

## SPANDANA SPHOORTY FINANCIAL LIMITED

Offering Financial Services to Low Income households

# ANNUAL REPORT

# 2017-18



## Message to Stakeholders



Padmaja Gangireddy

Dear Stakeholders,

After a rollercoaster ride of last few years, I am happy to share that Spandana has recorded an absolute turnaround. Last year, FY17, we had come out of CDR mechanism and raised fresh capital. That had laid a good foundation for us to rebuild Spandana to its past glory despite tiding over the business impact from Demonetisation event of Nov-2016. This year, in FY18, we could therefore, capitalise on the past experience and existing outreach across states in India and recorded growth much higher than the industry average among MFIs in India.

In FY18, as we got back on our growth path, compared to rest of the Top-5 NBFC-MFIs most of our metrics are trending better; quoting a few here as per ICRA research –

- Spandana's Loan Portfolio (Asset Under Management) has grown by **144%**, compared to **46%** for the rest of Top-5 NBFC-MFIs
- Spandana's Disbursements grew by **87%**, compared to **45%** for the rest of top-5 NBFC-MFIs
- Spandana's Profitability has also been best in class with RoE at 22.6%, compared to an average of 12.4% for rest of Top-5 MFIs

We are steadfastly working on ensuring operational efficiencies and internal controls as we pursue financial inclusion. This has helped us maintain lower operating costs and lower credit costs and report better profitability compared to our industry averages. We have been also enhancing our technology play. According to ICRA Research, our Opex ratio (operating expense to average AUM) was better than the industry as a whole for FY18. While we grew faster, we have been able to manage the portfolio quality also much better than the industry aggregates. For Mar-2018, Portfolio quality, measured with PAR>90 DPD for Spandana has been at

**2.2%** compared to **7.4%** reported for the leading MFIs and Small Finance Banks (SFBs) as per ICRA Research.

I am humbly pleased to share that our respect for fundamentals and perseverance at building institutional resilience has worked well for us. In the current year, FY18, your company has improved its market-share in the MFI Industry (all NBFC-MFIs + SFBs + Banks doing direct microfinance – taken together). As per ICRA Research and data from MFI Micrometer, in terms of Assets Under Management (AUM), Spandana's market share has doubled to **2.5%** in March-18 compared to **1.2%** in the previous year March-17. Among NBFC-MFIs, it now stands at 6.6% compared to 4.0% in the previous year. This helps us improve to No.4 rank among the NBFC-MFIs in India. While the ranks may not matter, what is critical is that our business metrics are again looking-up and we are pleased that we have been able to serve more than 1.6 million borrowers across 15 states and 222 districts of India.

Besides the existing 12 states where we operated till the previous year, we also ventured into West Bengal and Bihar besides re-starting operations in Rajasthan. We grew our branch count to 694 and team size increased by 32% to 4,045. We have been cautious on portfolio concentration risks and have ensured that in this year, none of our Branch has more than 0.35% of AUM, highest district level exposure is within 2% of AUM while highest exposure in any state is within 25%, and the State level exposure is within our overall network level.

Our focus on fundamentals – customer centricity and internal controls – has also helped us report a Profit after Tax of Rs.1,704 million with an RoE of 22.6% and an Asset Under Management (AUM) of Rs.31,663 million as on March-2018.

In the 15 year history of this company, we have seen many crest and troughs – the challenges at times looked un-surmountable – like the 2006 Krishna issue, 2009 Kolar issue, 2010 AP-MFI Ordinance and the 2016 Demonetisation – just to name a few. There have also been many smaller events of floods, droughts etc in various pockets where we operate. However, our resilience has helped us stand ground and resume growth with renewed vigour and mission focus. As Confucius said, *“Our greatest glory is not in never falling, but in rising everytime we fall”*. This has been backed by our service commitment to our customers and their demand for such service.

Market and competition has also seen gaining maturity in these years. Compared to 2005, when had less than 5 MFIs of critical scale of Rs.1,000 million AUM, now we have almost

40 players above that scale. However, Spandana has maintained its leadership by staying within top-10 even in worst of seasons with a substantial market share. Many of our peers got differentiated. Few turned into Small Finance Banks and one became a Universal Bank while another one is going in for a proposed merger into a Bank. We have also seen NBFC-MFIs gaining more traction, both in the on-Balance sheet and off-balance sheet business (securitisation, business correspondent arrangements). State led SHG-Bank linkage program also continues to report growth, though at a slower pace than MFI industry. This just goes on to show the inherent demand for microfinance being very large among low-income under-served community across India. Many other noteworthy developments include - getting specific NBFC-MFI regulation from RBI, the self regulatory organisations having their oversight and also the maturing of Credit Bureaus which are able to handle the data complexity of our client segment.

We have also adapted to the changing market situation. We have gradually moved on from an almost equal rural-urban business-mix in 2005-06 to a predominantly rural lending business now with almost 86% of AUM is originating from rural areas. This has now become our strength besides many years of experience of our field staff with the vintage of our business. Our client base has also been well diversified across various states and within those states, moving into rural areas which give us a good strength to leverage on the client base. Our focus on women borrowers continue.

We thank our customers for their enterprising efforts in using the loans from us for increasing their income opportunities and their well being. Their success stories motivate us to continue to work with passion and commitment. We would also like to thank our employees for their relentless hard work in meeting company's operating objectives. We are also thankful to our lenders and investors who have trusted their funds with us and helped us expand our service provision to our target customers. Push on financial inclusion by all wings of the governments and RBI's oversight on the NBFC-MFI sector gives us confidence that we should continue on our path of serving larger number of customers.

**Padmaja Reddy**  
Founder & Managing Director

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## Corporate Philosophy

### Mission

We want to be one of the most significant microfinance service provider 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.

### 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.



# SPANDANA

### 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.

### 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.

## Background

Spandana Sphoorty Financial Limited (“SSFL” or “Spandana”) operates as a Non Banking Finance Company (NBFC) incorporated under the Companies Act, 1956 and licensed by the Reserve Bank of India (RBI) under the Reserve Bank of India Act, 1934 to carry on the business of a Non Banking Financial Institution. With release of NBFC- Micro Finance Institution (NBFC-MFI) as a new category of NBFCs, the company has been reclassified as an NBFC-MFI.

Our founder Mrs Padmaja Reddy promoted a company in 2003 – first named as Spandana Sphoorty Innovative Financial Services Limited (SSIFL) and the microfinance program of Spandana was run under SSIFSL after it obtained the Non-Banking Finance Company (NBFI) license in 2005. Later the name of SSIFL was abridged to Spandana Sphoorty Financial Limited.

Spandana has been one of the largest and most seasoned Microfinance Institution (MFI) in India in terms of Client outreach and Portfolio size. Spandana has been committed to strengthening the socio-economic

status of low-income households – particularly women – in rural and urban areas by providing financial services in order to help improve livelihoods, establish identity and enhance self-image. The lending program has been funded by different Financial Institutions – like Public Sector Banks, Private Sector Banks, Foreign Banks, Development Financial Institutions and other Financial Institutions.

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 offered various other loan products in its journey as an MFI. This includes the Agri-Family Loans, Farm Equipment loans, Small Mortgages, loans against Gold jewellery.

Target segment of Spandana is low-income households who are un-banked and under-banked. The under-banked households may have access to banking services but the lack of door-step banking and para-banking services makes it inconvenient for the low-income customers to transact with the Banks. Even if they have Bank accounts, a simple activity of deposit and withdrawal of monies is at times inconvenient for such customers. They need to incur additional transport costs and also the opportunity cost of wage-loss for time spent in reaching the Banks and then accessing services at the Bank branches. Further, the products offered by the Banks may not meet their Banking requirements. This is where MFIs

like Spandana fill the demand gap by providing services close to their doorstep. Further, providing Credit or Loans to women borrowers also has an indirect impact of empowering them and making them participate in decisionmaking at the household level. Women are able to manage and grow their micro-enterprises with access to capital from MFI loans and that helps them in repaying their loans without losing a day wage.

*Spandana has been one of the largest and most seasoned MFI in India. It has done a gross loan disbursement of over Rs.300 billion (30,000 crore) in the last 13 years - playing a significant role in financial inclusion in India.*



**Guntur Town, Andhra Pradesh, India.** During a hot summer afternoon of 1997, when most of the women would prefer a siesta, Mrs. Padmaja Reddy saw a women rag-picker on the street buying household reject items on a push cart. Her entrepreneurship made Mrs. Padmaja curious. Speaking to her, Mrs. Padmaja realized that the lady was working very hard but not getting commensurate returns and lived in poverty. This was mainly because the lady was paying an exploitative daily rent for the cart that cumulatively far exceeded the cost of buying scores of such carts. The rag picker was using a rented push cart worth Rs.2,000 for which she had been paying Rs.10 per day for the past twenty years. While she had paid almost Rs.60,000 over the years but she still did not own the cart.

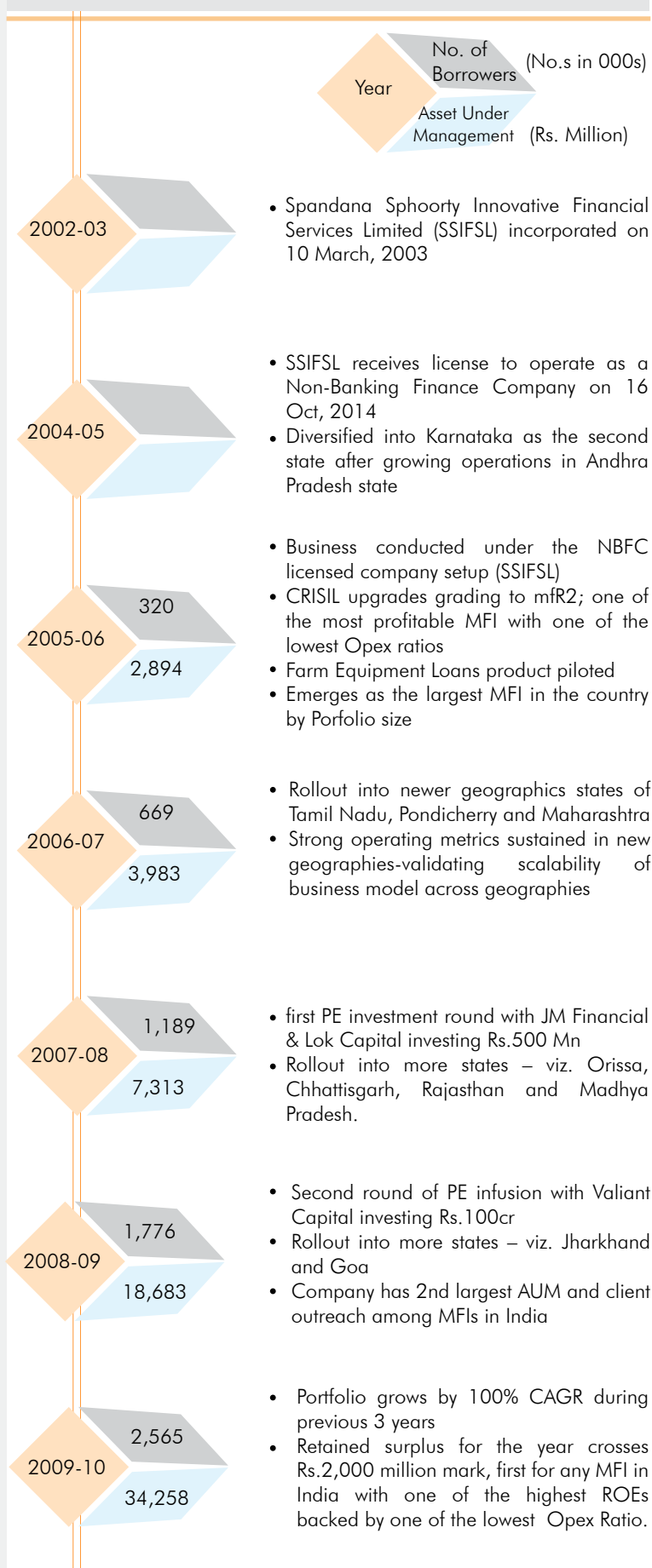
It was evident that the woman’s inability to pay a lump sum amount to buy a cart had denied her control of her own livelihood. The lack of access to affordable and serviceable capital was leaving little alternative options for her. While a bank would never provide credit to her on many accounts, the money-lender was far too exploitative. Mrs. Padmaja Reddy decided to lend her a little money, enough to buy the cart. The money was given with a promise of timely and reasonable repayments. The hard working woman started using her new self-owned push cart, she could save on the rent cost and repaid the money conveniently from her increased returns while saving some more to improve her well-being. She also spread the word that there was a lady who was helping economically active women with loans. It seemed to strike the right chord with several low-income people, and soon there were many waiting to meet Mrs. Padmaja Reddy at her doorstep.

**It is but seldom that an everyday experience is so profound and timely that it stirs in a person the courage to set things right.**

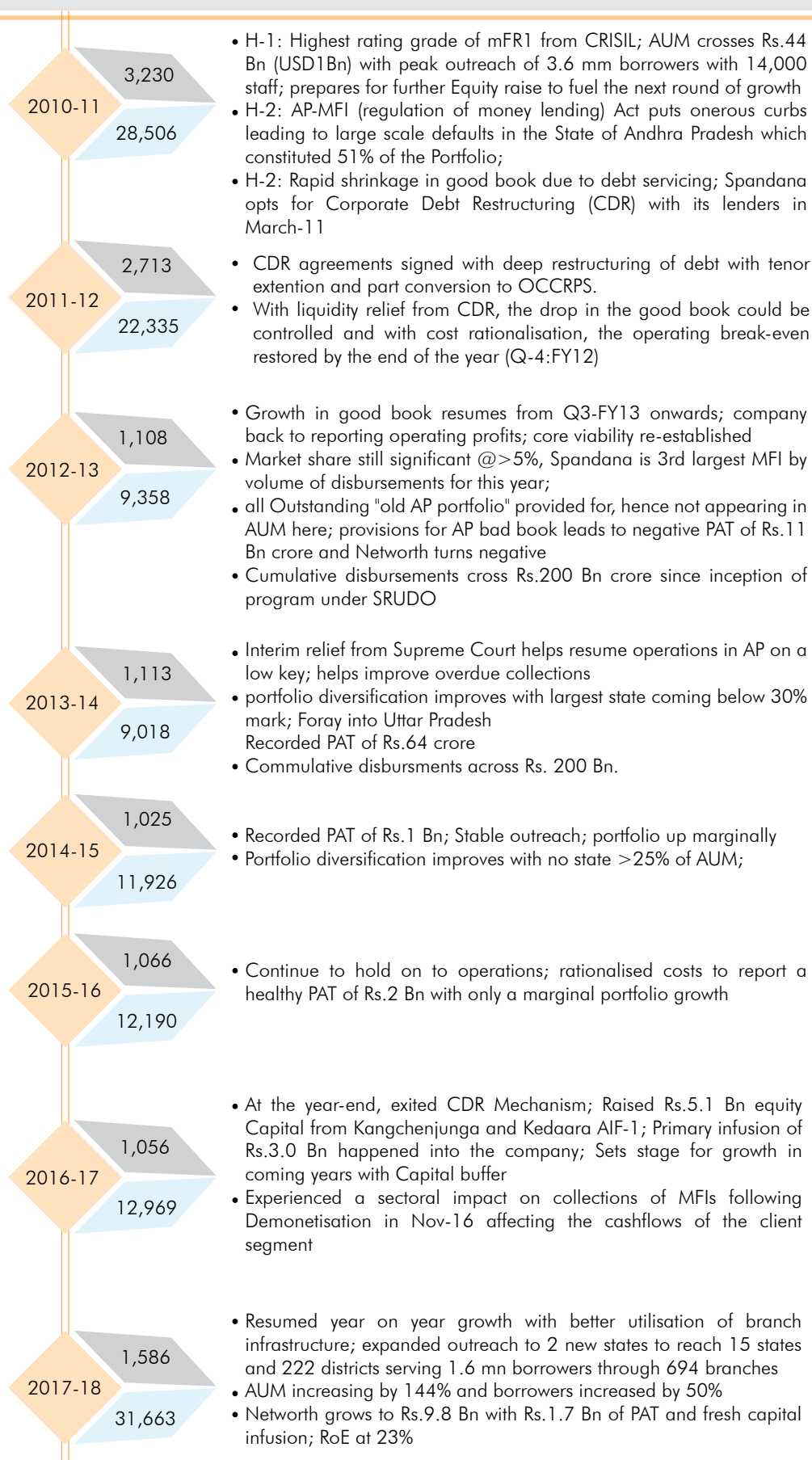
Inspired by many such experiences, Mrs Padmaja Reddy, started a Non-Government Organisation (NGO) called Spandana Urban and Rural Development Organisation (SRUDO) in 1998. Starting from practical ideas of market linked welfare initiatives to incubating a small microfinance program, the initial journey was full of excitement and hope of making a substantial impact. The gradual growth and large attention from outside world re-enforced the belief that this was something good and worthy of pursuing. The success of Spandana's initial clients in their economic growth from using the loan was re-assuring us that we were doing some good. Critical support from lenders and other stakeholders was forthcoming and micro-finance program grew backed by demand from our customers.

As the scale was increasing, Mrs Padmaja Reddy realised the need to conduct this business under a corporate set-up and prepare for next stage of growth. She promoted a company in 2003 called Spandana Sphoorty Innovative Financial Services Limited (SSIFSL) and obtained a Non-Banking Financial Institution (NBFI) license from Reserve Bank of India in 2005. All the microfinance business from the following years has been conducted under the corporate set-up. With corporatization and NBFI license from RBI, we became formally regulated, became a taxpayer, and complied with corporate governance norms and got the best of Credit Rating. SSIFSL’s name was later abridged to Spandana Sphoorty Financial Limited (SSFL).

## Timeline: Major developments



## Timeline: Major developments.... contd.



We have been clear that we are not doing poverty alleviation; we are only providing a loan. This loan was helping the poor in fostering the spirit of entrepreneurship, diversifying and growing their income earning potential and thus helping them in asset creation. It was coincidental that it had a poverty reduction dimension.

We have always thought that we were participating in nation building and therefore in the agenda of the welfare state. Profits and welfare - both going together is not dichotomous - but can be achieved through social enterprises like microfinance institutions.

Through its history, Spandana has experienced three very large and debilitating crises on its operations and has emerged back with resilience - stronger and more committed to its mandate. Wading through these business environment, Spandana team has held a strong belief that the low-income community is credit worthy and lending to them can be a good business proposition.

Some of the inherent risks are now largely addressed with higher level of regulatory supervision on this sector by the RBI, addressing some of the potential vulnerabilities on the MFI Industry like charging/pricing, soft recovery practices, prevention of over-indebtedness of borrowers etc

Spandana has resumed its growth journey and we continue to be committed to the financial inclusion agenda of the country .

## Customer Case Studies



Spandana operates across 15 states in the country. Here are two stories from Orissa – an Eastern state with one of the lowest per-capita income among different States in India.

Spandana has been operating in **Baripada** since June-2008. Baripada is a small town 230 k.m. away from Cuttak, the state capital of Orissa.

Mrs. **Bhanumati Das** and her husband belong to a low-income household of Tulsichowra village of Baripada town of Mayurbhaj District. Having 3 children to support; the family found it difficult to earn a living through petty jobs. Mrs. Bhanumati took a loan from Spandana and invested in a roadside tailoring point – since then, she has been a regular borrower.

Since 2013, over the last 5 years, she has taken 8 loans from Spandana amounting to a total of over Rs.1,44,000 with an average of less than Rs.20,000 per loan. She uses the loans to buy more raw material and expand her tailoring business.

She paid off her obligations in time and is now in her 9th cycle loan with Spandana. During this period, she along with her husband has managed to expand their business. Her success can be attributed to her entrepreneurship, hard work and available of loans to fund her growth. With her income increasing, she was able to invest in building her own two-storey pukka house (picture here) and she also bought a two-wheeler last year.

She now plans to expand her business further and open a ready-made garment shop. Not only has she been able to improve her own livelihood, she also provides employment to three people. She also aspires to send her 3 kids for graduation to secure their future.



Spandana has been operating in **Rayagarha** since April-2007. Rayagarha is more than 430 k.m. away from Cuttak, the state capital of Orissa.

Mrs. **Jayanti Jamuda** has been a client of Spandana since 2007 – she was also from the first group of the Rayagada branch from the Raniguda locality. Her husband was a peon in a private organisation where he earned Rs.2,100 (USD 45) per month which was very little to fend for the family expenses. When she first became Spandana's client, Jayanti was a house-wife staying at a small hut. She and her husband with their two children faced difficulties of a typical poverty stricken family. However, she was a hardworking and entrepreneurial person. She got a loan of Rs.7,000 (USD 157 by then prevailing exchange rate) from Spandana. She used half of her initial loan to start a small bangle store on rent, close to her house. This was a modest wooden hut type makeshift shop but it helped her improve her income substantially.

In 2008, she also took an interim loan of Rs.3,500 to pay for her pregnancy expenditure at a local hospital. Since then, she has continued to repay in time and take incremental loans and continues to be a borrower of Spandana. With her entrepreneurship, and regular access to loans, she has been able to fund her business as it grew.

She now owns the bangle shop. She has further expanded the shop to include many more items and she was able to expand the Shop. Owing to an increased income, her husband was able to start his own Electronic Shop in Rayagarha Town which is running smoothly.





# Management Discussion and Analysis:

## The chronicle:

### 1. Initial Growth Years:

#### Establishing the business model and taking it to Industry leading scale

Spandana recorded a healthy growth in branch outreach, customer base, size of asset under management and good profitability and return on equity. From the start of its operations up-till FY10, backed by a strong demand for its services and access to funding, the AUM grew by a compounded annual growth rate of 100%.

As it closed the FY10, it had gradually expanded its financial inclusion footprint from its origins in Guntur distt of Andhra Pradesh (AP) to over 11 states across the country with over 1,500 branches reaching out to 4.1 million clients. It had an Asset Under Management (AUM) of over Rs.35,000 million, out of this, 36% was off balance sheet (assigned to Banks/ Financial Institutions) and the rest was on the balance sheet. PAT of over Rs.2,000 million in FY10 gave a return on equity of over 50%.

During this period, Spandana was consistently ranked among top-3 MFIs in the country in terms of scale. Company also raised equity from 3 PE funds to the tune of Rs.1,500 million though most of the equity base of Rs.6,150 was from accruals from profitable operations. More importantly, Spandana was regarded as operationally most efficient on various business metrics and had also obtained highest rating grade among industry peers. CRISIL accorded a rating grade of mR1 (highest in MFI Industry) and Credit Rating of A-(positive outlook) /P1 - short term debt. This helped Spandana source debt funding at competitive pricing.

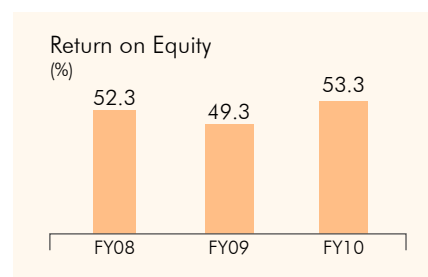
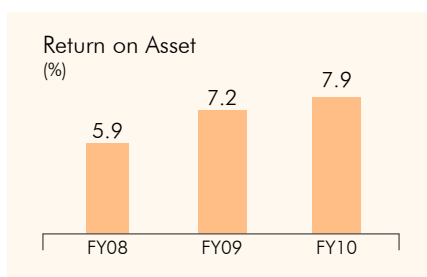
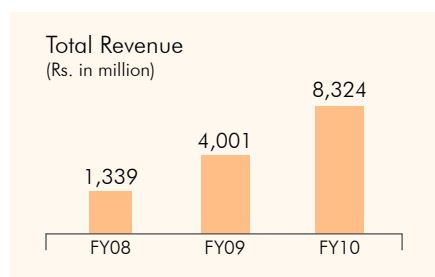
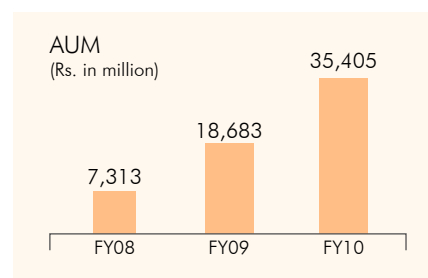
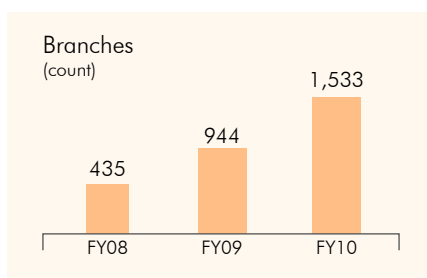
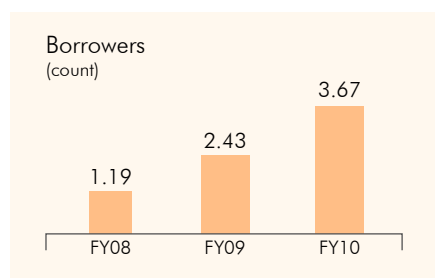
As FY10 drew to a close, Spandana had sufficient cash in hand besides approved lending limits available from many of its 40plus lenders. With this, the growth continued unabated till Sep-2010. That was the crest of the business cycle. The company was in the midst of raising equity to improve its capitalization and reduce leverage when it was struck by the AP-MFI crisis.

### 2. Year 2010 to 2017:

#### Wading through the AP MFI crisis and coming out of it successfully

By the year 2010, the company's operations were spread across 11 states including its origin state of Andhra Pradesh (or AP; AP state later got split into AP and Telangana in 2014). By Mar-2010, 56% of our AUM was in AP which reduced to and 51% by Sep-2010. Gradually the exposure in 10 other states was growing faster. Despite an 11 state presence, exposure in AP was high mainly because of the vintage and also 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. These products included – Agri-family loans, Tractor Loans, Micro-mortgages, Individual SME loans, Loans against Gold jewelry etc. These products together comprised of 29% of AP portfolio.

Most of our client base, being low-income customers were also part of the state sponsored Self Help Groups (SHGs) in AP. Under SHG mechanism, govt sponsored programs included giving financial services to SHG members through Banks. However, these were not adequate and therefore, MFIs were filling in part of the gap. For various reasons, following a slew of events, the then AP state govt put legislative curbs on the MFI activities in the state in Oct-2010 with promulgation of an Ordinance which later became an Act (law). This was a debilitating blow to the Industry since it put restrictions on recoveries and also restricted new loan disbursements desiring prior approval from govt. for each loan disbursed by MFIs in the state to any of the SHG member. The recoveries from AP market dwindled for all players in the industry – this is referred as "AP-MFI crisis" in Industry circles. The company went in for various measures to repair the situation – including some measures in collaboration with the Industry Association – Micro Finance Institutions Network (MFIN). This included legal recourse where RBI and MFI Industry association also joined us in petitioning against some of the restrictive clauses in the legislation. As the courts took their



## Management Discussion and Analysis:

due course, collections in AP plummeted. At the same time, fresh drawdowns from already sanctioned limits from lenders got restricted by lenders. Meanwhile, we were continuing to service the lender liabilities without getting any fresh debt draw-downs. This meant that the performing (good) loan portfolio outstanding with our borrowers was being run down to service loan liabilities. In wake of shrinking of the good loan portfolio of the company, lead lenders of the company prompted it to get into Corporate Debt restructuring (CDR) since the good portfolio asset was now lesser than the debt liabilities of the company. Under a special dispensation, 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 a 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 then 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). Thus this also factored-in the risk (equity instrument from pure debt) in case the AP market doesn't open up soon and if overdues stay unrecovered for a longer period of time.

Meanwhile, RBI came up with renewed regulation for NBFCs engaged in Microfinance activities as a separate category. This was targeted at laying to rest some of the inherent risks in the industry – by regulating pricing, caps on loan sizes and prevention of multiple lending. This substantially increased the oversight from RBI. The maturing of Credit Bureaus during this period and allowing Industry associations to operate as Self-Regulatory Organisation – were other key developments.

While there has not been a major breakthrough in AP, there have been glimmer of hopes. The legal recourse continues to be in process with the case pending at the Supreme Court – after initial relief obtained in 2013. 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 had not deserted the AP market, instead, we diversified into newer products (mainly secured) to hold ground and maintain field operations. At the same time, with the AP-overdues hitting the 720days bucket in H2-FY12 and H1-FY13, loan loss provision was booked on all the old exposure making the company network negative.

CDR helped the company in holding-on to operations. In non-AP states, the company was able to reduce its downslide gradually. Sep-12 was the trough of the business cycle and all AP impact on portfolio was completely established and the non-AP had reduced to its lowest level. From there onwards, the business has continued to improve. The cashflows available from deferment of repayments under CDR were redeployed into the non-AP market and the Good book grew to Rs.9,280 million by FY13 end. Backed by performance in H2 of the year, the company returned to generate operating surplus in FY13. From hope, this was thus the beginning of the

Among the 7 companies from Andhra Pradesh that went in for Corporate Debt Restructuring following the AP-crisis, Spandana was one of the only two MFIs that came out of CDR successfully

resumed growth, and the re-assurance that we were on the right path. Our years of field experience and large distribution network clearly had a latent value. From FY14 onwards, company has consistently recorded Profits which helped it reduce its accumulated losses from AP portfolio.

Much ahead of the FY18 CDR plan, the company was able to exit CDR mechanism by end of FY17. While being under CDR mechanism was restrictive for us in terms of sourcing fresh funding for growth, the company used this period to make a lot of internal adjustments. Some of the noteworthy ones were –

- **Improving portfolio diversification:** After erstwhile AP (now AP and Telangana), Karnataka was the largest exposure state for us. While we had almost same aggregate scale of portfolio between FY2012 to FY2014, the geographix mix of portfolio changed - the concentration at Karnataka reduced from 40% to 28% during this period. Meanwhile, exposure in other states was being grown more than in Karnataka. Separately, exposures in the states excluding top-5 states doubled during this period from 4% to 9%. We further continued this trend in years ahead. Top-5 States are Karnataka, Madhya Pradesh, Orissa, Maharashtra and Andhra Pradesh (including Telangana).

- **Rationalizing cost base:** Our cost structure is largely dynamic and operating metrics work on per unit basis. Spandana has always been regarded as one of the most efficient MFIs in India and across the world. Between FY10 to FY17, our operating metrics went through a curve and has emerged back to normal. Some of the salient elements are discussed here. The number of branches were shrunk to 1/3rd level (~600 from ~1,800 at peak) while maintaining foot print in almost same number of districts between Oct-2010 to Mar-2017. From FY18, the number of branches has been grown again.

AP-crisis desired that we retain the workforce for facilitating collections while the business was not growing as much. E.g. in AP, while we rationalized some of the branches and staff, we kept many branches open to continue to focus on collections. While the focus on collections in AP continued, by FY14, we managed to reduce the Operating Expenses to half of the FY11 level. The number of staff was rationalized from 11,696 in Mar-2011 to 4,386 by Mar-14. By FY18 closing also, we have almost same order of magnitude of staff – i.e. 4,045 though the business has grown substantially.

- **Going more rural:** While the branches were being rationalized, we also gradually increased our rural outreach which offered us opportunity to go into less competitive territories. Eg. We had 6 branches in the city of Indore (a large City in Madhya Pradesh), we reduced it to 2 branches in the city while we opened more branches in rural areas away from Indore city. Similar approach was followed in most of the states. This gave us greater future growth potential since rural markets are less competitive with most of the leading MFIs harnessing urban borrower base which gives better ticket sizes and makes operations relatively easier.

