Bank of India for the valuable guidance and support received from them. The Board would also like to express their sincere appreciation of the co-operation and assistance received from shareholders, bankers and other business constituents during the year under review. The Board places on record its appreciation of the dedicated services and contributions made by members of staff for the overall performance of the Company.

Date : 30-Jul-2015

Place: Hyderabad

For & on behalf of the

Board of Directors

| | |
|------------|----------|
| sd/- | sd/- |
| Padmaja | Madhava |
| Gangireddy | Rao P. |
| Managing | Director |
| Director | |

Annexure A

Form No. MR-3
SECRETARIAL AUDIT REPORT

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

To
 The Members,
M/s. Spandana Sphoorty Financial Limited
 Plot No:79, Care Crystal, Vinayak Nagar Colony
 Gachibowli, Near Indira Nagar Bus Stop
 Hyderabad-500032.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. Spandana Sphoorty Financial Limited (hereinafter referred as the "Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the "**Financial Year**" ended on **March 31st, 2015, (i.e from April 01st, 2014 to March 31st, 2015)** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31st, 2015 according to the provisions of:

- A. The Companies Act, 2013(the "Act") and the rules made there under;
- B. The Securities Contracts(Regulation)Act, 1956('SCRA')and the rules made there under;
- C. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- D. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- E. Reserve Bank of India - NBFC (Non-Banking Financial Companies) norms, directions, regulations, circulars etc.
- F. The Company being unlisted, the Regulations and Guidelines prescribed under Securities and Exchange Board of India (SEBI) are not applicable.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (Not notified hence not applicable to the Company during the financial year).
- (ii) The Company being unlisted, the Listing Norms under SEBI are not applicable.

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

Director's Report

I further report that

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

Adequate notice is given to all directors to schedule the board meetings, agenda and detailed notes on agenda were sent in advance as required, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority of decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the respective meetings. I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period, the Company has undertaken the following events:

- Conducted 5 Board Meetings on 5th May 2014, 6th August 2014, 15th September 2014, 29th December 2014 and 24th March 2015.

- Conducted 3 Audit Committee Meetings on 6th August 2014, 29th December 2014 and 24th March 2015.
- Conducted the meetings of Asset Sale Committee, Executive Committee, Risk & Fraud Control and Monitoring Committee, Product Process and Grievance Redressal Committee, Audit Compliance & Corporate Governance Committee and Remuneration & Nomination Committee.
- Conducted the 11th Annual General Meeting on 23rd September, 2014.
- Conducted the Extra-Ordinary General Meeting on 6th May, 2014 for issue of Equity shares on preferential basis.
- Issued 10,00,000 Equity Shares of Rs 10/- each at a premium of Rs. 40/- on Preferential basis.
- Redeemed 7,31,59,779 Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 10/- each at par and complied with the applicable accounting standards.
- Appointed Mr. Perur Seshappa Prasad, Mr. Potturi Madhava Rao and Mr. Annapureddy Gopala Reddy as Independent Directors w.e.f. 15th Sept, 2014.
- Mr. K. S Singhwan, Nominee Director ceased to be associated with the Company w.e.f 13th Aug, 2014.
- Passed the Special Resolutions under Sections 180 (1) (a) and 180 (1) (c) of the Act.
- Related Party Transactions were carried out based on necessary approvals.
- The charges created/satisfied by the Company for the F.Y 2014-15 are as follows:

| Name of the Lender | Amount (in Rs.) | Type | CHG 1 (Creation / modification) filed on | CHG 4 (satisfaction) filed on |
|-----------------------------------|-----------------|---|--|-------------------------------------|
| IDBI Trusteeship Services Limited | 11,502,500,000 | Floating Charge, Book debts, Movable property and Current Assets | 12.05.2014 | - |
| Indusind Bank Limited | 25,000,000 | Book debts | 12.05.2014 | 28.06.2014 |
| Yes Bank | 35,000,000 | Book debts | 13.05.2014 | 15.07.2014 |
| HDFC Bank Limited | 25,000,000 | Book debts | 15.07.2014 | 02.08.2014 |
| BNP Paribas | 250,000,000 | Book debts | Created on 20.02.2010 | 18.02.2015 |

Place: Hyderabad
Date: 30.07.2015

Sd/-
Y. Ravi Prasada Reddy
Company Secretary
FCS No. 5783, CP No. 5360

Annexure B

Form No. MGT9
EXTRACT OF ANNUAL RETURN
as on financial year ended on 31.03.2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

| I Registration & Other Details: | | |
|---------------------------------|--|---|
| i | CIN | U65929TG2003PLC040648 |
| ii | Registration Date | 3/10/2003 |
| iii | Name of the Company | Spandana Sphoorty Financial Limited |
| iv | Category Sub-category of the Company | Company Limited by shares Indian Non- Government Company |
| v | Address of the Registered office & contact details | Plot No:79, Care Crystal, Vinayak Nagar Colony Gachibowli, Near Indira Nagar Bus Stop Hyderabad, Telangana-500032 |
| vi | Whether listed company | Unlisted |
| vii | Name, Address & contact details of the Registrar & Transfer Agent, if any | Karvy Computershare Private Limited Karvy Selenium, Tower- B, Plot No 31 & 32., Financial district, Nanakramguda, Serilingampally Mandal, Hyderabad, 500032, India. Tel: +91 04 67161500, Toll Free No: 18003454001 Email Id : einward.ris@karvy.com |

| ii Principal Business Activities of the Company | | | |
|---|--|------------------------------------|---------------------------------------|
| All the business activities contributing 10% or more of the total turnover of the company shall be stated | | | |
| Sl. No. | Name and Description of main product/services | NIC Code of the Product/Service | % to total turnover of the company |
| 1. | Financial service activities, except insurance and pension funding | 64 | 100% |

| iii Particulars of Holding , Subsidiary & Associate Companies | | | | | |
|---|------------------|-----------------------------|---|--------------------------|----------------------------|
| Sl. No. | Name and Address | CIN / GLN of the Company | Holding/ Subsidiary/ Product/Service | % of Shares Associate | Applicable held Section |
| 1. | NA | NA | NA | NA | NA |

Annexure B

A. PROMOTERS

| iv Shareholding Pattern (equity Share Capital Break Up As % To Total Equity) | | | | | | | | | |
|--|---|----------|----------------|-------------------|---|----------|----------------|-------------------|--------------------------|
| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % change during the year |
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| A. Promoters | | | | | | | | | |
| 1. Indian | 7278371 | 0 | 7278371 | 37.55 | 7673489 | 0 | 7673489 | 37.65 | 0.10 |
| (a) Individual HUF | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (b) Central or State Govt. | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (c) Bodies Corporates | 0 | 0 | | | | | | | |
| (d) Bank / FI | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (e) Any other... | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| SUBTOTAL: (A) | 7278371 | 0 | 7278371 | 37.55 | 7673489 | 0 | 7673489 | 37.65 | 0.10 |
| 2. Foreign | | | | | | | | | |
| (a) NRI - Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (b) Other Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (c) Bodies Corp. | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (d) Banks / FI | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (e) Any other | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| SUBTOTAL: (A)2 | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| TOTAL Shareholding of Promoter | 7278371 | 0 | 7278371 | 37.55 | 7673489 | 0 | 7673489 | 37.65 | 0.10 |
| (A)=(A)(1) + (A)(2) | | | | | | | | | |

Annexure B

B. PUBLIC SHAREHOLDING

| 1. Institutions | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % change during the year |
|--|---|----------------|-----------------|-------------------|---|----------------|-----------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| (a) Mutual Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (b) Banks / FI | 0 | 50000 | 50000 | 0.26 | 0 | 50000 | 50000 | 0.25 | -0.01 |
| (c) Central Govt. | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (d) State Govt | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (e) Venture Capital Fund | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (f) Insurance Companies | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (g) FIIS | 654998 | 4706118 | 5361116 | 27.66 | 654998 | 5162118 | 5817116 | 28.54 | 0.88 |
| (h) Foreign Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (I) Others (Specify) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| SUBTOTAL: (A) (1) | 654998 | 4756118 | 5411116 | 27.92 | 654998 | 5212118 | 5867116 | 28.79 | 0.87 |
| (2) Non Institutions | | | | | | | | | |
| (a) Bodies Corporates | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (i) Indian | 6038276 | 0 | 6038276 | 31.16 | 6038276 | 544000 | 6582276 | 32.30 | 0.10 |
| (ii) Overseas | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (b) Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (i) Individual shareholders holding nominal share capital upto Rs. 1 lakhs | 6843 | 10755 | 17598 | 0.09 | 6843 | 10755 | 17598 | 0.09 | 0.00 |
| (ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs | 612586 | 22820 | 635406 | 3.28 | 228788 | 11500 | 240288 | 1.18 | -2.10 |
| (c) Others (specify) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| SUBTOTAL: (B) (2): | 6657705 | 33575 | 6691280 | 34.53 | 6273907 | 566255 | 6840162 | 33.56 | -0.96 |
| TOTAL PUBLIC SHAREHOLDING (B) = (B)(1) + (B)(2) | 7312703 | 4789693 | 12102396 | 62.45 | 6928905 | 5778373 | 12707278 | 62.35 | -0.10 |
| C. Shares held by Custodian for GDRs & ADRs | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Grand Total (A + B + C) | 14591074 | 4789693 | 19380767 | 100.00 | 14602394 | 5778373 | 20380767 | 100.00 | 0.00 |

