

Actions speak.

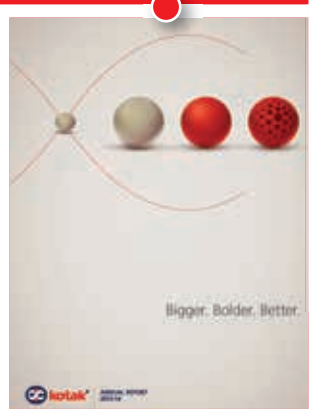
2016-17



2015-16



2014-15



2013-14



2012-13



2011-12

DIRECTORS' REPORT

To the Members of

BSS MICROFINANCE LIMITED

The Directors present their Twenty Fourth Annual Report together with the audited accounts of the Company for the year ended 31st March 2018.

FINANCIAL HIGHLIGHTS

	(₹ In Lac)	
	Year ended 31 st March 2018	Year ended 31 st March 2017
Gross income	12824.41	137,10.07
Profit before tax	3,272.55	2,845.47
Provision for tax	1,146.85	960.24
Profit after tax	2,125.70	1,885.23
Appropriations :		
Transferred to Statutory Reserve	425.14	377.05
Net Profit after tax carried to Balance Sheet	1,700.56	1,508.18

DIVIDEND

With a view to conserve your Company's resources, the Directors do not recommend any Dividend (Previous Year: Nil)

CAPITAL ADEQUACY

The Capital to Risk Assets Ratio (CRAR) of your Company as on 31st March 2018 was at 127.58% (Tier I – 127.58%).

FINANCE

The Company is facilitating micro loans as Business Correspondent of Kotak Mahindra Bank Limited. Hence, the entire funding requirement for such loans is met by Kotak Mahindra Bank Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

Company Business

The Company was acquired by Kotak Mahindra Bank Limited during the year, and is a wholly owned subsidiary of Kotak Mahindra Bank Limited. The Company is working as Business Correspondent (BC) of Kotak Mahindra Bank Limited and the nature of operation is facilitating micro finance for poor.

As on 31st March 2018, Your Company has been facilitating micro credit for income generating activities and for quality of life improvement activities, to 3,14,229 poor women members and their families.

The Asset Under Management (AUM), increased from ₹548.36 crs as on 31st March 2017 to ₹773.96 crs as on 31st March 2018, an increase of 41.14% Y-o-Y basis. The categories of Loan purposes include Animal Husbandry (58%), Petty Trading (17%), Petty Services (9%), Petty Manufacturing (9%), Life Quality Improvement Loans (6%) and others (1%).

Industry Developments & Outlook

Micro finance industry has faced a reduced business growth level and challenges in recoveries during the previous year on account of impact of demonetization. However, the Industry has recovered from the impact and started growing again.

The growing needs of customer to avail various financial services viz microcredit, savings, insurance, etc, preferably under one umbrella, and increase in funding/ capital requirements by MFIs has led to conversion of 8 MFIs in to Small Finance Banks, and few other MFIs taken over by Banks. This development will help such Banks to embrace financial inclusion in more meaningful way as well give opportunity in catering to financial needs of weaker sections in a commercially viable manner.

Opportunities & Threats

There are several unserved/ underserved Districts/ villages in the Country, where there are good potential for providing microfinance facilities. A conservative estimate indicates even half of the ground is not covered at present. This provides great opportunities for the Company to grow its assets under management. Also, the substantial customer base provides an opportunity to facilitate the other financial services as a Business Correspondent of Kotak Mahindra Bank Limited like savings account, fixed deposits, remittance facilities, etc.

The challenges for microfinance activities arise mainly from external factors such as interference from vested interest elements to mislead the weaker section borrowers. However, the Company is continuously educating the borrowers regarding the need to maintain good credit discipline to mitigate the risk.

Internal Controls

The Company has Internal Audit Unit which regularly conducts internal audit of all branches of the Company. The scope includes all the financial activities and verification at random the non-financial activities such as loan utilization check. Also, the Company has appointed a firm of Chartered Accountants as Internal Auditors to review and assess the financial and operating matters. Reports of the audits conducted by the Internal Audit Unit and Internal Auditor are presented to the Audit Committee regularly.

Human Resources

The Company is professionally managed and it follows open and transparent policy to nurture the human resources. It encourages and facilitates long term careers with the Company and the Company recognise people as most valuable asset.