From FY-14 onwards, the Company has consistently reported Profits though we were operating under the CDR plan. This helped us reduce losses from the AP-crisis and come out of the CDR mechanism and raise Capital for growth.

Management Discussion and Analysis:

- **Striking a balance:** As we rationalized costs, within the available level of funds, it was critical to maintain the outreach to the geographies where we had operated and where we has field experience so that we could again grow in those geographies once the funding position improved. As we rationalized the number of branches, we also maintained the average ticket size much lower than the industry average. This meant that our per-branch outstanding was growing slower than normal scale. Generally, our per branch portfolio used to grow by about 10% year-on-year prior to 2010. However, between 2010 to 2014, it grew by 2% per annum. This meant that with the same scale of funding, we were reaching out to larger number of client base than compared to a situation if we would have continued to increase average ticket size. Post CDR Exit in 2017, this growth has been restored (discussed ahead).

These measures helped us attract fresh Equity Capital which saw the inherent value in the company. At the close of FY17, we exited the CDR mechanism following Capital raise. We raised Rs.5,140 million of Capital from Kunchenjunga and Kedara Capital. This included Rs.3,000 million of primary infusion. The rest of the funding was used towards secondary sale including retirement of OCCRPS into CCPS. This fund raiser and concurrent CDR exit helped us set the path for future growth in next two years supplemented with further Capital infusions.

### 3. Portfolio Diversification

*Containing risks at State, District and Branch level*

We have been cognizant of risks associated with geographical concentration of portfolio. We have been making efforts to diversify our exposures while leveraging on the knowledge gained in each territory where we entered. Our geographical diversification journey began as we started growing the portfolio gradually across the years –

- Starting from Guntur Distt in AP in 1998, we recognized the need to diversify our operations. By 2007, we had diversified to 38 Districts and 3 states by venturing into contiguous states of Karnataka, Tamil Nadu and Maharashtra. New 3 states constituted 10% of portfolio while AP had 90% portfolio. By 2010, we had expanded to 11 states. AP still comprised of

56% of loan book. The second largest state for us was Karnataka with 14% exposure, but 33% of non-AP portfolio.

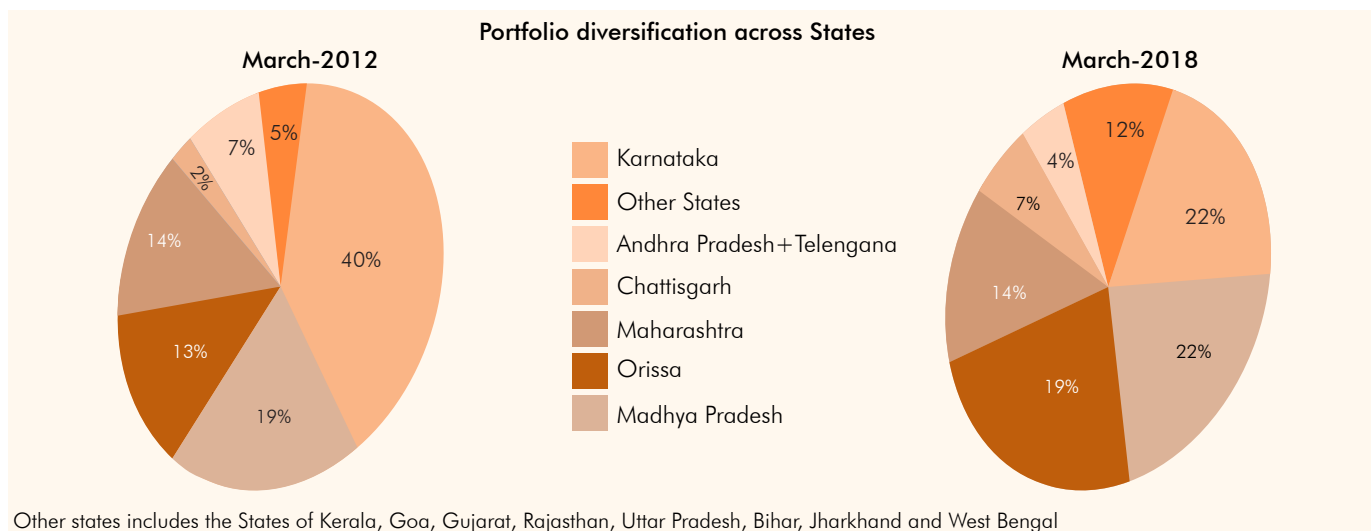
- By 2012, most of the impact of AP-microfinance crisis impacted portfolio was unravelled. AP now comprised of 7% of performing portfolio while 40% was in State of Karnataka. Top-7 states included AP & Telangana, Karnataka, Madhya Pradesh (19%), Maharashtra (15%), Odisha (13%) and Chattisgarh (2%). States other than these 7 comprised of 5% of portfolio.
- By 2018, portfolio diversification improved further with none of the states comprising of more than 25% of portfolio, an internal benchmark used to contain portfolio concentration risk. Highest concentration state of Karnataka now comprises of 22.4% of portfolio. Followed by Madhya Pradesh (22%) followed by Odisha (19%) and Maharashtra (14%). Most significantly, the portfolio outside the Top-7 states now is 12% of portfolio compared to 4% earlier in 2012.

As can be seen above, we have been consistently diversifying ourselves geographically. At each State level, besides capping our exposure at 25% of AUM, we also cap it at the level of our total Network.

Besides state level concentration risk caps, we also have the caps operating at District level within the states. None of the Districts is expected to comprise of more than 2% of AUM.

Exposure of Districts as of Mar-18		
% Contribute to Gross AUM	No. of Districts	% of Total Districts
<0.5%	139	63%
0.5% - 1%	61	27%
1% - 2%	22	10%
>2%	0	0%
<b>Total</b>	<b>222</b>	<b>100%</b>

Exposure in top-10 districts is less than 57% for us while for most of other large MFIs/ SFBs, it is well above 70% - showing lesser concentration risk with us. Within Districts, at each branch level too, exposure risk cap applies with no branch expected to exceed 0.35% of AUM. We have been monitoring these limits and staying within them. This ensures that the portfolio diversification is maintained and improved as we grow.



Management Discussion and Analysis:

#### 4. Comparison with industry aggregates:

*Significant market player with superior growth in FY18*

Spandana continues to be one of the most significant financial inclusion engines in the country. This is evident from the aggregates reported for MFIN members for NBFC-MFIs. These numbers are based on MFIN Micrometer of March-2018 as referenced in ICRA Research.

NBFC-MFIs comprise of 33% of outstanding of Micro-credit portfolio across all Institution types – including micro-credit by Banks either directly or through business correspondents, micro-credit portfolio of Small Finance Banks and micro-credit lending by non-MFI-NBFCs (micro-credit part of their overall portfolio).

The graph shows Spandana’s share among the NBFC-MFIs. We have an AUM of 6.6% of all MFI-NBFCs which is equivalent of 2.5% of overall micro-credit in India (ICRA Research). Spandana’s share in NBFC-MFIs across various parameters is presented here:

Industry Comparison	Market Share
Branches#	6.9%
Employees #	4.9%
Client#	6.6%
Loan accounts#	6.9%
Disbursement#	6.3%
Disbursement - Rs.mn	6.5%
AUM - Rs.mn	6.6%

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

#### 5. Progress made during FY18:

*Back on the growth path*

Following the capital raise in FY17, Spandana resumed its growth in FY18. It already had the latent potential of –

- Widespread operations across States and Districts; Long standing presence of most of the branches across existing states
- Portfolio Outstanding per branch and average ticket sizes – both indicators – much below Industry averages
- Experienced and seasoned field staff and leadership

Backed by the above latent potential, and availability of disbursable funds, in FY18, Spandana has been able to show growth higher than the Industry aggregates.

##### 5.1 Growth compared with Industry aggregates

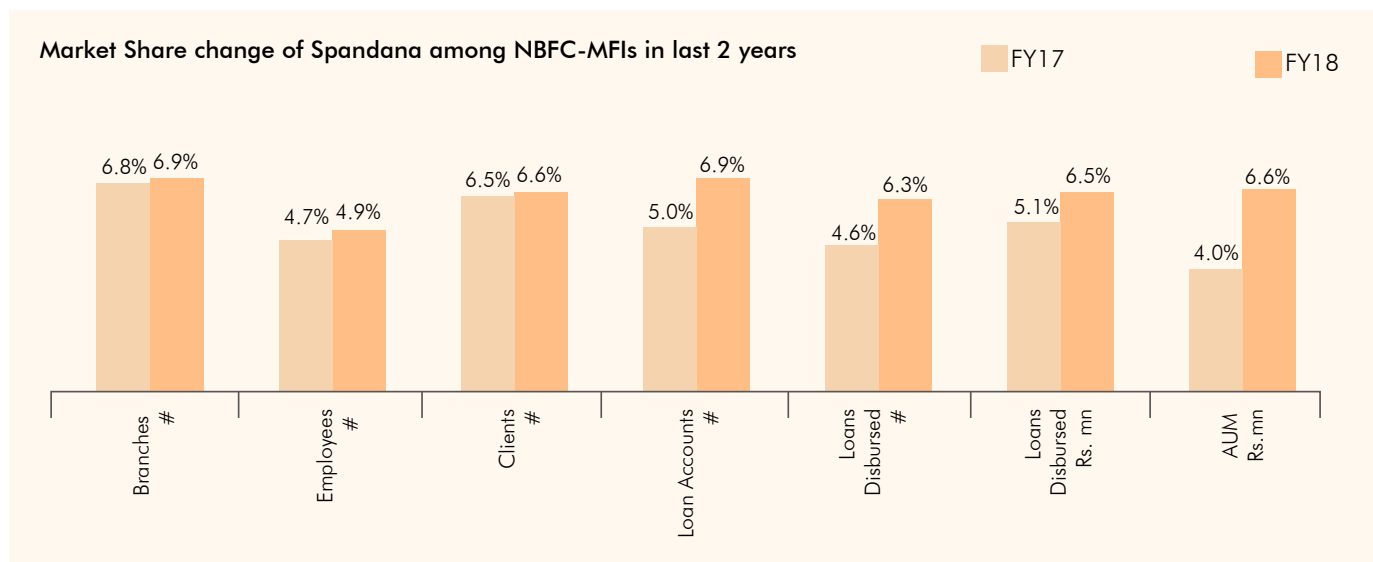
At the industry level, there has been 22 to 25% growth in numbers – i.e. number of branches, number of employees, number of clients and number of outstanding loan accounts. At the same time, the volume growth has been 49-50% in terms of Disbursements and Gross Loan Portfolio or AUM. Volume growth has been a function of numbers growth and increase in average ticket sizes. On all these accounts, Spandana has performed much better.

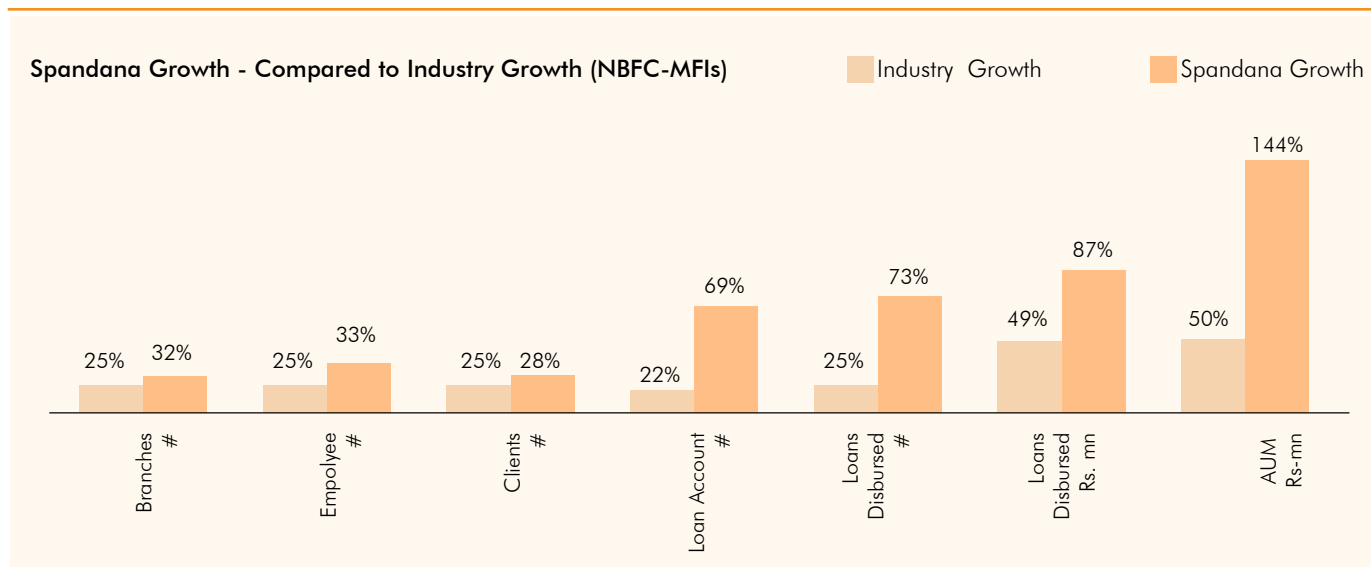
Spandana has recorded 144% growth in Portfolio (AUM) compared to 50% for the industry – backed by higher volume disbursement growth (87% compared to 49% for the industry). Besides the volume growth, the overall numbers’ growth has also been much superior to the Industry aggregates.

Since most of our branches were operating at a lower scale due to lack of sufficient funding, they were able to acquire more clients as the funds were made available to them in FY-18. Therefore, our client base grew by 50% while the number of branches grew by 28%. We also supported it with increased manpower deployment and therefore, our employee count increased by 32% compared to 25% increase for the industry.

##### 5.2 Improvement in AUM market-share

With higher growth rates recorded compared to Industry aggregates, Spandana has also been able to improve on its AUM market share compared to previous year. Our market share has not changed much between FY17 and FY18 either in terms of number of branches (6.8% and 6.9% respectively) or in terms of our client base (6.5% and 6.6% respectively). However, our AUM market share has improved to 6.6% from 4.0%. This shows that this is



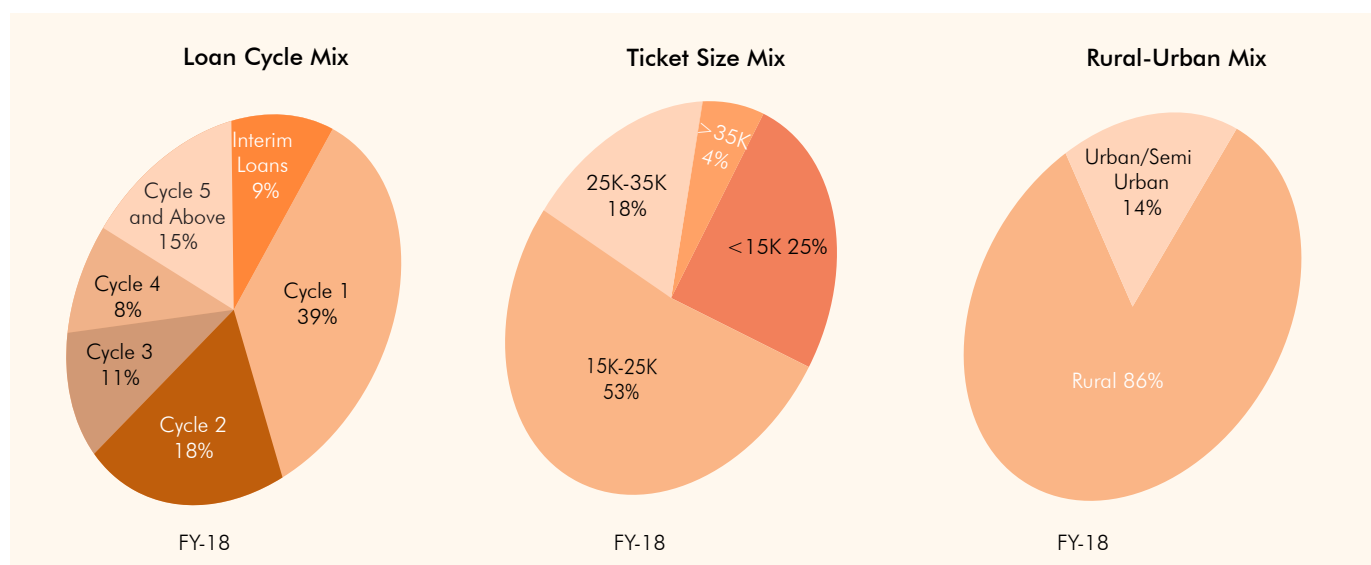


essentially a correction and coming closer to Industry aggregates with increase in number of loans and average loan sizes. Market share change on various parameters is given in the graphs along side here.

### 5.3 Portfolio Mix

Spandana’s vintage and constants calibration of business variables help it maintain a good portfolio mix. across – ticket sizes, loan cycles and Rural/ Urban portfolio mix. This is presented in the pie charts alongside.

- Ticket Sizes:** While we maintain the product simplicity of our loans, we have been maintaining a diverse mix of ticket sizes. This is both in terms of meeting client requirements and also to limit the lending within the overall caps set for borrowers by Self Regulatory Organisations under RBI’s mandate. Our ticket sizes were lower than the industry till FY17, this is despite Spandana having a larger proportion of borrowers in advanced loan cycles – which are eligible for higher loan amounts. Since then, the average loan size increased by 9% during the year from Rs.21,025 to Rs.22,826.
- Cycle wise mix:** Spandana’s portfolio across loan cycles is also well diversified showing seasoning of our client relationships. As of Mar-18, Spandana had 39% of its borrowers in greater than 4th loan cycle compared to 11% for the industry (ICRA Research). This is mainly due to our vintage and continual engagement with our borrowers year after year. By corollary, we have much lesser first cycle borrowers – i.e. 22% compared to 54% for the industry. Seasoning of our client relationships is a strength which allows us to continue to grow with existing clients while at the same time, we continue to service new clients.
- Rural-Urban Mix:** As mentioned earlier, Spandana has been planning ahead of time to respond to changing market dynamics. Spandana started as a predominantly urban MFI, by 2006, we had almost equal share of rural-urban clients. Working in urban areas is easier with better connectivity, infrastructure and density of population. Therefore, we saw that most of the MFIs were growing by focusing on urban areas while rural areas continued to be under-served and under-penetrated. We gradually focused ourselves at Rural geographies across all states where we operate. As of Mar-18, ~80% of our client



Management Discussion and Analysis:

base is in rural areas compared to ~50% for the industry as a whole (ICRA Research). This gives us a good competitive advantage. While working in rural areas is relatively difficult, we have the advantage of having seasoned staff to deliver on this. From portfolio quality standpoint, we find rural borrowers more disciplined about managing their finances and taking more judicious money decisions and therefore not outstretching themselves by either over-borrowing or over-spending – compared to their urban counterparts.

Even at Macro level, rural India offers a great market opportunity with low levels of penetration of formal credit. 68% of population resides in Rural areas while only 10% of gross credit outstanding of formal sector is in rural areas.

**5.4 Geographical growth**

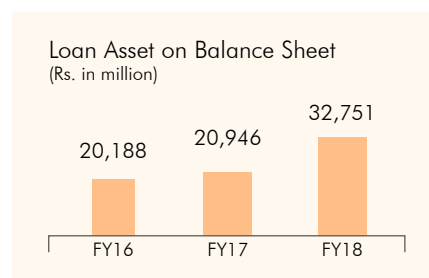
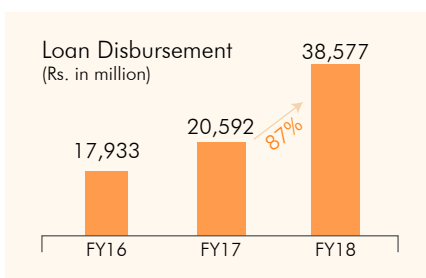
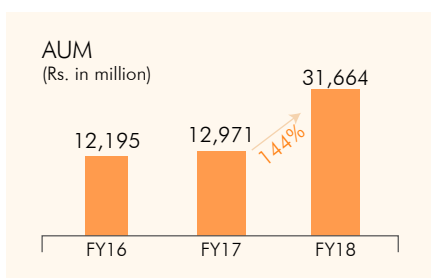
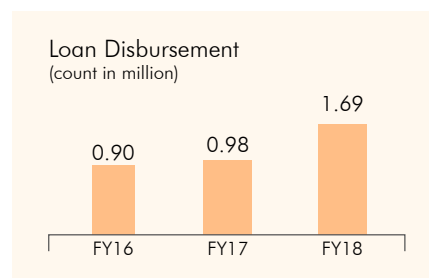
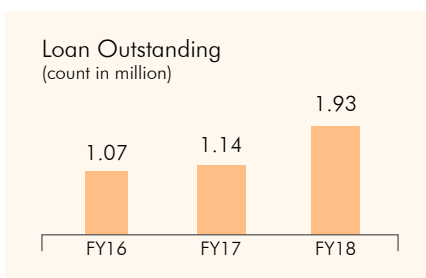
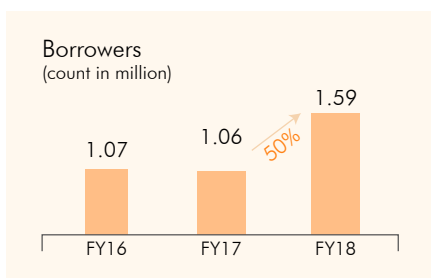
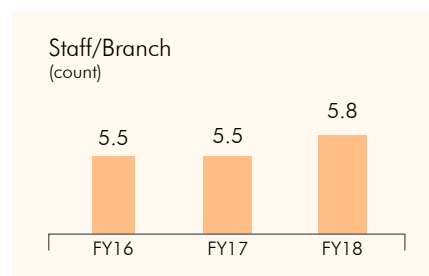
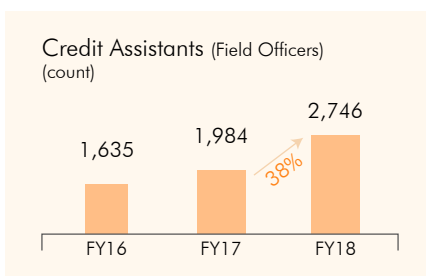
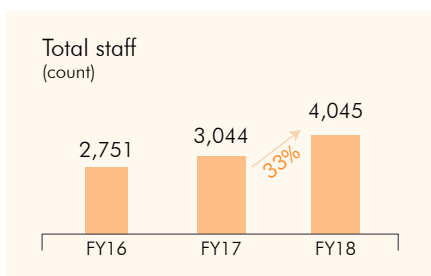
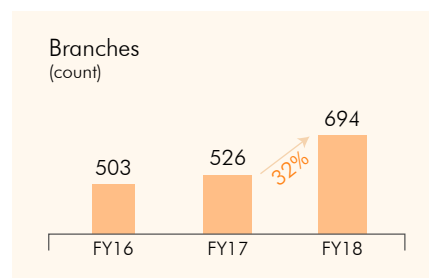
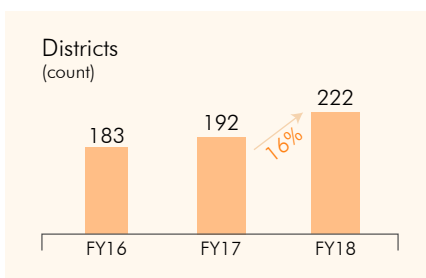
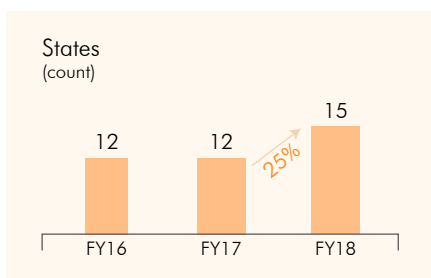
As the year progressed, growth was witnessed from both the existing and new geographies. Besides operations in 12 existing states, we ventured into two new contiguous states of West Bengal and Bihar.

We also re-started operations in the State of Rajasthan. That increased out state count to 15 – a 25% increase over the previous year. At the same time, we also rationalized operations in some of the pockets which we considered overheating – eg. in specific areas of state of Uttar Pradesh.

We also opened new branches both in the existing and new states. Branches opened in new areas helped us increase our footprint to 30 new Districts of the country – this is 16% growth in District count and 4% of country’s districts added to the existing footprint. Therefore, Spandana now operates in 31% of country’s districts with good potential to expand to newer districts. Branch growth also came in from splitting some of the existing branches into two branches to help improve administrative focus and thus make room for acquisition of new clients in existing geographies holding growth potential.

**5.5 Staff growth**

There has been a 33% growth in total staff to 4,045 with the Credit



## Management Discussion and Analysis:

Assistants recording a growth of 38% at 2,746. Credit Assistants (CAs) are our last mile field officers who transact with the borrowers and comprise of about 2/3rd of our staff base of 4,045. Comparatively, the non-CA staff growth was a modest 23%. The average number of Credit Assistants per branch improved by 7.5% from 3.8 to 4.0 thereby capacitating branches for more client servicing. This has helped in increasing the Borrower base from 1.06 mn to 1.59 mn - a growth of 50%.

### 5.6 Portfolio Growth

With the growth in client base and growth in average ticket size, the company was able to record a 73% growth in loans disbursed to 1.69 million loans. This further led to a 69% growth in number of loan accounts to 1.93 million. With this, the loan disbursement growth in volume terms was 87% at Rs.38,577 million compared to Rs.20,592 million in FY17. This has helped in increasing the AUM to Rs.31,664 million – a 144% increase – one of the highest among large MFIs in India.

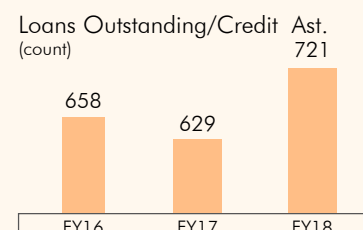
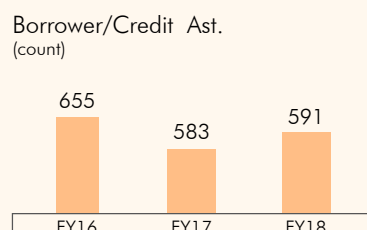
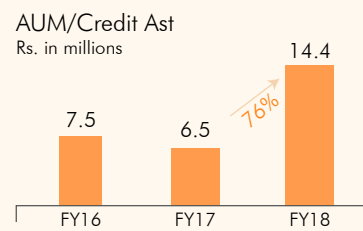
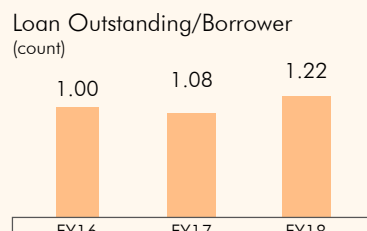
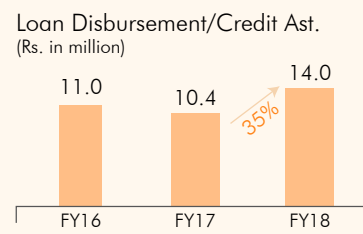
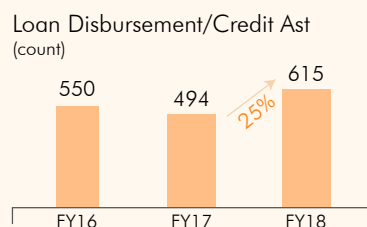
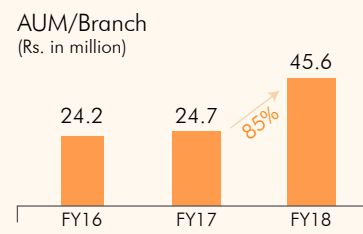
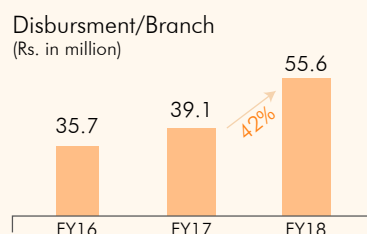
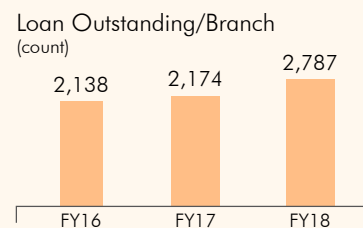
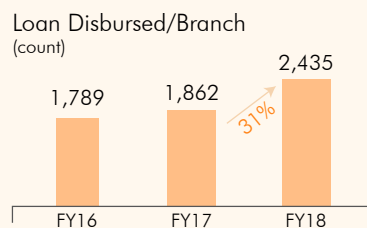
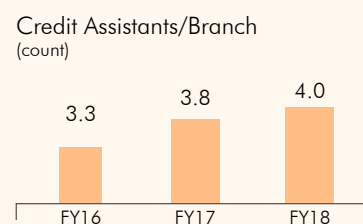
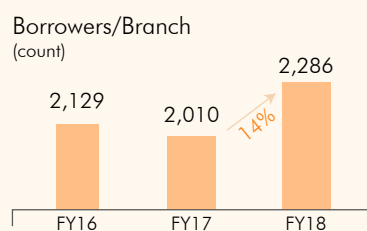
### 5.7 Servicing by Branches & Staff:

#### Productivity showing improvements

During FY-18, the AUM per branch has improved to Rs.45.6mn – a 85% increase over the previous year's AUM per branch of Rs.24.7mn. The Rs.45.6mn is still lower than the industry average of Rs.47.7mn though it has come much closer now compared to previous year when it was 60% lower than the industry average of Rs.39.9mn in FY17.

This was mainly achieved with improvement in number of loans disbursed per branch (31%) and therefore the number of loan outstanding per branch (28%). As more new clients were acquired per branch, the Borrowers per branch improved by 17% from 2,015 to 2,285. This helped achieve the volume increase in disbursements per branch to Rs.55.6mn, a 42% increase over previous year's Rs.39.1mn per branch.

There was a 5% increase in number of CAs per branch, coupled with increase in per CA productivity, the per branch productivity has also seen a substantial improvement. With this, the number of loans disbursed per CA has improved to 615 – a 25% increase over the previous year with a volume increase of 35% to Rs.14.0 million per CA compared to



Management Discussion and Analysis:

Rs.10.4 mn per CA in FY-17. With disbursements increasing per CA, AUM per CA recorded a growth of 76% to increase from Rs.6.5mn to Rs.14.4mn. This is excluding the trainee CA count which would get to productivity in subsequent months.

Further, productivity enhancements have also come with more interim loans being disbursed. With interim loans, the average number of loans outstanding per borrower has now increased to 1.22 from 1.08 in the previous year – recording a 13% increase. The loans disbursed per CA thus increased by 25% to 615 and the outstanding per CA crossed a count of 700 at 721 – a 15% increase from previous year from a base of 629 loans per CA.