Annexure B

| ii. Share holding of Promoters | | | | | | | | |
|--------------------------------|-----------------------------------|---|----------------------------------|---|-------------------------------------|----------------------------------|---|---|
| Sl. No. | Shareholders Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in share holding during the year |
| | | No. of Shares | % of Total shares of the Company | % of share pledged encumbered to total shares | No. of Shares | % of Total shares of the Company | % of share pledged encumbered to total shares | |
| 1. | Padmaja Gangireddy | 5,798,388 | 29.92 | 29.92 | 6,193,506 | 30.39 | 30.39 | 6.81% |
| 2. | Vijaya Siva Rami Reddy Vendidandi | 1,479,983 | 7.64 | 7.64 | 1,479,983 | 7.26 | 7.26 | 0.00% |
| 3. | Koteswaeamma Yenumula | 228,788 | 1.18 | 0.00 | 228,788 | 1.12 | 0.00 | 0.0% |
| TOTAL | | 7,507,159 | 38.74 | | 7,902,277 | 38.77 | 0.00 | 5.26% |

| iii. Change in Promoters' Shareholding (Specify if there is no change) | | | | | |
|---|--|--|----------------------------------|--|----------------------------------|
| Sl. No. | | Share holding at the beginning of the year | | Cumulative Share holding during the year | |
| | | No. of Shares | % of Total shares of the Company | No. of Shares | % of Total shares of the Company |
| | At the beginning of the year | 7278371 | 37.55 | 7673489 | 37.65 |
| | Date wise increase / decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / trasfer / bonus / sweat equity etc.) | | | | |
| 1. | Shares transferred to Mrs. Padmaja Ganjireddy | 395,118 | 2.04 | | |
| | At the end of the year | 7673489 | 37.65 | | |

Annexure B

iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs)

| Sl. No. | Name | Shareholding | | | | Cumulative shareholding during the year 01.04.2014 - 31.03.2015 | | |
|---------|-------------------------------------|--|----------------------------------|----------|-------------------------------------|---|---------------|----------------------------------|
| | | No. of Shares at the Beginning 01.04.2014 / End of the year 31.03.2015 | % of Total shares of the Company | Date | Increase/ Decrease of Share holding | Reason | No. of shares | % of Total shares of the Company |
| 1. | JM Financial Trustee Co. Pvt. Ltd | 6,038,276 | 31.16 | 01.04.14 | | | | |
| | | 6,038,276 | 31.16 | 16.05.14 | 544,000 | Allotment | 6,582,276 | 32.30 |
| | | | | 31.03.15 | | | 6,582,276 | 32.30 |
| 2. | Helion Venture Partners LLC | 695,136 | 3.59 | 01.04.14 | | | | |
| | | 695,136 | 3.59 | 16.05.14 | 36,000 | Allotment | 731,136 | 3.59 |
| | | | | 31.03.15 | | | 731,136 | 3.59 |
| 3. | Helion Venture Partners II LLC | 695,135 | 3.59 | 01.04.14 | | | | |
| | | 695,135 | 3.59 | 16.05.14 | 90,000 | Allotment | 785,135 | 3.85 |
| | | | | 31.03.15 | | | 785,135 | 3.85 |
| 4. | Valiant Mauritius Partners FDI Ltd. | 3,651,780 | 18.84 | 01.04.14 | | | | |
| | | 3,651,780 | 18.84 | 16.05.14 | 330,000 | Allotment | 3,981,780 | 19.54 |
| | | | | 31.03.15 | | | 3,981,780 | 19.54 |

iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs)

| | | | | | | | | |
|-----|--------------------------------|---------|------|----------|---|--------------------------|---------|------|
| 5. | LOK Capital LLC | 319,065 | 1.65 | 01.04.14 | 0 | Nil | | |
| | | 319,065 | 1.57 | 31.03.15 | | movement during the year | 319,065 | 1.57 |
| 6. | SIDBI | 50,000 | 0.26 | 01.04.14 | 0 | Nil | | |
| | | 50,000 | 0.26 | 31.03.15 | | movement during the year | 50,000 | 0.26 |
| 7. | Bala Deepti Gangireddy | 10,000 | 0.05 | 01.04.14 | 0 | Nil | | |
| | | 10,000 | 0.05 | 31.03.15 | | movement during the year | 10,000 | 0.05 |
| 8. | Venkata Ramana Reddy Godi | 11,500 | 0.06 | 01.04.14 | 0 | Nil | | |
| | | 11,500 | 0.06 | 31.03.15 | | movement during the year | 11,500 | 0.06 |
| 9. | Koteswaramma Enumula | 228788 | 1.18 | 01.04.14 | 0 | Nil | | |
| | | 228788 | 1.18 | 31.03.15 | | movement during the year | 228788 | 1.18 |
| 10 | Rajasekharabu Reddy Masu | 6843 | 0.04 | 01.04.14 | 0 | Nil | | |
| | | 6843 | 0.04 | 31.03.15 | | movement during the year | 6843 | 0.04 |
| 11 | S K Baji | 755 | 0.00 | 01.04.14 | 0 | Nil | | |
| | | 755 | 0.00 | 31.03.15 | | movement during the year | 755 | 0.00 |
| 12. | Vendidandi Revan Saahith Reddy | 395118 | 2.04 | 01.04.14 | 0 | Nil | | |
| | | 395118 | 2.04 | 31.03.15 | | movement during the year | 395118 | 2.04 |

Annexure B

| v. Shareholding of Directors & KMP | | | | | |
|------------------------------------|--|---|----------------------------------|---------------|----------------------------------|
| Sl. No. | Shareholding at the end of the year | Cumulative Shareholding during the year | | | |
| | | No. of Shares | % of Total shares of the Company | No. of Shares | % of Total shares of the Company |
| | For Each of the Directors & KMP & KMP | No. of Shares | % of Total shares of the Company | No. of Shares | % of Total shares of the Company |
| | At the beginning of the year | 5,798,388 | 29.92 | | |
| | Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment/ transfer/bonus/ sweat equity etc) | | | | |
| 1. | Shares transferred to Mrs. Padmaja Ganjireddy (interse transfer) | 395118 | 30.39 | 6193506 | 30.39 |
| | At the end of the year | 6,193,506 | 30.39 | | |

*0.10% change is because of share transferred from Vendidandi Revan saahith reddy

| v. Indebtedness | | | | |
|--|----------------------------------|-----------------|----------|-----------------------|
| Indebtedness of the Company including interest outstanding/accrued but not due for payment | | | | |
| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
| Indebtedness at the beginning of the financial year | | | | |
| (I) Principal Amount | 7,026,399,139 | - | - | 7,026,399,139 |
| (ii) Interest due but not paid | 358,165,564 | - | - | 358,165,564 |
| (iii) Interest accrued but not due | 37,964,066 | - | - | 37,964,066 |
| Total (i + ii + iii) | 7,422,528,769 | - | - | 7,422,528,769 |
| Change in Indebtedness during the financial year | | | | |
| Additions | 6,372,956,548 | - | - | 6,372,956,548 |
| Reduction | 3,167,048,638 | - | - | 3,167,048,638 |
| Net Change | 3,205,907,910 | - | - | 3,205,907,910 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 10,232,307,048 | - | - | 10,232,307,048 |
| ii) Interest due but not paid | 494,584,794 | - | - | 494,584,794 |
| iii) Interest accrued but not due | 17,875,229 | - | - | 17,875,229 |
| Total (i + ii + iii) | 10,744,767,071 | - | - | 10,744,767,071 |

Annexure B

vi. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole time director and/or Manager:

| Sl. No. | Particulars of Remuneration | Name of the MD/WTD/Manager | | | Total Amount | |
|----------|--|----------------------------|-----|---------|----------------------|----------|
| | | MD | WTD | Manager | | |
| 1 | Gross salary | | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961. | Mrs. Padmaja G. Reddy | | | 27,843,750 | - |
| | (b) Value of perquisites u/s 17(2) of the Income tax Act, 1961 | Mrs. Padmaja G. Reddy | | | - | - |
| | (c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961 | | | | 0 | 0 |
| 2 | Stock option | | | | 0 | 0 |
| 3 | Sweat Equity | | | | 0 | 0 |
| 4 | Commission as % of profit others (specify) | | | | 0 | 0 |
| 5 | Others, please specify | | | | 0 | 0 |
| | TOTAL (A) | | | | 27,843,750 | - |
| | Ceiling as per the Act | | | | 52,665,942.40 | |

| B. Remuneration to other directors: | | | |
|--|--|---------------------------|-------------------|
| Sl. No. | Particulars of Remuneration | Name of the Directors | Total Amount |
| 1 | (a) Fee for attending board committee meetings (b) Commission (c) Others, please specify | Mr. K S Singhwan (SIDBI) | 20,000 |
| | | Mrs. Abanti Mishra | 260,000 |
| | | P. Madhava Rao (94J) | 360,000 |
| | | A.Gopal Reddy (94J) | 340,000 |
| | | P.S.Prasad (94J) | 240,000 |
| | | Lakshmi Narasaiah Gunturu | 30,000 |
| Total (1) | | | 1,250,000 |
| 2 | Other Non Executive Directors (a) Fee for attending board committee meetings (b) Commission (c) Others, please specify. | | |
| | | | |
| | | | |
| Total (2) | | | |
| Total (B) = (1 + 2) | | | 1,250,000 |
| Total Managerial Remuneration | | | 29,093,750 |
| Overall Ceiling as per the Act. | | | 10,533,189 |

| c. Remuneration to Key Managerial Personnel other than MD/Manager/WTD | | | | | | |
|---|--|--------------------------|-------------------|------------------|------------------|------------------|
| Sl. No. | Particulars of Remuneration | Key Managerial Personnel | | | | Total |
| 1 | Gross salary | CEO | Company Secretary | CFO | Total | |
| | (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961. | - | 1,480,875 | 1,070,074 | 2,550,949 | 2,550,949 |
| | (b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961 | - | | | | |
| | (c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961 | - | | | | |
| 2 | Stock Option | - | | | | |
| 3 | Sweat Equity | - | | | | |
| 4 | Commission as % of profit others, specify | - | | | | |
| 5 | Others, please specify | | | | | |
| Total | | - | 1,480,875 | 1,070,074 | 2,550,949 | 2,550,949 |

Annexure B

vii. Penalties/Punishment/Compounding of Offences

| Type | Section of the Companies Act | Brief Description | Details of Penalty/Punishment/Compounding fees imposed | Authority (RD/NCLT/Court) | Appeal made if any (give details) |
|--|------------------------------|-------------------|--|---------------------------|-----------------------------------|
| <p>A. COMPANY (As per Annexure I) B. DIRECTORS : Nil C. OTHER OFFICERS IN DEFAULT: Nil</p> | | | | | |