Information Technology

The Company at present is using the software "Kredits" to facilitate microcredit. However, with the view to scale up the operations and to facilitate seamless process of operations, the holding Company Kotak Mahindra Bank Limited has already placed an order for new software, which is likely to go live in FY 2018-19.

Cautionary Note

Certain statements in the 'Management Discussion and Analysis' section may be forward-looking and are stated as may be required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook. Your Company does not undertake to update these statements.

DIRECTOR'S & KEY MANAGERIAL PERSONNEL

Change in Directors during the year

Board comprises of five Directors as on 31st March 2018.

On the date (27th Sep 2017) of acquisition of the Company by Kotak Mahindra Bank Limited, Sri Narayan SA , Sri D. Kannan and Sri BS Sivakumar were appointed as Non-Executive Directors (Nominee Directors of Kotak Mahindra Bank Limited), subject to the approval of the Members at the General Meeting. Accordingly, the members at the Extraordinary General Meeting of the Company held on 23rd October 2017 approved the appointment of Sri Narayan SA , Sri D. Kannan and Sri BS Sivakumar as Directors (Non-Executive).

On 8th January 2018, Sri Chandrashekhar S Sathe and Sri Noshir Rustom Dastur were appointed as Additional (Independent) Directors, subject to the approval of the Members at the General Meeting. Accordingly, the members at the Extraordinary General Meeting of the Company held on 13th February 2018 approved the appointment of Sri Chandrashekhar S Sathe and Sri Noshir Rustom Dastur as Independent Directors.

On 27th Sep 2017, Sri Vijay Nath Bhat, Sri V. Nagaraja, Sri S. Ganesh, Sri Biswa Bandhu Mohanty, Sri K.S. Nagendra and Sri B. Krishna Kumar have resigned as Non-Executive Directors. On 27th Sep 2017, Sri S. Kumar, Sri. S. Panchakshari and Ms. P. B. Kavitha have resigned as Whole Time Directors. On 27th Sep 2017, Dr. Ramesh Bellamkonda has resigned as Managing Director and continued in the Board as Non-Executive Director till 22nd Nov 2017. Subsequently, with effect from 22nd Nov 2017, Dr. Ramesh resigned as Non-Executive Director. Your Directors place on record their appreciation for the valuable advice and guidance rendered by all these Directors of the Company.

Declaration from Independent Directors

The Board has received declarations from the Independent Directors as per the requirement of Section 149(7) of the Companies Act, 2013 and the Board is satisfied that the Independent Directors meet the criteria of independence as mentioned in Section 149(6) of the Companies Act, 2013.

Key Managerial Personnel (KMPs)

In terms of the provisions of Section 203 of the Companies Act, 2013, Mr. S Kumar Chief Executive Officer and Mr. Suresh Batchu Chief Financial Officer are the Key Managerial Personnel of the Company. Mr. Kiran Tangudu Company Secretary resigned from the Company with effect from 31st March 2018.

Appointment & Remuneration of Directors and KMPs

The Nomination and Remuneration Committee of the Board of Directors of the Company considers the qualifications, experience fit & proper status, positive attributes as per the suitability of the role and independent status and various regulatory/statutory requirements as may be required of the candidate before such appointment.

Remuneration to the KMPs i.e. Chief Executive Officer and Chief Financial Officer, is as per the terms of their employment.

Number of Board Meetings

During the year, seven meetings of the Board of Directors were held.

COMMITTEES

AUDIT COMMITTEE

The Audit Committee was reconstituted twice during the year (27th Sep 2017 & 17th Jan 2018), and presently consists of three members, Sri Narayan SA, Non-Executive Director, Sri Chandrashekhar S Sathe, Independent Director and Sri Noshir Rustom Dastur, Independent Director, with any two members forming the quorum.

During the year, four meetings of the Committee were held.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee was reconstituted twice during the year (27th Sep 2017 & 17th Jan 2018), and presently consists of four members, Non-Executive Director Sri Narayan S.A., Non-Executive Director Sri D. Kannan, Non-Executive Director Sri B.S. Sivakumar, and Independent Director Sri Noshir Rustom Dastur, with any two forming the quorum.

During the year, one meeting of the Committee was held.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination Committee and the Remuneration Committee were combined into one single Committee on 27th Sep 2017 and reconstituted on the same day. The Committee was again reconstituted on 17th Jan 2018 and presently

consists of four members, Non-Executive Director Sri Narayan S.A., Non-Executive Director Sri D. Kannan, Independent Director Sri Chandrashekhar Shrikrishna Sathe, and Independent Director Sri Noshir Rustom Dastur, with any two forming the quorum.