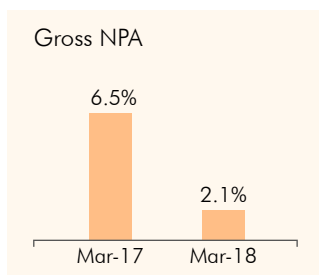
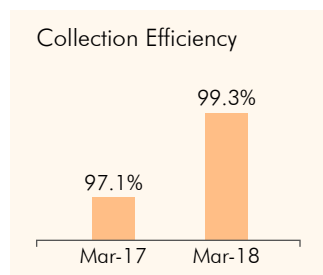
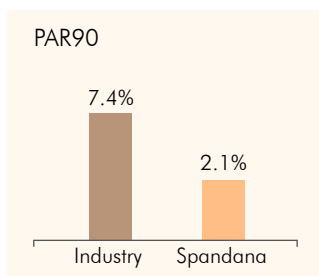
**5.8 Portfolio Quality**

Overall, our portfolio quality has been better than the industry aggregates this year. For Mar-18, against the PAR90 of 7.4% reported for the Industry as per ICRA Research, Spandana’s PAR30 was 2.1%. PAR30 here being the overdue portfolio with greater than 30 days past due over the total portfolio.

Our collection efficiency is back at 99% plus compared to 97% last year FY17. In FY17, demonetization hit the cash economy adversely with the high denomination currency amounting to more than 80% of money under circulation getting demonetized. It affected the MFI industry due to lack of cash impacting collections – especially since our customers are under-banked and many of them rely on day to day wages and micro-businesses. While there was a sector wide impact, Spandana’s performance has been superior to industry supported by higher rural focus, lower share of portfolio in affected districts and geographically diversified portfolio. Besides this event, we believe that our focus on internal controls has also helped us maintain a better than industry performance this year.

In the past, large part of the overdue portfolio originated pre-2012 from AP and Telangana has been written off in the previous years based on recoverability. However, we still hold Rs.7,933 mn of portfolio from the state of AP and Telangana which has been fully loss provisioned in the previous years but still not written off. This portfolio, originated pre-2012, is excluded from the above enumeration of PAR. Although this is loss booked, we are holding this Asset based on recoverability – mainly in anticipation of the Supreme Court case on the AP Ordinance coming in favor of the Industry.

Therefore, while reporting NPA, PAR etc, we report the numbers net-of the above portfolio since it is already loss covered and recovery efforts on those from Asset Under Management perspective would be renewed after a favorable judgment from the Supreme Court.



**5.9 Financial Performance:**

There has been an overall improvement in financial performance across the metrics. These graphs compare the FY17 position with the FY18 position or various financial parameters

The growth mentioned in the earlier sections of this report has been supported by infusion of fresh capital by the existing shareholders of the company. With fresh infusion of Rs.2,750 mn during this financial year into the company and Profit after Tax of Rs.1,719 mn, the Networth of the company has grown by 83% from Rs.5,372 mn to Rs.9,842 mn. This has also helped improved the Capital Adequacy – Capital to Risk weighted Assets Ratio (CRAR) is at 37% compared to the regulatory requirement of 15%. This gives us more room to leverage further to fund growth.

Post our exit from CDR in Mar-17, we increased our lender base, diversified our borrowings to new banks and NBFCs and also issued Non Convertible Debentures (NCDs). Starting from 3 lenders at the beginning of the year, by Mar-18, we had 22 lenders and more in pipeline. Debt funds have been raised as term loans, cash credit and subordinated debt besides the issuance of NCDs. Total Borrowings on Balance Sheet have increased by 65% from Rs.9,568 in FY17 to Rs.15,834 in FY18. Our Average Effective Cost of Borrowing to 13.82% for FY18 from 16.31% for FY17.

Credit rating improved from BBB- (Stable) as of Aug-17 to BBB (Positive) as of Feb-18 and BBB+ (Stable) in May-18 from ICRA.

In this financial year (FY18), we resumed using securitization to free up the funds for further deployment for disbursements. We did a total of Rs.9573 mn of securitization and by Mar-18, the outstanding from it was Rs.6,846 mn. This is equivalent to 19.1% of our total assets. This is also indirectly helping us leverage further on our Capital base. As mentioned in earlier sections, in FY10, we had 36.6% of our AUM as off-balance sheet – securitized/ assigned. Therefore, there is further scope to grow this from the current 19% levels.

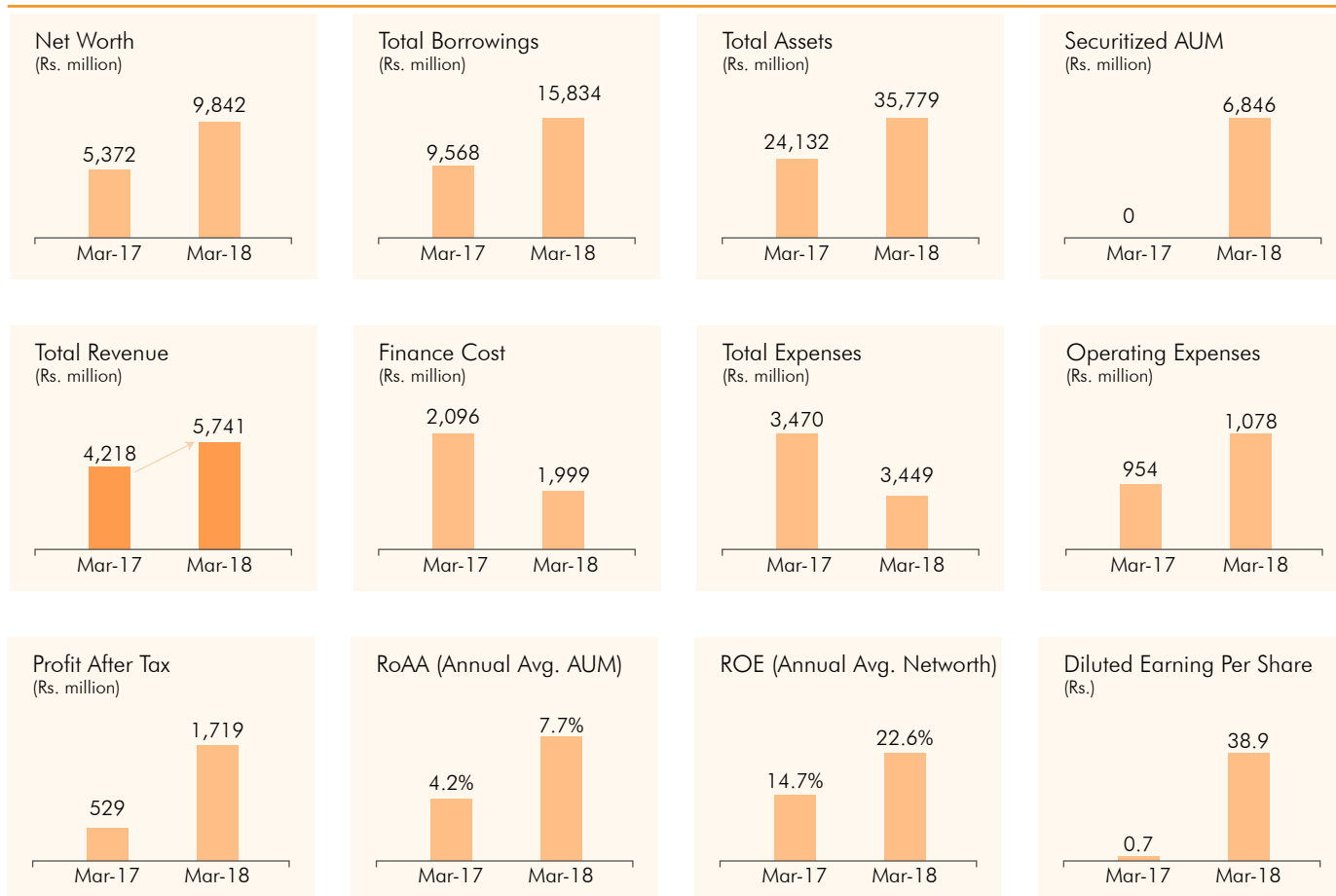
During the year, our total Assets also increased from Rs.24,146 mn to Rs.35,779 mn – a growth of 48%. This is mainly due to increase in the Loan Assets. This has been instrumental in increasing our revenue by 36% from Rs.4.218 mn to Rs.5,741 mn. The income has been supplemented by cross sell income which itself increased from Rs.23 mn to Rs.71 mn. The cross sell includes Insurance coverage and also the income from commission from sale of utility goods to our customers by Abhiram Marketing – a group company.

**While the revenues increased by 36%, the Operating Expenses have increased by only 13%.** This has been mainly due to our ability to leverage on existing infrastructure - with increased funding availability for deployment at branches for disbursements, we could utilize existing staff and existing branches to increase deployments and more effectively utilize our existing branch network and employees that were earlier underutilized due to lack of sufficient funding. We have however continued to open new branches and increase staff base to enable further growth.

Spandana was traditionally known for its Opex Ratio being one of the lowest in the Industry. In FY18, as the staff and branch utilization improved, Opex ratio also came down from 7.3% in FY17 to 4.9% in FY18. This was a key factor helping us improve on our profitability besides the controlled credit cost.

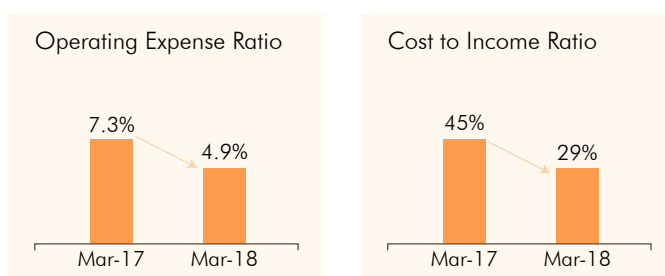


## Management Discussion and Analysis:



Backed by lowered Opex Ratio and controlled Credit Costs, our RoA improved to 7.6% from 3.3% and RoE increased to 22.4% compared to 11.4% - both calculated on annual closing average balance basis. The above profitability improvement helped us record a Diluted EPS of Rs.38.5 in FY18 compared to Rs.0.5 in FY17.

The overall Financial and Operating metrics have now come closer to the optimum levels compared to last few years.



## Staff Code of Conduct

### Commitment to Transparency and Code of Conduct

Spandana believes in maintaining complete transparency. In its business transactions, it maintains complete transparency including disclosure of all charges for the services it provides. In this process, it also complies with the Fair Practices code of RBI for NBFCs, Industry Code of Conduct as laid down by the Industry associations - viz - Sa-dhan and MFIN and also its own Code of Conduct specifically for its staff. The code of conduct for its staff clearly lays down the Do's and Don'ts of staff behaviour towards the clients. Spandana's Code of Conduct for its staff is presented here.

#### Spandana code of conduct for its staff

1. Every client should be treated with respect. We shall always address our clients in a respectful and polite manner. We shall never use any abusive or threatening language with our clients. We shall also not permit abusive language being used with our clients by other peer group members with respect to loan recovery.

DOs	DON'Ts
<ul style="list-style-type: none"> <li>• While addressing them, use "Garu/ji" or equivalent respectful salutation. We shall give similar respect to the family members and neighbors of our clients. Treat every-body with respect irrespective of their age (including very young borrowers and kids).</li> <li>• When talking to the borrower, body language should be appropriate, we should not get restless, always keep smiling.</li> </ul>	<ul style="list-style-type: none"> <li>• If there are minors and aged people in the family, avoid discussing about loan default/ over-dues before them.</li> </ul>

2. Other DOs and DON'Ts to be observed while doing customer interactions –

DOs	DON'Ts
<ul style="list-style-type: none"> <li>• In case any unethical methods of collection and recovery efforts are observed from other MFIs, we shall report that to Head Office for reporting to Code of Conduct enforcement.</li> <li>• In case of any policy change, please communicate with the borrowers properly and ensure that they have understood the revisions and its impact on their transactions with the company.</li> <li>• Inform clients about the Feedback and Grievance redressal mechanism and re-affirm the same every once in 6 months and always at the time of new loan disbursement.</li> <li>• Even after the group training and loan disbursement, if any queries come on charges or loan features, these should be addressed with proper explanation to the satisfaction of clients. If they still have doubts, you should use the guidance of senior officers in explaining the details.</li> </ul>	<ul style="list-style-type: none"> <li>• We shall not promote nor allow any unethical methods of collection and recovery efforts by ourselves and our colleagues. In case any such incident is observed, we shall immediately report to the complaints cell.</li> <li>• Never discriminate based on caste and religion</li> <li>• Never insist on repayments during events of distress like bereavement in the family.</li> <li>• Never visit clients at odd hours for repayments</li> <li>• Without the borrower's permission, we should not enter his/her premises. We should also not be standing outside the borrower's house and make the borrower and his/her family uncomfortable. Never resort to any forcible entry into the house/ workplace of clients and do any forced seizure of any assets for unsecured loans.</li> </ul>

3. For conduct of center meetings - Staff should follow the following meeting norms:

DOs	DON'Ts
<ul style="list-style-type: none"> <li>• Conduct meetings at pre-agreed location and time</li> <li>• Ensure punctuality in attending centre meetings for the staff (all staff including BMs, RMs and others from HO who visit centers) Should practice good manners and respect all members Ensure that group stays cohesive and members regularly attend the meetings</li> <li>• Record and monitor attendance: Promote attendance in group meetings – except genuine cases where the members have informed the group in advance. Any member not attending for more than 6 weeks without any intimation to any of her group members, her house should be visited and details gathered.</li> </ul>	<ul style="list-style-type: none"> <li>• Should not maintain personal relationship with members</li> <li>• Should not accept any gifts/offering from members</li> <li>• Do not refuse pre-payments. Do not charge anything beyond what is mentioned on the loan card/ repayment schedule and what is approved as per policy.</li> </ul>

DOs	DON'Ts
<ul style="list-style-type: none"> <li>● Try to conduct the meeting in a peaceful and cordial way – in case any member/s are agitated against each other, make efforts to diffuse/ resolve the situation. Never get emotional or agitated in the meetings. Always keep patience.</li> <li>● Administer the pledge and promote productive use of loans</li> <li>● Collect loan repayments, ensure that every borrower’s loan card is updated fully with date and signatures; Or issue the receipt – as the case may be.</li> <li>● Collect feedback from members on products and procedures. Address customer feedback and complaints</li> <li>● Collect loan applications</li> <li>● Record loans in the Centre Register &amp; member loan cards</li> </ul>	

4. In case of delinquent borrower/ group, use motivation and soft persuasion and to solicit repayments – all these guidelines are applicable to borrowers at any stage of their default.

DOs	DON'Ts
<ul style="list-style-type: none"> <li>● We should give a patient hearing to the borrower and offer solutions to the borrower’s problems. We should counsel the borrowers and improve our repayment culture.</li> <li>● Recovery mechanism should always be smooth. When faced with recovery problems, the CAs should approach the BMs and RMs and act as per their suggestions. The CA along with the BM and wherever required, other officers, will visit the defaulting member along with the other group members and motivate them to repay.</li> <li>● In case there are genuine reasons of cash-flow shortfall at the borrower household level, branch staff is empowered to defer the repayment collection by a few days up to the end of the week (for weekly loans)/ and end of the month (for monthly loans) depending upon the frequency of repayments. Any deferment of demand beyond that requires approval by Regional Manager/ Zonal Manager. In case of genuine instances, e.g. flooding due to heavy rainfall affecting income generating activities of some borrowers, for such borrowers, the collections can be deferred by 1 to 2 weeks with approvals as per policy.</li> <li>● In all cases of willful defaults, visit the borrower regularly and motivate them to repay with soft persuasion.</li> <li>● Inform the borrowers about fallout of their credit histories getting affected - which in turn would affect their ability to take further loans.</li> <li>● The peer group members of the willful defaulters should also be requested to motivate the defaulters to repay.</li> <li>● In all cases of willful defaults pursuant to any fraudulent customer behavior – e.g. faking KYC documents, misrepresentation of any other facts, mis-appropriation of money of group members, and misleading group members not to repay – we should gather proper evidence and pursue legally by filing police complaint and helping the police in investigations</li> <li>● For Secured loans, following additional efforts need to be made – as per the terms of the loan agreement, probability and right of repossession of assets needs to be informed to the borrower after issuing due notices as per the loan agreements. We must release all securities on successful repayment of all dues associated with the loan.</li> </ul>	<ul style="list-style-type: none"> <li>● We shall not use any physical violence in our interactions with our clients and non-clients when faced with recovery problems. We should never enter into any kind of a physical assault with the borrower nor use un-parliamentary words.</li> <li>● The group is always made responsible to look for solutions to repay loans and members are always given the understanding that it is their responsibility and they should find a solution for that. However, to recover the installment amount of members who have exited the group, we should not put pressure on the rest of the borrowers in the group.</li> <li>● We should inform the group leaders too that they should not apply pressure on the borrowers who are unable to repay.</li> <li>● We should not visit the borrowers at odd hours.</li> <li>● Forcible entry into dwelling, use of muscle power for recovery of loans and forced seizure of property without legal orders is strictly prohibited – except in case of secured loans where the security can be enforced within the boundaries of the legal process.</li> </ul>

Our customers are our strengths. As we endeavour to work towards greater satisfaction of our customers, we believe that in the long run the company would benefit with better quality customers and smoother operations.

## Corporate Social Responsibility Initiatives

We have focused our CSR initiatives on imparting financial literacy to women of low-income segment. Through our experience, we learnt that many of these women often do not understand their own cash-flows, which results in the absence of any financial planning. At times, they fail to understand the economics of business and the opportunities available to them that will enable them to expand their business. We also observed that the women, though economically active and contributing to the household income, do not often play any part in the decision-making process.

Having identified these gaps, the financial literacy programs are designed to enable and equip them to understand household cashflows, understand various sources of saving and actively participate in financial planning and decision-making at the household level. As per our CSR Policy, we are required to contribute at least two percent of the average net profits of our Company made during the three years preceding financial years, on CSR.

These financial literacy programs were conducted in different states in their local language within the local context. The events also encourage cross-learning among the participants by giving them a platform to share their experiences, successes and challenges.

We also conducted workshops on business ideas to help women understand business opportunities in their local areas. For example, we facilitate these workshops by giving them a theme that allows them to come up with business ideas centered around it. Participants are then encouraged to pick appropriate ideas within their personal context. Through these workshops, we strive to help women understand the markets and the demand-supply gap.



## Board of Directors – Profile

Before we present the profile of Board of directors, we would like to pay our tributes to Mr Vijay Bhaskar who passed away on 4<sup>th</sup> May, 2018 while serving his term as the member on the Board of Directors of Spandana. Before his stint with Spandana, Mr Vijay Bhaskar had retired as Executive Director of Reserve Bank of India. His areas of expertise included Banking and Non-Banking Regulation and Supervision, understanding of dynamics in Domestic and International markets, Risk Management in financial markets. His key strengths were knowledge of various financial products, regulatory environment in India and abroad, immense experience as policy maker and dissecting the market behaviour and reaction to various policy initiatives and global perspective on all domestic issues. We pay sincere homage to Mr Vijay Bhaskar.

### Brief Biographies of Directors

- **Deepak Calian Vaidya,**  
Non-Executive Chairman and Independent Director

Mr Deepak Calian Vaidya also serves as a director on the board of directors of Apollo Gleneagles Hospital Limited, Apollo Hospitals Enterprise Limited, Bombay Oxygen Corporation Limited, Indraprastha Medical Corporation Limited, Marudhar Hotels Private Limited, PPN Power Generating Company Private Limited, Stelis Biopharma Private Limited, Sterling Pharma Solution Limited, Strides Shasun Limited, Solara Active Pharma Sciences Limited, Suntec Business Solutions Private Limited and UTI Capital Private Limited. He has been a Director on our Board since June 6, 2018. He has served as a director on the board of the directors of Capricorn Securities India Private Limited, Arc Advisory Services Private Limited and Chaityadeep Investments Private Limited. He is a fellow of the Institute of Chartered Accountants in England and Wales since 1979.

- **Padmaja Gangireddy,**  
Founder and Managing Director

Mrs. Padmaja Reddy is the founder of Spandana Rural and Urban Development Organisation (SRUDO) which started operations in 1998. She later promoted Spandana Sphoorty Innovative Financial Services Limited (SSIFSL) in 2003 which is renamed as Spandana Sphoorty Financial Limited (SSFL). She has been leading it as a Managing Director since inception. She has also been a founder promoter of our group companies – viz. Abhiram Marketing and Criss Financial Services. She also serves as a director on the Caspian Financial Services' Board. She has also served on the Board of MFIN-Microfinance Institutions Network.

Before starting SRUDO, she worked at ASSIST (a non-government organisation) for 7 years and her last held title was deputy director. She holds bachelors' degree in science and another bachelors' degree in communication and journalism. She attended course on credit and micro enterprise development at the Durham University, UK; microfinance training program from Naropa University, US; HBS-Accion program on strategic leadership for microfinance from Harvard Business School and an executive education programme from Indian School of Business, Hyderabad. She has earned many awards as a Woman Business Leader.

- **Jagadish Capoor,**  
Independent Director

Mr. Jagadish Capoor previously worked as the Deputy Governor of the Reserve Bank of India for more than four years. He has served on various Boards of large financial institutions like HDFC Bank (where he was the Chairman), HDFC Securities, Manappuram Finance Limited, besides group businesses of LIC like the LIC Housing Finance Limited, LIC Pension Fund Limited, LIC HFL Trustee Company Private Limited. He also serves as a director on the board of directors of AGS Transact Technologies Limited, Assets Care and Reconstruction Enterprise Limited, India Transact Services Limited, Nitesh Estates Limited, Quantum Trustee Company Private Limited and Secure Value India Limited. He has been a Director on our Board since June 6, 2018.

- **Bharat Dhirajlal Shah,**  
Independent Director

Mr. Bharat Dhirajlal Shah is the chairman of HDFC Securities Limited and a co-founder of HDFC Bank Limited. He joined HDFC Bank Limited as an executive director in 1994 and has held the positions of head – custody and depository, retail, human resources, private banking, infrastructure and merchant services for a period of 12 years. He continues to be associated with HDFC Bank Limited as an advisor. He holds a certificate from the University of Bombay in financial management and a national diploma in applied chemistry from Borough Polytechnic, London.

He also serves as director on the board of directors of 3M India Limited, Apollo Munich Health Insurance Co. Limited, Digikredit Finance Private Limited, Exide Industries Limited, HDFC Securities Limited, Hexaware Technologies Limited, Mahindra Lifespace Developers Limited, Salisbury Investments Private Limited, Sterling Pharma Solutions Limited, Stride Shasun Limited and Tata Sky Limited. He has been a Director on our Board since April 13, 2018.

- **Abanti Mitra,**  
Independent Director

Ms. Abanti Mitra runs a management consulting business as director of Development Equities Private Limited, Positron Consulting Services Private Limited and Positron Advisory Services Private Limited. She has served as a Director on our Board previously from 2012 to 2016. She has been a Director on our Board since May 4, 2017. She holds a post graduate diploma in rural management from Institute of Rural Management, Anand. She has previously worked at Astra Marine Private Limited, Micro-Credit Ratings International Limited and at ICICI Bank Limited where she headed the Microfinance Product vertical.

- **Ramachandra Kasargod Kamath,**  
Nominee Director of Kedaara Capital I Limited

Mr. Ramachandra Kasargod Kamath earlier worked as chairman and Managing Director with Punjab National Bank for five years. He was an executive director at Bank of India for five years and also the chairman and managing director at Allahabad Bank for five years. He held the post of chairman of the Indian Banks Association for two

years. He has previously worked with Corporation Bank for 28 years, where his last held position was general manager. He also serves as a director on the board of directors of Aavas Financiers Limited, BQ Padmavathy Finance Academy Private Limited, Centrum Capital Limited, Manipal Technologies Limited and New Opportunity Consultancy Private Limited.

He has a proprietary concern named KR Kamath for management advisory services rendered by him. He has been a Director on our Board since May 4, 2017. He holds a bachelors' degree in Commerce from University of Mysore. He is an honorary fellow of the Indian Institute of Banking & Finance since 2009. He was certified as an associate of the Indian Institute of Bankers in 1994.

• **Amit Sobti,**  
Nominee Director of Kedaara Capital I Limited

Mr. Amit Sobti is currently a senior principal at Ontario Teachers' Pension Plan (Asia) Limited in India. He has been in this role since 2016. He has over 15 years of experience in private equity, including over two years with Uitas Capital Private Limited, nine years with Warburg Pincus LLC, and two years with Rhone Group LLC. He has been a Director on our Board since May 29, 2017. He holds a bachelor's degree in Arts (Business Economics and Computer Science) from Brown University.

• **Kartikeya Dhruv Kaji,**  
Nominee Director of Kedaara Capital I Limited

Mr. Kartikeya Dhruv Kaji currently serves as a Principal at Kedaara Capital Advisors LLP. He has previously worked with Perella Weinberg Partners and Merrill Lynch in New York, and with Temasek Holdings Advisors India Private Limited. He has been a Director on our Board since March 31, 2017. He holds a bachelors' degree in arts (economics) from the Dartmouth College, New Hampshire and a master's degree in business administration (finance and entrepreneurial management) from the Wharton School of the University of Pennsylvania.

• **Darius Dinshaw Pandole,**  
Nominee Director of JM Financial Products Limited

Mr. Darius Dinshaw Pandole is the managing director and chief executive officer – PE and Equity AIFs at JM Financial Limited. Prior to this, he was a partner at New Silk Route Advisors, a private equity advisory firm primarily focussed on India. He was also an executive director at IDFC Asset Management Company Limited, which managed the India Development Fund, an infrastructure focused private equity fund. He serves as a director on the board of directors of JM Financial Asset Management Limited, Credibility Financial Services Private Limited, Fairchem Speciality Limited, and Mahindra Logistics Limited. He has been a Director on our Board since July 18, 2017. He holds a bachelors' degree in Arts from Harvard University and a masters' degree in Business Administration from the University of Chicago.

• **Sunish Sharma,**  
Nominee Director of Kedaara Capital I Limited

Mr. Sunish Sharma is the managing partner and co-founder of Kedaara Capital Advisors LLP. He has extensive private equity investment experience in business services and technology, healthcare, financial services and consumer sectors. He is also a co-founder of the Ashoka University and the Young India Fellowship, an initiative that was launched in collaboration with the University of Pennsylvania's School of Engineering and Applied Sciences. He also serves as a director on the board of directors of Mahindra Logistic Limited, Manjushree Technopack Limited and Vedant Fashions Private Limited. He has been a Director on our Board since March 31, 2017.

He holds a masters in business administration from IIM, Calcutta and is a qualified Cost Accountant. He has previously worked with McKinsey & Co. as engagement manager, at General Atlantic as managing director. He was featured on the list of "Asia's 25 most influential people in private equity" by the Asian Investor magazine published in the year 2013, and also on the list of "Hottest Young Executives" in the Business Today magazine published in the year 2011.



## Corporate Information

### Company Name:

Spandana Sphoorty Financial Limited  
Formerly 'Spandana Sphoorty Innovative Financial Services Limited', name changed in Jan 2008

### Corporate Identity Number:

U65929TG2003PLC040648

### RBI registration Number:

N-09.00414 (Non-Banking Finance Company registration number issued by RBI; now operating in NBFC-MFI category)

### Statutory Auditors:

S.R. Batliboi & Co. LLP, (FRN-301003E/E300005),  
Chartered Accountants

### Secretarial Auditors:

RPR & Associates  
Practicing Company Secretaries

### Website:

www.spandanaindia.com

### Company Secretary:

Rakesh Jhunjharia (Company Secretary & Compliance Officer)  
e-mail:secretarial@spandanaindia.com;

### Registered and Corporate Office:

Plot No: 31 & 32, Ramky Selenium Towers, Tower A,  
Ground Floor, Financial District, Nanakramguda,  
Hyderabad 500032, Telangana, India  
Tel: +91 40 4812 6666; Fax: +91 40 4438 6640

### Registrars and Transfer Agents

Karvy Computershare Private Limited  
(SEBI Registration No.: INR000000221)  
Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad 500 032 Telangana, India  
Tel: +91 40 6716 2222 | Fax: +91 40 2343 1551  
Investor grievance E-mail: einward.ris@karvy.com |  
Website: www.karisma.karvy.com

### Lenders

- Indusind Bank Limited
- Yes Bank Limited
- ICICI Bank Limited
- Kotak Mahindra Bank Limited
- Bandhan Bank Limited
- RBL Bank Limited
- Au Small Finance Bank Limited
- Mahindra & Mahindra Financial Services Limited
- Manappuram Finance Limited
- Capital First Limited
- JM Financial Capital Limited
- Clix Finance India Private Limited
- Hero Fincorp Limited
- IFMR Capital Finance Private Limited
- Reliance Commercial Finance Limited
- Karvy Capital Limited (NCD)
- Unifi AIF (NCD)
- Aditya Birla Sun Life Asset Management Company Limited (NCD - Birla Sun Life Trustee Company Private Limited)
- Microfinance Enhancement Facility SA (NCD)
- Responsibility India Business Advisors Private Limited (NCD - UTI International Wealth Creator 4)

### Current Composition of Board of Directors

Name	Designation	DIN
Deepak Calian Vaidya	Non-Executive Chairman & Independent Director	00337276
Padmaja Gangireddy	Managing Director	00004842
Jagadish Capoor	Independent Director	00002516
Bharat Dhirajlal Shah	Independent Director	00136969
Abanti Mitra	Independent Director	02305893
Ramachandra K Kamath	Non-Executive Director*	01715073
Amit Sobti	Non-Executive Director*	07795874
Kartikya Dhruv Kaji	Non-Executive Director*	07641723
Darius Dinshaw Pandole	Non-Executive Director**	00727320
Sunish Sharma	Non-Executive Director*	00274432

\* Nominee of Kedaara Capital I Limited

\*\* Nominee of JM Financial Products Limited

### Important Corporate Disclosures

1. Company has filed a Draft Red Herring Prospectus (DRHP) dated June 25, 2018 with Securities and Exchange Board of India (SEBI). It seeks approval for making an Initial Public Offer (IPO) to raise Equity and also to provide some of the existing shareholders an opportunity to partly sell their stake as detailed in the DRHP
2. Company has incorporated a wholly owned subsidiary named 'Caspian Financial Services Limited' (Caspian) which was incorporated on October 13, 2017 under the Companies Act, 2013 as a public limited company. It has a paid up capital of Rs.20 million with 100% held by the Company. As of March 31, 2018, it is yet to begin business operations.
3. Company and its group company, viz. Criss Financial Holdings Limited (CFL) have approved a proposal to make CFL a subsidiary of SSFL vide approvals from respective Boards. CFL has filed an application with RBI seeking approval for purchase of its shares by SSFL to make CFL a subsidiary of SSFL. CFL is engaged in same line of business as our company and holds an NBFC license as a Loan company (though this is a non-MFI-NBFC).

## Director's Report

To  
The Members  
of Spandana Sphoorthy Financial Limited,

Your Directors have pleasure in presenting the 15th Annual Report on the business and operations of the Company together with the audited accounts for the financial year ended 31st March, 2018.

### 1. FINANCIAL SUMMARY /PERFORMANCE OF THE COMPANY

Financial performance of your Company for the financial year ended 31st March, 2018 is summarized below: (Table : 11.1)

Table no : 11.1

Particulars	Standalone		Consolidated
	31 March-18	31 March-17	31 March-18
Income from Operations	560.84	371.47	560.84
Other Income	13.22	50.36	13.25
Profit before Depreciation, Interest and Tax (PBDIT)	434.78	292.74	434.76
Depreciation	5.73	8.33	5.73
Financial charges	199.88	209.64	199.88
Profit Before Tax	229.17	74.77	229.15
Provision for Tax - Current year	57.32	21.82	57.33
Profit/(Loss) After Tax	171.85	52.95	171.83
Transfer to Statutory Reserves	(34.37)	(10.59)	(34.37)
Balance carried to Balance sheet	137.48	42.36	137.46

During the current financial year, the Income from Operations of the company grew by 51% to Rs. 560.84 crore and the Profit after Tax grew 3.5 times to Rs.171.85 crore. The improvement in financial performance of the company is on account of business growth recorded during the year.