Annexure I

| Sl. No. | Place of Court/ Quasi Judicial Authority | Opposite party | Description of each case | Remarks |
|---------|--|--|--|--|
| 1 | Income Tax Appellate Tribunal | Pr. Commissioner, Range 3, Income Tax, Hyderabad Addl. CIT for FY 2009-10 | Order under section 263 of the Income Tax Act, 1961, for revision in assessment order passed by the on 26th August, | SSFL has appealed against the order before the Income Tax Appellate Tribunal. The hearing is scheduled 2015 |
| 2 | Income Tax Appellate Tribunal | Commissioner of Income Tax Range 3, Hyderabad | Income Tax department Commissioner (Appeals) rejecting addition of appealed against the order of the Rs. 7.85 crores by the assessing officer for FY 2009-10 | The Tribunal has passed a favourable order on 13/08/2015. The written copy of the order has not been received yet |
| 3 | Income Tax Appellate Tribunal | CIT(A) Range 3, Income Tax Hyderabad. | Company appealed against addition of Rs. 73.76 lakhs to its taxable income for FY 2009-10 | The Tribunal has upheld this addition during the hearing on 13/08/2015. The written copy of the order has not been received yet |
| 4 | ESI Court | E S I Authorities | E S I Authorities imposed Damages of Rs 34,72,432/- in the month of March'12 for delayed payments of contributions for the period 2005 to 2008. | The Company filed stay petition before ESI Court on payment of 25% of damages amount ie (Rs 8,68,108/-) and stay order was granted on 25-April-12 by ESI Court and the case is pending. |

Independent Auditor's Report

To the Members of Spandana Sphoorty Financial Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Spandana Sphoorty Financial Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial

Statements: The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility: Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143 (10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the

financial statements. The procedures selected depend on auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstance but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion: In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2015, its profit, and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143(3) of the Act, we report that:

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e. On the basis of written representations received from

the directors as on March 31, 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015, from being appointed as a director in terms of Section 164(2) of the Act;

f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer note 4.32 to the financial statements;

ii. The Company did not have any outstanding long-term contracts including derivative contracts as at March 31, 2015 for which there were any material foreseeable losses; and

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S. R. BATLIBOI & CO. LLP
ICAI Firm's Registration Number: 301003E
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.:048749

Mumbai
July 30, 2015

Annexure to the Independent Auditor's Report

Annexure referred to in paragraph 1 under the heading “Report on other legal and regulatory requirements” of our report of even date

Re: Spandana Spohorty Financial Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 4(ii) of the Order are not applicable to the Company and hence not commented upon.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(iii) (a) and (b) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of

fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

(v) The Company has not accepted any deposits from the public.

(vi) To the best of our knowledge and as explained, the Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 3(vi) of the Order are not applicable to the Company.

(vii)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax customs duty, excise duty, value added tax, cess and other material statutory dues have not been regularly deposited with the appropriate authorities and there have been serious delays in large number of cases.

(b) According to the information and explanations given to us, undisputed dues in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, value added tax, cess and other material statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows:

| Name of the statute | Nature of the dues | Amount (Rs.) | Period to which the amount relates |
|--|--------------------|--------------|------------------------------------|
| The Andhra Pradesh Tax on Professions, Trades, Callings and Employments Act, 1987 | Professional Tax | 89, 820 | March 2014 to September 2014 |
| The Gujarat Panchayats, Municipalities, Municipal Corporations and State Tax on Professions, Traders, Callings and Employments Act, 1976 | | 11,147 | |
| The Orissa State Tax on Professions, Trades, Callings and Employments Act, 2000 | | 12,700 | |

| Name of the statute | Nature of the dues | Amount (Rs.) | Period to which the amount relates |
|--|---|--------------|------------------------------------|
| The Jharkhand Tax on Professions, Trades, Callings and Employments Act, 2011 | | 6,319 | |
| The Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 | | 10,536 | |
| The Orissa State Tax on Professions, Trades, Callings and Employments Act, 1975 | | 8,741 | |
| The Karnataka Tax on Professions, Trades, Callings and Employment Act, 1976 | | 2,646 | |
| Income Tax Act, 1961 | Tax deductible at source (TDS) on foreign remittances | 2,217,469 | Financial year 2011-12 |

(C) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax and cess on account of any dispute, are as follows:

| Name of the Statute | Nature of dues | Amount under dispute (Rs.) | Amount paid* (Rs.) | Period to which it relates | Forum where dispute is pending |
|------------------------------------|--|----------------------------|--------------------|--------------------------------------|---|
| Chapter V of the Finance Act, 1994 | Service tax | 92,257,094 | 9,200,000 | Financial years 2004-05 to 2011-12 | Customs Excise & Service Tax Appellate Tribunal |
| | Interest on service tax dues mentioned above | 91,881,942 | | | |
| | Penalty on service tax dues mentioned above | 108,980,403 | | | |
| Income Tax Act, 1961 | Income Tax | 2,646,451 | 2,646,451 | Assessment Year 2010-11 | Income Tax Appellate Tribunal (ITAT) |
| Income Tax Act, 1961 | Income Tax | 87,794,617 | Nil# | Assessment Years 2011-12 and 2012-13 | The Commissioner of Income Tax (Appeals) |

* - The Company has paid these amounts under protest.

- No payment required as the taxable income for the assessment years was nil.

Annexure to the Independent Auditor's Report

(d) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder.

(viii) The Company's accumulated losses at the end of the financial year are more than fifty percent of its networth. The Company has not incurred cash losses in the current and immediately preceding financial year.

(ix) Based on our audit procedures and as per the information and explanations given by the management, the Company has delayed in repayment of dues to financial institutions and banks during the year aggregating Rs.3,898,503,722 (the delays in such repayments ranging from 1 day to 352 days) and Rs.948,709,962 of such dues were in arrears as on the balance sheet date. Further, no repayments have been made by the Company to one lender, pending the finalization of the terms of the settlement with the lender and accordingly we are unable to comment as to whether there has been delay in the repayment of such debt or not. The overdue principal and interest remaining unpaid in respect of such lender as at March 31, 2015 is 594,166,949 and Rs.224,869,668 respectively. The Company did not have any outstanding dues in respect of debenture holders during the year.

(x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xi) Based on the information and explanation given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle / surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.

(xii) We have been informed that during the year there were instances of misappropriation of cash by the employees of the Company aggregating Rs.3,041,370; and loans given to non-existent borrowers on the basis of fictitious documentation created by the employees of the Company aggregating Rs.1,465,135. As informed, services of certain employees involved have been terminated and the Company is in the process of taking legal action against the employees, wherever necessary. The Company has made full provision for the outstanding balance (net of recovery) aggregating Rs.3,170,791.

For S. R. BATLIBOI & CO. LLP

ICAI Firm's Registration Number: 301003E

Chartered Accountants

per Viren H. Mehta

Partner

Membership No.:048749

Mumbai

July 30, 2015

Balance sheet as at 31 March 2015

| SOURCES OF FUNDS | NOTES | 31-MAR-15 (Rupees) | 31-MAR-14 (Rupees) |
|---|-------|-----------------------|-----------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholder's funds | | | |
| Share capital | 4.1 | 8,279,965,760 | 9,129,507,670 |
| Reserves and surplus | 4.2 | (8,641,815,526) | (9,236,616,636) |
| | | (361,849,766) | (107,108,966) |
| Non-current liabilities | | | |
| Long-term borrowings | 4.3 | 3,752,492,541 | 3,410,071,486 |
| Other long term liabilities | 4.4 | 652,053,628 | 680,417,742 |
| Long-term provisions | 4.5 | 10,541,467,949 | 12,065,473,949 |
| | | 14,946,014,118 | 16,155,963,177 |
| Current liabilities | | | |
| Trade payables | 4.6 | 8,828,194,542 | 5,601,372,629 |
| Short-term provisions | 4.5 | 112,339,460 | 84,536,406 |
| | | 8,940,534,002 | 5,685,909,035 |
| TOTAL | | 23,524,698,354 | 21,734,763,246 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| (i) Tangible fixed assets | 4.7.1 | 42,666,604 | 38,265,150 |
| (ii) Intangible fixed assets | 4.7.2 | 13,272,266 | 6,182,073 |
| (iii) Capital work-in-progress | 4.7.3 | 55,941,594 | - |
| Non-current investments | 4.8 | 1,000,000 | 1,000,000 |
| Loan portfolio | 4.9 | 11,472,590,143 | 12,754,256,890 |
| Other Long-term loans and advances | 4.10 | 179,644,217 | 191,547,393 |
| Other non-current assets | 4.11 | 32,944,921 | 43,399,490 |
| | | 11,798,059,745 | 13,034,650,996 |
| Current assets | | | |
| Trade receivables | 4.12 | 18,566,498 | 1,613,180 |
| Cash and bank balances | 4.13 | 590,899,870 | 257,753,808 |
| Loan portfolio | 4.9 | 10,989,375,021 | 8,317,830,152 |
| Short-term loans and advances | 4.10 | 30,256,132 | 21,882,523 |
| Other current assets | 4.11 | 97,541,088 | 101,032,587 |
| | | 11,726,638,609 | 8,700,112,250 |
| TOTAL | | 23,524,698,354 | 21,734,763,246 |
| Summary of Significant accounting policies | 3.1 | | |
| The accompanying notes are an integral part of the financial statements | | | |

As per our report of even date

For **S. R. BATLIBOI & CO. LLP**ICAI Firm registration number: 301003E
Chartered AccountantsPer **Viren H.Mehta**
Partner
Membership No. 048749For and on behalf of the Board of the Directors of
Spandana Sphoorty Financial LimitedSd/-
Padmaja Gangireddy
Managing DirectorSd/-
Madhava Rao P
DirectorSd/-
Ramnath Krishnan
Chief Finance OfficerPlace: Mumbai
Date: 30-Jul-15