During the year, two meetings of the Committee were held.

ASSET LIABILITY MANAGEMENT COMMITTEE

The Asset Liability Management Committee was re-constituted with effect from 27th Sep 2017 and presently comprises of five members Sri Narayan SA, Non-Executive Director, Sri BS Sivakumar, Non-Executive Director, Sri S. Kumar, CEO, Ms. P B Kavitha, CAO and Sri. Suresh Batchu CFO.

During the year, three meetings of the Committee were held.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee was re-constituted with effect from 27th Sep 2017 and presently comprises of five members Sri Narayan SA, Non-Executive Director, Sri BS Sivakumar, Non-Executive Director, Sri S. Kumar, CEO, Sri S. Panchakshari, COO and Sri. Suresh Batchu CFO.

During the year, three meetings of the Committee were held.

SHARE TRANSFER COMMITTEE

The Share Transfer Committee was re-constituted with effect from 27th September 2017 and presently comprises of three members Sri Narayan SA, Non –Executive Director, Sri. BS Sivakumar, Non-Executive Director, Sri. D. Kannan.

During the year, no meeting of the Committee was held.

AUDITORS

M/s.Deloitte Haskins & Sells LLP, Chartered Accountants, Firm Registration No.117366W/W-100018 issued by ICAI, was appointed as Statutory Auditors of the Company for a period of five consecutive years, to hold office from the conclusion of the 23rd Annual General Meeting until the conclusion of the 28th Annual General Meeting of the Company, subject to ratification at every Annual General Meeting in this period, on such remuneration to be fixed annually by the Board of Directors, taking into account recommendation of the Audit Committee in consultation with the Auditors. Accordingly, the matter shall be placed before the Members in the ensuing Annual General Meeting.

INTERNAL FINANCIAL CONTROLS

The Board of Directors confirms that your Company has laid down set of standards, processes and structure which enables to implement Internal Financial controls across the organization with reference to Financial Statements and that such controls are adequate and are operating effectively. During the year under review, no material or serious observation has been observed for inefficiency or inadequacy of such controls.

RELATED PARTY TRANSACTIONS

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 business.

Pursuant to Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Companies Act, 2013, in form AOC-2.

All Related Party Transactions as required under Accounting Standards AS18 are reported in Notes to Accounts in Financial Statements.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Nil.

WHISTLE BLOWER POLICY & VIGIL MECHANISM

Your Company has put in place the Vigil Mechanism (Whistle Blower Policy) to raise concerns internally and to disclose information, which the individual believes happening of malpractice, serious irregularities, fraud, unethical business conduct, abuse or wrong doing or violation of any Indian law.

The same is also put up on the Company's website viz. URL: <http://www.bssmfi.com/vigil-mechanism.html>

CORPORATE SOCIAL RESPONSIBILITY

Your Company has a Corporate Social Responsibility (CSR) Committee consisting of four members, Non-Executive Director Sri Narayan S.A., Non-Executive Director Sri D. Kannan, Non-Executive Director Sri B.S. Sivakumar, and Independent Director Sri Noshir Rustom Dastur.

The CSR Committee drives the CSR programme of the Company. Your Company has a Board approved CSR policy, charting out its CSR approach. This policy articulates the Company's aim to positively contribute towards economic, environmental and social well-being of communities through its Corporate Social Responsibility agenda. The Company's CSR agenda is driven by its key focus areas:

- a. Promoting education – primary focus area
- b. Enhancing vocational skills and livelihood
- c. Promoting preventive healthcare and sanitation
- d. Reducing inequalities faced by socially and economically backward groups
- e. Sustainable development
- f. Relief and rehabilitation
- g. Clean India
- h. Sports

The CSR policy is available on the Company's website viz. <http://www.bssmfi.com>

Pursuant to the provisions of Section 135, Schedule VII of the Companies Act 2013 (the Act), read with the Companies (Corporate Social Responsibility) Rules, 2014 the report of the expenditure on CSR by the Company is as under:

The average net profit u/s 198 of the Company for the last three financial years preceding 31st March 2018 is ₹19.84 crs. The unspent amount for FY 2017-18 is ₹9.68 lac.

The prescribed CSR expenditure required u/s 135, of the Act for FY 2017-18 is ₹39.68 lac.

The CSR expenditure incurred for the period 1st April 2017 to 31st March 2018 under Section 135 of Companies Act, 2013 amounts to ₹30 lac as against ₹27.19 lac CSR spend in the financial year 2016-17.