### 2. DIVIDENDS

During the financial year 2017-18 the Company has made profit, however, no dividend has been declared by the Board. Further the dividend on CCPS and OCRPS, is payable cumulatively at the redemption/ conversion of the instrument as per the terms of respective instruments.

### 3. BRIEF DESCRIPTION OF THE COMPANY'S WORKING DURING THE YEAR / STATE OF COMPANY'S AFFAIR

The operational highlights of your company are as follows:(Table no : 11.2)

Table no : 11.2

Details	March-16	March-17	March-18
No of States	12	13	15
No of Branches	503	526	694
No of Districts	184	192	222
No of Villages	40,825	44,461	52,727
No of Employees	4,128	3,044	2,751
No of Borrowers (Lakhs)	10.67	10.69	15.86
Gross Disbursements (Rs. crore)	1,793.30	2,059.17	3,857.67
Loan Portfolio (Rs. crore) on Balance Sheet	1,218.60	1,296.92	2,481.61
Asset Under Management- AUM (Rs. crore)	1,218.60	1,296.92	3,166.21

During FY18, the company started operations in the State of West Bengal and restarted operations in Rajasthan besides the earlier existing operations from 13 states (viz. Madhya Pradesh, Andhra Pradesh, Telangana, Karnataka, Kerala, Maharashtra, Odisha, Goa, Chhattisgarh, Gujarat, Jharkhand, Uttar Pradesh and Bihar).

During FY18, number of borrowers grew by 50% to 15.86 lakh borrowers from 10.60 lakh. Number of branches grew by 32% from 526 to 694 across the existing and new states.

Disbursements increased by 87% from Rs.2,059crore in FY17 to Rs.3,858crore for FY18 and that helped your company to grow the Gross AUM by 144% from Rs.1,297crore as of 31st March, 2017 to Rs.3,166 crore as of 31st March, 2018.

### 3.1 Securitisation:

Your Company has used securitisation to improve its asset and liability mix in line with extant guidelines of RBI on securitisation. Gross Securitisations during the year to the tune of Rs. 957 crore have been done by issuing Pass Through Certificates (PTCs). As on 31-Mar-2018, the total Asset under management out of securitised portfolio

is Rs.685 crore. Kindly, refer Note 4.30 (o) of the Standalone Financial Statements of the Company.

### 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 and reclassified as NBFC-MFI, effective from April 13, 2015. 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:

As on 31st March 2018, the Company is in compliance of the regulatory requirements of net owned funds ('NOF') and Capital to Risk Assets Ratio ('CRAR'), as defined under section 45-1A of the Reserve Bank of India Act, 1934, to carry on the business of a non-banking financial institution ('NBFI'). Your Company's Capital Adequacy Ratio is as follows: (Table no : 11.3)

### 3.4 Auction of gold jewellery for recovery of overdues of loans against them:

No Auctions were made during the financial year 2017-18 of gold jewellery for recovery of overdues of loans against them.



## Director's Report

Table no : 11.3

Capital Adequacy Ratio	2017-18	2016-17
i) CAR –Tier I Capital (%)	37.16	48.52
ii) CAR – Tier II Capital (%)	0.00	0.44
iii) Capital Adequacy Ratio (CAR)	37.16	48.96

**3.5 Reserve Fund:**

As per section 451C of RBI Act 1934, the Company has transferred Rs. 34.40 crores in reserve fund i.e. aggregating of 20% of its net profit.

**4. MANAGEMENT DISCUSSION & ANALYSIS**

FY18 started on a positive note for the company since the company came out of Corporate Debt Restructuring (CDR) mechanism in Mar-17. Post exit from CDR in Mar-17, your company increased its lender base, diversified borrowings from Banks, NBFCs and Capital Markets and reduced its incremental borrowing cost. Further, Kedaara continued to support us by additional capital infusion of Rs. 125 crore in Nov-17 and Rs. 119 crore in Mar-18. As a result, during the year ended 31st March, 2018, we grew our operations, as we were able to leverage on our existing branch network and existing client outreach besides expanding outreach to new customers through new branches in existing geographies and new geographies.

Before the above Capital raise and CDR exit in 2017, since we had limited access to capital, the average loan size offered was lower compared to the clients' requirements and eligibility. With this strategy, we were able to optimize the operations to maintain the existing client franchise and branch network with lower average portfolio at the Branch level compared to our peers. Post exit from CDR, we are able to raise debt and capital and we are able to offer higher ticket sizes within the client eligibility norms. We could also acquire new clients across existing and new branches. This helped us grow our borrower base by 50% and AUM by 144% - one of the highest rates among large NBFC-MFIs in India and it brought us to 4th rank among the NBFC-MFIs by size of AUM (MFIN Micrometer Mar-2018). With effective utilization of capital, we closed the year with an ROE of 22.37% which increased from 11.44% in FY17.

**5. CREDIT RATING**

The ICRA Limited has revised the rating assigned to the Company's debt instruments during the financial year 2017-18, the details of the same are as follows: (Table no 11.4)

Table no : 11.4

Rating Agency	Facilities Rated	Previous rating	Current rating with revised outlook
ICRA Limited	Non-convertible Debentures (INR 585 crores)	[ICRA] BBB- (stable outlook)	[ICRA] BBB (positive outlook)
ICRA Limited	Line of Credit (INR 500 crores)	[ICRA] BBB- (stable outlook)	[ICRA] BBB (positive outlook)

The aforesaid ratings were further revised as on the date of this report and the details for the same are: (Table no : 11.5)

Table no : 11.5

Rating Agency	Facilities Rated	Previous rating	Current rating with revised outlook
ICRA Limited	Non-convertible Debentures (INR 585 crores)	[ICRA] BBB- (positive outlook)	[ICRA] BBB (positive outlook)
ICRA Limited	Line of Credit (INR 500 crores)	[ICRA] BBB- (positive outlook)	[ICRA] BBB (positive outlook)

**6. 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, therefore the disclosure under rule 8 (5)(vii) of Companies (Accounts) Rules, 2014, is not applicable to the Company.

**7. CONSOLIDATED FINANCIAL STATEMENT**

The Consolidated Financial Statements of the Company prepared in accordance with relevant Accounting Standards (AS) viz. AS 21, AS 23 and AS 27 issued by the Institute of Chartered Accountants of India form part of this Annual Report.

**8. AUDITORS**
**8.1 Statutory Auditors:**

The Statutory Auditors, M/s. S R Batliboi & Co. LLP, Chartered Accountants (Firm Registration No. 301003E/E300005), were appointed at the 11th Annual General Meeting of the company held on 23rd September, 2014 as statutory auditors of the Company and would be completing their first term five years at the ensuing Annual General Meeting and are eligible for re-appointment for a further period of five years. Accordingly their appointment as Statutory Auditors of the Company is placed for the approval of the Members at the ensuing Annual General Meeting.

The Company has received necessary written consent and certificates under Section 139 of the Companies Act, 2013 from them to the effect that their appointment, if made, shall be in accordance with the conditions specified therein and they satisfies the Criteria as prescribed in Section 141 of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014.

The Auditors' Report read along with the Notes on the Financial Statements are self explanatory and does not call for any further comments. The Auditors Report does not contain any qualification, reservation or adverse remark.

**8.2 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 CS Y Ravi Prasad Reddy, Practising Company Secretary, to conduct Secretarial

Audit for the financial year 2017-18.

The Secretarial Audit Report for the financial year ended March 31st, 2018 is annexed to this report as "Annexure -A".

## Director's Report

**8.3 Internal Audit:**

The Company has its own internal audit team as per the Internal Audit Policy. Each branch is audited atleast once in 3 months. Risk areas were identified every month and branches were audited more than once wherever there were triggers of risk. AP branches are audited more frequently, atleast once in a month as the risk was perceived to be higher. Apart from this, special audit was also conducted in AP to review the operations and risks.

**9. SHARE CAPITAL/DEBENTURES**

During the Financial Year 2017-18, the Company issued and allotted the following shares in the Capital of the Company: (Table no : 11.6)

Table no : 11.6

Sl.	Name of the Allottees	Type of Share Allotted	No. of Shares Allotted
1	Kedaara Capital - AIF 1	Class A 0.001% Compulsorily Convertible Preference Shares	26,59,817
2	Kangchenjunga Limited	Class A 0.001% Compulsorily Convertible Preference Shares	122,340,172
3	Mrs. Padmaja Gangireddy	Equity Shares of Rs. 10/ each at premium of Rs. 225.48	74,954
4	JM Financial Products Limited	Equity Shares of Rs. 10/ each at premium of Rs. 225.48	5,41,535
5	Valiant Mauritius Partners FDI Limited	Equity Shares of Rs. 10/ each at premium of Rs. 225.48	6,50,790
6	Spandana Employee Welfare Trust	Equity Shares of Rs. 10/ each at premium of Rs. 225.48	38,512
7	Bala Deepthi Gangireddy	Equity Shares of Rs. 10/ each at premium of Rs. 225.48	1,634
8	Kedaara Capital - AIF 1	Class A1 0.001% Compulsorily Convertible Preference Shares	11,66,76,087
9	Kangchenjunga Limited	Class A1 0.001% Compulsorily Convertible Preference Shares	25,36,673
10	Mrs. Padmaja Gangireddy	Convertible Share Warrants on Preferential Basis.	14,88,544

During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity. Further the Company has also not provided any money for purchase of its own shares by employees or for the benefit of employees.

During the Financial Year 2017-18, the Company has issued and allotted following debentures: ( Table on the next page) (Table no : 11.7)

**10. HOLDING / SUBSIDIARY COMPANIES / ASSOCIATES / JOINT VENTURES**

Caspian Financial Services Limited [CIN: U65999TG2017 PLC 120042] became wholly owned subsidiary of the Company since its Incorporation i.e., 13th October, 2017.

The statement required to be provided with respect to subsidiaries, associate companies and joint ventures pursuant to the provisions of Section 129(3) of the Companies Act, 2013 and Rule 5 of the Companies (Accounts) Rules, 2014 in Form AOC – 1 is annexed herewith as "Annexure – B".

The Audited Financial Statements, the Auditors Report thereon and the Board's Report for the year ended 31st March, 2017 of the subsidiary companies shall be available for inspection by the Members at its registered office, during business hours on all working days upto the date of the Annual General Meeting. A member who is desirous of obtaining a copy of the accounts of the subsidiaries companies is requested to write to the Company.

During the financial year none of the Company become or ceased to be the Company's subsidiaries, joint ventures or associate companies other than those stated above.

**11. 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 C".

**12. 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:

**12.1 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 uses 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. This is besides utilization of natural lights at our branch and office premises to conserve energy. We are also promoting use of renewable energy sources among clients at their household levels.

**12.2 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.

**12.3 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. The Company has migrated to a browser based application e-FIMO which has the accounts, loans and insurance modules integrated. The e-FIMO has enabled us to have the entire data in a single database and have real time data available without any time lag. Collection efficiency of each branch is tracked on a daily basis. Credit bureau verification is integrated and the bureau check happens seamlessly. To avoid data manipulation at the branch level, applications login has been centralized. A back office with

Table no : 11.7

Number and Class of Debentures	Face Value	Called up value	Total paid up Value	Date of Allotment	Date of Listing	ISIN	Security Code
12,00,00,000 (Twelve Crore) (Previous year Nil) 12.30% Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures	01	01	12,00,00,000	21.08.2017	29.08.2017	INE572J07026	956818
1000 (One Thousand) (Previous year Nil) 14.00% Secured, Rated, Listed, Redeemable, Transferable, Non-convertible Debentures	10,00,000	10,00,000	100,00,00,000	18.09.2017	28.09.2017	INE572J07034	956928
200 (Two Hundred) (Previous Year Nil) Fully paid up Listed Senior Unsecured Dematerialized Non-Convertible Debentures	10,00,000	10,00,000	20,00,00,000	26.09.2017	09.10.2017	INE572J08016	956949
4000 (Four thousand) (Previous Year Nil) 13.50% Partly Paid, Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures	10,00,000	2,50,000	100,00,00,000	03.10.2017	18.10.2017	INE572J07042	957066
18,00,00,000 (Eighteen crore) (Previous Year Nil) 12.30% Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures	01	01	18,00,00,000	26.10.2017	07.11.2017	INE572J07059	957105
325 (Three Hundred Twenty Five) (Previous Year Nil) 13.15% Rated Secured Listed Redeemable Non-Convertible Debentures	10,00,000	10,00,000	32,50,00,000	31.10.2017	14.11.2017	INE572J07067	957126

**Total Paid up Value of the Non-Convertible Debentures is Rs. 282,50,00,00,000/- (Two Hundred and Eighty Two Crore and Fifty Lakh only)**  
**\*Total paid up value of Non-Convertible Debentures as on 31-Mar-2018 is Rs. 2,65,83,33,334/-**

## Director's Report

100 data entry operators, team leads and managers has been set up at the HO. Branches upload the scanned copies of loan applications and KYC documents. Applications are logged on FIMO for bureau verification and processing of loans.

**12.4 Foreign exchange earnings and outgo:**

There was no foreign exchange earnings and outgo during the year.

**13. CORPORATE SOCIAL RESPONSIBILITY (CSR)**

In terms of section 135 and Schedule VII of the Companies Act, 2013 read with rules made thereunder, the Board of Directors of your Company have constituted a CSR Committee. The current composition of the Committee is as follows. (Table no : 11.8)

Table no : 11.8

Sl	Name	Designation & Category
1	Mr. K. R. Kamath	Chairman, Independent Non Executive Director
2	Mrs. Padmaja Gangireddy	Member, Managing Director
3	Ms. Abanti Mitra	Member, Independent Non Executive Director

The Board at its meeting held on 25th July, 2017 had re-constituted the CSR Committee. The details of the Corporate Social Responsibility adopted by the Company has been disclosed on the website of the Company at <http://www.spandanaindia.com/>

The Annual Report on CSR activities is annexed to this report as "Annexure D".

**14. 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. (Table no : 11.9)

Table no : 11.9

Auditor's Remark	Comments of the Board
None	None

**15. 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: (Table no : 11.10)

Table no : 11.10

NAME OF DIRECTOR	CATEGORY
Mrs. Padmaja Gangireddy	Managing Director
Ms. Abanti Mitra	Independent Non Executive Director
Mr. Ramachandra Kasargod Kamath	Independent Non Executive Director
Mr. Bharat Dhirajlal Shah	Independent Non Executive Director
Mr. Kartikeya Dhruv Kaji	Nominee Director
Mr. Sunish Sharma	Nominee Director
Mr. Amit Sobti	Nominee Director
Mr. Darius Dinshaw Pandole	Nominee Director

Mr. Madhava Potturi, Director of the Company, resigned from the Directorship of the Company with effect from 18th October, 2017. Mr. Vijay Bhaskar Pedamallu and Mr. Bharat Dhirajlal Shah were appointed as Additional Director, in the category of Independent Directors, with effect from 03rd March, 2018 and 13th April, 2018 respectively. Mr. Vijay Bhaskar Pedamallu expired on 4th May,

2018, and the Board at its meeting held on 15th May, 2018 expressed their deep condolences at the sad demise of Mr. Vijay Bhaskar and taken the same on record.

Mr. Ramchandra Kasargod Kamath and Ms. Abanti Mitra were appointed as Additional Directors of the Company and their appointment as Independent Directors was approved by the members of the Company at the 14th Annual General Meeting of the Company held on 24th August, 2017.

**15.1 Rotation of Directors:**

As per Section 152 (6) (a) of Companies Act, 2013, not less than one-third of the total number of retiring 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 Eight Directors as on 31st March, 2018, of which three are Independent Directors, one is Managing Director and four are Nominee Direc-

tors, hence, none of the Directors are eligible to retire by rotation at the ensuing Annual General Meeting.

**15.2 Declaration by Independent Directors:**

The Company has received a declaration 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.

**15.3 Key Managerial Personnel of the Company:**

- Mrs. Padmaja Gangireddy, Managing Director and Mr. Rakesh Jhinjhar, Company Secretary (Membership No. F8235) continued to be the Key Managerial Personnel of the Company.
- Mr. Deepak Nath Goswami, has been appointed by the Board at its meeting held on 16th February, 2018, as the Chief Financial Officer and Key Managerial Personnel of the Company in terms of the provisions of the Companies Act, 2013 w.e.f. 31st January, 2018.

**16. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES**

The ratio of the remuneration of each director to the median's employee's remuneration and other details in terms of Section 197(12) of Companies Act, 2013 read with Rule 5(1) of the Companies (Companies Appointment and Remuneration of Managerial Personnel) Rules, 2014, have been annexed herewith as "Annexure-E" to the Directors' Report.

The statement containing particulars of employees as required under Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in a separate annexure forming part of the Directors' Report. In terms of Section 136 of the Companies Act, 2013, the Directors' Report and the Accounts are being sent to the Members excluding the aforesaid annexure and the same is open for inspection at the Registered Office of the Company. A copy of the statement may be obtained by the Members, by writing to the Company Secretary of the Company.

## Director's Report

Further none of the employees of the Company were drawing remuneration exceeding Rs. 102.00 Lakhs per annum, who were employed throughout the financial year ended 31st March, 2018 or Rs. 8.50 Lakhs per month, who were employed for a part of the financial year ended 31st March, 2018, Further, none of the employees of the Company who were employed throughout or part of the financial year, was in receipt of remuneration at a rate which, in aggregate, exceeds the remuneration being drawn by the Whole Time Director. It is also informed that none of the employees either by himself / herself or along with his /her spouse and dependent children hold 2% of the equity shares of the Company.

### 17. CORPORATE GOVERNANCE

Your Company's 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 true spirit. The Company being an NBFC-MFI, 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.

### 18. MEETINGS

**Number of meetings of the Board of Directors:** Twelve board meetings were held during the financial year 2017-18. 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:- (Table no :11.11)

Table no : 11.11

Date of Meeting	Board Strength	No. of Directors Present
15th June, 2017	8	5
25th July, 2017	8	6
04th August, 2017	8	4
04th August, 2017	8	4
13th September, 2017	8	4
22nd September, 2017	8	4
17th October, 2017	8	4
08th November, 2017	7	7
02nd December, 2017	7	4
04th January, 2018	7	5
23rd January, 2018	7	7
16th February, 2018	7	3

### 19. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee was reconstituted by the Board of Directors at its meeting held on 15th May, 2018, the current composition of the Committee is as follows: (Table no:11.12)

Table no : 11.12

Sl	Name	Designation & Category
1	Mr. Bharat Dhirajlal Shah	Chairman
2	Ms. Abanti Mitra	Member
3	Mr. Kartikeya Dhruv Kaji	Member

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 Policy is available at <http://www.spandanaindia.com/>

The terms of reference of the Nomination and Remuneration Committee, as approved by the Board at its meeting held on 15th May, 2018 are as follows:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees in accordance with Section 178(4) of the Companies Act, 2013;
- Formulation of criteria for the performance of evaluation of independent directors and the Board;
- Devising a policy on Board diversity;
- Identify persons who are qualified to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance. The Company shall disclose the remuneration policy and the evaluation criteria in its annual report;
- To determine 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 Head of Departments of various functions and other key managerial personnel as decided from time to time in consultation with the Board of the Company and other stakeholders."
- To objectively examine the annual manpower plan in relation to the business plan of the company and to examine management recommendations regarding manpower strategy and suggest corrective actions, if required.
- To finalise top tier organization structure including top field level functionaries and direct reportees on a periodical basis or as and when required.
- To evaluate and approve the compensation packages of above mentioned persons with particular reference to fixed and variable pay (including bonuses and Employees Stock Options).
- To recommend to the Board a policy, relating to remuneration for the Directors and Key Managerial Personnel
- Determining the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;
- Perform such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, including the following:
  - administering employee stock option schemes, employee stock purchase schemes, stock appreciation rights schemes, general employee benefits scheme and retirement benefit schemes (the "Schemes");
  - delegating the administration and superintendence of the Schemes to any trust set up with respect to the Schemes;

## Director's Report

- (c) formulating detailed terms and conditions for the Schemes including provisions specified by the Board of Directors of the Company in this regard;
- (d) determining the eligibility of employees to participate under the Schemes;
- (e) granting options to eligible employees and determining the date of grant;
- (f) determining the number of options to be granted to an employee;
- (g) determining the exercise price under of the Schemes; and
- (h) construing and interpreting the Plan and any agreements defining the rights and obligations of the Company and eligible employees under the Schemes, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the Schemes.
- l) Framing suitable policies and systems to ensure that there is no violation of securities laws by, the Company, its employees or trust set up with respect to the Schemes, if any, of any applicable laws in India or overseas, including:
- (i) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; and
- (ii) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended;
- m) Determine whether to extend or continue the terms of appointment of the independent directors, on the basis of the report of performance evaluation of independent directors; and
- n) Perform such other activities as may be delegated by the Board of Directors and/or are statutorily prescribed under any law to be attended to by such committee."

- (ii) Terms of reference of the Committee are:
- (a) Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- (b) Recommending to the Board, the appointment, re-appointment, and replacement, remuneration, and terms of appointment of the statutory auditor, internal auditor and cost auditor;
- (c) Reviewing and monitoring the auditor's independence and performance and the effectiveness of audit process;
- (d) Approving payments to the statutory auditors, internal auditor and cost auditor, for any other services rendered by them;
- (e) Reviewing with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
- (i) Matters required to be stated in the Director's responsibility statement to be included in the Board's report in terms of Section 134(3)(c) of the Companies Act, 2013;
- (ii) Changes, if any, in accounting policies and practices and reasons for the same;
- (iii) Major accounting entries involving estimates based on the exercise of judgment by management;
- (iv) Significant adjustments made in the financial statements arising out of audit findings;
- (v) Compliance with listing and other legal requirements relating to financial statements;
- (vi) Disclosure of any related party transactions; and
- (vii) Qualifications and modified opinions in the draft audit report.

**20. AUDIT AND RISK MANAGEMENT COMMITTEE**

The nomenclature of Audit, Compliance & Corporate Governance Committee was changed to Audit and Risk Management Committee by the Board of Directors of the Company in the held on 25th July, 2017 with following being the members of the Committee: (Table no : 11.13)

Table no : 11.13

Sl	Name	Designation & Category
1	Mr. K. R. Kamath	Chairman
2	Ms. Abanti Mitra	Member
3	Mr. Kartikeya Dhruv Kaji	Member

During the year 2017-18, five (5) meetings of the Audit Committee were convened and held on 15th June, 2017, 17th October, 2017, 08th November, 2017, 22nd January, 2018 and 26th March, 2018. The Committee functions in line with the provisions contained in Section 177 of the Companies Act, 2013.

The Board at its meeting held on 15th May, 2018, has re-constituted the Audit Committee and Risk Management Committee separately, the details of the constitution and terms of reference approved by the Board are given herein

**(a) Audit Committee:**

- (i) Details of the constitution: ( Table no : 11.14)

Table no : 11.14

Sl	Name	Designation & Category
1	Mr. K. R. Kamath	Chairman
2	Mr. Bharat Dhirajlal Shah	Member
3	Mr. Kartikeya Dhruv Kaji	Member

- (f) Reviewing with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
- (g) Scrutiny of inter-corporate loans and investments;
- (h) Valuation of undertakings or assets of the Company, wherever it is necessary;
- (i) Evaluation of internal financial controls and risk management systems;
- (j) Approval or any subsequent modification of transactions of the Company with related parties;  
Explanation: The term "related party transactions" shall have the same meaning as provided in Clause 2(zc) of the SEBI Listing Regulations and/or the applicable Accounting Standards and/or the Companies Act, 2013.
- (k) Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- (l) Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;
- (m) Reviewing, with the management, the performance of statutory and internal auditors and adequacy of the internal control systems;
- (n) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department,

staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

- (o) Discussion with internal auditors on any significant findings and follow up thereon;
- (p) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- (q) Discussion with statutory auditors, internal auditors and cost auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- (r) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- (s) Approval of appointment of the chief financial officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- (t) Reviewing the functioning of the whistle blower mechanism, in case the same is existing;
- (u) Carrying out any other functions as provided under the Companies Act, the Listing Regulations and other applicable laws;
- (v) To formulate, review and make recommendations to the Board to amend the Audit Committee charter from time to time;
- (w) To review the financial statement with respect to its subsidiaries, if any, in particular investments made by the unlisted subsidiaries;
- (x) To examine the efficacy of audit functions and systems and suggesting steps on a periodic basis (quarterly, half yearly) for its improvement.
- (y) To facilitate smooth conduct of audits by external agencies, Statutory Auditors, Reserve Bank of India (RBI), lenders and any other external auditors as appointed by the Company or any other stakeholders (lenders, shareholders, regulators, government etc.)
- (z) To report, on a quarterly basis, the key findings of the quarter, as well as the action taken report on the same for previous quarters, to the Board of Directors.
- (aa) To review compliance of various inspections and audit reports of internal, concurrent and statutory auditors and commenting on the action taken report prepared by the management and ensuring submission to the Board of the Company from time to time.
- (bb) To monitor and review all frauds that may have occurred in the Company involving an amount of Rs. 0.1 million and above or as decided from time to time.
- (cc) To report such frauds and other flag-offs to the Board of Directors regulators and other stakeholders, as the case warrants, along with the extent of losses. This would include drafting a calendar of reporting frauds and the remedial measures taken, to the Board of the Company.
- (dd) To conduct a root cause analysis and identify the systemic

lacunae, if any, that may have facilitated perpetration of the fraud and put in place measures to rectify the same. Also, to ascertain reasons for delay in detection of such frauds, if any.

- (ee) To ensure the staff accountability is examined at all levels in all the cases of frauds and actions, if required, is completed quickly without loss of time.
- (ff) To review efficacy of remedial actions taken to prevent recurrence of frauds, such as strengthening internal controls and putting in place other measures as may be considered relevant to strengthen preventive mechanism.
- (gg) Reviewing and recommending to the board of directors of the Company potential risks involved in any new business plans and processes; and
- (hh) Framing, devising, monitoring, assessing and reviewing the risk management plan and policy of the Company from time to time and recommend for amendment or modification thereof;
- (ii) Any other similar or other functions as may be laid down by Board from time to time and/or as may be required under applicable laws."

#### (b) Risk Management Committee:

- (i) Details of the constitution: (Table no : 11.15)

Table no : 11.15

Sl	Name	Designation & Category
1	Mr. Bharat Dhirajlal Shah	Chairman
2	Mr. K. R. Kamath	Member
3	Mr. Kartikeya Dhruv Kaji	Member

- (ii) Terms of reference of the Committee are:

- (a) To review company's risk management policies in relation to various risks (credit, market, liquidity, operational and reputation risk)
- (b) To review the risk return profile of the Company, Capital adequacy based on risk profile of the MFI's balance sheet, business continuity plan and disaster recovery plan, key risk indicators and significant risk exposures and implementations of enterprise risk management.
- (c) To hold such risk reviews to ensure adequate monitoring as may be felt necessary by the internal as well as external stakeholders and to apprise the Board of the Company on a periodic basis.

#### 21. STAKEHOLDERS RELATION SHIP COMMITTEE

The Stakeholders Relationship Committee was constituted by the Board of Directors at its meeting held on 15th May, 2018; the composition of the Committee is as follows: ( Table no : 11.16)

Table no : 11.16

Sl	Name	Designation & Category
1	Abanti Mitra	Chairman
2	Mr. Bharat Dhirajlal Shah	Member
3	Mr. Kartikeya Dhruv Kaji	Member

The terms of reference of the Committee, as approved by the Board at its meeting held on 15th May, 2018 are as follows:

- (a) Redressal of grievances of shareholders, debenture holders and other security holders, including complaints related to the transfer of shares, including non receipt of share certificates and review of cases for refusal of transfer/transmission of

## Director's Report

- shares and debentures, non-receipt of balance sheet, non-receipt of declared dividends, non-receipt of annual reports, or any other documents or information to be sent by the Company to its shareholders, etc. and assisting with quarterly reporting of such complaints;
- (b) Allotment of shares, approval of transfer or transmission of shares, debentures or any other securities;
  - (c) Dematerialisation of shares and re-materialisation of shares, issue of duplicate certificates and new certificates on split/consolidation/renewal;
  - (d) Non- receipt of declared dividends, balance sheets of the Company, annual report or any other documents or information to be sent by the Company to its shareholders;
  - (e) Overseeing the performance of the registrars and transfer agents of our Company and to recommend measures for overall improvement in the quality of investor services; and
  - (f) Carrying out any other function as prescribed under the Listing Regulations, Companies Act, 2013 and the rules and regulations made thereunder, each as amended or other applicable laws."

## 22. 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 Reporting Policy to deal with instances of fraud and mismanagement, if any. This 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.

## 23. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

Pursuant to the provisions of Sec 134(3)(g) and Sec 186 (11) of Companies Act, 2013 disclosure requirement of particulars of loans given, investments made or guarantee given or securities provided is not applicable to the Company.

## 24. BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out the annual performance evaluation of the Directors individually. A separate exercise was carried out to evaluate the performance of individual Directors. The Board of Directors further evaluated the performance of the Independent Directors. The performance Evaluation of Directors were based on certain parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the Company and its minority shareholders, understanding the business of the Company etc.

The Board further evaluated its own performance as well as performance of the all its Committees thereof as a whole based on the

criteria which inter alia includes its Constitution, defined role and responsibility and its execution, reporting to Board and suggestions and recommendation given by such Committees to the Board.

The Independent Directors separately carried out the performance evaluation of the Non Independent Directors of the Company and were satisfied with their performance and contribution towards the growth of the Company.

The Directors have expressed their satisfaction with the evaluation process.

## 25. 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 for approval.

The particulars of Contracts or arrangements with related parties referred to in section 188(1) of the Companies Act, 2013, in the prescribed Form AOC-2, is annexed herewith marked as "Annexure – F" to this Report.

## 26. 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 are periodic reviews 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.

## 27. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has a sound Internal Control System, commensurate with the nature, size, scale and complexity of its operations which ensures that transactions are recorded, authorized and reported correctly. The Company has in its place policies and procedures for continuously monitoring and ensuring the orderly and efficient conduct of the business, including adherence to the Company's Policies, for safeguarding its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparations of reliable financial disclosures. The Audit Committee periodically reviews and evaluates the effectiveness of internal financial control system.

## 28. DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- (a) that in the preparation of the annual financial statements for the financial year ended 31st March, 2018; the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) that such accounting policies as mentioned in Note no. 1 of the Notes to the Financial Statements have been selected and applied consistently and judgments and estimates have been



## Director's Report

made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2018 and of the profit of the Company for the year ended on that date;

- (c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that the annual financial statements for the financial year ended 31st March, 2018 have been prepared on a going concern basis; and
- (e) that the proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.
- (f) that the Directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

### 29. MATERIAL CHANGES AND COMMITMENTS

No material changes or commitments have occurred after the close of the year till the date of this Report, which affect the financial position of the Company.