Profit and loss account for the year ended 31 March 2015

| | NOTES | 31-MAR-15 (Rupees) | 31-MAR-14 (Rupees) |
|---|-------|-----------------------|-----------------------|
| Revenue | | | |
| Revenue from operations | 4.14 | 3,019,717,136 | 2,750,442,098 |
| Other income | 4.15 | 234,351,144 | 54,291,281 |
| Total revenue (I) | | 3,254,068,280 | 2,804,733,379 |
| Expenses | | | |
| Employee benefits expense | 4.16 | 709,381,102 | 677,108,314 |
| Finance cost | 4.17 | 1,117,750,723 | 999,588,493 |
| Other expense | 4.18 | 289,962,341 | 399,733,011 |
| Depreciation and amortisation expense | 4.7 | 33,130,234 | 31,273,655 |
| Provision and write offs | 4.19 | 50,525,032 | 53,190,166 |
| Total expenses (II) | | 2,200,749,432 | 2,160,893,639 |
| Profit before tax (III) = (I) - (II) | | 1,053,318,848 | 643,839,740 |
| Tax expenses | | | |
| - Current tax | | - | - |
| - Deferred tax | | - | - |
| - Adjustment of tax relating to earlier periods | | 7,832,394 | 700,566 |
| Profit / (Loss) for the year | | 1,045,486,454 | 643,139,174 |
| Earnings per share | | | |
| Basic (Computed on the basis of total profit for the year) | 4.21 | 51.61 | 33.18 |
| Diluted (Computed on the basis of total profit for the year) | 4.21 | 1.16 | 0.68 |
| Nominal Value | | 10.00 | 10.00 |
| Summary of Significant accounting policies | 3.1 | | |
| The accompanying notes are an integral part of the financial statements | | | |

As per our report of even date

For **S. R. BATLIBOI & CO. LLP**

ICAI Firm registration number: 301003E
Chartered Accountants

per **Viren H.Mehta**
Partner
Membership No. 048749

Place: Mumbai
Date: 30-Jul-15

For and on behalf of the Board of the Directors of
Spandana Sphoorty Financial Limited

Sd/-
Padmaja Gangireddy
Managing Director

Sd/-
Ramnath Krishnan
Chief Finance Officer

Sd/-
Madhava Rao P
Director

Cash flow statement for the year ended 31 March 2015

| PARTICULARS | 31-MAR-15 (Rupees) | 31-MAR-14 (Rupees) |
|--|------------------------|------------------------|
| Cash flow from operating activities | | |
| Profit before tax | 1,053,318,848 | 643,839,740 |
| Adjustments to reconcile profit / (loss) before tax to net cash flows: | | |
| Income recognised on SIDBI grant | (7,000,000) | - |
| Depreciation and amortisation | 33,130,234 | 31,273,655 |
| Amortisation of ancillary borrowing cost | 9,586,066 | 4,070,424 |
| (Profit) / loss on sale of fixed assets | (793,486) | (2,139,878) |
| Contingent provision against standard assets | 30,243,367 | 67,125,238 |
| Excess provision for non-performing assets | (1,527,313,446) | (936,158,073) |
| Portfolio loans written off | 1,407,595,111 | 775,604,522 |
| Loss on assigned loans | 140,000,000 | 146,618,479 |
| Dividend from mutual funds | (4,735,166) | (10,133,281) |
| Excess provisions no longer required | (189,608,693) | (5,724,158) |
| Other provisions and write offs | 11,182,047 | 132,730,905 |
| Unrealised foreign exchange loss | 1,079,261 | 3,874,849 |
| Operating profit before working capital changes | 956,684,143 | 850,982,421 |
| Movements in working capital : | | |
| Increase/ (decrease) in other current liabilities | 80,221,065 | 212,757,308 |
| Increase/ (decrease) in other long term liabilities | (28,364,114) | (7,279,446) |
| Decrease / (increase) in trade receivables | (16,953,318) | (1,613,180) |
| Decrease / (increase) in loans and advances | (2,818,623,273) | 472,876,972 |
| Decrease / (increase) in other current assets | 3,491,499 | (32,703,451) |
| Decrease / (increase) in other non-current assets | (665,185) | 6,800,620 |
| Cash generated from /(used in) operations | (1,824,209,183) | 1,501,821,245 |
| (Direct taxes paid) / Refunds | 5,665,166 | 232,813,904 |
| Net cash flow (used in) / from operating activities (A) | (1,818,544,017) | 1,734,635,149 |
| Cash flows from investing activities | | |
| Purchase of fixed assets (including capital work in progress and capital advances) | (77,583,411) | (11,584,810) |
| Proceeds from sale of fixed assets | 1,140,083 | 3,022,919 |
| Purchase of current investments | (2,690,000,000) | (4,783,400,000) |
| Sale of current investments | 2,690,000,000 | 4,783,400,000 |
| Dividend from mutual funds | 4,735,166 | 10,133,280 |
| Margin money deposits (net) | 1,533,688 | 500,000,000 |
| Net cash flow (used in) / from investing activities (B) | (70,174,474) | 501,571,389 |
| Cash flows from financing activities | | |
| Redemption of OCCRPS (including premium on redemption) | (1,065,043,356) | (480,214,898) |
| Proceeds from issue of equity shares | 50,000,000 | - |
| Repayment of long-term borrowings | (3,111,048,638) | (2,299,774,903) |
| Receipt of long-term borrowings | 6,372,956,548 | - |
| Receipt of short-term borrowings | 60,000,000 | 25,000,000 |
| Repayment of short-term borrowings | (85,000,000) | (450,000,000) |
| Net cash flow from / (used in) financing activities (C) | 2,221,864,554 | (3,204,989,801) |
| Net decrease in cash and cash equivalents (A + B + C) | 333,146,062 | (968,783,263) |
| Cash and cash equivalents at the beginning of the year | 257,753,808 | 1,226,537,071 |
| # Cash and cash equivalents at the end of the year (refer note 4.13) | 590,899,870 | 257,753,808 |
| Summary of significant accounting policies | 3.1 | |
| The accompanying notes are an integral part of the financial statements | | |

As per our report of even date
For **S. R. BATLIBOI & CO. LLP**

ICAI Firm registration number: 301003E
Chartered Accountants

per **Viren H. Mehta**
Partner
Membership No. 048749

Place: Mumbai
Date: 30-Jul-15

For and on behalf of the Board of the Directors of
Spandana Sphoorty Financial Limited

Sd/-
Padmaja Gangireddy
Managing Director

Sd/-
Madhava Rao P
Director

Sd/-
Ramnath Krishnan
Chief Finance Officer

Notes to financial statements for the year ended 31 March 2015

1. Corporate information

Spandana Sphoorty Financial Limited ('SSFL' or 'the Company') is a public company domiciled in India and incorporated under the provision of the Companies Act, 1956 ('the Act') on March 10, 2003. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and has got classified as Non-Banking Financial Company – Micro Financial Institution (NBFC – MFI) effective April 13, 2015.

The Company is engaged in the business of micro finance providing small value unsecured loans to low-income clientele in urban and rural areas. The tenure of these loans is generally spread over one to two years. The Company provides individual loans, small business loans, tractor loans and loans against gold as collateral.

2. Regulatory and Company updates

a) The Government of Andhra Pradesh promulgated "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Ordinance 2010" on October 15, 2010, subsequently enacted the same as "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Act, 2011 (Act 1 of 2011)" on December 31, 2010 and notified by Gazette on January 1, 2011 ('AP MFI Act'). In compliance with the said Ordinance/Act, the frequency of the JLG loan repayments in the state of Andhra Pradesh changed from a 'weekly' to a 'monthly' basis.

These directions significantly affected the recoveries for all MFIs in Andhra Pradesh, including the Company, which had a serious impact of the Company's ability to continue its operations in Andhra Pradesh. Though the AP MFI Act did not directly affect the operations in other states, the additional funding from the financial institutions was severely restricted.

b) Pursuant to a notification DNBS.CC.PD. No. 250/03.10.01/2011-12 dated December 2, 2011, the RBI issued the Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) Directions ('the NBFC-MFI Directions'), whereby directions for NBFCs to be registered as NBFC-MFI were notified. These directions, in addition to defining an NBFC- MFI, provided the regulatory framework and the prudential norms for NBFC-MFIs.

Subsequently, RBI issued certain modifications to the NBFC-MFI Directions on August 3, 2012. The modifications clarified that provisioning made towards portfolio in the state of Andhra Pradesh should be in accordance with extant 'Non-banking Financial (Non-

Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007' and such provision should be added back notionally to the net owned funds for the purpose of calculation of the capital to risk assets ratio ('CRAR') and would be progressively reduced by 20% each year, over 5 years i.e. from March 31, 2013 to March 31, 2017.

c) The Micro Finance Institutions (Development and Regulation) Bill, 2011 was introduced in the month of June 2011. This bill lays the foundation for a central regulation of the microfinance industry and consequently leads to the repeal of the AP MFI Act. It also ensures that no other state legislation would be empowered to enact its own law to regulate the industry. Currently the bill is pending with the Parliament for its approval.

d) The Company had entered into a Master restructuring Agreement (MRA) under the Corporate Debt Restructuring (CDR) arrangement with the lenders on September 24, 2011 (refer to notes 4.1 and 4.3 for details of the CDR package).

e) Pursuant to the approval granted by the CDR committee vide its letter dated December 30, 2013 to the Company's proposal for sanction of fresh line of credit, the CDR lenders agreed to make available, a term loan facility for an aggregate amount of Rs.1,150.25 crores.

3. Basis of preparation

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

b) The Company had incurred substantial losses during the previous financial year as a result of which, its net owned funds, as defined under section 45-IA of the Reserve Bank of India Act, 1934, as amended ('NOF') as at March 31, 2015 continues to be lower than the minimum amount prescribed by the RBI to carry on the business of a non-banking financial institution ('NBFI'). Also, the Capital to

Risk Assets Ratio ('CRAR') of the Company as at March 31, 2015 continues to be lower than the minimum percentage prescribed by the RBI. The losses incurred were mainly attributable to the provisioning for the loan portfolio outstanding in the state of Andhra Pradesh.

In view of the challenges being faced by the Company in maintaining the minimum NOF and CRAR as stipulated by RBI, the Company, vide letter dated March 18, 2014, requested the RBI to provide an exemption from complying with the minimum NOF criteria and also for regulatory forbearance for not maintaining minimum CRAR.