CSR expenditure of ₹30 lac in FY 2017-18 as a percentage of average net profit u/s 198 of the Company at ₹19.84 crs is 1.51%.

The Company has been spending on CSR focused themes and programmes, which have been approved by the Board CSR Committee and the Board. The CSR spending is guided by the vision of creating long-term benefit to the society. The Company is building its CSR capabilities on a sustainable basis.

The details of CSR activities and report under Section 135 of the Companies Act, 2013 for FY 2017-18, are annexed to this Report.

RISK MANAGEMENT POLICY

Your Company manages risk based on Risk Management framework which lays down guidelines in identifying, assessing and managing risks that the entity is exposed to. Risk Management Committee meetings are generally conducted on quarterly basis to review key risks like Repayment Risk, Liquidity Risk, Operational Risk and various other risks.

EMPLOYEES

The employee strength of your Company was 997 as of 31st March 2018.

1 employee employed part of the year was in receipt of remuneration of ₹ 1.02 crore or more per annum.

As required by the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, the Company has in place a Policy on Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal). No such instances were reported during the year.

DEPOSIT

The Company did not accept any deposits from the public during the year. Also there are no deposits due and outstanding as on 31st March 2018.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The provisions pertaining to the Conservation of Energy and Technology Absorption are not applicable to your Company.

During the year, the Company had foreign exchange inflow of ₹ NIL (Previous Year: Nil) while the outgo of foreign exchange was ₹2.63 lac (Previous Year: ₹26.25 lac).

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, based on the representations received from the management, confirm in pursuance of Section 134(5) of the Companies Act, 2013 that:

- i) the Company has, in the preparation of the annual accounts, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2018 and of the profit of the Company for the financial year ended 31st March 2018;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors have prepared the annual accounts on a going concern basis;
- v) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
- vi) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.
- vii) The Company is generally in compliance with applicable Secretarial Standards.

ANNEXURES

Following statements/reports are set out as Annexures to the Directors' Report:

- (a) Extract of Annual Return under Section 134(3)(a) of the Companies Act, 2013 read with Rule 12(1) of Companies (Management & Administration) Rules, 2014 (Annexure – A).
- (b) Report on CSR activities pursuant to provisions of Section 135(4)(a) of the Companies Act, 2013, read with Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 (Annexure – B).

ACKNOWLEDGEMENTS

The Board takes this opportunity to place on record, its gratitude for the valuable guidance and support received from the statutory and the regulatory authorities, its appreciation of the dedication and contribution of your Company's employees at all levels.

For and on behalf of the Board of Directors

Narayan SA
Chairman

D. Kannan
Non Executive Director

Place: Mumbai

Date: 24th April 2018

Form No. MGT-9

EXTRACT OF ANNUAL RETURN as on the financial year ended on March 31, 2018

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

I. REGISTRATION AND OTHER DETAILS:

1. CIN	U74899KA1994PLC049746
2. Registration Date	5 th April 1994
3. Name of the Company	BSS MICROFINANCE LIMITED
4. Category/Sub-Category of the Company	Company limited by Shares/Non Government Company
5. Address of the Registered office and contact details	No. 11, 2 nd Block, 2 nd Stage, Outer Ring Road, Near BDA Complex, Nagarabhavi Layout, Bangalore – 560072, Tel: +91-80-2318-8408,2318-8409 , Fax: +91-80-2318-8349 / 8350. E Mail: bss@bssmfi.com, www.bssmfi.com.
6. Whether listed Company (Yes/No)	No
7. Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot No.31-32, Financial District, Nanakramguda, Gachibowli Serilingampally Mandal Hyderabad – 500 032. Telagana Phone No.1800 3454 001 / 040 6716 2222 E-mail : einward.ris@karvy.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No	Name and Description of Main Product/ Services	NIC Code of the Product	% to total turnover of the Company
1.	Facilitating Micro Credit: To carrying on the business of facilitating financial services, particularly through Micro Finance to large number of poor women.	64990	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES -

Sr. No	Name and Address of the Company	CIN/GIN	Holding/ Subsidiary of the Company	% of shares held	Applicable Section
					NIL

IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAK UP AS PERCENTAGE OF TOTAL EQUITY)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	-	1,287,800	1,287,800	4.82%	-	-	-	-	-4.82%
b) Central Govt. or State Govt.	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	-	-	-	-	-	-	-	-	-
d) Bank/FI	-	-	-	-	-	-	-	-	-
e) Any other (BSS Trust)	-	13,552,996	13,552,996	50.71%	-	-	-	-	-50.71%
Sub-total (A) (1):-	-	14,840,796	14,840,796	55.52%	-	-	-	-	-55.52%
(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
Sub-total (A) (2):-	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	-	14,840,796	14,840,796	55.52%	-	-	-	-	-55.52%
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	26,591,856	136,805	26,728,661	100.00%	100.00%
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) others	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	-	-	-	-	26,591,856	136,805	26,728,661	100.00%	100.00%

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	-	136,805	136,805	0.51%	-	-	-	-	-0.51%
c) Others (specify)	-	-	-	-	-	-	-	-	-
Trusts (BNS & BSS MBT)	-	11,751,060	11,751,060	43.96%	-	-	-	-	-43.96%
Sub-total (B)(2):-	-	11,887,865	11,887,865	44.48%	-	-	-	-	-44.48%
Total Public Shareholding (B)=(B)(1)+ (B)(2)	-	11,887,865	11,887,865	44.48%	26,591,856	136,805	26,728,661	100.00%	55.52%
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	26,728,661	26,728,661	100.00%	26,591,856	136,805	26,728,661	100.00%	

(ii) Shareholding of Promoters

Sr No	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during 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	Bharatha Swamukti Samsthe (BSS Trust)	13,552,996	50.71%	NIL	-	0.00%	NIL	-50.71%
2	Dr. Ramesh Bellamkonda	1,287,800	4.82%	NIL	-	0.00%	NIL	-4.82%
	Total	14,840,796	55.52%	NIL	-	0.00%	NIL	-55.52%

(iii) CHANGE IN PROMOTERS' SHAREHOLDING (PLEASE SPECIFY, IF THERE IS NO CHANGE)

Sr No	Share holding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
At the beginning of the year	14,840,796	55.52%		
Bharatha Swamukti Samsthe (BSS Trust)	13,552,996	50.71%		
Dr. Ramesh Bellamkonda	1,287,800	4.82%		
Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc):	-	-	-	-
27/09/2017 - Decrease on account of Transfer	-14,840,796	-55.52%		
Bharatha Swamukti Samsthe (BSS Trust)	-13,552,996	-50.71%		
Dr. Ramesh Bellamkonda	-1,287,800	-4.82%		
At the end of the year			-	0.00%
Bharatha Swamukti Samsthe (BSS Trust)			-	0.00%
Dr. Ramesh Bellamkonda			-	0.00%

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

Sr No	Share holding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
At the beginning of the year	11,887,865	44.48%		
BSS Mutual Benefit Trust (BSS MBT)	10,879,342	40.70%		
Bharatha Nammade Samsthe Trust (BNS Trust)	871,718	3.26%		
Sri Abhay P Kanjekar	136,805	0.51%		
Date wise increase/decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/ bonus/sweat equity etc).	-	-	-	-
27/09/2017 - Decrease on account of Transfer	-11,751,060	-43.96%		
BSS Mutual Benefit Trust (BSS MBT)	-10,879,342	-40.70%		

Sr No		Share holding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	Bharatha Nammade Samsthe Trust (BNS Trust)	-871,718	-3.26%		
	09/03/2018 - Decrease on account of Transfer	-136,805	-0.51%		
	Sri Abhay P Kanjekar	-136,805	-0.51%		
	27/09/2017 - Increase on account of Transfer	26,591,856	99.49%		
	Kotak Mahindra Bank Limited	26,591,856	99.49%		
	09/03/2018 - Increase on account of Transfer	136,805	0.51%		
	Kotak Mahindra Bank Limited	136,805	0.51%		
	At the end of the year (or on the date of separation, if separated during the year)			26,728,661	100.00%
	BSS Mutual Benefit Trust (BSS MBT)			-	0.00%
	Bharatha Nammade Samsthe Trust (BNS Trust)			-	0.00%
	Sri Abhay P Kanjekar			-	0.00%
	Kotak Mahindra Bank Limited			26,728,661	100.00%

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

For Each of the Directors and KMP	Share holding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
At the beginning of the year	1,287,800	4.82%		
Dr. Ramesh Bellamkonda, MD	1,287,800	4.82%		
Date wise increase/decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc):	-	-	-	-
27/09/2017 - Decrease on account of Transfer	-1,287,800	-4.82%		
Dr. Ramesh Bellamkonda, MD	-1,287,800	-4.82%		
At the end of the year			0	0.00%
Dr. Ramesh Bellamkonda			0	0.00%

V. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	5,000,774,090	200,000,000	-	5,200,774,090
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	8,532,952	-	-	8,532,952
Total (i+ii+iii)	5,009,307,042	200,000,000	-	5,209,307,042
Change in Indebtedness during the financial year				
Additions (Principal) (₹)	-	-	-	-
Reduction (Principal) (₹)	-5,000,774,090	-200,000,000.00	-	-5,200,774,090
Interest accrued but not due	-8,532,952	-	-	-8,532,952
Net Change	-5,009,307,042	-200,000,000.00	-	-5,209,307,042
Indebtedness at the end of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director (MD), Whole Time Director (WTD) and/or Manager:

Sr. No	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
		Sri				
		Dr. Ramesh Bellamkonda (MD) Note 1	Sri S. Kumar (WTD) Note 2	Panchakshari S. (WTD) Note 3	Ms. Kavitha P.B. (WTD) Note 3	
1	Gross salary					
	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961. (₹)	8,429,251	-	4,242,692	1,258,913	13,930,856
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	-	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-	-	-
2	Stock Option	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-

Sr. No	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
		Dr. Ramesh Bellamkonda (MD) Note 1	Sri S. Kumar (WTD) Note 2	Panchakshari S. (WTD) Note 3	Ms. Kavitha P.B. (WTD) Note 3	
		Sri				
4	Commission	-	-	-	-	-
	- as % of profit	-	-	-	-	-
	- others, specify...	-	-	-	-	-
5	Others, please specify Sitting fees and Professional fees	2,325,000	-	-	-	2,325,000
	Total (A)	10,754,251	-	4,242,692	1,258,913	16,255,856
	Ceiling as per the Act					No Ceiling

B. Remuneration to other directors:

(₹ In Lakhs)

Sr No	Particulars of Remuneration	Name of Directors						Total Amount
		Mr. K.S. Nagendra Note 3	Mr. B. Krishna Kumar Note 3	Mr. V. Nagaraja Note 3	Mr. Vijay Nath Bhat Note 3	Sri S. Ganesh Note 3	Sri Biswa Bandhu Mohanty Note 3	
1	Independent Directors							
	(a) Fee for attending board committee meetings	N/A	N/A	N/A	N/A	N/A	N/A	-
	(b) Commission	N/A	N/A	N/A	N/A	N/A	N/A	-
	(c) Others, please specify	N/A	N/A	N/A	N/A	N/A	N/A	-
	Total (1)							
2	Other Non Executive Directors							
	A) Fee for Attending Board Meetings (₹)	60,000	40,000	60,000	60,000	60,000	60,000	340,000
	B) Fee for Board Committee Meetings							
	i) Audit Committee (₹)	30,000	30,000	30,000	-	30,000	-	120,000
	ii) Asset Liability Management Committee (₹)	20,000	10,000	20,000	20,000	20,000	20,000	110,000
	iii) Risk Management Committee (₹)	20,000	10,000	20,000	20,000	20,000	20,000	110,000
	iv) Remuneration Committee (₹)	10,000	10,000	10,000	10,000	-	-	40,000
	v) Nomination Committee	20,000	20,000	20,000	20,000	-	-	80,000
	vi) Corporate Social Responsibility Committee(₹)	-	-	-	-	-	-	-
	vii) Honorarium	10,000	10,000	-	-	-	-	20,000
	C) Commission (₹)	Nil	Nil	Nil	Nil	Nil	Nil	-
	D) 1. Others (Professional Fee) (₹)	300,000	110,000	110,000	110,000	100,000	100,000	830,000
	D) 2. Others (Per-Diem Allowance) (₹)	-	-	-	30,000	-	30,000	60,000
	Total (2)	470,000	240,000	270,000	270,000	230,000	230,000	1,710,000
	Total (B) = (1)+(2)	470,000	240,000	270,000	270,000	230,000	230,000	1,710,000
	Total Managerial Remuneration	NIL	NIL	NIL	NIL	NIL	NIL	
	Overall Ceiling as per the Act : NA							

(₹ In Lakhs)