### 30. DEBENTURE TRUSTEE

To protect the Interest of the Debenture Holders of the Company, your company has appointed the Debenture Trustee named as:- Catalyst Trusteeship Limited  
 CIN: U74999PN1997PLC110262  
 Registered Office: GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune-411038  
 Tel: +91 (020) 25280081/Fax: 91 (020) 25280275  
 Website: www.catalysttrustee.com

### 31. LISTING ON STOCK EXCHANGE

During the Financial Year 2017-18, the Company has issued the following Non-Convertible Debentures (NCD) as provided herein below and got listed at BSE Limited. The Company has remitted the requisite listing fee to the stock exchanges, up to date. ( Table no : 11.17

Table no : 11.17

Number and Class of Debentures	Date of Listing
12,00,00,000 (Previous year Nil ) 12.30% Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures	29.08.2017
1000 (One Thousand) (Previous year Nil ) 14.00% Secured, Rated, Listed, Redeemable, Transferable, Non-convertible Debentures	28.09.2017
200 (Two Hundred) (Previous Year Nil) Fully paid up Listed Senior Unsecured Dematerialized Non-Convertible Debentures	09.10.2017
4000 (Four thousand) (Previous Year Nil) 13.50% Partly Paid, Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures	18.10.2017
18,00,00,000 (Eighteen crore) (Previous Year Nil) 12.30% Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures	07.11.2017
325 (Three Hundred Twenty Five) (Previous Year Nil) 13.15% Rated Secured Listed Redeemable Non-Convertible Debentures	14.11.2017

### 32. DEMATERIALISATION OF SHARES

The detail of shares held by the shareholders in de-materialized and physical form as on 31 March, 2018, is given herein: (Table no : 11.18)

Table no : 11.18

Particulars of Shares	Demat	Physical
Equity Shares	24,533,066	5,223,752
Preference Shares	1,026,007,718	121,482,929

### 33. INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

The Company has constituted an Internal Compliant Committee as required to be formed under Section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder which were notified on 9th December 2013.

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a policy on prevention, prohibition and Redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder.

During FY2017-18, the committee submitted Annual Report as prescribed in the said Act and there were no complaints received by the Committee.

### 34. DEBENTURE REDEMPTION RESERVE

Pursuant to Rule 7(b)(ii) of the Companies (Share Capital and Debentures) Rules, 2014 ('Rules'), the Company is not required to create Debenture Redemption Reserve as the Debentures of the Company are privately placed.

### 35. FDI COMPLIANCE IN RELATION TO DOWNSTREAM INVESTMENT:

During the year 2017-18, the Company has made a downstream investment of Rs. 2,00,00,000/- (Rupees Two crore only) in its wholly owned subsidiary Company i.e. "Caspian Financial Services Limited", in compliance with the provisions of Reserve Bank of India Master Direction on Foreign Investment in India and Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017.

### 36. GRATITUDE AND ACKNOWLEDGEMENT

The Board expresses its deep sense of gratitude to the Government of India, Reserve Bank of India and other regulators for the valuable guidance and support the Company has received from them during the year. The Board would also like to express its sincere appreciation of the co-operation and assistance received from its stakeholders, 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 its staff for the overall performance of the Company.

For & on behalf of the Board of Directors

Place: Hyderabad	Sd/-	Sd/-
Date: 15 May, 2018	Padmaja Gangireddy Managing Director DIN: 00004842	Kartikeya Dhruv Kaji Director DIN: 07641723

## Director Report : Annexure-A

**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**For the Financial Year ended 31st March, 2018**

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

To  
 The Members,  
**M/s. Spandana Sphoorty Financial Limited**  
 Plot No: 31 & 32, Ramky Selenium Towers,  
 Tower A, Ground Floor, Financial Dist,  
 Nanakramguda, Hyderabad TG 500032

We 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 us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our 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, we hereby report that in our opinion, the Company has, during the audit period covering the "**Financial Year**" ended on **31st March, 2018, (i.e. from 01st April, 2017 to 31st March, 2018)** 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:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2018 according to the provisions of:

- A. The Companies Act, 2013 (the "Act") and the rules made thereunder;
- B. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- C. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- D. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder 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 following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and as amended from time to time;
  - (b) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

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

- (i) Revised Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI).
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Listing Agreements entered into by the Company with BSE Ltd..

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

We further report that, having regard to the compliance system prevailing in the Company and on examination of relevant documents and records in pursuance thereof, on test check basis and on the basis of the management representation that the Company has complied with all the industrial specific applicable laws.

**We 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 notices are 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.

We 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.

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

- (i) During the period under review the Company issued and allotted the following shares in the Capital of the Company: (Table no : A.1)
- (ii) Members of the Company at the Extra Ordinary General Meeting held on 13th September, 2017 accorded their approval to the Board to Create Charge /Mortgage to secure Rupee Term Loan or Foreign Currency Loans or a combination of both not exceeding Rs. 4000 Crores u/s 180(1) (a) of the Companies Act, 2013.
- (iii) During the year ended 31st March, 2018, the Company issued and allotted the following Non convertible Debentures: ( Table no : A.2)

Director Report : Annexure-A

Table no : A.1

Sl.	Type of Share Allotted	No. of Shares Allotted
1.	Class A 0.001% Compulsorily Convertible Preference Shares of face value of Rs.10/- each on Preferential Basis	12,49,99,989
2.	Equity Shares of Rs. 10/- each at premium of Rs. 225.48 on Preferential Basis	13,07,425
3.	Class A1 0.001% Compulsorily Convertible Preference Shares of face value of Rs.10/- each on Preferential Basis	11,92,12,76
4.	Convertible Share Warrants on Preferential Basis	14,88,544

Table no : A.2

Sl.	Type of Debentures Allotted	No. Of Debentures
1.	12.30% Rated, Listed, Senior, Secured, Redeemable, Taxable Non-Convertible Debentures having face value of Re. 1/- each	12,00,00,000
2.	14.00% Secured, Rated, Listed, Redeemable, Transferable, Non-convertible Debentures having face value of Rs. 10,00,000/- each	1,000
3.	Fully paid up Listed Senior Unsecured Dematerialised Non-Convertible Debentures having face value of Rs. 10,00,000/- each	200
4.	13.50% Partly Paid, Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures having face value of Rs. 10,00,000/- each and paid up value of Rs. 2,50,000/- each	4,000
5.	12.30% Partly Paid, Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures having face value of Rs. 1/-each	18,00,00,000
6.	13.15% Rated Secured Listed Redeemable Non-Convertible Debentures having face value of Rs. 10,00,000/- each	325

We further report that all the aforesaid debentures are listed at BSE Limited.

- (iv) Members of the Company at the Extra Ordinary General Meeting held on 21st July, 2017 accorded their approval to the Board to amend the Articles of Association of Company by adopting the re-stated Articles of Association of the Company u/s 14 of the Companies Act, 2013
- (v) Members of the Company at the Extra Ordinary General Meeting held on 6th March, 2018 accorded their approval to the Board:
- (a) to increase the Authorised Capital of the Company from Rs. 2000,00,00,000/- to Rs. 2150,00,00,000/- by creation of 150,000,000 Class A1 Compulsorily Convertible Preference Shares of Rs. 10/- each and amending the Capital Clause of the Memorandum of Association of the Company u/s 61 of the Companies Act, 2013
- (b) to amend the Articles of Association of Company u/s 14 of the Companies Act, 2013 in the manner as given herein:

- Definition of "Fully Diluted Basis" shall be substituted by the following:
- "Fully Diluted Basis means, in reference to any calculation, that the calculation should be made in relation to the equity share capital of any Person, assuming that all outstanding convertible preference shares or debentures, options, warrants and other Equity Securities convertible into or exercisable or exchangeable for Equity Shares (whether or not by their terms then currently convertible, exercisable or exchangeable), have been so converted, exercised or exchanged to the maximum number of Equity Shares possible under the terms thereof, provided that the following shall not be taken into account for the purposes

of determining Fully Diluted Basis: (i) ESOPs or Equity Securities issued pursuant to exercise of ESOPs; (ii) the Promoter Partly Paid Up OCRPS (whether partly paid up or fully paid up), except for determining Fully Diluted Basis for the Promoter Group; (iii) any adjustments for dilution for the Investors pursuant to Clause 6.2 (Anti-Dilution), except for determining Fully Diluted Basis for the Investors; (iv) any Equity Securities issued pursuant to the Restructuring and (v) Promoter Warrants issued to the Promoters"

- The following definition of "Promoter Warrants" shall be inserted after the definition of Promoter Transfer Notice: "Promoter Warrants" means 14,88,544 (Fourteen lakh eighty eight thousand five hundred forty four) warrants issued to the Promoter and having such terms as approved by the Board in its meeting dated February 16, 2018."
- Clause 3.1 shall be substituted and be replaced by the following:.

**"3.1 Authorized Share Capital:** The Authorized Share Capital of the Company shall be as motioned in the Clause V of the Memorandum of Association of the Company."

**For RPR & ASSOCIATES  
Company Secretaries**

**Y Ravi Prasad Reddy  
Proprietor**

**Place: Hyderabad  
Date: 04.05.2018**

**FCS No.5783 C P No. 5360.**

*This Report is to be read with our letter of even date which is annexed as Annexure and forms part of this report.*

Director Report : Annexure-A

Annexure - A.1

To  
The Members,  
M/s. Spandana Sphoorty Financial Limited  
Plot No: 31 & 32, Ramky Selenium Towers,  
Tower A, Ground Floor, Financial Dist,  
Nanakramguda, Hyderabad TG 500032

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

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices followed by us provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, we have obtained the Management representations about the compliance of laws, rules and regulations and happening of events etc.,

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

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

**For RPR & ASSOCIATES  
Company Secretaries**

**Y Ravi Prasad Reddy  
Proprietor**

**Place: Hyderabad  
Date: 04.05.2018**

**FCS No.5783 C P No. 5360.**



## Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

 Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures  
 (Table no : B.1)

## Part "A": Subsidiaries

Table no : B.1		Amount in Rs. Lakhs
Sl.	Particular	Details
1	Name of the subsidiary	Caspian Financial Services Limited
2	Financial Year ended on	31 <sup>st</sup> March, 2018
3	Reporting currency	INR
4	Share capital	200.00
5	Reserves & surplus	(2.51)
6	Total assets	202.87
7	Total Liabilities	5.37
8	Investments	-
9	Turnover	3.18
10	Profit before taxation	(1.96)
11	Provision for taxation	0.55
12	Profit after taxation	(2.51)
13	Proposed Dividend	-
14	% of shareholding	100%

For &amp; on behalf of the Board of Directors

 Place: Hyderabad  
 Date: 15 May, 2018

 Sd/-  
 Padmaja Gangireddy  
 Managing Director  
 DIN: 00004842

 Sd/-  
 Kartikeya Dhruv Kaji  
 Director  
 DIN: 07641723


## Director Report : Annexure-C

FORM NO. MGT 9  
EXTRACT OF ANNUAL RETURN  
As on financial year ended on 31.03.2018

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

Table no : C.1

I. REGISTRATION & OTHER DETAILS:		
1	CIN	U65929TG2003PLC040648
2	Registration Date	10/03/2003
3	Name of the Company	Spandana Sphoorthy Financial Limited
4	Category/Sub-category of the Company	Company Limited by shares
5	Address of the Registered office & contact details	Plot No: - 31 & 32, Ramky Selenium Towers, Tower A Ground Floor, Financial Dist, Nanakramguda, Hyderabad Telengana- 500032
6	Whether listed company	Unlisted
7	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.

Table no : C.2

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY			
<i>(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)</i>			
S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Financial service activities, except insurance and pension funding	6499	100

Table no : C.3

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES					
SN	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Caspian Financial Services Limited	U65999TG2017PLC120042	Subsidiary	100%	2(87)

## IV. SHARE HOLDING PATTERN

*(Equity share capital breakup as percentage of total equity)*

## (i) Category-wise Share Holding

Table no : C.4

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2017]				No. of Shares held at the end of the year [As on 31-March-2018]			
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares
<b>A. Promoters</b>								
<b>(1) Indian</b>								
a) Individual/ HUF	7,673,489	12,255	7,685,744	27.02%	7,370,849	-	7,370,849	24.77%
b) Central Govt	-	-	-	0.00%	-	-	-	0.00%
c) State Govt(s)	-	-	-	0.00%	-	-	-	0.00%
d) Bodies Corp.	-	-	-	0.00%	-	-	-	0.00%
e) Banks / FI	-	-	-	0.00%	-	-	-	0.00%
f) Any other	-	-	-	0.00%	-	-	-	0.00%
<b>Sub Total (A) (1)</b>	<b>7,673,489</b>	<b>12,255</b>	<b>7,685,744</b>	<b>27.02%</b>	<b>7,370,849</b>	<b>-</b>	<b>7,370,849</b>	<b>24.77%</b>
<b>(2) Foreign</b>								
a) NRI Individuals	-	-	-	0.00%	-	-	-	0.00%
b) Other Individuals	-	-	-	0.00%	-	-	-	0.00%
c) Bodies Corp.	-	7,896,937	7,896,937	27.76%	10,942,328	-	10,942,328	36.77%
d) Any other	-	-	-	0.00%	-	-	-	0.00%
<b>Sub Total (A) (2)</b>	<b>-</b>	<b>7,896,937</b>	<b>7,896,937</b>	<b>27.76%</b>	<b>10,942,328</b>	<b>-</b>	<b>10,942,328</b>	<b>36.77%</b>
<b>TOTAL (A)</b>	<b>7,673,489</b>	<b>7,909,192</b>	<b>15,582,681</b>	<b>54.77%</b>	<b>18,313,177</b>	<b>-</b>	<b>18,313,177</b>	<b>61.54%</b>
<b>B. Public Shareholding</b>								
<b>1. Institutions</b>								
a) Mutual Funds	-	-	-	0.00%	-	-	-	0.00%
b) Banks / FI	-	50,000	50,000	0.18%	-	50,000	50,000	0.17%
c) Central Govt	-	-	-	0.00%	-	-	-	0.00%
d) State Govt(s)	-	-	-	0.00%	-	-	-	0.00%
e) Venture Capital Funds	-	-	-	0.00%	-	-	-	0.00%
f) Insurance Companies	-	-	-	0.00%	-	-	-	0.00%
g) FIs	-	-	-	0.00%	-	-	-	0.00%
h) Foreign Venture Capital Funds	-	-	-	0.00%	-	-	-	0.00%
i) Others (specify)	-	-	-	0.00%	-	-	-	0.00%
<b>Sub-total (B)(1):-</b>	<b>-</b>	<b>50,000</b>	<b>50,000</b>	<b>0.18%</b>	<b>-</b>	<b>50,000</b>	<b>50,000</b>	<b>0.17%</b>

## Director Report : Annexure-C

Table no : C.5

2. Non-Institutions								
a) Bodies Corp.								
i) Indian	6,901,341	-	6,901,341	24.26%	4,721,124	-	4,721,124	15.87%
ii) Overseas	-	-	-	0.00%	-	-	-	0.00%
b) Individuals								
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	0.00%	-	-	-	0.00%
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh								
c) Others (specify)	-	-	-	0.00%	-	-	-	-
Non Resident Indians	-	10,000	10,000	0.04%	-	11,634	11,634	0.04%
Overseas Corporate Bodies	335,933	5,162,118	5,498,051	19.33%	986,723	5,162,118	6,148,841	20.66%
Foreign Nationals	-	-	-	0.00%	-	-	-	0.00%
Clearing Members	-	-	-	0.00%	-	-	-	0.00%
Trusts	235,631	-	235,631	0.83%	274,143	-	274,143	0.92%
Foreign Bodies - D R	-	-	-	0.00%	-	-	-	0.00%
Alternate Investment Fund		171,689	171,689	0.60%	237,899	-	237,899	0.80%
Sub-total (B)(2):-	7,472,905	5,343,807	12,816,712	45.05%	6,219,889	5,173,752	11,393,641	38.29%
Total Public (B)	7,472,905	5,393,807	12,866,712	45.23%	6,219,889	5,223,752	11,443,641	38.46%
C. Shares held by Custodian for GDR ADRs	-	-	-	0.00%	-	-	-	0.00%
Grand Total (A+B+C)	15,146,394	13,302,999	28,449,393	100.00%	24,533,066	5,223,752	29,756,818	100.00%

## (ii) Shareholding of Promoter

Table no : C.6

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year		
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares
1	Padmaja Gangireddy	6,194,261	21.77%	0	5,879,366	19.76%	5.27%
2	Vijaya Siva Rami Reddy Vendidandi	1,491,483	5.24%	0	1,491,483	5.01%	0
3	Kangchenjunga Limited	7,896,937	27.76%		10,942,328	36.77%	
	TOTAL	15,582,681	54.77%	0.00%	18,313,177	61.54%	5.27%

## (iii) Change in Promoters' Shareholding (please specify, if there is no change)

Table no : C.7

SN	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year No. of shares
				No. of	% of total shares	
1	Padmaja Gangireddy					
	At the beginning of the year			6,194,261	21.77%	
	Changes during the year	29/04/2017	Transfer	(8,295)	-0.03%	
	Changes during the year	03/05/2017	Transfer	(381,554)	-1.34%	
	Changes during the year	08/03/2018	Allot	74,954	0.25%	
	At the end of the year			5,879,366	19.76%	5,879,366
2	Vijaya Siva Rami Reddy Vendidandi					
	At the beginning of the year			1,491,483	5.01%	
	Changes during the year			-	0.00%	
	At the end of the year			1,491,483	5.01%	1,491,483
3	Kangchenjunga Limited					
	At the beginning of the year			7,896,937	27.76%	
	Changes during the year	03/05/2017	Transfer	381,554	1.34%	
	Changes during the year	18/07/2017	Transfer	2,351,561	8.27%	
	Changes during the year	31/03/2018	Transfer	312,276	1.05%	
	Changes during the year			-	0.00%	
	At the end of the year			10,942,328	36.77%	1,491,483

## Director Report : Annexure-C

## (iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

Table no : C.8

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Valiant Mauritius Partners FDI Ltd						
	At the beginning of the year			3,981,780	14.00%		
	Changes during the year	08/03/2018	Allot	650,790	2.29%		
	At the end of the year			4,632,570	15.57%	4,632,570	
2	JM Financial Products Limited						
	At the beginning of the year			-	0.00%		
	Changes during the year	18/07/2017	Transfer	2,435,286	8.56%		1.90%
	Changes during the year	08/03/2018	Allot	541,535	1.90%		1.90%
	At the end of the year			2,976,821	10.46%	2,976,821	
3	JM Financial Trustee Co. Pvt. Ltd						
	At the beginning of the year			6,582,276	23.14%		
	Changes during the year	18/07/2017	Transfer	(2,351,561)	-8.27%		
	Changes during the year	18/07/2017	Transfer	(2,435,286)	-8.56%		
	Changes during the year	18/07/2017	Transfer	(51,126)	-0.18%		
	At the end of the year			1,744,303	6.13%	1,744,303	
4	Helion Venture Partners II LLC						
	At the beginning of the year			785,135	2.76%		
	Changes during the year			-	0.00%		2.76%
	At the end of the year			785,135	2.64%	785,135	
5	Helion Venture Partners LLC						
	At the beginning of the year			731,136	2.57%		
	Changes during the year			-	0.00%		
	At the end of the year			731,136	2.46%	731,136	
6	Lok Advisory Services Pvt Ltd						
	At the beginning of the year			319,065	1.12%		
	Changes during the year	31/03/2018	Transfer	(312,276)	-1.10%		
	Changes during the year	31/03/2018	Transfer	(6,789)	-0.02%		
	At the end of the year			-	0.00%		-
7	Spandana Employee Welfare Trust						
	At the beginning of the year			235,631	0.83%		
	Changes during the year	08/03/2018	Allot	38,512			
	At the end of the year			274,143	0.92%	274,143	
8	Kedaara Capital - AIF 1						
	At the beginning of the year			171,689	0.60%		
	Changes during the year	29/04/2017	Transfer	8,295	0.03%		
	Changes during the year	18/07/2017	Transfer	51,126	0.18%		
	Changes during the year	31/03/2018	Transfer	6,789	0.02%		
	At the end of the year			237,899	0.80%	237,899	
9	SIDBI						
	At the beginning of the year			50,000	0.18%		
	Changes during the year			-	0.00%		
	At the end of the year			50,000	0.17%	50,000	
10	Bala Deepthi Gangireddy						
	At the beginning of the year			10,000	0.04%		
	Changes during the year	08/03/2018	Allot	1,364	0.00%		
	At the end of the year			11,364	0.04%	11,364	

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

Table no : C.9

SN	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of share	% of total shares
1	Padmaja Gangireddy						
	At the beginning of the year			6,194,261	21.77%		
	Changes during the year	29/04/2017	Transfer	(8,295)	-0.03%		
	Changes during the year	03/05/2017	Transfer	(381,554)	-1.34%		
	Changes during the year	08/03/2018	Allot	74,954	0.25%		
	At the end of the year			5,879,366	19.76%	5,879,366	19.76%



**Director Report : Annexure-C**
**V. INDEBTEDNESS**
*Indebtedness of the Company including interest outstanding/accrued but not due for payment.*

Table no : C.10

(Amt. Rs./Lacs)

Particulars	Secured Loan excluding	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	95,577.61	-	-	95,577.61
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	108.99	-	-	108.99
<b>Total (i+ii+iii)</b>	<b>95,686.60</b>	<b>-</b>	<b>-</b>	<b>95,686.60</b>
<b>Change in Indebtedness during the financial year</b>				
* Addition	138,919.47	4,000.00	-	142,919.47
* Reduction	80,153.06	-	-	80,153.06
Net Change	58,766.40	4,000.00	-	62,766.40
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	154,344.02	4,000.00	-	158,344.02
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	1,070.44	159.21	-	1,229.65
<b>Total (i+ii+iii)</b>	<b>155,414.46</b>	<b>4,159.21</b>	<b>-</b>	<b>159,573.67</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**
*A. Remuneration to Managing Director, Whole-time Directors and/or Manager:*

Table no : C.11

SN	Particulars of Remuneration	Name of Director	Total Amount
		<b>Padmaja Gangiredd</b>	(Rs/Lac)
		<b>Managing Director</b>	
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	300.00	300.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		-
2	Stock Option		-
3	Sweat Equity		-
4	Commission		-
	- as % of profit	-	-
	- others, specify	-	-
5	Others, please specify		-
	<b>Total (A)</b>	<b>300.00</b>	<b>300.00</b>
	<b>Ceiling as per the Act</b>		<b>1,145.71</b>

**B. Remuneration to other Directors**

Table no : C.12

SN	Particulars of Remuneration	Name of Directors								Total Amount
		K.R Kamath	Abanti Mitra	Madhava Potturi*	Sunish Sharma	Kartikeya Dhruv Kaji	Darius Dinshaw Pandole	Amit Sobti	Viay Bhaskar Pedamallu*	
1	Independent Directors									
	Fee for attending board committee meetings	18.33	9.17							27.50
	Commission									-
	Others, please specify									-
	<b>Total (1)</b>	<b>18.33</b>	<b>9.17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27.50</b>
2	Other Non-Executive Directors									
	Fee for attending board committee meetings									-
	Commission									-
	Others, please specify									-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total (B)=(1+2)</b>	<b>18.33</b>	<b>9.17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27.50</b>
	<b>Total Managerial Remuneration</b>									<b>327.50</b>
	<b>Overall Ceiling as per the Act</b>									<b>1,374.85</b>

\*Madhava Potturi Resigned from directorship with effect from 18th October, 2017.

 \*\*Mr. Vijay Bhaskar Pedamallu Expired on 4<sup>th</sup> May,2018

## Director Report : Annexure-C

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

Table no : C.13

SN.	Particulars of Remuneration	Name of Key Managerial Personnel			Total Amount (Rs/Lac)
		CEO	Deepak Goswami, CFO	Rakesh Jhinharia, Company Secretary	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	11.46	10.88	22.34
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	- others, specify	-	-	-	-
5	Others, please specify	-	7.00	-	7.00
	<b>Total</b>	-	<b>18.46</b>	<b>10.88</b>	<b>29.34</b>

Table no : C.14

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:					
Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made if any (give Details)
<b>A. COMPANY:</b>					
Penalty	N.A.	N.A.	N.A.	N.A.	None
Punishment	N.A.	N.A.	N.A.	N.A.	None
Compounding	N.A.	N.A.	N.A.	N.A.	None
<b>B. DIRECTORS</b>					
Penalty	N.A.	N.A.	N.A.	N.A.	None
Punishment	N.A.	N.A.	N.A.	N.A.	None
Compounding	N.A.	N.A.	N.A.	N.A.	None
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	N.A.	N.A.	N.A.	N.A.	None
Punishment	N.A.	N.A.	N.A.	N.A.	None
Compounding	N.A.	N.A.	N.A.	N.A.	None

For &amp; on behalf of the Board of Directors of Spandana Sphoorthy Financial Limited

Date: 15th May, 2018  
Place: HyderabadSd/-  
Padmaja Gangireddy  
Managing Director  
DIN: 00004842Sd/-  
Kartikya Dhruv Kaji  
Director  
DIN: 07641723

## Director Report : Annexure-D

**ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES**

1. A BRIEF OUTLINE OF THE COMPANY'S CSR POLICY, INCLUDING OVERVIEW OF THE PROJECTS OR PROGRAMMES PROPOSED TO BE UNDERTAKEN AND A REFERENCE TO THE WEB-LINK TO THE CSR POLICY AND PROJECTS OR PROGRAMMES:

CSR Policy is stated herein below:

Weblink: [www.spanadanaindia.com](http://www.spanadanaindia.com)

2. COMPOSITION OF THE CSR COMMITTEE:  
 Mr. Ramchandra Kasargod Kamath (Chairman, Independent Director)  
 Mrs. Padmaja Gangireddy (Member, Managing Director)  
 Ms. Abanti Mitra (Member, Independent Director)
3. AVERAGE NET PROFITS OF THE COMPANY FOR LAST THREE FINANCIAL YEARS:  
 Average net profits: Rs. 7,887.64 Lakhs
4. PRESCRIBED CSR EXPENDITURE (TWO PERCENT OF THE AMOUNT AS IN ITEM 3 ABOVE):  
 The Company is required to spend Rs. 157.75 Lakhs towards CSR.
5. DETAILS OF CSR SPEND FOR THE FINANCIAL YEAR:
- (a) TOTAL AMOUNT SPENT FOR THE FINANCIAL YEAR:  
 Rs. 40.06 Lakhs
- (b) AMOUNT UNSPENT, IF ANY:  
 107.69 Lakhs
- (c) MANNER IN WHICH THE AMOUNT SPENT DURING THE FINANCIAL YEAR IS DETAILED BELOW:

6. IN CASE THE COMPANY HAS FAILED TO SPEND THE TWO PERCENT, OF THE AVERAGE NET PROFITS OF THE LAST THREE FINANCIAL YEARS OR ANY PART THEREOF, THE COMPANY SHALL PROVIDE THE REASONS FOR NOT SPENDING THE AMOUNT IN ITS BOARD REPORT: The Company in Financial Year 2017-18 has spent Rs. 40.06 lakhs on CSR activities out of the total amount which was required to be spent in terms of the Companies Act, 2013, despite of having accumulated losses in the beginning of the Financial Year 2017-18. Moving forward the company will endeavor to fulfill the CSR expenditure target for the financial Year 2018-19 onward by proactively identifying eligible projects and programmes, directly or by joining hands with eligible entities.

The CSR Committee of the Company is responsible for the implementation and monitoring of CSR Policy, which is in compliance with the CSR Objectives of the Company.

Table no : D.1

Rs. in Lakh

Sl	Projects / Activities	Sector	Locations	Amount Outlay (Budget) Project or Programs wise	Amount spent on the Projects or Programs	Cumulative Expenditure upto reporting period	Amount spent: Direct or through implementing agency
1.	Financial Literacy Programmes	Financial Education/Literacy	Chhattisgarh, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Uttar Pradesh	40.06	40.06	40.06	Direct
<b>Total</b>						<b>40.06</b>	

Date : 14th May, 2018  
 Place : Hyderabad

Sd/-  
 (Ramchandra Kasargod Kamath)  
 Chairman-CSR committee

Sd/-  
 (Padmaja Gangireddy)  
 Managing Director

## Director Report : Annexure-E

**DISCLOSURES ON MANAGERIAL REMUNARATION**

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section

12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ( Table no : E.1)

Table no : E.1

SL.	Requirement	Disclosure
1.	Ratio of the remuneration of each director to the median remuneration of the employees of the company for the Financial Year.	Ratio of remuneration of Mrs. Padmaja Reddy for the Financial year is <b>22.7:1</b>
2.	The percentage increase in remuneration of each director*, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year.	<b>Director</b> Mrs. PADMAJA GANGIREDDY(Managing director) : <b>11.11%</b> <b>KMP's other than Directors</b> Mr. DEEPAK NATH GOSWAMI (Chief Financial Officer) - <b>N.A.</b> Mr. RAKESH JHINJHARIA (Company Secretary) - <b>19.5%</b>
3.	The Percentage Increase in the Median Remuneration of Employees in the Financial Year.	<b>37.5%</b>
4.	No. of Permanent Employees on the Rolls of the Company.	<b>4,045</b>
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	(i) Average percentile increase already made in the salaries of employees- <b>28% (approx)</b> (ii) Percentile increase in the managerial remuneration- <b>11% (approx)</b>
6.	The key parameters for any variable component of remuneration availed by the directors.	N.A.
7.	Affirmation that the remuneration is as per the remuneration policy of the Company.	The remuneration is paid as per the Remuneration Policy of the Company.