In response of the Company's request, the RBI vide its letter dated April 16, 2014 has provided an exemption from maintaining minimum CRAR and NOF, subject to the Company bringing in fresh capital of Rs.5 crores upfront. Accordingly, the Company completed the required equity infusion subsequent to which the RBI has given an exemption from complying with minimum NOF criteria and regulatory forbearance for not maintaining minimum CRAR for a period of two years till March 31, 2016.

As mentioned in paragraph 2(d) above, the Company has implemented the debt restructuring package. Further, as mentioned in paragraph 2(e) above, the CDR lenders have agreed to make available additional loan facilities aggregating Rs.1,150.25 crores to the Company of which Rs.637.30 crores was disbursed during the current financial year.

Considering the grant of regulatory forbearance by RBI and sanction of the fresh line of credit by the CDR lenders, which would further enhance the availability of resources to sustain operations for at least 12 months following March 31, 2015, the accompanying financial statements have been prepared on a going concern basis.

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

3.1 Summary of significant accounting policies

a) Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty

about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

b) Revenue recognition

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

i. Interest income on loans given is recognized under the internal rate of return method. Income or any other charges on non-performing asset is recognized only when realized and any such income recognized before the asset became non-performing and remaining unrealized is reversed.

ii. Interest income on deposits with banks is recognized on a time proportion accrual basis taking into account the amount outstanding and rate applicable.

iii. Loan processing fees collected from borrowers are recognised over the tenure of the loan on straight-line basis.

iv. Amounts received against loans written-off are recognized on receipt basis.

v. All other income is recognized on an accrual basis.

c) Tangible fixed assets

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

d) Intangible assets

Software expenditure is capitalized in accordance with AS-26 "Intangible Assets" and amortised using the written down value method at a rate of 40% per annum.

e) Depreciation

i. Depreciation on fixed assets is provided on a written down value method at the rates arrived at based on useful life of the assets prescribed under Schedule II of the Act, which also represents the estimate of the useful life of the assets by the management.

ii. Fixed assets costing up to Rs.5,000 individually are fully depreciated in the year of purchase.

f) Impairment

The Company assesses at each reporting date whether if any indication exists, or when annual impairment testing

Notes to financial statements for the year ended 31 March 2015

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

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

g) Leases (where the Company is the lessee)

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

h) Foreign currency transactions

i. All foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction.

ii. Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.

iii. Exchange differences arising on the settlement of monetary items or on the restatement of Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognized as income or expenses in the year in which they arise.

i) Retirement and other employee benefits

i. Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as expenditure when an employee renders the related service.

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

iii. The service rules of the Company do not provide for the carry forward of the accumulated leave balance and leaves to credit of employees are encashed periodically at average gross salary.

j) Income taxes

i. Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

ii. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

iii. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

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

v. Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the MAT Credit Entitlement asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

k) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

l) Provisions

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

m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a

present obligation that is not 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.

n) Cash and cash equivalents

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

o) Investments

Investments, which are readily realizable and intended to be held for not more than a year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis except for investments in the units of mutual funds in the nature of current investments that have been valued at the net asset value declared by the mutual fund in respect of each particular scheme, in accordance with the NBFC Prudential Norms. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. On disposal of an investment, the difference between the carrying amount and disposal proceeds are charged or credited to the statement of profit and loss.

p) Borrowing costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Ancillary borrowing costs are amortized over the tenure of the loan on a straight line basis.

q) Classification of loan portfolio

i. Unsecured loan portfolio is classified as standard and non-performing assets in accordance with the NBFC-MFI Directions, as amended.

ii. All other loans and advances are classified as standard, sub-standard, doubtful and loss assets in accordance with the Systemically Important Non – Banking financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 issued vide Notification No. DNBR. 009/ CGM (CDS) -2015 dated March 27, 2015 ('the NBFC-ND-SI Prudential Norms').

Notes to financial statements for the year ended 31 March 2015

r) Provisioning policy for loan portfolio

- i. Unsecured loan portfolio is provided for in accordance with the NBFC-MFI Directions as amended from time to time. These Directions require the total provision to be higher of:
 - (a) 1% of the outstanding loan portfolio or
 - (b) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.
- ii. All other loans and advances are provided for in accordance with the NBFC-ND-SI Prudential Norms. The provisioning prescribed under these norms is summarized below:

| Asset classification | Rate of provision |
|--|-------------------|
| Standard asset | 0.25% |
| Sub-standard (NPA up to 18 months) - Sub-standard asset | 10% |
| Doubtful (Sub-standard after 18 months) - (Secured) | |
| - Doubtful asset up to 1 year | 20% |
| - Doubtful asset over 1 year to 3 years | 30% |
| - Doubtful asset over 3 years | 50% |
| - Doubtful asset not covered by realizable security - (Unsecured) | 100% |
| Loss assets | Write off |

3.2 Change in estimates

In accordance with the requirement of Schedule II to the Act, the Company has re-assessed the useful lives and residual values of its fixed assets and:

- i) an amount of Rs.3,571,129 has been charged to the opening balance of retained earnings in respect of assets whose remaining useful life is nil as at April 1, 2014; and
- ii) an amount of Rs.8,380,395 has been charged to the statement of profit and loss for the year ended March 31, 2015 representing the additional depreciation on the carrying value of the assets as at April 1, 2014 due to the change in useful life of asset.

4.1 Share capital

| | As at 31 March 2015 (Rupees) | As at 31 March 2014 (Rupees) |
|---|---------------------------------|---------------------------------|
| Authorised | | |
| Equity shares | | |
| 900,000,000 (Previous year: 900,000,000) equity shares of Rs. 10 each | 9,000,000,000 | 9,000,000,000 |
| Preference shares | | |
| 1,100,000,000 (Previous year: 1,100,000,000) preference shares of Rs. 10 each | 11,000,000,000 | 11,000,000,000 |
| | 20,000,000,000 | 20,000,000,000 |
| Issued, subscribed and paid-up | | |
| Equity shares | | |
| 20,380,767 (Previous year 19,380,767) equity shares of Rs. 10 each fully paid up | 203,807,670 | 193,807,670 |
| Preference shares | | |
| 807,615,809 (Previous year : 893,570,000) 0.001% Optionally convertible cumulative redeemable preference shares (OCCRPS) of Rs. 10 each fully paid up | 8,076,158,090 | 8,935,700,000 |
| | 8,279,965,760 | 9,129,507,670 |

(a) Terms / rights attached to equity shares

The Company has only one class of equity shares of par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. As per the Master Restructuring Agreement ('MRA'), the Company, without prior written approval of CDR - Empowered Group, shall not declare / pay any dividend on any shares. Pursuant to MRA, the shares held by promoters are pledged against CDR lenders. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividends in Indian rupees.

(b) Terms / rights attached to OCCRPS

"As per the Master Restructuring Agreement ('MRA') dated September 24, 2011 entered into with the lenders of the Company for restructuring of the total debt (net of fixed deposits) aggregating to Rs. 2,163.90 crores, an amount of Rs. 940.6 crores was converted into Optionally Convertible Cumulative Redeemable Preference Shares ('OCCRPS') on pro-rata basis to the lenders. Accordingly, the Company issued 906,000,000 0.001% OCCRPS of Rs.10 each as fully paid-up to the lenders. OCCRPS carry a dividend of 0.001% p.a. and a redemption premium of 12% p.a., as specified in the MRA.

During the previous year 31,000,000 OCCRPS have been issued to other lenders on terms and conditions similar to those as specified in the MRA dated September 24, 2011 with the CDR lenders.

OCCRPS are redeemable starting from financial year 2013-14, the amount of redemption being 5%, 10%, 15%, 15% and 55% in

five years, in a manner as to yield a return of 12% p.a. to the holders of OCCRPS. The total premium payable, as per the agreed redemption schedule, amounts to Rs. 8,718,982,869 of which Rs. 655,213,523 has been paid / provided till the year ended March 31, 2015. The premium payable on redemption shall be provided out of the securities premium account (to the extent of the balance available) and thereafter from the profits.

The holders of OCCRPS have an unqualified right to convert the entire / part of the outstanding amount of OCCRPS along with cumulative dividend and redemption premium into equity shares of the Company in case of occurrence of an event of default as defined in the MRA. Also, the lenders, based upon a written request from the Company may, at their sole discretion, convert the entire / part outstanding amount of OCCRPS along with cumulative dividend, redemption premium into equity shares of the Company to enable the Company to comply with the regulatory norms regarding capital adequacy. The conversion price shall be based on the reports of two independent valuation firms appointed by the Monitoring Institution ('MI') as identified in the MRA.

Each holder of OCCRPS is entitled to one vote per share on resolutions placed before the Company, which directly affects the rights attached to the OCCRPS. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividends in Indian rupees.

In the event of liquidation of the Company before conversion / redemption of OCCRPS, the holders of OCCRPS will have priority over equity shares in the payment of dividend and repayment of capital.