Sr No	Particulars of Remuneration	Name of Directors						Total Amount
		Sri Chandrashekhar S Sathe Note 4	Sri Noshir Rustom Dastur Note 4					
1	Independent Directors							
	(a) Fee for attending board committee meetings	30,000.00	15,000.00	N/A	N/A	N/A	N/A	45,000.00
	(b) Commission	N/A	N/A	N/A	N/A	N/A	N/A	-
	(c) Others, please specify	N/A	N/A	N/A	N/A	N/A	N/A	-
	Total (1)	30,000.00	15,000.00	-	-	-	-	45,000.00
2	Other Non Executive Directors							
	A) Fee for Attending Board Meetings (₹)	-	-	-	-	-	-	-
	B) Fee for Board Committee Meetings							
	i) Audit Committee (₹)	-	-	-	-	-	-	-
	ii) Asset Liability Management Committee (₹)	-	-	-	-	-	-	-
	iii) Risk Management Committee (₹)	-	-	-	-	-	-	-
	iv) Remuneration Committee (₹)	-	-	-	-	-	-	-
	v) Nomination Committee	-	-	-	-	-	-	-
	vi) Corporate Social Responsibility Committee (₹)	-	-	-	-	-	-	-
	vii) Honorarium	-	-	-	-	-	-	-
	C) Commission (₹)	Nil	Nil	Nil	Nil	Nil	Nil	-
	D) 1. Others (Professional Fee) (₹)	-	-	-	-	-	-	-
	D) 2. Others (Per-Diem Allowance) (₹)	-	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-	-
	Total (B) = (1)+(2)	30,000	15,000	-	-	-	-	45,000
	Total Managerial Remuneration	NIL	NIL	NIL	NIL	NIL	NIL	
	Overall Ceiling as per the Act : NA							

Note 1: Director during the period 1st April 2017 to 22nd Nov 2017.

Note 2: Director during the period 1st April 2017 to 27th Sep 2017, and also KMP. Remuneration details furnished under KMP.

Note 3: Director during the period 1st April 2017 to 27th Sep 2017. Remuneration details furnished till 27th Sep 2017.

Note 4: Director from 8th Jan 2018 onwards.

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sr No	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		CEO Sri S Kumar	CFO Sri Suresh Batchu	Company Secretary Sri Kiran Tangudu *	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.(₹)	8,325,374.00	8,360,087	3,671,504	20,356,965
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	N/A	N/A	N/A	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	N/A	N/A	N/A	-
2	Stock Option	N/A	N/A	N/A	-
3	Sweat Equity	N/A	N/A	N/A	-
4	Commission	N/A	N/A	N/A	-
	- as % of profit	N/A	N/A	N/A	-
	- others, specify...	N/A	N/A	N/A	-
5	Others, please specify	N/A	N/A	N/A	-
	Total	8,325,374	8,360,087	3,671,504	20,356,965

* Resigned with effect from 31/03/2018.

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)
A. COMPANY					
Penalty	Nil	N.A.	N.A.	N.A.	N.A.
Punishment	Nil	N.A.	N.A.	N.A.	N.A.
Compounding	Nil	N.A.	N.A.	N.A.	N.A.
B. DIRECTORS					
Penalty	Nil	N.A.	N.A.	N.A.	N.A.
Punishment	Nil	N.A.	N.A.	N.A.	N.A.
Compounding	Nil	N.A.	N.A.	N.A.	N.A.

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)
C. OTHER OFFICERS IN DEFAULT					
Penalty	Nil	N.A.	N.A.	N.A.	N.A.
Punishment	Nil	N.A.	N.A.	N.A.	N.A.
Compounding	Nil	N.A.	N.A.	N.A.	N.A.

Prepared by Ms P B Kavitha _____, Reviewed by CEO Mr. S. Kumar

For and on Behalf of the Board of Directors,

BSS Microfinance Limited

Narayan S A

Chairman

D. Kannan

Non Executive Director

ANNUAL REPORT ON CSR ACTIVITIES

TO BE INCLUDED IN THE BOARD'S REPORT FOR THE FY 2017-18

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

The Company has in place the Corporate Social Responsibility (CSR) Policy in line with the provisions of Section 135 of the Companies Act, 2013, the same was approved by Board on 17th January 2018. The same is placed on the Company's website and the web-link for the same is <http://www.bssmf.com/assets/pdf/csr-policy.pdf>. This policy articulates the Company's aim to positively contribute towards economic, environmental and social well-being of communities through its Corporate Social Responsibility agenda.

B. THE COMPOSITION OF THE CSR COMMITTEE:

The CSR Committee presently consists of four members, Non-Executive Director Sri Narayan S.A., Non-Executive Director Sri D. Kannan, Non-Executive Director Sri B.S. Sivakumar, and Independent Director Sri Noshir Rustom Dastur.