For &amp; on behalf of the Board of Directors

Place: Hyderabad  
Date: 15 May, 2018

Sd/-  
Padmaja Gangireddy  
Managing Director  
DIN: 00004842

Sd/-  
Kartikeya Dhruv Kaji  
Director  
DIN: 07641723

## Director Report : Annexure-E

**Form No. AOC-2**

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

**Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in**

**sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto**

**1. Details of contracts or arrangements or transactions not at arm's length basis: NIL (Table no : F.1)**

Table no : F.1

(a)	Name(s) of the related party and nature of relationship:	Not Applicable
(b)	Nature of contracts/arrangements/transactions:	
(c)	Duration of the contracts / arrangements/ transactions:	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board:	
(g)	Amount paid as advances, if any:	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to section 188:	

## 2. Details of material contracts or arrangement or transactions at arm's length basis: (Table no : F.2)

Table no : F.2

2a	(a)	Name(s) of the related party and nature of relationship:	Spandana Rural and Urban Development Organisation (SRUDO) – Enterprises where Key Managerial Personnel exercise significant influence.
	(b)	Nature of contracts/arrangements/transactions:	Rent and Other Shared Services Cost, short term borrowing
	(c)	Duration of the contracts / arrangements/ transactions:	Ongoing, unless terminated by either of the party serving written notice.
	(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	a) Total area of 19,145 sq.ft at a monthly rental of Rs.5,50,419. b) Total area of 20608 sq.ft at a monthly rental of Rs.2,26,688.
	(e)	Amount paid as advances, if any:	Rs.30, 89,586 as rent advance.
2b	(a)	Name(s) of the related party and nature of relationship:	Abhiram Marketing Services Limited – Enterprises where Key Managerial Personnel exercise significant influence.
	(b)	Nature of contracts/arrangements/transactions:	Rent and Other Shared Services Cost Commission and Incentive Income, Purchase of Fixed Assets, Advances.
	(c)	Duration of the contracts / arrangements/ transactions:	Ongoing, unless terminated by either of the party serving written notice
	(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	Rent Income, Commission income, Purchase of Stationery, Purchase of Fixed Assets, Reimbursement of Expenses, interest on advances given.
	(e)	Amount paid as advances, if any:	Rs. 207,660,288 as Inter corporate advance.
2c	(a)	Name(s) of the related party and nature of relationship:	Criss Financial Holdings Limited – Enterprises where Key Managerial Personnel exercise significant influence.
	(b)	Nature of contracts/arrangements/transactions:	Shared Services Cost, Advances
	(c)	Duration of the contracts / arrangements/ transactions:	Ongoing, unless terminated by either of the party serving written notice
	(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	Reimbursement of expenses, Payment towards Portfolio purchased interest on advances given.
	(e)	Amount paid as advances, if any:	Rs. 331,000,000 as Inter Corporate advance

## Director Report : Annexure-F

2d	(a)	Name(s) of the related party and nature of relationship:	Mrs. Padmaja Gangireddy – Key Managerial Person
	(b)	Nature of contracts/arrangements/transactions:	Rent and Managerial Remuneration
	(c)	Duration of the contracts / arrangements/ transactions:	Ongoing, unless terminated by either of the party serving written notice
	(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	a) Total area – 1336 sq. ft. at a monthly rental of 24,200/- b) Remuneration
	(e)	Amount paid as advances, if any:	Nil

2e	(a)	Name(s) of the related party and nature of relationship:	Spandana Employee Welfare Trust (SWET) - Enterprises where Key Managerial Personnel exercise significant influence.
	(b)	Nature of contracts/arrangements/transactions:	Shared Services Cost
	(c)	Duration of the contracts / arrangements/ transactions:	Ongoing, unless terminated by either of the party serving written notice
	(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	Reimbursement of expenses
	(e)	Amount paid as advances, if any:	Nil

2f	(a)	Name(s) of the related party and nature of relationship:	Spandana Mutual Benefit Trust (SMBT) - Enterprises where Key Managerial Personnel exercise significant influence.
	(b)	Nature of contracts/arrangements/transactions:	Shared Services Cost
	(c)	Duration of the contracts / arrangements/ transactions:	Ongoing, unless terminated by either of the party serving written notice
	(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	Reimbursement of expenses
	(e)	Amount paid as advances, if any:	Nil

2g	(a)	Name(s) of the related party and nature of relationship:	Caspian Financial Services Limited – Wholly owned subsidiary company
	(b)	Nature of contracts/arrangements/transactions:	Advances
	(c)	Duration of the contracts / arrangements/ transactions:	Ongoing, unless terminated by either of the party serving written notice
	(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	Advances for incorporation expenses
	(e)	Amount paid as advances, if any:	Rs. 508,275/-

For &amp; on behalf of the Board of Directors

Place: Hyderabad  
Date: 15 May, 2018Sd/-  
Padmaja Gangireddy  
Managing Director  
DIN: 00004842Sd/-  
Kartikeya Dhruv Kaji  
Director  
DIN: 07641723

# Independent Auditor's Report

To the Members of Spandana Sphoorty Financial Limited

## Report on the Financial Statements

We have audited the accompanying standalone financial statements of Spandana Sphoorty Financial Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, 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 standalone 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 Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of 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 standalone financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone 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, 2018, 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, 2016 ("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 1, 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 standalone financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014;
  - (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - (i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 4.32 to the standalone financial statements;
    - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - (iii) There 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**

**Chartered Accountants**

**ICAI Firm Registration Number: 301003E/E300005**

**Sd/-  
per Shrawan Jalan**

Partner

Membership Number: 102102

Mumbai

May 15, 2018

Independent Auditor Report for the Year ended March 31, 2018

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

**Re: Spandana Spoorthy 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.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company and hence not commented upon.
- (iii) (a) The Company has granted loans to two companies covered in the register maintained under section 189 of the Act. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loans are not prejudicial to the Company's interest.

Nature of the Statute	Nature of dues	Amount (Rs.)	Period to which the amount relates
The Gujarat, Panchayats, Municipalities, Municipal Corporations and State Tax on Professions, Traders, Callings and Employments Act, 1976	Professional tax	7,810*	Oct 2016 to July 2017
The Kerala Panchayat Raj Act, 1994	Professional tax	1,250	April 2017 to Sept. 2017

\* Discharged subsequently on April 25, 2018

- (b) The Company has granted loans that are re-payable on demand, to firms covered in the register maintained under section 189 of the Act. We are informed that the Company has not demanded repayment in respect of one such loan

Nature 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	56,852,171	9,926,956	Financial year from 2006-07 to 2014-15	Customs, Excise & Service Tax Appellate Tribunal

\* Excluding interest and penalty, as applicable

\*\* Paid under protest

during the year and in respect of the loans where the repayment was demanded by the Company has been repaid, and thus, there has been no default on the part of the companies to whom the money has been lent. The payment of interest has been regular.

- (c) There are no amounts of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Act which are overdue for more than ninety days.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not

- (v) commented upon.

The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

- (vi)

To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the services of the Company.

- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.

According to the information and explanations given to us, undisputed dues in respect of provident fund, employees' state insurance, income tax, service tax, sales tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other 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:

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

- (viii) According to the information and explanations given by the management, the Company has delayed in repayment of loans or borrowings to a financial institution by 4 days and to a bank by 8 days during the year aggregating Rs.68,675,920, which were discharged by the Company before March 31, 2018 and accordingly no dues are outstanding as at reporting date. The Company has not defaulted in repayment of dues to debenture holders. The Company did not have loans or borrowings from the government during the year.

- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer or further public offer.

Further, monies raised by the Company by way of term loans



## Independent Auditor Report for the Year ended March 31, 2018

- were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of section 197, read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has complied with provisions of section 42 of the Act in respect of the preferential allotment of equity and preference shares during the year. According to the information and explanations given by the management, we report that, the amounts raised have been used for the purposes for which the funds were raised.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with the directors as referred to in section 192 of the Act.
- (xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

**For S. R. BATLIBOI & CO. LLP**  
**ICAI Firm registration number:301003E/E300005**  
**Chartered Accountants**

**Sd/-**  
**per Shrawan Jalan**  
 Partner  
 Membership No. 102102

Mumbai  
 May 15, 2018

### Annexure 2 referred to in paragraph 2 (f) under the heading "Report on other legal and regulatory requirements" of our report of even date

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Spandana Sphoorty Financial Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the stand-alone financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on [the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct

of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included

## Independent Auditor Report for the Year ended March 31, 2018

obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of

management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

**Chartered Accountants**

ICAI Firm Registration Number: 301003E/E300005

Sd/-

**per Shrawan Jalan**

Partner

Membership No. 102102

Mumbai

May 15, 2018

**Spandana Spoorthy Financial Limited**  
**Balance sheet as at March 31, 2018**

	Notes	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	4.1	11,749,863,767	9,294,662,027
Reserves and surplus	4.2	(1,908,983,429)	(3,922,306,249)
Money received against share warrants	4.3	1,488,544	-
		<b>9,842,368,882</b>	<b>5,372,355,778</b>
<b>Non-current liabilities</b>			
Long-term borrowings	4.4	4,893,944,479	5,377,313,403
Other long term liabilities	4.5	1,007,216	-
Long-term provisions	4.6	8,724,118,286	8,468,982,179
		<b>13,619,069,981</b>	<b>13,846,295,582</b>
<b>Current liabilities</b>			
Short-term borrowings	4.7	401,237	10,000,281
Other current liabilities	4.8 & 4.4	12,059,652,502	4,616,766,157
Short-term provisions	4.6	257,839,031	286,341,225
		<b>12,317,892,770</b>	<b>4,913,107,663</b>
<b>TOTAL</b>		<b>35,779,331,633</b>	<b>24,131,759,023</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed Assets			
Property, plant & equipment	4.9.1	58,538,269	66,231,489
Intangible assets	4.9.2	26,028,926	23,849,346
Non-current investments	4.10	21,000,000	1,000,000
Loan portfolio	4.11	16,151,027,915	11,166,081,615
Other long-term loans and advances	4.12	65,387,781	64,693,625
Other non-current assets	4.13	529,304,377	22,613,512
		<b>16,851,287,268</b>	<b>11,344,469,587</b>
<b>Current assets</b>			
Trade receivables	4.14	25,541,715	72,941
Cash and bank balances	4.15	1,526,239,392	2,901,168,938
Loan portfolio	4.11	16,599,577,470	9,780,175,123
Other short-term loans and advances	4.12	553,579,241	30,561,835
Other current assets	4.13	223,106,547	75,310,599
		<b>18,928,044,365</b>	<b>12,787,289,436</b>
<b>TOTAL</b>		<b>35,779,331,633</b>	<b>24,131,759,023</b>

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/E300005  
 Chartered Accountants

Sd/-  
 per Shrawan Jalan  
 Partner  
 Membership No.102102

Place: Mumbai  
 Date: May 15, 2018

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

Sd/- Sd/-  
 Padmaja Gangireddy Kartikeya Dhruv Kaji  
 Managing Director Director  
 DIN: 00004842 DIN: 07641723

Sd/- Sd/-  
 Rakesh Jhinjhara Deepak Goswami  
 Company Secretary Chief Financial Officer  
 Membership no: F8325

Place: Huderabad  
 Date: May 15, 2018

**Spandana Spoorthy Financial Limited**  
**Statement of Profit and Loss for the year ended March 31, 2018**

	Notes	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)
<b>Revenue</b>			
Revenue from operations	4.16	5,608,362,339	3,714,677,645
Other income	4.17	132,189,021	503,561,529
<b>Total revenue (I)</b>		<b>5,740,551,360</b>	<b>4,218,239,174</b>
<b>Expenses</b>			
Employee benefit expenses	4.18	759,117,690	582,959,601
Finance cost	4.19	1,998,797,054	2,096,381,321
Other expenses	4.20	262,039,294	287,529,719
Depreciation and amortization expense	4.9.1&4.9.2	57,250,311	83,331,208
Provision and write offs	4.21	371,598,103	420,281,147
<b>Total expenses (II)</b>		<b>3,448,802,452</b>	<b>3,470,482,996</b>
<b>Profit before tax (III) = (I)-(II)</b>		<b>2,291,748,908</b>	<b>747,756,178</b>
<b>Tax expenses:</b>			
Current tax		573,224,277	218,269,133
Deferred tax		-	-
Adjustment of tax relating to earlier periods		-	-
<b>Profit for the year</b>		<b>1,718,524,631</b>	<b>529,487,045</b>
<b>Earnings per share</b>			
Basic (computed on the basis of total profit for the year)	4.22	60.22	25.95
Diluted (computed on the basis of total profit for the year)	4.22	38.87	0.65
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/E300005  
 Chartered Accountants

Sd/-  
**per Shrawan Jalan**  
 Partner  
 Membership No.102102

Place: Mumbai  
 Date: May 15, 2018

**For and on behalf of the Board of Directors of  
 Spandana Sphoorthy Financial Limited**

Sd/-	Sd/-
<b>Padmaja Gangireddy</b>	<b>Kartikeya Dhruv Kaji</b>
Managing Director	Director
DIN: 00004842	DIN: 07641723

Sd/-	Sd/-
<b>Rakesh Jhinjhar</b>	<b>Deepak Goswami</b>
Company Secretary	Chief Financial Officer
Membership No. F8325	

Place: Hyderabad  
 Date: May 15, 2018

**Spandana Spoorthy Financial Limited**  
**Cash flow statement for the year ended March 31, 2018**

	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)
<b>Cash flow from operating activities</b>		
<b>Profit before tax</b>	<b>2,291,748,908</b>	<b>747,756,178</b>
Adjustments to reconcile profit before tax to net cash flows:		
Interest on income tax	24,397,752	17,570,665
Depreciation and amortization	57,250,311	83,331,208
Amortization of ancillary borrowing cost (incurred in earlier Years)	-	19,477,762
Amortization of loan processing fee (collected in earlier Years)	-	(142,957,844)
Unamortised Collection Fee (Current year - Non current portion)	1,007,216	-
Provision for gratuity	4,460,580	5,200,986
Profit on sale of property, plant and equipment	(403,699)	(205,004)
Contingent provision against standard assets	245,964,465	(57,858,642)
Provision for non-performing assets	125,633,638	455,336,926
Portfolio loans written off	-	22,802,863
Dividend from mutual funds	(15,841,987)	(16,381,164)
Excess provisions / liabilities written back	-	(447,855,614)
Other provisions and write offs	19,063,309	10,273,181
<b>Operating profit before working capital changes</b>	<b>2,753,280,493</b>	<b>696,491,501</b>
Movements in working capital :		
Increase / (decrease) in other current liabilities & Provisions	671,731,798	(825,445,976)
Decrease / (increase) in margin money deposit (net)	(982,923,559)	(1,735,495)
Decrease / (increase) in trade receivables	(25,468,775)	18,266,772
Decrease / (increase) in loans and advances	(12,347,123,518)	(701,699,086)
Decrease / (increase) in other current and non-current assets	(172,795,948)	(7,900,488)
Cash generated from / (used in) operations	<b>(10,103,299,509)</b>	<b>(822,022,773)</b>
(Direct taxes paid) / Refunds	(735,500,428)	-
<b>Net cash flow (used in) / from operating activities (A)</b>	<b>(10,838,799,937)</b>	<b>(822,022,773)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(51,808,195)	(28,778,265)
Proceeds from sale of property, plant and equipment	475,223	255,154
Purchase of current investments	(34,856,793,952)	(4,593,400,000)
Sale of current investments	34,856,793,952	4,593,400,000
Purchase of Shares( Non Current Investments)	(20,000,000)	-
Dividend from mutual funds	15,841,987	16,381,164
<b>Net cash flow (used in) / from investing activities (B)</b>	<b>(55,490,985)</b>	<b>(12,141,947)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of equity shares	307,872,439	1,900,000,050
Proceeds from issue of Preference Shares	2,442,127,490	1,102,270,249
Proceeds from issue of Share Warrants	1,488,544	-
Long term borrowings (net)	6,276,241,023	369,798,718
Short term borrowings (net)	(9,600,818)	10,000,281
<b>Net cash flow from / (used in) financing activities (C)</b>	<b>9,018,128,678</b>	<b>3,382,069,298</b>
<b>Net decrease in cash and cash equivalents (A + B + C)</b>	<b>(1,876,162,244)</b>	<b>2,547,904,578</b>
Cash and cash equivalents at the beginning of the year	2,901,168,938	353,264,360
<b>Cash and cash equivalents at the end of the year (refer note 4.15)</b>	<b>1,025,006,694</b>	<b>2,901,168,938</b>

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/E300005  
Chartered Accountants

Sd/-  
per Shrawan Jalan  
Partner  
Membership No.102102

Place: Mumbai  
Date: May 15, 2018

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

Sd/- Sd/-  
Padmaja Gangireddy Kartikeya Dhruv Kajji  
Managing Director Director  
DIN: 00004842 DIN: 07641723

Sd/- Sd/-  
Rakesh Jhinjharla Deepak Goswami  
Company Secretary Chief Financial Officer  
Membership No. F8325

Place: Hyderabad  
Date: May 15, 2018

### 1. Corporate information

Spandana Sphoorthy Financial Limited ('SSFL' or the 'Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 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 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 customers in semi-urban and rural areas. The tenure of these loans is generally spread over one to two years.

### 2. Regulatory and Company updates

On October 15, 2010, the then Government of Andhra Pradesh promulgated "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Ordinance 2010" which was subsequently enacted as "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Act, 2011" ('AP MFI Act'). The AP MFI Act, inter alia, imposed several restrictions on the operations of the MFIs operating in the then state of Andhra Pradesh, including a change in repayment frequency for loan repayments from a 'weekly' to a 'monthly' basis.

As a result, the recoveries from the loan portfolio in the states of Andhra Pradesh and Telangana were significantly affected due to which the Company incurred substantial losses up to financial year 2012-13, primarily on account of loan provisioning, and faced liquidity constraints for servicing its loan borrowings.

Therefore, the Company entered into a Master Restructuring Agreement (MRA) under the Corporate Debt Restructuring (CDR) arrangement with its lenders on September 24, 2011.

In the previous year, the Company made a proposal to the CDR – Empowered Group (CDR – EG) and the lenders for settlement of the outstanding debt in order to exit from CDR. Such proposal was accepted by the CDR-EG and the lenders whereby the Company, upon settlement of the outstanding debt and fulfillment of other conditions stipulated by the CDR-EG, exited from CDR as on March 31, 2017.

### 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, Companies (Accounting Standards) Amendment Rules, 2016 and the provisions of the Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (the 'NBFC Master Directions') as applicable to a NBFC-MFI and Systemically Important NBFC-ND (NBFC-ND-SI). The financial statements have been prepared on an accrual basis and under historical cost convention, except as detailed in note 3.1(c).
- b) 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) Change in accounting estimates

During the year, the Company has revised its estimates relating to provisioning for loan portfolio. Accordingly, the provision for loan portfolio for the year is higher and profit before tax for the year is lower by Rs.371,060,830. See note 3.1 (s) for changes in the provisioning estimates.

#### c) 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 members are recognized on an upfront basis at the time of disbursement of loan.
- iv. Profit/premium arising at the time of securitization of loan portfolio is amortized over the life of the underlying loan portfolio/securities and any loss arising therefrom is accounted for immediately. Income from excess interest spread is recognized in the statement of profit and loss account net of any losses at the time of actual receipt.
- v. Amounts received against loans written-off are recognized on receipt basis.
- vi. All other income is recognized on an accrual basis.

#### d) Property, Plant and Equipment

Property, plant and equipment and capital work in progress are stated at cost, net of 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.

**e) Depreciation**

- i. Depreciation on property, plant and equipment provided on a written down value method at the rates arrived 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) Intangible assets**

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

**g) Impairment**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of 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.

**h) 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 recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

**i) 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.

**j) 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.

**k) 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. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.
- 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 liabilities are recognized for all taxable timing differences. 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.

#### l) 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 diluted 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.

#### m) 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.

#### n) 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.

#### o) 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.

#### p) Investment

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 Master Directions. 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.

#### q) Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. All borrowing costs are expensed in the period they occur.

#### r) Classification of loan portfolio

Unsecured loan portfolio (excluding the loan portfolio disbursed prior to January 1, 2012 in the state of Andhra Pradesh and Telangana) is classified as standard and non-performing assets in accordance with Chapter IX of the NBFC Master Directions.

All other loans and advances are classified as standard, sub-standard, doubtful and loss assets in accordance with Chapter V of the NBFC Master Directions.

#### s) Provisioning of loan portfolio

##### Estimates applied in the current financial year:

- i. Unsecured loan portfolio (excluding the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana) is provided for as the aggregate of:
  - (a) 1% of the standard loan portfolio; and
  - (b) 50% of the aggregate loan outstanding overdue for more than 90 days and less than 180 days and 100% of the aggregate loan outstanding overdue for 180 days or more.
- ii. All other loans and advances (comprising the secured loan portfolio and the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana) are provided for in accordance with Chapter V of the NBFC Master Directions. The provision prescribed under these directions is prescribed below: **(table next page)**
- iii. Securitised loan portfolio is provided for at 1% of the total outstanding of such loans, subject to the maximum guarantee provided by the Company in respect the securitization arrangements.
- iv. In addition to the provision created as stated in (i) and (ii) above, loans considered irrecoverable in the opinion of the management are written off.



s(ii)

Asset Classification	Rate of provision
Standard Asset	0.40%
Sub-Standard Asset (NPA upto 12 months)	10%
Doubtful Asset (Sub-Standard after 12 months) – Secured	
Doubtful asset upto 1 year	20%
Doubtful asset over 1 to 3 years	30%
Doubtful asset over 3 years	50%
Doubtful asset not covered by realizable security – (Unsecured)	100%
Loss Assets	Write off

**Estimates applied in the previous financial year:**

- i. Unsecured loan portfolio (excluding the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana) is provided for as the 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 (comprising the secured loan portfolio and the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana) are provided for in accordance with Chapter V of the NBFC Master Directions. The provision prescribed under these directions is prescribed below:

Asset Classification	Rate of provision
Standard Asset	0.35%
Sub-Standard Asset (NPA upto 14 months)	10%
Doubtful Asset (Sub-Standard after 14 months) – Secured	
Doubtful asset upto 1 year	20%
Doubtful asset over 1 to 3 years	30%
Doubtful asset over 3 years	50%
Doubtful asset not covered by realizable security – (Unsecured)	100%
Loss Assets	Write off

- iii. In addition to the provision created as stated in (i) and (ii) above, loans considered irrecoverable in the opinion of the Company, are fully provided for or written off.

## Notes to Financial Statements for the Year ended March 31, 2018

(Amount in Rupees unless otherwise stated)

	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)
<b>4.1 Share capital</b>		
<i>Authorized</i>		
<b>Equity shares</b>		
900,000,000 (Previous year: 900,000,000) equity shares of Rs.10 each	9,000,000,000	9,000,000,000
<b>Preference shares</b>		
1,250,000,000 (Previous year: 1,100,000,000) preference shares of Rs.10 each	1,250,000,000	11,000,000,000
<i>Issued, subscribed and paid-up</i>	<b>21,500,000,000</b>	<b>20,000,000,000</b>
<b>Equity shares</b>		
29,756,818 (Previous year 28,449,393) equity shares of Rs.10 each fully paid up	297,568,180	284,493,930
<b>Total (A)</b>	<b>297,568,180</b>	<b>284,493,930</b>
<b>Preference shares</b>		
791,007,721 (Previous year: 791,007,721) Class B 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each fully paid up [refer note (d) below]	7,910,077,210	7,910,077,210
234,999,997 (Previous year: 110,000,008) Class A 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each fully paid up [refer note (b)]	2,349,999,970	1,100,000,080
119,212,760 (Previous year: Nil) Class A1 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each fully paid up [refer note (c) below]	1,192,127,600	-
1,135,085 (Previous year: 1,135,085) Series C 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each Rs.0.04 called up per share [refer note (e) below]	45,403	45,403
2,83,771 (Previous year: 2,83,771) FY18 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each Rs.0.04 called up per share [refer note (e) below]	11,351	11,351
2,83,771 (Previous year: 2,83,771) FY18 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each Rs.0.04 called up per share [refer note (e) below]	11,351	11,351
2,83,771 (Previous year: 2,83,771) FY19 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each Rs.0.04 called up per share [refer note (e) below]	11,351	11,351
2,83,771 (Previous year: 2,83,771) FY19 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each Rs.0.04 called up per share [refer note (e) below]	11,351	11,351
<b>Total (B)</b>	<b>11,452,295,587</b>	<b>9,010,168,097</b>
<b>Total (A+B)</b>	<b>11,749,863,767</b>	<b>9,294,662,027</b>

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

**b) Terms / rights attached to Class A CCPS**

During the year ended March 31, 2017, the Company issued 110,000,008 Class A CCPS of Rs.10 each fully paid-up. Further, in the current financial year, the Company has issued 124,999,989 Class A CCPS of Rs.10 each fully paid-up. The Class A CCPS shall rank pari-passu with other preference shares. The Class A CCPS shall carry a dividend of 0.001% payable

annually in proportion to the total number of equity shares on and as converted basis. The dividend will accrue on cumulative basis and shall be due and payable upon conversion of CCPS into equity shares. The Company declares and pays dividend in Indian rupees. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The holder of Class A CCPS shall not be entitled to any voting rights in the Company.

Each holder of Class A CCPS has to mandatorily convert its preference shares into equity shares at the end of the 10th year from the date of issue i.e. March 31, 2017 and December 4, 2017. The holder can also convert the CCPS before the 10th year by giving 5 days' prior conversion notice to the Company. The Company will issue such number of equity shares as derived by conversion formula given below (subject to adjustment in equity shares capital that has occurred upto the date of conversion on account of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action):

Number of Class A CCPS proposed to be converted x Face value of Class A CCPS \_\_\_\_\_

Fair market value of equity shares of the Company as on the date of acquisition of Class A CCPS

**(c) Terms / rights attached to Class A1 CCPS**

During the year ended March 31, 2018, the Company issued 119,212,760 Class A1 CCPS of Rs.10 each fully paid-up. The Class A1 CCPS shall rank pari-passu with other preference shares. The Class A1 CCPS shall carry a dividend of 0.001% payable annually in proportion to the total number of equity shares on and as converted basis. The dividend will accrue on cumulative basis and shall be due and payable upon conversion of CCPS into equity shares. The Company declares and pays dividend in Indian rupees. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The holder of Class A1 CCPS shall not be entitled to any voting rights in the Company.

Each holder of Class A1 CCPS has to mandatorily convert its preference shares into equity shares at the end of the 10th year from the date of issue i.e. March 8, 2018. The holder can also convert the CCPS before the 10th year by giving 5 days' prior conversion notice to the Company. The Company will issue such number of equity shares as derived by conversion formula given below (subject to adjustment in equity shares capital that has occurred upto the date of conversion on account of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action):

$$\frac{\text{Number of Class A1 CCPS proposed to be converted} \times \text{Face value of Class A1 CCPS}}{\text{Fair market value of equity shares of the Company as on the date of acquisition of Class A1 CCPS}}$$

Fair market value of equity shares of the Company as on the date of acquisition of Class A1 CCPS

**(d) Terms / rights attached to Class B CCPS**

During the year ended March 31, 2017, the Company converted the OCCRPS outstanding as at March 31, 2016 into Class B CCPS. The Class B CCPS shall rank pari-passu with other preference shares. The Class B CCPS shall carry a dividend of 0.001% payable annually in proportion to the total number of equity shares on and as converted basis. The dividend will accrue on cumulative basis and shall be due and payable upon conversion of CCPS into equity shares. The Company declares and pays dividend in Indian rupees. Any dividend proposed by the Board of Directors is subject

to the approval of the shareholders in the ensuing Annual General Meeting. The holder of Class B CCPS shall not be entitled to any voting rights in the Company.

Each holder of Class B CCPS has to mandatorily convert its preference shares into equity shares at the end of the 10th year from the date of issue, i.e. March 31, 2017. The holder can also convert the CCPS before the 10th year, by giving 5 days' prior conversion notice to the Company. The Company will issue such number of equity shares as derived by conversion formula given below (subject to adjustment in equity shares capital that have occurred upto the date of conversion on account of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action):

$$\frac{\text{Number of Class B CCPS proposed to be converted} \times 2.7}{\text{Fair market value of equity shares of the Company as on the date of acquisition of Class B CCPS}}$$

Fair market value of equity shares of the Company as on the date of acquisition of Class B CCPS

**(e) Terms / rights attached to OCRPS**

On March 31, 2017, the Company had issued 2,270,169 OCRPS of Rs.10 each, at a premium of Rs.225.48, out of which Rs.0.04 with premium of Rs. 0.96 per OCRPS was called up. These OCRPS (Series A, B and C) shall carry a dividend of 0.001% payable annually in proportion to the total number of equity shares on and as converted basis. The dividend will accrue on cumulative basis and shall be due and payable upon conversion into equity share. The Company declares and pays dividend in Indian rupees. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. Each holder of OCRPS is entitled to exercise voting rights at all meetings of shareholders of the Company on a proportionate 'as converted' basis to the extent of the amount actually paid up by the holder thereof on such OCRPS.

The Company will issue one equity share for each OCRPS held after taking into account any adjustment to the equity share capital that has occurred up to the date of conversion by way of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action. The terms of conversion of OCRPS into equity shares and payment of remaining calls is provided in the table below:

Class of Shares	Payment of balance subscription amount	Conversion into equity shares
Series C	Any time post March 31, 2017 the holder is entitled to require the Company to issue a call	To be converted immediately upon being fully paid up.
FY18 Series A	Based on achieving pre-defined profitability levels in respect of FY 2017-18, FY 2018-19 and FY 2019-20 in terms of the Promoter Subscription Agreement, the holder is entitled to require the Company to issue a call	
FY18 Series B		
FY19 Series A		
FY19 Series B		

**(f) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year:**

Particulars	31-Mar-18		31-Mar-17	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	28,449,393	284,493,930	20,380,767	203,807,670
Issued during the year	1,307,425	13,074,250	8,068,626	80,686,260
Outstanding at the end of the year	<b>29,756,818</b>	<b>297,568,180</b>	<b>28,449,393</b>	<b>284,493,930</b>

## (g) Reconciliation of the number of CCPS Class B at the beginning and at the end of the year :

Particulars	31- Mar-2018		31- Mar-2017	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	791,007,721	7,910,077,210	—	—
Converted during the year	—	—	791,007,721	7,910,077,210
Outstanding at the end of the year	791,007,721	7,910,077,210	791,007,721	7,910,077,210

## (h) Reconciliation of the number of CCPS Class A at the beginning and at the end of the year :

Particulars	31- Mar-2018		31- Mar-2017	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	110,000,008	1,100,000,080	—	—
Issued during the year	124,999,989	1,249,999,890	110,000,008	1,100,000,080
Outstanding at the end of the year	234,999,997	2,349,999,970	110,000,008	1,100,000,080

## (i) Reconciliation of the number of CCPS Class A1 at the beginning and at the end of the year :

Particulars	31- Mar-2018		31- Mar-2017	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	—	—	—	—
Issued during the year	119,212,760	1,192,127,600	—	—
Outstanding at the end of the year	119,212,760	1,192,127,600	—	—

## (ii) Reconciliation of the number of OCRPS Series C at the beginning and at the end of the year:

Particulars	31- Mar-2018		31- Mar-2017	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	1,135,085	45,403	—	—
Issued during the year	—	—	1,135,085	45,403
Outstanding at the end of the year	1,135,085	45,403	1,135,085	45,403

## (k) Reconciliation of the number of OCRPS FY18 Series A at the beginning and at the end of the year :

Particulars	31- Mar-2018		31- Mar-2017	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	283,771	11,351	—	—
Issued during the year	—	—	283,771	11,351
Outstanding at the end of the year	283,771	11,351	283,771	11,351

## (l) Reconciliation of the number of OCRPS FY18 Series B at the beginning and at the end of the year :

Particulars	31- Mar-2018		31- Mar-2017	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	283,771	11,351	—	—
Issued during the year	—	—	283,771	11,351
Outstanding at the end of the year	283,771	11,351	283,771	11,351

## (m) Reconciliation of the number of OCRPS FY19 Series A at the beginning and at the end of the year :

Particulars	31- Mar-2018		31- Mar-2017	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	283,771	11,351	—	—
Issued during the year	—	—	283,771	11,351
Outstanding at the end of the year	283,771	11,351	283,771	11,351

## (n) Reconciliation of the number of OCRPS FY19 Series B at the beginning and at the end of the year :

Particulars	31- Mar-2018		31- Mar-2017	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	283,771	11,351	—	—
Issued during the year	—	—	283,771	11,351
Outstanding at the end of the year	283,771	11,351	283,771	11,351

## (o) Details of shareholders holding more than 5% in the Company:

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

**Equity share**

Particulars	31- Mar-2018		31- Mar-2017	
	Number of shares	Amount	Number of shares	Amount
Kangchenjunga Limited	10,942,328	36.77%	7,896,937	26.54%
Padmaja Gangireddy	5,879,366	19.76%	6,194,261	20.82%
Valiant Mauritius Partners FDI Limited	4,632,570	15.57%	3,981,780	13.38%
JM Financial Products Limited	2,976,821	10.00%	-	-
JM Financial Trustee Company Private Limited	1,744,303	5.86%	6,582,276	22.12%
Vijaya Sivarami Reddy Vendidandi	1,491,483	5.01%	1,491,483	5.01%

**CCPS (Class A)**

Name of the Share holder	31- Mar-2018		31- Mar-2017	
	Number of shares	Amount	Number of shares	Amount
Kangchenjunga Limited	229,999,532	97.87%	107,659,360	97.87%

**CCPS (Class A1)**

Name of the Share holder	31- Mar-2018		31- Mar-2017	
	Number of shares	Amount	Number of shares	Amount
Kangchenjunga Limited	116,676,087	97.87%	0	0.00%

**CCPS (Class B)**

Name of the Share holder	31- Mar-2018		31- Mar-2017	
	Number of shares	Amount	Number of shares	Amount
Kangchenjunga Limited	774,176,271	97.87%	774,176,271	97.87%

**OCRPS(Series A,B,and C)**

Name of the Share holder	31- Mar-2018		31- Mar-2017	
	Number of shares	Amount	Number of shares	Amount
Padmaja Gangireddy	2,270,169	100%	2,270,169	100%

(Amount in Rupees unless otherwise stated)

	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)
<b>4.2 Reserves and surplus</b>		
<b>Securities premium account</b>		
Balance as per the last financial statements	2,582,814,397	761,321,245
Add: Premium on issue of equity shares	294,798,189	1,819,313,790
Add: Premium on issue of OCRPS	-	2,179,362
<b>Closing balance</b>	<b>2,877,612,586</b>	<b>2,582,814,397</b>
<b>General reserve</b>	<b>23,280,656</b>	<b>23,280,656</b>
<b>Capital redemption reserve</b>	<b>1,526,922,794</b>	<b>1,526,922,794</b>
<b>Statutory reserve</b>		
Balance as per the last financial statements	1,604,974,798	1,499,077,389
Add: Amount transferred from surplus to profit and loss	343,704,926	105,897,409
<b>Closing balance</b>	<b>1,948,679,724</b>	<b>1,604,974,798</b>
<b>Surplus/(deficit) in the statement of profit and loss</b>		
Balance as per the last financial statements	(9,660,298,894)	(10,083,591,403)
Add: Profit for the year after tax	1,718,524,631	529,487,044
Less: Transfer to Statutory Reserve [@ 20% of profit after tax as required by Section 45-1C of Reserve Bank of India Act, 1934]	(343,704,926)	(105,897,409)
Less: Dividend on OCCRPS (includes dividend distribution tax)	-	(297,126)
<b>Net deficit in the statement of profit and loss</b>	<b>(8,285,479,189)</b>	<b>(9,660,298,894)</b>
<b>Total reserves and surplus</b>	<b>(1,908,983,429)</b>	<b>(3,922,306,249)</b>
<b>4.3 Money received against share warrants</b>		
	<b>1,488,544</b>	<b>-</b>
Money received against share warrants	<b>1,488,544</b>	<b>-</b>

**Terms / rights attached to Convertible Share Warrants**

On March 6, 2018, the Company issued 14,88,544 Convertible Share Warrants with an exercise price of Rs.235.48 per warrant ("Warrant Exercise Price") of which Re.1 per warrant was paid towards subscription of the warrants prior to the allotment of the warrants ("Upfront Payment Amount") and a balance amount of Rs.234.48 per warrant shall be paid at the time of exercising the right of conversion of such warrants into equity shares ("Balance Payment Amount"). The holder of convertible share warrants shall not be entitled to any voting rights in the Company.