Notes to financial statements for the year ended 31 March 2015

(Amount in Rupees unless otherwise stated)

4.1 Share Capital (Continued)

c. Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year:

| Particulars | 31-Mar-15 | | 31-Mar-14 | |
|--|-------------------|--------------------|-------------------|--------------------|
| | Number of Shares | Amount | Number of Shares | Amount |
| Outstanding at the beginning of the year | 19,380,767 | 193,807,670 | 19,380,767 | 193,807,670 |
| Issued during the year | 1,000,000 | 10,000,000 | - | - |
| Outstanding at the end of the year | 20,380,767 | 203,807,670 | 19,380,767 | 193,807,670 |

d. Reconciliation of the number of OCCRPS at the beginning and at the end of the year:

| Particulars | 31-Mar-15 | | 31-Mar-14 | |
|--|--------------------|----------------------|--------------------|----------------------|
| | Number of Shares | Amount | Number of Shares | Amount |
| Outstanding at the beginning of the year | 893,570,000 | 8,935,700,000 | 940,600,000 | 9,406,000,000 |
| Issued during the year | 3,100,000 | 31,000,000 | - | - |
| Redeemed during the year [refer note (l) and (ii) below] | 89,054,191 | 890,541,910 | 47,030,000 | 470,300,000 |
| Outstanding at the end of the year | 807,615,809 | 8,076,158,090 | 893,570,000 | 8,935,700,000 |

Note on Redemption of OCCRPS

i) During the current year, the Company has redeemed OCCRPS with delays which were due for redemption for the quarters ended June, September and December 2014. Further, the Company has not redeemed the OCCRPS which were due for the quarter ended March 2015. Thus the redemption amount, as shown in the table above, includes an amount of Rs.276,519,116 representing the nominal value of OCCRPS due for redemption but not paid as at March 31, 2015. The same has been transferred to current liabilities along with premium due there on. Despite of the default in redemption, the holders of OCCRPS have not exercised their right for conversion of any OCCRPS into equity shares.

ii) The OCCRPS redemption of certain lenders, who have not participated in the new term loan agreement, is deferred by a period of two years commencing from January 2014 until December 2015. The redemption of such OCCRPS would from March 2016 and the proportion of redemption will be 5%, 30% and 61.25% in the financial years 2015-16, 2016-17 and 2017-18 respectively.

e. Details of shareholders holding more than 5% equity shares in the Company:

| Name of the Shareholder | 31-Mar-15 | | 31-Mar-14 | |
|--|------------------|--------------|------------------|--------------|
| | Number of Shares | % of holding | Number of Shares | % of holding |
| Equity Shares | | | | |
| JM Financial Trustee Company Pvt. Ltd. | 6,582,876 | 32.30% | 6,038,276 | 29.63% |
| Padmaja Gangireddy | 6,193,506 | 30.39% | 5,798,388 | 28.45% |
| Valiant Mauritius Partners FDI Ltd. | 3,981,780 | 19.54% | 3,651,780 | 17.92% |
| Vijaya Sivarami Reddy Vendidandi | 1,479,983 | 7.26% | 1,479,983 | 7.26% |

f. Details of shareholder holding more than 5% of OCCRPS is set below:

| Particulars | 31-Mar-15 | | 31-Mar-14 | |
|--|------------------|--------|------------------|--------|
| | Number of Shares | Amount | Number of Shares | Amount |
| ICICI Bank Limited | 102,595,000 | 12.70% | 116,173,750 | 12.83% |
| Small Industries Development Bank of India | 102,170,000 | 12.65% | 115,692,500 | 12.78% |
| Syndicate Bank | 68,170,000 | 8.44% | 77,192,500 | 8.53% |
| Industrial Development Bank of India | 43,265,000 | 5.36% | 48,991,250 | 5.41% |

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

Notes to financial statements for the year ended 31 March 2015

| | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) |
|---|-------------------------|-------------------------|
| 4.2 Reserves and Surplus | | |
| Capital reserve (Grant received from SIDBI) | - | 7,000,000 |
| Securities premium account | | |
| Balance as per the last financial statements | 1,264,962,000 | 1,440,061,308 |
| Add: Received during the year | 40,000,000 | - |
| Less: Utilization towards premium on OCCRPS [refer note 4.2 (a)] | (480,114,215) | (175,099,308) |
| Closing balance | 824,847,785 | 1,264,962,000 |
| General reserve | 23,280,656 | 23,280,656 |
| Capital redemption reserve | | |
| Balance as per the last financial statements | 470,300,000 | - |
| "Add: Amount transferred from surplus in the statement of profit and loss [refer note 4.2 (b)]" | 890,541,910 | 470,300,000 |
| Closing balance | 1,360,841,910 | 470,300,000 |
| Statutory reserve | | |
| Balance as per the last financial statements | 803,509,549 | 674,881,714 |
| Add: Amount transferred from surplus in the statement of profit and loss | 209,097,291 | 128,627,835 |
| Closing balance | 1,012,606,840 | 803,509,549 |
| Surplus/(deficit) in the statement of profit and loss | | |
| Balance as per the last financial statements | (11,805,668,841) | (11,849,880,179) |
| Add: Profit for the year after tax | 1,045,486,454 | 643,139,173 |
| Less: Transfer to Statutory Reserve [@ 20% of profit after tax as required by Section 45-IC of Reserve Bank of India Act, 1934] | (209,097,291) | (128,627,835) |
| Less: Adjustment of carrying amount of tangible assets in accordance with Schedule II of Companies Act, 2013 | (3,571,129) | - |
| Less: Transfer to Capital redemption reserve | (890,541,910) | (470,300,000) |
| Net deficit in the statement of profit and loss | (11,863,392,717) | (11,805,668,841) |
| Total reserves and surplus | (8,641,815,526) | (9,236,616,636) |

(a) Amount of premium on redemption, adjusted from the securities premium account, is attributable to the OCCRPS redeemed during the current year and includes an amount of Rs.194,278,063 representing premium due on redemption but not paid as at March 31, 2015. Which has been transferred to current liabilities along with the nominal value of the OCCRPS. The adjustment made from the securities premium account is in accordance with section 55 of the Companies Act, 2013.

(b) During the current financial year, 89,054,191 (Previous year : 47,030,000) OCCRPS have fallen due for redemption in accordance with the terms of the MRA as explained in note 4.1. Accordingly, the Company has transferred an amount equal to the nominal value of the OCCRPS redemption to the Capital Redemption Reserve account from the current year profits, in compliance with the requirements of Section 55 of the Companies Act, 2013.

(c) Since the opening reserves of the Company are negative, the Company is not eligible to declare any dividend in terms of section 123 of Companies Act, 2013 read with the rules framed thereunder. Hence, no appropriation has been made towards the dividend payable on the OCCRPS for the current financial year. The Company has sought an approval from the Ministry of Corporate Affairs ('MCA') for payment of dividend on the OCCRPS which is awaited as at March 31, 2015. The Company has paid the previous year dividend to the holders of OCCRPS, subject to such approval from the MCA. Such payment has been treated as an advance in the books of account.

Notes to financial statements for the year ended 31 March 2015

(Amounts in Rupees unless otherwise stated)

| | NON-CURRENT PORTION | | CURRENT PORTION | |
|--|-----------------------|----------------------|----------------------|----------------------|
| | 31-Mar-15 (Rs.) | 31-Mar-14(Rs.) | 31-Mar-15 (Rs.) | 31-Mar-14 (Rs.) |
| 4.3 Long-term borrowings | | | | |
| Term loans | | | | |
| Indian rupee loan from banks (secured) | 3,070,873,830 | 2,991,204,125 | 5,505,106,411 | 2,908,268,365 |
| Indian rupee loan from financial institutions (secured) | 467,356,897 | 316,454,002 | 778,294,251 | 486,797,100 |
| Indian rupee loan from non-banking financial companies (secured) | 214,261,814 | 102,413,359 | 196,413,845 | 221,262,187 |
| | 3,752, 492,541 | 3,410,071,486 | 6,479,814,507 | 3,616,327,652 |
| Above amount includes | | | | |
| Secured borrowings | 3,752, 492,541 | 3,410,071,486 | 6,479,814,507 | 3,616,327,652 |
| Amount disclosed under the head "Other current liabilities" (refer note 4.6) | - | - | (6,479,814,507) | (3,616,327,652) |
| Net amount | 3,752, 492,541 | 3,410,071,486 | - | - |

(a) Information on CDR package

The Company has received an approval for the Corporate Debt Restructuring ('CDR') package with the lenders under the Master Restructuring Agreement ('MRA') dated September 24, 2011. The key features of the CDR are as follows:

Of the total debts outstanding as at April 1, 2011, an amount of Rs.2,163.90 crores (net of fixed deposits available with individual lenders), was restructured under the MRA. Of the total debt outstanding, Rs.940.60 crores has been reconstituted as Optionally Convertible Cumulative Redeemable Preference Shares ('OCCRPS') and the balance amount of Rs.1,223.30 crores has been reconstituted as rupee term loans.

During the year, the Company, further restructured debts outstanding of Rs. 7.01 crores, by reconstituting Rs. 3.1 crores as OCCRPS and the balance of Rs. 3.91 crores as rupee term loans.

Pursuant to the approval of CDR committee vide its letter dated December 30, 2013, it was agreed that CDR lenders shall make available a rupee term loan facility to the Company for an aggregate amount of Rs. 1,150.25 crores to the Company. Accordingly, the Company has entered into a loan agreement dated April 29, 2014 with the participating lenders. This fresh line of credit provided by the participating lenders is referred to as "priority debt".

The restructured rupee term loans carry a fixed rate of interest of 12% p.a., payable on a monthly basis, with effect from April 1, 2011. Principal amount on the said rupee term loans is repayable starting from financial year 2012-13, the proportion of repayment being 20%, 25%, 25%, 15%, 10% and 5% over six years respectively. The priority debt carries a fixed rate of interest of 13% p.a., payable on a monthly basis. Principal amount of priority debt would be repayable in 18 equal monthly installments subsequent to a moratorium of 6 months from draw-down of each tranche.

The lenders who did not participate in the priority debt have agreed to defer all repayments due to them under the CDR for a period of two years commencing from January 2014 until December 2015. As per the revised repayment schedule, the balance outstanding

principal amount would be repayable starting from financial year 2015-16 (from January 2016) and the proportion of repayment will be 10%, 35% and 16.25% of the reconstituted term loans, each year respectively. The new rupee term loan is secured by exclusive charge on receivable created out of the facility, apart from the security provided as per MRA.

Details of security available to the CDR lenders in respect of the rupee term loans outstanding are as follows:

i. As part of the MRA, security interest created by the Company is available to all the lenders to secure the restructured term debt, working capital term loans and all amounts payable under the restructuring documents and the security interests so created, rank paripassu among the lenders.

ii. Additional security is made available to the CDR lenders by pledging of entire unencumbered shares held by the promoters. The promoters shall also pledge any additional shares allotted to the promoters as rights/ bonus shares/ preferential allotment, in future during the currency of the package.

iii. The additional security mentioned above shall also be made available to each lender who accedes to the MRA to secure the loan or facility advanced by such lender to the Company.

iv. If at any time during the subsistence of MRA, the lenders are of the opinion that the security provided by the Company has become inadequate to cover the balance of the loans then outstanding, then, on CDR Empowered Group advising the Company to that effect, the Company shall provide such additional collateral or security to secure the loan, as may be required by the CDR Empowered Group in its sole discretion.

(b) Reconciliation of closing balances (CDR lenders)

There are certain differences in the closing balance of borrowings from CDR lenders as per books of account and the balances as per the confirmations / statement of account received from these lenders. The Company has accounted for all the adjustments to the borrowings in accordance with the terms of the CDR package and

Notes to financial statements for the year ended 31 March 2015

(Amounts in Rupees unless otherwise stated)

is in the process of identifying the reasons for this difference. Subsequent to the balance sheet date, the unreconciled amount, in respect of which reasons are yet to be identified up to the date of the finalisation of the financial statements, is Rs. 108,147 (net).

(c) Repayment to lenders

There has been delay in repayment of principal and interest to the CDR lenders and the overdue principal and interest remaining unpaid as at March 31, 2015 is Rs. 677,832,959 (March 31, 2014: Rs. 698,819,335), Rs. 270,877,003 (includes Rs. 6,661,479 towards penal interest) (Previous year: Rs.190,099,998) respectively.

Further, no repayments have been made by the Company during the year in case of one lender, who has agreed for one time settlement subsequent to balance sheet date. The overdue principal and interest remaining unpaid in respect of such lenders as at March 31, 2015 is Rs. 594,166,949 and Rs. 594,166,949) and Rs. 224,864,733 (March 31, 2014: Rs. 153,873,797) respectively.

| 4.4 Other long term liabilities | Long - Term | | Short - Term | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 31-Mar-15 (Rs.) | 31-Mar-14 (Rs.) | 31-Mar-15 (Rs.) | 31-Mar-14 (Rs.) |
| Unamortised loan processing fees | 31,053,628 | 3,612,810 | - | - |
| Other payables | 621,000,000 | 676,804,932 | - | - |
| | 652,053,628 | 680,417,742 | - | - |

| 4.5 Provisions | 31-Mar-15 | 31-Mar-14 | 31-Mar-15 | 31-Mar-14 |
|--|-----------------------|-----------------------|--------------------|-------------------|
| Provision for gratuity (Net of contribution) (refer note 4.26) | 867,133 | - | - | - |
| Contingent provision against standard assets (refer note 4.28) | 8,120,335 | 5,680,022 | 112,339,460 | 84,536,406 |
| Provision for non-performing assets (refer note 4.28) | 10,532,480,481 | 12,059,793,927 | - | - |
| | 10,541,467,949 | 12,065,473,949 | 112,339,460 | 84,536,406 |

| 4.6 Other current liabilities | | | | |
|---|---|---|----------------------|----------------------|
| Employee benefits payable | - | - | 83,979,225 | 75,946,597 |
| Payable towards asset assignment transaction | - | - | 956,746,883 | 1,008,146,555 |
| Amounts pending adjustment to borrower accounts | - | - | - | 79,342,828 |
| Expenses payable | - | - | 37,399,416 | 30,069,556 |
| Creditors for capital goods | - | - | 26,897,790 | - |
| Other payables | - | - | 35,894,951 | 24,051,672 |
| Other liabilities | | | | |
| Current maturities of long-term borrowings (refer note 4.3) | - | - | 6,479,814,507 | 3,616,327,652 |
| Guarantee fee payable | - | - | 27,388,469 | 26,309,208 |
| Unfructified service tax liability (net of amount paid under protest Rs. 9,200,000) | - | - | 97,637,969 | 86,275,420 |
| Amounts payable on redemption of OCCRPS [refer notes 4.1 (d) and 4.2 (a)] | - | - | 470,797,179 | 165,184,410 |
| Interest accrued but not due on borrowings | - | - | 28,626,916 | 37,964,066 |
| Interest accrued and due on borrowings | - | - | 483,833,107 | 358,165,564 |
| Statutory dues payable (including penal damages levied by ESIC) | - | - | 12,708,481 | 11,945,035 |
| Unamortized income | | | | |
| Unamortized loan processing fees | - | - | 86,469,649 | 81,644,066 |
| | - | - | 8,828,194,542 | 5,601,372,629 |

Notes to financial statements for the year ended 31 March 2015

4.7.1 Tangible Assets

(Amounts in Rupees unless otherwise stated)

| Particulars | Furniture & Fixtures | Office Equipment | Vehicles | Computers & Printers | Total |
|---------------------------------------|----------------------|-------------------|------------------|----------------------|--------------------|
| Gross block | | | | | |
| At April 1, 2013 | 85,217,647 | 37,565,546 | 4,402,541 | 120,570,351 | 247,756,085 |
| Addition | 5,484,867 | 3,029,082 | - | 4,307,833 | 12,821,781 |
| Disposals | 5,883,229 | 4,988,190 | - | 277,884 | 11,149,302 |
| Other adjustments | 198,230 | 336,490 | - | 67,775 | 602,494 |
| At March 31, 2014 | 84,621,056 | 35,269,949 | 4,402,541 | 124,532,525 | 248,826,070 |
| Addition | 2,579,622 | 553,326 | - | 32,686,812 | 35,819,760 |
| Disposals | 2,196,418 | 450,381 | 640,702 | 5,524,354 | 8,811,855 |
| Other adjustments | - | - | - | - | - |
| At March 31, 2015 | 85,004,259 | 35,372,893 | 3,761,839 | 151,694,983 | 275,833,974 |
| Depreciation | | | | | - |
| At April 1, 2013 | 58,629,857 | 22,256,801 | 3,229,148 | 108,229,119 | 192,344,925 |
| Charge for the year | 13,384,891 | 5,842,757 | 357,273 | 7,085,955 | 26,670,877 |
| Disposals | 4,686,656 | 2,997,738 | - | 237,357 | 7,921,751 |
| Other adjustments | 169,853 | 299,669 | - | 63,609 | 533,131 |
| At March 31, 2014 | 67,158,240 | 24,802,151 | 3,586,421 | 115,014,108 | 210,560,920 |
| Charge for the year | 7,798,801 | 5,299,046 | 388,680 | 13,944,387 | 27,430,914 |
| Disposals | 2,145,679 | 338,688 | 594,739 | 5,316,487 | 8,395,593 |
| Other adjustments (Refer note 4.2) | - | 1,581,209 | - | 1,989,920 | 3,571,129 |
| At March 31, 2015 | 72,811,362 | 31,343,718 | 3,380,362 | 125,631,929 | 233,167,370 |
| Net Block | | | | | |
| At March 31, 2014 | 17,462,816 | 10,467,798 | 816,120 | 9,518,416 | 38,265,150 |
| At March 31, 2015 | 12,192,897 | 4,029,175 | 381,477 | 26,063,054 | 42,666,604 |

All assets have been recognized at cost

4.7.2 Intangible Assets

| Particulars | Software | Total |
|--------------------------|-------------------|-------------------|
| Gross block | | |
| At April 1, 2013 | 32,013,566 | 32,013,566 |
| Purchase | - | - |
| Disposals | - | - |
| At March 31, 2014 | 32,013,566 | 32,013,566 |
| Purchase | 12,789,513 | 12,789,513 |
| Disposals | - | - |
| At March 31, 2015 | 44,803,079 | 44,803,079 |
| Amortisation | | |
| At April 1, 2013 | 21,228,715 | 21,228,715 |
| Charge for the year | 4,602,778 | 4,602,778 |
| Deductions | - | - |
| At March 31, 2014 | 25,831,493 | 25,831,493 |
| Charge for the year | 5,699,320 | 5,699,320 |
| Deductions | - | - |
| At March 31, 2015 | 31,530,813 | 31,530,813 |
| Net block | | |
| At March 31, 2014 | 6,182,073 | 6,182,073 |
| At March 31, 2015 | 13,272,266 | 13,272,266 |

4.7.3 Capital work in progress

| Capital work in Progress | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) |
|--------------------------|--------------------|--------------------|
| Supply of material | 46,554,594 | - |
| Civil works | 9,387,000 | - |
| | 55,941,594 | - |

4.7.4 Capital commitment

| Capital work in Progress | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) |
|--------------------------|--------------------|--------------------|
| | 61,299,833 | - |

Notes to financial statements for the year ended 31 March 2015

(Amounts in Rupees unless otherwise stated)

| 4.8 Non Current Investments | Non-current | | Current | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) |
| (Valued at cost unless otherwise stated) | | | | |
| Non-trade investments | | | | |
| - Investments in equity instruments (Unquoted) 100,000 (previous year: 100,000) equity shares of Rs. 10 each fully paid up in Alpha Micro Finance Consultants Private Limited | 1,000,000 | 1,000,000 | - | - |
| | 1,000,000 | 1,000,000 | - | - |
| Aggregate amount of unquoted investments | 1,000,000 | 1,000,000 | - | - |

| 4.9 Loan portfolio | Non-current | | current | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) |
| Joint liability group loans | | | | |
| Unsecured, considered good* | 809,751,504 | 522,856,150 | 10,603,464,452 | 7,744,328,505 |
| Unsecured, considered doubtful** | 9,387,447,466 | 10,633,502,462 | - | - |
| | 10,197,198,970 | 11,156,358,612 | 10,603,464,452 | 7,744,328,505 |
| Individual loans | | | | |
| Unsecured, considered good* | 6,412,292 | 13,084,290 | 61,215,754 | 85,353,630 |
| Unsecured, considered doubtful** | 1,206,751,759 | 1,421,779,789 | - | - |
| Secured, considered good* | 25,632,598 | 123,523,508 | 324,694,815 | 488,148,017 |
| Secured, considered doubtful** | 36,594,524 | 39,510,691 | - | - |
| | 1,275,391,173 | 1,597,898,278 | 385,910,569 | 573,501,647 |
| Total | 11,472,590,143 | 12,754,256,890 | 10,989,375,021 | 8,317,830,152 |

* Represents standard assets in accordance with Company's asset classification policy