Each warrant shall be convertible into an equivalent number of equity shares upon payment of the Balance Payment Amount, at the option of the warrant holder, in one or more tranches and at such time period as the warrant holder may deem fit, on or prior to the expiry of 24 months ("Offer Exercise Period") from the date of allotment i.e. March 6, 2018 (subject to adjustment in equity share capital that has occurred upto the date of conversion on account of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action). Upon receipt of the Balance Payment Amount as set out above, the Board of Directors (or a Committee thereof) shall allot one equity share per warrant by appropriating from the Warrant Exercise Price, Rs. 10 towards equity share capital and the balance amount received towards securities premium account.

(Amount in Rupees unless otherwise stated)

**4.4 Long-term borrowings**

(a) Debentures	Non-current portion		Current portion	
	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)
<b>Secured</b>				
325, 13.15% Secured, Redeemable, Non-convertible Debentures of face value of Rs.1 million each redeemable at par at the end of 72 months from the date of allotment i.e. October 31, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of 36 months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	325,000,000	—	—	—
180,000,000 (Previous year Nil ) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Rs.1 each. redeemable at the end of 36 months from the date of allotment i.e. October 26, 2017	180,000,000	—	—	—
120,000,000 (Previous year Nil) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Re.1 each, redeemable at the end of 36 months from the date of allotment i.e. August 21, 2017	120,000,000	—	—	—
4,000, 13.5% Partly-paid Secured, Redeemable, Non-convertible Debentures of face value of Rs.1 million each redeemable at par at the end of 36 months from the date of allotment i.e. September 28, 2017 (subject to exercise of put option by the lender at the end of 12 or 24 months from the date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	—	—	833,333,334	—
1,000, 14% Secured, Redeemable, Non-convertible Debentures of face value of Rs.1 million each redeemable at par at the end of 72 months from the date of allotment i.e. September 18, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of 36 months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	1,000,000,000	—	—	—
<b>Nature of security</b>				
The above debentures are secured by way of first and exclusive charge-over eligible book debts of the Company.NCDs issued on Septemebr18,2017arealso secured by a first charge on land and building.				
<b>Unsecured</b>				
200, 13.30% Fully paid up Senior Unsecured, Redeemable, Non-Convertible Debentures of face value of Rs.1 million each redeemable at par at the end of 36 months from the date of allotment i.e. September 26, 2017 (subject to exercise of put option by the lender at the end of 367 days or 24 months). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	—	—	200,000,000	—
<b>(b) Term loans</b>				
<b>Secured*</b>				
Indian rupee loan from banks	1,991,534,053	537,731,340	7,722,788,710	4,180,448,023
Indian rupee loan from non-banking financial companies	1,077,410,426	-	2,183,934,149	-
<b>Unsecured</b>				
Indian rupee loan from non-banking financial companies	200,000,000	-	-	-
<b>Above amount includes</b>	<b>4,893,944,479</b>	<b>5,377,313,403</b>	<b>10,940,056,193</b>	<b>4,180,448,023</b>
Secured borrowings	4,693,944,479	5,377,313,403	10,740,056,193	4,180,448,023
Unsecured borrowings#	200,000,000	-	200,000,000	-
Amount disclosed under "Other current liabilities" (refer note 4.8)	-	-	(10,940,056,193)	(4,180,448,023)
<b>Net amount</b>	<b>4,893,944,479</b>	<b>5,377,313,403</b>	-	-

\*The Indian rupee loans are secured by hypothecation of book debts and margin money deposits.

#The Unsecured borrowings are in the nature of subordinated debts and non-convertible debentures.

## Notes to Financial Statements for the Year ended March 31,2018

(Amount in Rupees unless otherwise stated)

	Non-current portion		Current portion	
	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)
<b>4.5 Other long term liabilities</b>				
Unamortized collection fees	1,007,216	-	-	-
	<b>1,007,216</b>	-	-	-
<b>4.6 Provisions</b>				
Provision for gratuity (net of contribution) (refer note 4.26)	3,899,404	5,979,439	-	-
Provision for Tax (net of advance tax)	-	-	92,955,643	235,839,798
Contingent provision against standard assets (refer note 4.28)	143,791,497	12,208,993	164,883,388	50,501,427
Provision for non-performing assets (refer note 4.28)	8,576,427,385	8,450,793,747	-	-
	<b>8,724,118,286</b>	<b>8,468,982,179</b>	<b>257,839,031</b>	<b>286,341,225</b>
<b>4.7 Short-term borrowings</b>				
Cash credit from banks (secured)*	-	-	401,237	-
Loans and advances from related parties(Unsecured)	-	-	-	10,000,281
	-	-	<b>401,237</b>	<b>10,000,281</b>
*Cash credit from banks are secured by hypothecation of book debts.				
<b>4.8 Other current liabilities</b>				
Employee benefits payable	-	-	123,040,197	87,432,077
Payable towards asset assignment transactions	-	-	663,385,607	5,906,462
Expenses payable	-	-	15,793,134	163,046,755
Creditors for capital goods	-	-	6,303,400	420,000
Other payables	-	-	20,914,697	24,511,030
Other liabilities				
Current maturities of long-term borrowings (refer note 4.4)	-	-	10,940,056,193	4,180,448,023
Unfructified service tax liability [net of amount paid under protest Rs.9,926,956 (Previous year 9,926,956)]	-	-	132,830,922	124,303,097
Interest accrued but not due on borrowings	-	-	122,965,256	10,898,507
Statutory dues payable	-	-	30,126,190	19,800,206
Unamortized income	-	-	4,236,906	-
Unamortized Collection fees	-	-	<b>-12,059,652,502</b>	<b>4,616,766,157</b>



Note 4.4 (a) Terms of principal repayment of long term borrowings as at March 31, 2018

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	
Monthly 1-3 years	11.01%-11.5%	4	87,146,373	12	53,391,039	5	24,114,027			87,146,373
		12	47,617,029	12	49,782,391	12	55,818,968			125,122,095
		12	44,398,641	5	73,650,542					150,000,000
	11.51%-12.00%	12	163,367,428	2	60,069,173					237,017,970
		12	336,410,584							396,479,757
		12	2,285,714,285							2,285,714,285
	12.01%-12.5%	10	222,222,216							222,222,216
		12	75,000,000	4	25,000,000					100,000,000
		12	50,000,000	5	20,833,333					70,833,333
	13.01%-13.5%	12	589,852,212							589,852,212
		12	2,501,746,857	5	88,557,857					2,501,746,857
		12	212,538,857	2	67,727,416					301,096,714
	13.51%-14%	12	376,206,941							376,206,941
11		317,087,042							317,087,042	
12		40,872,327	4	14,826,565					55,698,892	
		3	105,278,545						105,278,545	
Above 3 years	10%-10.50%									
	12%-12.5%									
	13.5%-14%									
	14%-14.5%									
Quarterly 1-3 years	10.51% - 11.00%	3	171,428,572	4	228,571,428					400,000,000
		4	500,000,000	4	500,000,000					1,000,000,000
		3	257,142,855	4	342,857,145					600,000,000
	11.01%-11.5%	3	214,285,713	4	285,714,287					500,000,000
		3	214,285,713	4	285,714,287					500,000,000
		4	428,571,429	2	214,285,718					642,857,147
	12.5%-13%	4	250,000,000	4	250,000,000	2	125,000,000			625,000,000
		3	223,125,000	4	83,333,333	4	83,333,334			223,125,000
		2	833,333,333	4	833,333,333	1	27,272,727			250,000,000
	13.01%-13.5%	4	109,090,909	4	109,090,909					833,333,333
		4	109,090,909	4	109,090,909					245,454,545
Bullet 1-3 years	12.01%-12.5%			1	120,000,000	1	180,000,000			120,000,000
	13.01%-13.5%			1	180,000,000	1	325,000,000			180,000,000
	13.51% - 14.00%	1	200,000,000	1	1,000,000,000					325,000,000
Above 3 years	14.01%-14.5%									200,000,000
	14.5%-15%									1,000,000,000
	14%-14.5%									200,000,000
Grand Total		210	10,940,056,193	85	2,753,405,423	28	1,940,539,056	1	200,000,000	15,834,000,672

## Notes to Financial Statements for the Year ended March 31, 2018

(Amount in Rupees unless otherwise stated)

4.9.1 Property, Plant & Equipment							
Particulars	Land & Building*	Lease hold improvements	Furniture & Fixtures	Office Equipment	Vehicles	Computers & Printers	Total
<b>Gross block</b>							
At April 1 2016	-	92,198,325	40,622,461	10,630,665	2,927,654	98,304,734	244,683,839
Addition	-	3,200,008	5,756,378	974,605	1,230,000	2,829,136	13,990,127
Disposals	-	-	131,367	1,071,509	-	270,660	1,473,536
<b>At March 31 2017</b>	<b>-</b>	<b>95,398,333</b>	<b>46,247,472</b>	<b>10,533,761</b>	<b>4,157,654</b>	<b>100,863,210</b>	<b>257,200,430</b>
Addition	2,006,500	-	8,863,258	4,673,581	-	19,332,956	34,876,295
Disposals	-	-	104,148	18,600	641,852	252,629	1,017,229
<b>At March 31, 2018</b>	<b>2,006,500</b>	<b>95,398,333</b>	<b>55,006,582</b>	<b>15,188,742</b>	<b>3,515,802</b>	<b>119,943,537</b>	<b>291,059,496</b>
<b>Depreciation</b>							
At April 1 2016	-	11,307,267	17,914,466	9,443,511	2,689,968	81,550,443	122,905,655
Charge for the year	-	51,457,160	8,636,703	869,071	449,415	8,074,322	69,486,671
Disposals	-	-	126,989	1,035,293	-	261,103	1,423,385
<b>At March 31 2017</b>	<b>-</b>	<b>62,764,427</b>	<b>26,424,180</b>	<b>9,277,289</b>	<b>3,139,383</b>	<b>89,363,662</b>	<b>190,968,941</b>
Charge for the year	49,798	20,611,472	10,584,321	1,339,594	313,681	9,599,124	42,497,990
Disposals	-	-	94,273	18,150	587,977	245,304	945,704
<b>At March 31, 2018</b>	<b>49,798</b>	<b>83,375,899</b>	<b>36,914,228</b>	<b>10,598,733</b>	<b>2,865,087</b>	<b>98,717,482</b>	<b>232,521,227</b>
<b>Net Block</b>							
At March 31 2017	-	32,633,906	19,823,292	1,256,472	1,018,271	11,499,548	66,231,489
<b>At March 31, 2018</b>	<b>1,956,702</b>	<b>12,022,434</b>	<b>18,092,354</b>	<b>4,590,009</b>	<b>650,715</b>	<b>21,226,055</b>	<b>58,538,269</b>

\* Mortgaged as security against secured non-convertible debentures.

## 4.9.2 Intangible assets

Particulars	Software	Total
<b>Gross block</b>		
At April 1 2016	64,147,409	64,147,409
Purchase	14,788,138	14,788,138
Disposals	-	-
<b>At March 31 2017</b>	<b>78,935,547</b>	<b>78,935,547</b>
Purchase	16,931,900	16,931,900
Disposals	-	-
<b>At March 31, 2018</b>	<b>95,867,447</b>	<b>95,867,447</b>
<b>Amortization</b>		
At April 1 2016	41,241,664	41,241,664
Charge for the year	13,844,537	13,844,537
Deductions	-	-
<b>At March 31 2017</b>	<b>55,086,201</b>	<b>55,086,201</b>
Charge for the year	14,752,320	14,752,320
Deductions	-	-
<b>At March 31, 2018</b>	<b>69,838,521</b>	<b>69,838,521</b>
<b>Net block</b>		
At March 31 2017	23,849,346	23,849,346
<b>At March 31, 2018</b>	<b>26,028,926</b>	<b>26,028,926</b>

## Notes to Financial Statements for the Year ended March 31,2018

(Amount in Rupees unless otherwise stated)

	Non-current portion		Current portion	
	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)
<b>4.10 Non-current investments</b>				
(Valued at cost unless otherwise stated)				
<i>Non-trade investments</i>				
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	-	-
<i>Trade investments</i>				
2,000,000 (Previous year: Nil) equity shares of Rs.10 each fully paid up in Caspian Financial Services Limited	20,000,000	-	-	-
	<b>21,000,000</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>
Aggregate amount of unquoted investments	<b>21,000,000</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>
<b>4.11 Loan portfolio</b>				
<b>Joint liability group loans</b>				
Unsecured, considered good*	6,237,891,406	2,345,642,468	16,413,589,563	9,549,743,400
Unsecured, considered doubtful**	7,651,711,075	7,883,686,160	-	-
	<b>13,889,602,481</b>	<b>10,229,328,628</b>	<b>16,413,589,563</b>	<b>9,549,743,400</b>
<b>Individual loans</b>				
Unsecured, considered good*	133,772	300,784	589,298	4,320,936
Unsecured, considered doubtful**	928,252,965	928,557,135	-	-
Secured, considered good*	48,662,630	854,441	185,398,609	226,110,787
Secured, considered doubtful**	8,614,711	7,040,627	-	-
	<b>985,664,078</b>	<b>936,752,987</b>	<b>185,987,907</b>	<b>230,431,723</b>
<b>Joint liability group loans placed as collateral towards securitisation/ assignment transaction</b>				
Unsecured, considered good*	1,275,761,356	-	-	-
Unsecured, considered doubtful**	-	-	-	-
	<b>1,275,761,356</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>16,151,027,915</b>	<b>11,166,081,615</b>	<b>16,599,577,470</b>	<b>9,780,175,123</b>
* Represents standard assets in accordance with Company's asset classification policy [refer note 3.1 (r)]				
** Represents non-performing assets in accordance with Company's asset classification policy [refer note 3.1 (r)]				
<b>4.12 Loans and advances</b>				
<b>A. Security deposits</b>				
Unsecured, considered good	17,647,419	15,776,990	327,600	114,000
(A)	<b>17,647,419</b>	<b>15,776,990</b>	<b>327,600</b>	<b>114,000</b>
<b>B. Loans and advances to related parties</b>				
Inter corporate advances	-	-	538,660,288	-
(B)	<b>-</b>	<b>-</b>	<b>538,660,288</b>	<b>-</b>
<b>C. Other loans and advances</b>				
<b>Unsecured, considered good</b>				
Advance income tax (net of provision)	41,862,254	46,629,020	-	-
Advance with service provider	5,000,000	1,000,000	-	-
Prepaid expenses	-	-	1,562,070	2,152,918
Advance against sum assured	-	-	9,613,630	3,729,508
Capital advances	-	-	2,172,727	-
Other advances	878,108	1,285,115	1,242,926	24,565,409
<b>Unsecured, considered doubtful</b>				
Employee loans	1,701,241	1,701,241	-	-
Amounts deposited with courts	4,844,622	4,744,622	-	-
Other advances	-	15,047,892	-	-
Advance against sum assured	11,307,070	12,400,752	-	-
	<b>65,593,295</b>	<b>82,808,642</b>	<b>14,591,353</b>	<b>30,447,835</b>
Less: Provision for doubtful advances	(17,852,933)	(33,892,007)	-	-
(C)	<b>47,740,362</b>	<b>48,916,635</b>	<b>14,591,353</b>	<b>30,447,835</b>
<b>Total (A+B+C)</b>	<b>65,387,781</b>	<b>64,693,625</b>	<b>553,579,241</b>	<b>30,561,835</b>

## Notes to Financial Statements for the Year ended March 31,2018

(Amount in Rupees unless otherwise stated)

	Non-current portion		Current portion	
	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)
<b>4.13 Other assets</b>				
Non-current bank balances (refer note 4.15)	504,304,377	22,613,512	-	-
Amount Receivable from banks	-	-	-	539,428
Interest accrued but not due on portfolio loans	-	-	121,745,642	65,190,759
Interest accrued and due on portfolio loans	-	-	1,433,474	9,112,368
Interest accrued on inter corporate advances	-	-	4,483,798	-
Interest accrued but not due on term deposits placed with banks	-	-	26,998,179	468,044
Interest accrued but not due on term deposits placed with non banking financial institutions	-	-	3,858,288	-
Term deposits placed with non banking financial institutions#	25,000,000	-	61,750,000	-
<b>Unamortized expenses</b>				
Unamortized premium on portfolio purchase	-	-	2,837,166	-
	<b>529,304,377</b>	<b>22,613,512</b>	<b>223,106,547</b>	<b>75,310,599</b>
# Represent margin money deposits placed to avail term loans from non banking financial institutions and placed as cash collateral in connection with securitisation transactions.				
<b>4.14 Trade receivables</b>				
Outstanding for a period less than six months from the date they are due for payment	-	-	-	-
Unsecured, considered good	-	-	25,541,715	72,941
	-	-	<b>25,541,715</b>	<b>72,941</b>
<b>4.15 Cash and bank balances</b>				
<b>Cash and cash equivalents</b>				
Balances with banks				
On current accounts	-	-	871,292,202	2,894,538,620
Deposit with original maturity of less than three months	-	-	150,011,188	-
Cash on hand	-	-	3,703,304	6,630,318
	-	-	<b>1,025,006,694</b>	<b>2,901,168,938</b>
<b>Other bank balances</b>				
Cash collateral against borrowings				
Margin money deposit (refer note below)	504,304,377	22,613,512	501,232,698	-
	<b>504,304,377</b>	<b>22,613,512</b>	<b>501,232,698</b>	-
Amount disclosed under non-current assets (refer note 4.13)	(504,304,377)	(22,613,512)	-	-
	-	-	<b>1,526,239,392</b>	<b>2,901,168,938</b>

Note : Represent margin money deposits placed to avail term loans from banks, financial institutions and placed as cash collateral in connection with securitisation transactions.

(Amount in Rupees unless otherwise stated)

	<b>31-Mar-18</b>	<b>31-Mar-17</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>4.16 Revenue from operations</b>		
Interest income on portfolio loans	4,710,430,457	3,361,018,357
Income from securitization (refer note 4.30(o))	439,434,384	-
<b>Other operating revenue</b>		
Loan processing fees	376,237,807	341,905,044
Recovery against loans written off	44,227,325	10,401,052
Interest on margin money deposits*	38,032,366	1,353,192
	<b>5,608,362,339</b>	<b>3,714,677,645</b>
*Represent margin money deposits placed to avail term loans from banks, financial institutions and placed as cash collateral in connection with securitisation transactions.		
<b>4.17 Other Income</b>		
Dividend from mutual funds	15,841,987	16,381,164
Profit on sale of mutual funds	26,304,571	-
Profit on sale of property, plant and equipment (net)	403,699	205,004
Liabilities no longer required, written back	-	447,855,614
Interest on inter corporate advances	16,936,751	-
Interest on income tax refund	-	9,854,604
Incentive income	16,529,232	-
Commission income*	54,321,701	23,308,524
Miscellaneous income	1,851,080	5,956,619
	<b>132,189,021</b>	<b>503,561,529</b>
*includes prior period income of Rs.14,567,828.		
<b>4.18 Employee benefits expense</b>		
Salaries, wages and bonus	729,645,848	556,176,488
Contribution to provident fund	13,636,711	12,474,751
Contribution to Employees State Insurance Corporation	1,886,804	1,608,382
Leave benefits	5,538,600	5,244,956
Gratuity expense (refer note 4.26)	4,460,580	5,200,986
Staff welfare expenses	3,949,147	2,254,038
	<b>759,117,690</b>	<b>582,959,601</b>
<b>4.19 Finance costs</b>		
Interest		
On term loans from banks	1,193,360,864	1,152,062,166
On term loans from financial institutions	-	322,544,243
On term loans from non banking financial institutions	423,322,127	-
On non-convertible debentures	189,491,332	-
On cash credit from banks	1,086,594	-
On amount borrowed from related party	256,768	16,439
On income tax	30,908,824	17,570,665
Other finance cost	154,383,947	254,728,044
CDR settlement expenses [refer note 2]	-	342,995,743
Bank charges	5,986,598	6,464,021
	<b>1,998,797,054</b>	<b>2,096,381,321</b>

## Notes to Financial Statements for the Year ended March 31, 2018

(Amount in Rupees unless otherwise stated)

	31-Mar-18 (Rupees)	31-Mar-17 (Rupees)
<b>4.20 Other expenses</b>		
Rent (refer note 4.27)	47,228,395	63,343,665
Rates and taxes	2,606,071	7,551,723
Office maintenance	20,462,782	13,696,063
Computers and network maintenance	2,910,065	2,261,609
Electricity charges	9,382,905	8,779,768
Travelling expenses	70,511,824	73,089,880
Communication expenses	6,224,749	6,937,948
Credit Bureau Expenses	6,483,020	5,294,945
Printing and stationery	8,754,571	7,984,224
Legal and professional charges	36,542,774	59,763,235
Directors sitting fees	3,056,250	1,427,500
Auditors remuneration (refer details below)	6,771,173	6,612,599
Recruitment and training	6,261,382	973,076
Subscription fees	4,738,320	7,092,351
Other provisions and write off	19,063,309	10,273,181
Security charges	1,543,420	3,293,952
Foreign exchange loss	-	33,856
Premium paid on purchase of portfolio	5,447,250	8,559,725
CSR Expenses	4,006,428	-
Miscellaneous expenses	44,606	560,419
	<b>262,039,294</b>	<b>287,529,719</b>
<b>Payment to auditors</b>		
As auditor:		
Audit fee	5,523,875	5,656,875
Certification fee	590,500	323,250
Out of pocket expenses	656,798	632,474
	<b>6,771,173</b>	<b>6,612,599</b>
<b>4.21 Provisions and write offs</b>		
Contingent provision against standard assets (refer note 4.28)	245,964,465	(57,858,642)
Provision for non-performing assets (refer note 4.28)	125,633,638	455,336,926
Portfolio loans written off	-	22,802,863
	<b>371,598,103</b>	<b>420,281,147</b>

(Amount in Rs. unless otherwise stated)

**4.22 Earnings per share (EPS)**

Particulars	31-Mar -18	31-Mar -17
Net profit for calculation of basic earnings per share	1,718,524,632	529,487,044
Net profit for calculation of diluted earnings per share	1,718,524,632	529,487,044
<b>Weighted average number of equity shares for basic EPS</b>	<b>28,535,361</b>	<b>20,402,873</b>
<b>Effect of dilution</b>		
Conversion of OCCRPS (refer note (a) below)	-	788,840,577
Conversion of Class A CCPS	6,387,420	12,798
Conversion of Class A1 CCPS (refer note (b) below)	332,880	-
Conversion of Class B CCPS (refer note (a) below)	8,948,426	24,848
Conversion of OCRPS	9,081	25
Conversion of share warrants (refer note (b) below)	450	-
<b>Weighted average number of equity shares for diluted EPS</b>	<b>44,213,618</b>	<b>809,281,121</b>
Basic earnings per share	60.22	25.95
Diluted earnings per share	38.87	0.65
Nominal value per share: Rs.10 (Previous year: Rs.10)		

**Note (a)** – OCCRPS were converted into Class B CCPS in the previous year

**Note (b)** – Issued in the current year

**4.23 Segment Reporting**

The Company operates in a single business segment i.e. financing, which has similar risks and returns for the purpose of AS 17 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with rule 7 of Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

**4.24 Related parties**
**1. Subsidiary Company**

Caspian Financial Services Limited (incorporated on October 13, 2017)

**2. Enterprises where key management personnel exercise significant influence**

- (a) Spandana Rural and Urban Development Organization
- (b) Criss Financial Holdings Limited

(c) Abhiram Marketing Services Limited

(d) Spandana Employee Welfare Trust

(e) Spandana Mutual Benefit Trust

**3. Key Management Personnel**

- (a) Mrs. Padmaja Gangireddy - Managing Director
- (b) Mr. Deepak Goswami – Chief Financial Officer (w.e.f. January 31, 2018)
- (c) Mr. Rakesh Jhinharia – Company Secretary

**4. Enterprise having significant influence**

Kangchenjunga Limited

(Amount in Rs. unless otherwise stated)

## Related party transactions during the year:

Sr. No.	Related Party	Nature Of Transaction	31- March-18		31- March-17	
			Transaction During 2017-18	(Payable)/ Receivable	Transaction During 2016-17	(Payable)/ Receivable
1	Spandana Rural and Urban Development Organization	Rent expense	8,899,362	(248,439)	7,997,244	(236,991)
		Rent deposit	-	3,089,586	-	3,089,586
		Expense reimbursement	664,821	1,875	4,382,982	4,360,866
		Short term borrowing	-	-	10,000,281	(10,000,281)
		Short term borrowing repaid	10,000,281	-	-	-
		Interest expenses	231,092	-	16,439	(16,439)
		Purchase of fixed asset	-	-	1,000,000	-
2	Spandana Employee Welfare Trust	Expense reimbursement	25,406	-	35,919	2,387
		Issue of equity shares	9,068,806	-	-	-
3	Spandana Mutual Benefit Trust	Expense reimbursement	231,203	-	23,947	1,591
4	Criss Financial Holdings Limited	Expense reimbursement	109,791	8,437	227,689	(280,244)
		Purchase of portfolio	230,104,456	-	178,089,724	-
		Inter-corporate advances (net) *	331,000,000	331,000,000	-	-
		Interest income	13,583,384	3,307,685	-	-
5	Abhiram Marketing Services Limited	Commission income	54,321,701	5,361,550	23,308,524	-
		Incentive income	16,529,232	19,173,913	-	-
		Expenses reimbursement	25,047,641	482,680	1,561,009	14,722
		Inter corporate advances	207,660,288	207,660,288	-	-
		Interest income	3,353,367	1,176,114	-	-
		Purchase of fixed assets	4,230,736	-	1,002,635	-
6	Caspian Financial Services Limited	Pre-incorporation expenses	508,275	508,275	-	-
7	Kangchenjunga Limited	Issue of preference shares (Class A)	1,223,401,720	-	-	-
		Issue of preference shares (Class A1)	1,166,760,870	-	-	-
8	Mr. Deepak Goswami	Remuneration #	1,845,883	729,933	-	-
9	Mr. Rakesh Jhinjaria	Remuneration #	1,088,202	109,655	-	-
10	Mrs. Padmaja Gangireddy	Rent paid	29,806	-	320,065	-
		Issue of share warrants	1,488,544	-	-	-
		Issuance of equity shares	17,650,168	-	-	-
		Remuneration #	30,000,000	(3,496,400)	27,843,750	(2,729,450)
		Rent Deposit received	114,000	-	-	114,000

\* Of the ICDs given aggregating Rs.385,100,000, the Company has received repayment of Rs.54,100,000.

# As the provision for gratuity is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

Transactions during the year are shown net of service tax/GST and inclusive of TDS.

## 4.25 Contingent liabilities not provided for

Particulars	March-31-2018	March-31-2017
Claims against the Company not acknowledge as debts:		
Service tax open assessments	48,666,369	49,236,798
Credit enhancements provided towards securitization transactions	1,832,332,666	-
<b>Total</b>	<b>1,880,999,035</b>	<b>49,236,798</b>



(Amount in Rs. unless otherwise stated)

#### 4.26 Employee benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity, on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of Rs.2,000,000 as per The Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a

qualifying insurance policy.

The following tables summarized the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the gratuity plan.