** Represents non-performing assets in accordance with Company's asset classification policy

| 4.10 Loan and advances | Non-current | | current | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) |
| A. Security deposits | | | | |
| Unsecured, considered good | 24,781,563 | 21,448,284 | - | - |
| (A) | 24,781,563 | 21,448,284 | - | - |
| B. Other loans and advances | | | | |
| Unsecured, considered good | | | | |
| Advance income tax (net of provision) | 151,289,547 | 164,787,107 | - | - |
| Advance with service provider | 3,600,000 | 5,100,000 | - | - |
| Prepaid expenses | - | - | 2,988,257 | 2,784,520 |
| Advance against sum assured | - | - | 21,149,538 | 9,296,960 |
| Capital advances | - | - | 2,706,994 | - |
| Amounts deposited with courts | - | - | - | - |
| Other Advances | - | - | 3,411,343 | 9,801,043 |
| Unsecured, considered doubtful | | | | |
| Employee loans | 1,960,694 | 2,211,299 | - | - |
| Amounts deposited with courts | 5,019,622 | 5,231,622 | - | - |
| Other advances | 3,983,372 | - | - | - |
| Advance against sum assured | 12,306,863 | 16,707,306 | - | - |
| | 178,160,098 | 194,037,334 | 30,256,133 | 21,882,523 |
| Provision for doubtful advances | (23,297,444) | (23,938,225) | - | - |
| (B) | 154,862,654 | 170,099,109 | 30,256,133 | 21,882,523 |
| Total (A + B) | 179,644,217 | 191,547,393 | 30,256,133 | 21,882,523 |

Notes to financial statements for the year ended 31 March 2015

4.11 Other Assets

(Amounts in Rupees unless otherwise stated)

| 4.11 Other assets | Non-current | | current | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) |
| Non-current bank balances (refer note 4.13) | 19,166,266 | 17,632,578 | - | - |
| Unamortized Ancillary borrowing costs | 13,778,655 | 12,211,282 | 12,798,547 | 4,070,437 |
| Contribution towards gratuity (net of provision) | - | 13,555,630 | - | - |
| Interest accrued but not due on portfolio loans | - | - | 81,376,764 | 86,739,606 |
| Interest accrued and due on portfolio loans | - | - | 2,712,565 | 9,048,244 |
| Interest accrued on term deposits | - | - | 653212 | 667,096 |
| Other receivables | - | - | - | 507,204 |
| | 32,944,921 | 43,399,490 | 97,541,088 | 101,032,587 |

| 4.12 Trade receivables | Non-current | | current | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) |
| Outstanding for a period less than six months from the date they are due for payment Unsecured, considered good | | | 18,566,498 | 1,613,180 |
| | - | - | 18,566,498 | 1,613,180 |

| 4.13 Cash and bank balances | Non-current | | current | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) |
| Cash and cash equivalents | | | | |
| Balances with banks | | | | |
| On current accounts | - | - | 580,429,418 | 229,899,770 |
| Cash on hand | - | - | 10,470,452 | 27,854,038 |
| | | | 590,899,870 | 257,753,808 |
| Other bank balances | | | | |
| Margin money deposit (refer note below) | 19,166,266 | 17,632,578 | - | - |
| | 19,166,266 | 17,632,578 | - | - |
| Amount disclosed under non-current assets (refer note 4.11) | (19,166,266) | (17,632,578) | | |
| | - | - | 590,899,870 | 257,753,808 |

Note : Represent margin money deposits placed as cash collateral in connection with asset assignment transactions.

| 4.14 Revenue from operations | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) |
|--|-----------------------|-----------------------|
| Interest income on portfolio loans | 2,827,948,938 | 2,549,232,414 |
| Income from assignment of loans (refer note 4.20) | - | 25,264,420 |
| Other operating revenue | | |
| Loan processing fees (refer note 4.20) | 153,162,324 | 154,907,284 |
| Recovery against loans written off | 37,013,493 | 19,439,901 |
| Interest on margin money deposits* | 1,592,381 | 1,598,079 |
| | 3,019,717,136 | 2,750,442,098 |

| 4.15 Other Income | 31-Mar-15 (Rupees) | 31-Mar-14 (Rupees) |
|---|-----------------------|-----------------------|
| Interest on fixed deposits | 28,767 | 1,443,938 |
| Dividend from mutual funds | 4,735,166 | 10,133,281 |
| Profit on sale of fixed assets (net) | 793,486 | 2,139,878 |
| Provisions no longer required, written back | 189,608,693 | 5,724,158 |
| Interest on income tax refund | 832,818 | 30,787,748 |
| Commission income | 30,518,027 | 2,316,618 |
| Miscellaneous income | 7,834,187 | 1,745,660 |
| | 234,351,144 | 54,291,281 |

* Represents interest on deposits placed to avail term loans and on as cash collateral in connection with asset assignment.

Notes to financial statements for the year ended 31 March 2015

(Amounts in Rupees unless otherwise stated)

v. Un-hedged foreign currency

The Company has un-hedged foreign currency exposure in respect of:

(Rupees in Crores)

| Particulars | 31-Mar-15 | | 31-Mar-14 | |
|----------------------------------|-----------|------------|-----------|------------|
| | USD | INR | USD | INR |
| Guarantee fee payable | 433,438 | 27,388,469 | 433,438 | 26,309,208 |
| Creditors for purchase of assets | 124,867 | 10,724,852 | - | - |

4.31 The Company has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Company has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liability (refer note 4.24) where applicable in the financial statements.

4.32 Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.

for and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

| | | |
|--|--|--|
| Sd/- Padmaja Gangireddy Managing Director | Sd/- Madhava Rao P Director | Sd/- Ramnath Krishnan Chief Finance Officer |
|--|--|--|

Place: Mumbai

Date: 30-Jul-15

Notice of Annual General Meeting

Notice is hereby given that the 12th Annual General Meeting of the Company 'Spandana Sphoorty Financial Limited' will be held at 3:00 p.m. on 29th September 2015 at Registered Office of the Company at Plot 79, Care Crystal, Vinayak Nagar, Gachibowli, Hyderabad - 500032 to transact the following business :

Ordinary Business:

- 1) To receive, consider and adopt the Balance Sheet as at 31-Mar-2015, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date and the reports of the Directors and Auditors thereon.
- 2) To consider and, if thought fit, to pass with or without modification(s) the following resolution as Ordinary Resolution

"RESOLVED THAT subject to the provisions of the Section 139 and other applicable provisions, if any, of the Companies Act, 2013, approval of the shareholders, be and is hereby accorded to re-appoint M/s. S R Batliboi & Co. LLP (Firm No 301003E), Chartered Accountants Firm, Hyderabad as Statutory Auditors to audit the books of the company for a period of four years starting from the financial year 2015-16 till the conclusion of the AGM held for the FY 2017-2018."

Date :

Place:

For Spandana Sphoorty Financial Limited

Sd/-
Padmaja Gangireddy
Managing Director

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself/herself and the proxy need not be a member.
2. A proxy form, duly completed and stamped, must reach the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Members are requested to communicate their change of address, addressing the Company Secretary, Spandana Sphoorty Financial Limited, Plot 79, Care Crystal, Vinayak Nagar, Gachibowli, Hyderabad- 500032.

Company Information

REGISTERED OFFICE:

Plot No. 79, Care Crystal, Vinayak Nagar
Gachibowli, Hyderabad – 500032.
CIN: U65929TG2003PLC040648

BOARD OF DIRECTORS:

Mrs. G. Padmaja Gangireddy - Managing Director,
Mr. Lakshmi Narasaiah Gunturu - Independent Non-Executive Director
Ms. Abanti Mitra - Independent Non-Executive Director
Mr. P Madhava Rao - Independent Non-Executive Director
Mr. Perur Seshappa Prasad - Independent Non-Executive Director
Mr. Gopala Reddy Annapureddy - Independent Non-Executive Director

COMPANY SECRETARY:

-

STATUTORY AUDITORS:

M/s. S R Batliboi & Co, LLP
(Firm Registration No. 301003E),
Hyderabad

REGISTRARS & TRANSFER AGENT:

Karvy Computershare Private Limited,
Karvy Selenium, Tower- B, Plot No 31 & 32.,
Financial district, Nanakramguda, Serilingampally Mandal,
Hyderabad - 500032, India. Tel: +91 04 67161500
Toll Free No: 18003454001. Email Id : einward.ris@karvy.com

WEBSITE:

www.spandanaindia.com

BANKERS AND INVESTORS:

Banks

| Sl. No. | Name of the Bank |
|---------|-----------------------|
| 1. | IDBI Bank Ltd. |
| 2. | ICICI Bank Ltd. |
| 3. | Andhra Bank |
| 4. | Axis Bank |
| 5. | Bank of Baroda |
| 6. | Bank of India |
| 7. | Central Bank of India |

8. Corporation Bank
9. Dhanalaxmi Bank
10. HDFC Bank
11. HSBC
12. Indian Overseas Bank
13. ING Vysya Bank Ltd.
14. Jammu & Kashmir Bank
15. Karnataka Bank Ltd.
16. KarurVysya Bank
17. Lakshmi Vilas Bank
18. Oriental Bank of Commerce
19. Punjab National Bank
20. Punjab & Sind Bank
21. South Indian Bank
22. Standard Chartered Bank
23. State Bank of Hyderabad
24. State Bank of Mysore
25. State Bank of Patiala
26. State Bank of Travancore
27. Syndicate Bank
28. Vijaya Bank
29. Yes Bank
30. UCO Bank
31. Union Bank of India
32. BNP Paribas
33. Citi Bank

FINANCIAL INSTITUTIONS

1. Small Industries Development Bank of India
2. Manaveeya Holdings & Investments Pvt. Ltd.
3. Rabo India Finance
4. Tata Capital Limited

INVESTORS

1. JM Financial Trustee Company Private Limited
2. Valiant Mauritius Partners FDI Limited
3. Helion Venture Partners LLC
4. Lok Capital LLC
5. SIDBI



SPANDANA

Spandana Sphoorty Financial Limited

CIN : U65929TG2003PLC040648

No. 31 & 32, Ramky Selenium Towers,
Tower A, Ground Floor, Financial District, Nanakramguda,
Gachibowli, Hyderabad. 500032.