#### Change in defined benefit obligation

Particulars	For the Year ended March-31-2018	For the Year ended March-31-2017
Opening defined benefit obligation	19,175,223	15,701,587
Current service cost	2,636,693	2,718,223
Interest cost	1,342,266	1,193,321
Past service cost	948,925	-
Actuarial loss/(Gain)	533,227	3,392,845
Benefits paid	(2,987,563)	(3,830,753)
<b>Closing defined benefit obligation</b>	<b>21,648,771</b>	<b>19,175,223</b>

#### Change in the fair value of plan assets

Particulars	For the Year ended March-31-2018	For the Year ended March-31-2017
Opening fair value of plan assets	13,195,251	14,923,134
Expected return on plan assets	989,644	1,193,808
Actuarial gains	52,035	909,062
Employer contributions	6,500,000	-
Benefits paid	(2,987,563)	(3,830,753)
<b>Closing fair value of Plan asset</b>	<b>17,749,367</b>	<b>13,195,251</b>

The Company expects to contribute Nil (March 31, 2017: Nil) to gratuity in the next year

#### Balance Sheet

##### Details of provision for gratuity:

Particulars	March-31-2018	March-31-2017
Present value of funded obligations	21,648,771	19,175,223
Fair value on plan assets	17,749,367	13,195,251
<b>Net(liability)/asset</b>	<b>(3,899,404)</b>	<b>(5,979,972)</b>

#### Statement of profit and loss

##### Net employees benefit expense (recognized in employees benefit expense):

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Current service cost	2,636,693	2,718,223
Past service cost	948,925	-
Interest on defined benefit obligation	1,342,266	1,193,321
Expected return on plan assets	(989,644)	(1,193,808)
Net actuarial loss/(gain) recognized in the year	481,192	2,483,250
<b>Amount included in employee benefit expenses</b>	<b>4,419,432</b>	<b>5,200,986</b>

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

Category of Assets	March 31, 2018	March 31, 2017
Investment with insurer	100%	100%
<b>Total</b>	<b>100%</b>	<b>100%</b>

(Amount in Rs. unless otherwise stated)

**Summary of Actuarial Assumptions**

Particulars	March 31, 2018	March 31, 2017
Discount rate	7.44%	7.00%
Expected return on plan assets	7.50%	8.00%
Salary escalation rate (p.a.)	10.00%	13.00%
Retirement age (years)	58	58

**Discount rate:** The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

**Salary escalation rate:** The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

**Expected rate of return on plan assets:** This is based on the expectation of the average long term rate of return expected on

Amounts for the current and previous four periods are as follows

Particulars	March-31-2018	March-31-2017	March-31-2016	March-31-2015	March-31-2014
Defined benefit obligation	21,648,771	19,175,223	15,701,587	21,113,905	8,305,367
Fair value of plan assets	17,749,367	13,195,251	14,923,134	20,246,772	21,860,997
Surplus/(deficit) in the plan	(3,899,404)	(5,979,972)	(778,453)	(867,133)	13,555,630
Experience adjustments on plan liabilities	(533,227)	(3,392,845)	3,543,421	(10,749,077)	(931,271)
Experience adjustments on plan assets	52,035	909,595	(1,527,497)	31,817	(345,737)

**4.27 Leases****Operating lease where the Company is a lessee**

Head office and branch office premises are acquired on operating lease. The branch office premises are generally rented on cancellable term of eleven months with or without escalation clause, however none of the branch lease agreement carries non-cancellable lease periods. The head office premises have been obtained on a lease term of nine to eleven years with an escalation clause of fifteen percent at a three years interval. There are no non-cancellable sub-leases.

Lease payments during the year are charged to statement of profit and loss.

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Operating lease payments recognized during the year	47,228,395	63,343,665
<b>Minimum lease obligations</b>		
Not later than one year	9,544,084	14,679,866
Later than one year and not later than five years	10,457,961	5,691,151
Later than five years	-	-

**4.28 Loan portfolio and provision for standard and non-performing assets:**

(Rs. in crores)

Asset Classification	Portfolio Loan outstanding (Gross)		Provision for Standard and Non-performing assets				Portfolio Loan outstanding (Net)	
	Mar-18	Mar-17	Mar-17	Addition FY17-18	Written back FY 17-18	Mar-18	Mar-18	Mar-17
<b>Unsecured</b>								
Standard	2,392.79	1,190.00	6.19	24.58	-	30.77	2,362.01	1,183.81
Non-performing *	858.01	881.22	844.82	12.69	0.19	857.32	0.69	36.40
<b>Subtotal (A)</b>	<b>3,250.80</b>	<b>2,071.22</b>	<b>851.01</b>	<b>37.27</b>	<b>0.19</b>	<b>888.09</b>	<b>2,362.70</b>	<b>1,220.21</b>
<b>Secured</b>								
Standard	23.41	22.70	0.07	0.02	-	0.09	23.32	22.63
Sub-standard	0.18	0.35	0.01	0.01	-	0.02	0.16	0.34
Doubtful	0.68	0.35	0.25	0.06	0.00	0.31	0.37	0.10
<b>Subtotal (B)</b>	<b>24.27</b>	<b>23.40</b>	<b>0.33</b>	<b>0.09</b>	<b>0.00</b>	<b>0.42</b>	<b>23.85</b>	<b>23.07</b>
<b>Total (A+B)</b>	<b>3275.07</b>	<b>2,094.62</b>	<b>851.34</b>	<b>37.36</b>	<b>0.19</b>	<b>888.51</b>	<b>2386.55</b>	<b>1243.28</b>

(Amount in Rs. unless otherwise stated)

\* Figures for March 31, 2017 include an additional provision of Rs.41.28 crore for loans which, in the opinion of the Company, are not recoverable. Such provision in accordance with the Company's provisioning policy as defined under Note 3.1 (s).  
(Rs. in crores)

Category of loan portfolio	Portfolio Loan outstanding (Gross)		Provision for Standard and Non- Performing assets		Portfolio Loan outstanding (Net)	
	Mar-18	Mar-17	Mar-18	Mar-17	Mar-18	Mar-17
Portfolio in states of Andhra Pradesh and Telangana disbursed prior to Jan 1, 2012	793.31	797.55	793.03	797.21	0.28	0.34
Portfolio in states of Andhra Pradesh and Telangana disbursed post Jan 1, 2012 including Gold Loans	119.47	44.73	1.16	0.23	118.30	44.50
Portfolio in other states	2,362.29	1,252.34	94.32	53.90	2267.97	1,198.44
<b>Total</b>	<b>3,275.07</b>	<b>2,094.62</b>	<b>888.51</b>	<b>851.34</b>	<b>2386.55</b>	<b>1,243.28</b>

#### 4.29 Amounts payable to Micro, Small and Medium enterprises

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

For the year ended March 31, 2018, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

#### 4.30 Additional information required by RBI

##### a. Capital to risk assets ratio ('CRAR'):

	March 31, 2018	March 31, 2017
	37.16	48.96%
	37.16	48.52%
CRAR-Tier II Capital (%)	-	0.44%

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 the NBFC-ND-SI 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 20% of provisioning made towards portfolio in the state of Andhra Pradesh (and Telangana) has been notionally reckoned as a part of net own funds in the previous year.

##### b. Exposure to real estate sector

	Particulars	Year ended March-31-2018	Year ended March-31-2017
<b>A</b>	<b>Direct exposure</b>		
(i)	Residential Mortgages -		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	59,383,112	1,973,026
(ii)	Commercial Real Estate -		
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose Commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.	-	-
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
	Residential	-	-
	Commercial Real Estate	-	-
<b>B</b>	<b>Indirect exposure</b>		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
	<b>Total</b>	<b>59,383,112</b>	<b>1,973,026</b>

(Amount in Rs. unless otherwise stated)

c. Outstanding of loans against security of gold as a percentage to total assets is 0.54% (Mar-17: 1.08%)

d. The Company has no exposure to capital market.

**e. Asset liability management:**

Maturity pattern of assets and liabilities as on March 31, 2018:

(Rs. in crores)

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings	66.18	95.77	87.03	350.41	494.65	469.39	-	20.00	1,583.44
Advances *	142.86	160.88	147.09	440.51	823.82	758.65	4.85	0.66	2,479.32
Investments	-	-	-	-	-	-	-	2.10	2.10

\* Net of provision towards non-performing loans and advances.

Maturity pattern of assets and liabilities as on March 31, 2017:

(Rs. in crores)

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings	4.92	4.92	4.92	134.43	268.86	537.73	-	-	955.78
Advances *	152.67	148.72	126.50	297.69	255.28	239.53	38.43	0.25	1,259.07
Investments	-	-	-	-	-	-	-	0.10	0.10

\* Net of provision towards non-performing loans and advances.

**f. Information on instances of fraud**

Instances of fraud reported during the year ended March 31, 2018:

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	13	242,657	382,171	(139,514)
Fake Loans	9	6,543,528	682,813	5,860,715

\*Includes recoveries in respect of frauds reported in earlier years

Instances of fraud reported during the year ended March 31, 2017:

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	30	487,035	485,745	1,290
Fake Loans	8	4,292,022	264,590	4,027,432

\*Includes recoveries in respect of frauds reported in earlier years

g. The Company has no transactions / exposure in derivatives in the current and previous year.

h. Ratings assigned by credit rating agencies and migration of ratings during the year:

(Rs. in crores)

Sr. No.	Instrument	Rating agency	As per final rating letter	Rating assigned	Valid up to	Borrowing limit
1	Bank Loan (Long term facilities)	ICRA	1-Feb-18	[ICRA] BBB (Positive)	See Note-1	500.00
2	Bank Loan (Long term facilities)	CRISIL	19-Dec-18	CRISIL BBB- /Positive	See Note-1	2,000.00
3	Long term debt (NCD)	ICRA	1-Feb-18	[ICRA] BBB (Positive)	See Note-1	585.00
4	Securitisation	ICRA	5-Dec-17	[ICRA] A- (SO)	31-Dec-18	27.00
5	Securitisation	ICRA	5-Dec-17	[ICRA] A- (SO)	31-May-19	30.16
6	Securitisation	ICRA	1-Jan-18	[ICRA] A+ (SO)	30-Jun-19	24.83
7	Securitisation	ICRA	9-Jan-18	[ICRA] A+ (SO)	31-Aug-19	92.63
8	Securitisation	CARE	9-Feb-18	CARE A+ (SO)	30-Sep-19	49.62
9	Securitisation	CARE	21-Feb-18	CARE A+ (SO)	30-Sep-19	86.15
10	Securitisation	ICRA	12-Mar-18	[ICRA] A+ (SO)	31-Oct-19	189.83
11	Securitisation	ICRA	12-Mar-18	[ICRA] A (SO)	31-Oct-19	197.73

(Amount in Rs. unless otherwise stated)

12	Securitisation	ICRA	5-Mar-18	Provisional [ICRA] A+(SO)	31-Dec-19	147.54
13	Securitisation	ICRA	26-Mar-18	Provisional [ICRA] A (SO)	31-Jan-20	98.15
14	Securitisation	ICRA	12-Mar-18	[ICRA] BBB (SO)	31-Oct-19	11.50
15	Securitisation	ICRA	1-Feb-18	[ICRA] BBB (SO)	30-Jun-19	2.19

Note 1: The rating is subject to annual surveillance till final repayment / redemption of rated facilities.

**Previous year**

(Rupees in crores)

Instrument	Rating agency	Date of rating	Rating assigned	Valid up to	Borrowing limit
No rating has been obtained in the previous year					

**i. Disclosure of complaints**

Particulars	No. of complaints	
	For the year ended March 31, 2018	For the year ended March 31, 2017
No. of complaints pending at the beginning of the year	11	24
No. of complaints received during the year	1,810	672
No. of complaints redressed during the year	1,803	685
No. of complaints pending at the end of the year	18	11

**j. Concentration of Advances, Exposures and NPAs**

(Rupees in crores)

Particulars	March 31, 2018	March 31, 2017
<b>Concentration of Advances</b>		
Total advances to twenty largest borrowers	2.07	1.79
(%) of advances to twenty largest borrowers to total advances	0.06%	0.09%
<b>Concentration of Exposures</b>		
Total exposure to twenty largest borrowers	2.07	1.89
(%) of exposure to twenty largest borrowers to total exposure	0.06%	0.09%
<b>Concentration of NPAs</b>		
Total exposure to top four NPA accounts	0.20	0.12

**k. Sector wise NPAs**

Sector	Percentage of NPAs to total advances in that sector	
	As at March 31, 2018	As at March 31, 2017
Agriculture and allied activities	28.07%	46.64%
MSME	25.85%	42.23%
Corporate borrowers	0%	0%
Services	23.14%	32.24%
Unsecured personal loans	0%	0%
Auto loans	18.21%	32.01%
Other personal loans	34.82%	47.85%

Non-performing assets include amount of Rs.793.31 crore (Previous year: Rs.797.55 crore) representing portfolio in the state of Andhra Pradesh and Telangana originated prior to January 1, 2012 which has been fully provided for.

(Amount in Rs. unless otherwise stated)

**I. Movement of NPAs**

(Rupees in crores)

Particulars	March 31, 2018	March 31, 2017
Net NPAs to net advances (%)	0.05%	1.59%
Movement of NPAs (gross)		
1. Opening balance	881.92	800.57
2. Additions during the year	18.13	83.56
3. Reductions during the year	(41.19)	(2.21)
4. Closing balance	858.87	881.92
Movement of Net NPAs		
1. Opening balance	36.83	1.02
2. Additions during the year	5.38	35.89
3. Reductions during the year	(41.00)	(0.08)
4. Closing balance	1.22	36.83
Movement of provision for NPAs (excl. standard assets)		
1. Opening balance	845.08	799.55
2. Provisions made during the year	12.75	47.67
3. Write off/ write back of excess provisions	(0.19)	(2.11)
4. Closing balance	857.64	845.08

Non-performing assets include amount of Rs.793.31 crore (Previous year: Rs.797.55 crore) representing portfolio in the state of Andhra Pradesh and Telangana originated prior to January 1, 2012 which has been fully provided for.

m. There has been no drawdown from reserves during the current year and previous year.

**n. Investments:**

(Rupees in crores)

Particulars	March 31, 2018	March 31, 2017
(1) Value of investments		
(i) Gross value of investments		
(a) In India	2.10	0.10
(b) Outside India	-	-
(ii) Provision for depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net value of investments		
(a) In India	2.10	0.10
(b) Outside India	-	-
(2) Movement of provisions held towards deprecation		
(i) Opening balance	-	-
(ii) Add: Provision made during the year	-	-
(iii) Less: Write off/ write back	-	-
(iv) Closing balance	-	-

**o. Details relating to securitisation:**

During the year, the Company has sold loans through securitisation. The information on securitisation activities is as under:

(Rupees in crores)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Total number of loans securitized	658,431	-
Total book value of loans securitised	957.33	-
Total book value of loans securitised (incl. MRR)	1,092.69	-
Sale consideration received for loans securitized	957.33	-
Excess interest spread recognised in the statement of profit and loss	43.53	-
<b>Credit enhancements provided and outstanding (Gross):</b>		
Interest subordination	87.38	-
Principal subordination	135.35	-
Cash collateral	47.87	-

Sr. No.	Particulars	(Rupees in crores)	
		31-Mar-18	31-Mar-17
1	No. of SPVs sponsored by the NBFC for securitisation transactions during the year	10	-
2	Total amount of securitised assets as per the books of the SPVs sponsored by the NBFC as on the date of balance sheet	875.21	-
3	Total amount of exposures retained to comply with minimum retention requirement ('MRR') as on the date of balance sheet	-	-
	a) Off balance sheet exposures		
	- First loss	-	-
	- Others	-	-
	b) On balance sheet exposures		
	- First loss (cash collateral and over collateral)	183.22	-
	- Others	-	-
4	Amount of exposures to securitization transactions other than MRR:		
	a) Off-balance sheet exposures	-	-
	i) Exposure to own securitisations		
	- First loss	-	-
	- Others	-	-
	ii) Exposure to third party securitisations		
	- First loss	-	-
	- Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	- First loss	-	-
	- Others	-	-
	ii) Exposure to third party securitisations		
	- First loss	-	-
	- Others	-	-

- (p) The Company has not sold financial assets to Securitisation / Reconstruction companies for asset reconstruction in the current and previous year.
- (q) The Company has not undertaken assignment transactions in the current and previous year.
- (r) The Company has not purchased / sold non-performing financial assets in the current and previous year.
- (s) Details of financing of parent company products: This disclosure is not applicable as the Company does not have any holding / parent Company.
- (t) **Unsecured Advances – Refer note 4.11**
- (u) **Registration obtained from other financial sector regulators:**  
The Company is registered with the 'Ministry of Corporate Affairs' (Financial regulators as described by Ministry of Finance)
- (v) No penalties imposed by RBI and other regulators during current and previous year.
- (w) **Provisions and contingencies** (shown under expenditure in statement of profit and loss)

(Rs. in crores)

Particulars	March 31, 2018	March 31, 2017
Provision for income tax (net)	57.32	23.58
Provision for non-performing assets	12.56	45.53
Provision for standard assets	24.60	(5.79)
Provision for unfructified service tax liability	0.85	0.70
Provision for theft & fraud #	0.69	0.49
Provision for gratuity	0.45	0.52
Provision for leave benefits	0.55	0.52
Provision for insurance claims	(0.11)	(0.14)
Provision for employee loans	-	(0.02)
Provision for bonus	0.99	1.14
Provision for other assets	0.01	-

(Amount in Rs. unless otherwise stated)

# During the current year, the Company has written off all theft and fraud cases, whereas in previous year Company has made provision of 100% on the same.

(x) The Company has no unhedged foreign currency exposure.

(y) **Information on Net Interest Margin**

Particulars	31-Mar-18	31-Mar-17
	(%)	(%)
Average interest charged**	16.88	16.00
Average effective cost of borrowing	13.82	16.31*
Net Interest margin**	3.06	-0.31

\* Does not include CDR settlement expenditure incurred during the previous year (refer note 4.19).

\*\* The average interest charged and net interest margin computed on the loan portfolio excluding the old portfolio in the state of Andhra Pradesh (originated prior to January 1, 2012) is 23.54 % (PY: 25.72%) and 9.72% (PY: 9.41%) respectively.

**4.31 CSR Expenses**

(Rs. in crores)

Particulars	31-Mar-18	31-Mar-17
a) Gross amount required to be spent by the Company during the year	1.58	2.75
b) Amount spent during the year on purposes other than construction/ acquisition of any asset	0.40	-
Paid	0.40	-
Yet to be paid	-	-
<b>Total</b>	<b>0.40</b>	<b>-</b>

4.32 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 4.25) where applicable in the financial statements.

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

As per our report of even date

**For S. R. BATLIBOI & CO. LLP**  
ICAI Firm registration number: 301003E/E300005  
Chartered Accountants

**For and on behalf of the Board of Directors of  
Spandana Sphoorthy Financial Limited**

Sd/-  
per Shrawan Jalan  
Partner  
Membership No.102102

Sd/-  
Padmaja Gangireddy  
Managing Director  
DIN: 00004842

Sd/-  
Kartikeya Dhruv Kaji  
Director  
DIN: 07641723

Sd/-  
Rakesh Jhinharia  
Company Secretary  
Membership No. F8325

Sd/-  
Deepak Goswami  
Chief Financial Officer

Place: Mumbai  
Date: May 15, 2018

Place: Hyderabad  
Date: May 15, 2018



## Notice for AGM

### SPANDANA SPHOORTY FINANCIAL LIMITED

Plot No: - 31 & 32, Ramky Selenium Towers, Tower A, Ground Floor, Financial Dist,  
Nanakramguda, Hyderabad, Telengana-500032

Website: www.spandanaindia.com, CIN: U65929TG2003PLC040648

Ph No. 040-48126666

### NOTICE

Notice is hereby given that the Fifteenth (15th) Annual General Meeting of the members of the Company of Spandana Sphoorty Financial Limited will be held on Monday, 16<sup>th</sup> July, 2018 at 11.00 A.M. at the Registered Office of the Company at Plot No: - 31 & 32, Ramky Selenium Towers, Tower A, Financial Dist, Nanakramguda, Hyderabad, Telangana -500032 to transact the following business:

#### ORDINARY BUSINESS:

##### Item No. 1 – Consider and Adoption of Financial Statements:

- To receive, consider and adopt the audited Standalone Financial Statements of the Company for the Financial Year ended 31st March, 2018 together with the Reports of the Board of Directors and the Auditors thereon; and
- To receive, consider and adopt the audited Consolidated Financial Statements of the Company for the financial year ended 31st March, 2018 together with the Report of the Auditors thereon.

##### Item No. 2 - Rotation of Director:

To appoint a Director in place of Mr. Sunish Sharma (DIN: 00274432) and Mr. Amit Sobti (DIN: 07795874), who retires by rotation and being eligible, offers themselves for re-appointment.

##### Item No. 3 – Re-appointment of Statutory Auditors

To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 139, 141 and 142 and all other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Audit and Auditors Rules), 2014 (including any statutory modification or re-enactment thereof for the time being in force), M/s. S. R. Batliboi & Co. LLP, Chartered Accountants, (FRN No. 301003E/E300005), be and are hereby appointed as Statutory Auditors of the Company for a period of five years w.e.f the conclusion of this Annual General Meeting (AGM) of the company and to hold the office till the conclusion of 20th AGM of the company at such remuneration (including out of pockets expenses and applicable taxes) as may be approved by the Board of Director of the Company in consultation with the Statutory Auditors of the Company.

By order of the Board of Directors  
For Spandana Sphoorty Financial Limited

Sd/-

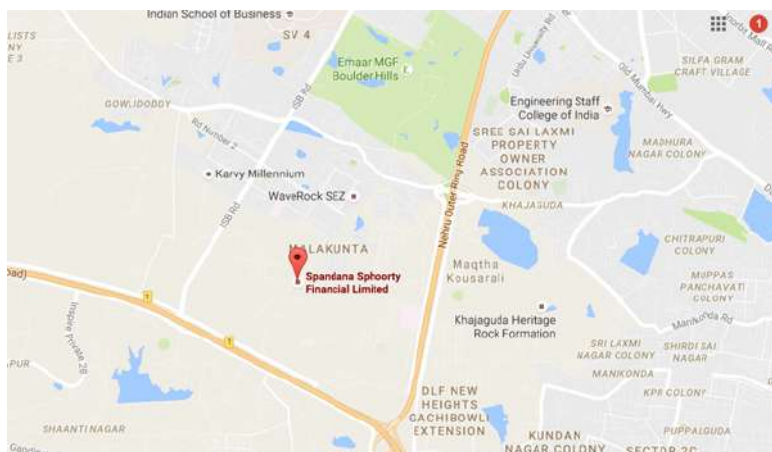
Rakesh Jhinharia  
Company Secretary

Membership No.: F8325

Place : Hyderabad

Date : June 14, 2018

**VENUE OF AGM:** Plot No: - 31 & 32, Ramky Selenium Towers, Tower A, Second Floor, Financial Dist, Nanakramguda, Gachibowli, Hyderabad, Telangana -500032:



**Notes:**

- (a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. FORM MGT-11 i.e. A FORM OF PROXY IS ENCLOSED HEREWITH**
- (b) 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.
- (c) An Explanatory Statement as required by section 102 of the Companies Act, 2013 and under other provisions and rules as may be applicable setting out material facts, in respect of special business as set out in the Notice is annexed hereto.
- (d) Members are requested to notify the change in the Registered Address, if any, along with the Pin code number immediately to the Company.
- (e) Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the Company a certified copy of the Board resolution authorizing their representative to attend and vote on their behalf at the meeting.
- (f) In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- (g) Only bonafide members of the Company whose names appear on the Register of Members/Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The Company reserves its right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.
- (h) Members/proxies/authorised representatives are requested to bring the duly filled Attendance Slip enclosed herewith to attend the meeting.
- (i) The Members are being informed that the Statutory Auditors of the Company M/s S R Batliboi & Co. Chartered Accountants, (FRN No. 301003E/E300005), were appointed as such at the 11th AGM of the Company for a period of 4 years to hold the office of the Statutory Auditors of the Company till the conclusion of this Annual General Meeting. In term of the provisions of Companies Act, 2013, they may be re-appointed for another term of 5 years and accordingly resolution for their appointment has been included in the Notice of the Meeting.
- (j) The Member are being informed that the Board of Directors at its meeting held on 14th June, 2018, have approved the change in existing terms of appointment of Nominee Directors of the Company in terms of the provisions of Section 152 of the Companies Act, 2013, which inter alia includes change of directorship from non-retiring to retiring by rotation. And accordingly Mr. Sunish Sharma and Mr. Amit Sobti, being the longest serving of retirement by rotation of such Directors.

**Annexure to the Notice of 15th Annual General Meeting:  
Details of Directors who are being appointed or re-appointed as per the Secretarial Standards:**

<b>Name</b>	<b>Mr. Sunish Sharma</b>	<b>Mr. Amit Sobti</b>
<b>Age</b>	43	39
	Graduated with honors from Delhi University and holds an MBA from the Indian Institute of Management, Calcutta	Dual A.B., magna cum laude, in Business Economics and Computer Science from Brown University
<b>Experience</b>	More than 20 years	Over 17 Years
<b>Terms and Conditions of appointment or re-appointment along with the details of remuneration sought to be paid</b>	To be re-appointed as Nominee Director, no remuneration is proposed to be paid	To be re-appointed as Nominee Director, no remuneration is proposed to be paid
<b>Remuneration last drawn</b>	—	—
<b>Date of first appointment on the Board</b>	31.03.2017	29.05.2017
<b>Shareholding in the Company</b>	NIL	NIL
<b>Relationship with other Directors, Managers and other Key Managerial Persons of the Company</b>	N.A.	N.A.
<b>The number of meetings of the Board attended during the year</b>	8	4
<b>Directorship in other Companies</b>	3	—
<b>Membership/Chairmanship of Committees of the other Board</b>	—	—

By order of the Board of Directors  
For Spandana Sphoorthy Financial Limited  
Sd/-  
Rakesh Jhinharia  
Company Secretary  
Membership No.: F8325

Place : Hyderabad  
Date : June 14, 2018

**SPANDANA SPOORTY FINANCIAL LIMITED**

Regd. Office: Plot No: - 31 &amp; 32, Ramky Selenium Towers, Tower A Ground Floor, Financial Dist, Nanakramguda, Hyderabad, TG, 500032, IN.

|Tel: 040-48126666 |E-mail:secretarial@spandanaindia.com| Website: www.spandanaindia.com

CIN: U65929TG2003PLC040648

**ATTENDANCE SLIP**
**15<sup>th</sup> ANNUAL GENERAL MEETING TO BE HELD ON MONDAY, 16<sup>th</sup> DAY OF JULY, 2018 AT 11:00 A.M.**

I hereby record my presence at the 15th Annual General Meeting of the Company held on Monday, 16th Day of July , 2018 at 11:00 am at Plot No. 31 &amp; 32, Ramky Selenium Towers, Tower A, 2nd Floor, Financial Dist., Nanakramguda, Hyderabad, 500032.

Name of Shareholder	
Name of the Proxy	
DPID NO./ CLIENT ID NO.	
Number of the Equity Shares held	
Signature of Shareholder/ Proxy / Authorized Representative	

**Notes:**

1. Only Member/Proxyholder can attend the Meeting.
2. Please complete the Folio No./DP ID No., Client ID No. and name of the Member/Proxyholder,sign this Attendance Slip and hand it over, duly signed, at the entrance of the Meeting Hall.
3. A Member/Proxy holder attending the meeting should bring copy of the Annual Report for reference at the meeting.



**SPANDANA SPOORTHY FINANCIAL LIMITED**

Regd. Office: Plot No: - 31 & 32, Ramky Selenium Towers, Tower A Ground Floor, Financial Dist, Nanakramguda, Hyderabad, TG, 500032, IN.

Website: www.spandanaindia.com | Tel: 040-48126666 | CIN: U65929TG2003PLC040648

Form No. MGT 11

**PROXY FORM**

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of Companies (Management and Administration) Rules, 2014]

Venue of the meeting: Plot No. 31 & 32, Ramky Selenium Towers, Tower A, Financial District, Nanakramguda, Gachibowli, Hyderabad, Telangana- 500 032

Date & Time: \_\_\_\_\_

**PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE**

Name	
Address	
DP Id*	
Client Id*	
Folio No	
No. of shares held	

\*Applicable for investors holding shares in Electronic form.

I/We being a member/members of Spandana Sphoorty Financial Limited hereby holding \_\_\_\_\_ shares, hereby appoint

Name	
Address	
E-mail ID	
Signature	

or failing him

Name	
Address	
E-mail ID	
Signature	

or failing him

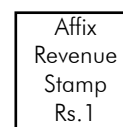
Name	
Address	
E-mail ID	
Signature	

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 15th Annual General Meeting of the company, to be held on Monday, 16th July, 2018 at 11:00 AM at Plot No: - 31 & 32, Ramky Selenium Towers, Tower A, Financial Dist, Nanakramguda, Hyderabad, Telangana -500032 and at any adjournment thereof in respect of such resolutions as are indicated below:

**1. Consider and Adoption of Financial Statements**

- (i) To receive, consider and adopt the audited Standalone and Consolidated Financial Statements of the Company for the Financial Year ended 31st March, 2018 together with the Reports of the Board of Directors and the Auditors thereon; and
- (ii) Rotation of Director
- (iii) To re-appoint Statutory Auditors

Signed this ..... day of ..... 2018



Signature of the Member

**Notes:** The proxy form to be effective, should be duly stamped, completed, signed and must be returned so as to reach the Registered Office of the Company, not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a Member of the Company

## Awards and Recognition

### Spandana Sphoorty Financial Limited:

- "The Best Micro Finance Company of the Year" by The Golden Star Awards 2018, Delhi
- "Telangana's Best Employer Brand for the Year 2017" by World HRD Congress, Hyderabad
- "The Most Trusted Micro Financial Company of the year 2017" by The Raising Leadership Awards, Goa
- "Best NBFC-MFI Award for Promotional Schemes" in MSME Banking & NBFC Excellence Awards-2016
- "The Best Employer Brand Award" by Employer Branding Institute & World HRD Congress with a CHRO Asia as a Strategic Partner & Endorsed by Asian Confederation of Businesses
- "Best Microfinance Institution in Southern India" by Worldwide Achievers Business Leaders' Summit 2016 in association with IBN7
- "The Best Micro financial Company of the Year – 2016" by IPSA Awards (APS research & Media Company) in association with Zee Business News

### Mrs. Padmaja Reddy Our Founder and Managing Director:

- "Women Achiever of the Year 2017" by South India BFSI Awards, Bangalore
- "CEO of the Year 2017" by TIMES NETWORK, Mumbai
- "Pride of Telangana Award for the Year 2017" by World HRD Congress, Hyderabad
- "Women Leadership Award for Excellence in Banking & Finance Sector -2017" presented by FEMINA, 4th World Women Leadership Congress & Awards
- "Women Leadership Award in Banking & Finance -2017" presented by ABP news
- "Outstanding Woman Leadership Award 2016" by Golden Globe Tigers Business Summit, Malaysia
- "Women Entrepreneurship Award, 2016" by CMO Asia, Singapore
- "Most Admired Entrepreneur Award of the year 2016" by ABP NEWS - Brand Excellence (B.E.) Awards

Committed to low income households in India

*Fostering the spirit of entrepreneurship; partnering in their growth and success*



*Creating millions of smiles*



**SPANDANA**

Spandana Sphoorty Financial Limited

CIN – U65929TG2003PLC040648

Plot No.31 & 32, Ramky Selenium Towers, Tower A,

Financial District, Nanakramguda, Hyderabad – 500 032

Ph: +91 40 4812 6666 | Fax: +91 40 4438 6640

[contact@spandanaindia.com](mailto:contact@spandanaindia.com), [secretarial@spandanaindia.com](mailto:secretarial@spandanaindia.com); [www.spandanaindia.com](http://www.spandanaindia.com)