C. AVERAGE NET ANNUAL PROFIT OF THE COMPANY FOR LAST THREE FINANCIAL YEARS:

₹19,84,23,493/-

D. PRESCRIBED CSR EXPENDITURE (TWO PER CENT. OF THE AMOUNT AS IN ITEM C ABOVE):

₹39,68,470/-

E. DETAILS OF CSR SPENT DURING THE FINANCIAL YEAR/ AMOUNT UNSPENT:

Company's Contribution on CSR to "Swami Vivekananda Youth Movement" (SVYM):

Under the Company's (CSR) policy, the Company has contributed to "Swami Vivekananda Youth Movement", registered office: Hebbal, Mysuru an amount of ₹30,00,000/- (Rupees Thirty Lakhs Only) on 27th Feb 2018 towards palliative care, comprehensive school education and sanitary related activities.

Manner in which the amount spent during the financial year is detailed below:

Sl. No.	Particulars	How the amount is spent
1.	CSR project or activity identified	SVYM's hospitals fulfil a wide range of health needs of the Community. The key focus areas are tribal and rural health, ayurveda, reproductive and child health, hygiene and sanitation, care and control of HIV/AIDS, tuberculosis and disability. SVYM also focus on promoting education, especially supporting poor children.
2.	Sector in which the Project is covered	Promoting Health Care including preventive health care. Promoting education. Sanitation related activities
3.	Projects or programs (1)Local area or other (2) Specify the State and district where projects or programs was undertaken	Our Contribution is towards poor patients who access the health services at SVYM's hospital. The contribution will also be used for promoting education and also for sanitary related activities.
4.	Amount outlay (budget) project or programs wise	₹ 30,00,000/-

Sl. No.	Particulars	How the amount is spent
5.	Amount spent on the projects or Programs Sub-heads: (1)Direct expenditure on projects or programs. (2) Overheads:	₹30,00,000/-
6.	Cumul-ative expenditure upto to the reporting period from FY 2014-15 onwards till 31/03/2017	₹80,56,000/-
7.	Amount spent: Direct or through implementing agency	Implementing Agency-“Swami Vivekananda Youth Movement” (SVYM)

The Company has been spending on CSR focused themes and programmes, which have been approved by the Board CSR Committee and the Board. The CSR spending is guided by the vision of creating long-term benefit to the society. The Company is building its CSR capabilities on a sustainable basis.

F. CSR COMMITTEE’S RESPONSIBILITY STATEMENT:

CSR Committee hereby confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company which is in line with the provisions of Section 135 of the Companies Act, 2013, read with Schedule VII.

Prepared by Ms. P B Kavitha:

BSS Microfinance Limited

D. Kannan
Director

For and on Behalf of the Board of Directors,
BSS Microfinance Limited

Narayan S.A.
Chairman of CSR Committee

INDEPENDENT AUDITOR'S REPORT

To The Members of BSS MICROFINANCE LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of BSS MICROFINANCE LIMITED (Formerly known as BSS Microfinance Private Limited) ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended ("Accounting Standards"), and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit.

In conducting 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 and the Order issued under section 143(11) of the Act.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that 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 the 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 obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Accounting Standards and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, and its profit and its cash flows for the year ended on that date.

OTHER MATTERS

The comparative financial information of the company for the year ended 31st March 2017 included in these financial statements, are audited by predecessor auditor whose report for the year ended 31st March 2017 dated 23rd May 2017 expressed an unmodified opinion on those financial statements.

Our opinion on the financial statements and our report on Other Legal and Regulatory Requirements below is not modified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by Section 143 (3) of the Act, based on our audit we report, to the extent applicable 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 purposes 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 and the reports of the other auditors.
 - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act.
 - e) On the basis of the written representations received from the directors of the Company as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 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 A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
 - 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, as amended, 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.
 - 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.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No.117366W/W-100018)

S. Sundaresan
(Partner)
(Membership No. 25776)

BENGALURU, April 24, 2018

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

REPORT ON THE INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING 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 BSS MICROFINANCE LIMITED (Formerly known as BSS Microfinance Private Limited) ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting 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 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 of the Company. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's 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 Company's internal financial controls system over financial reporting.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

OPINION

In our opinion, to the best of our information and according to the explanations given to us, 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 criteria for internal financial control over financial reporting 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 **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No.117366W/W-100018)

BENGALURU, April 24, 2018

S. Sundaresan
(Partner)
(Membership No. 25776)

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (ii) The Company does not have any inventory and hence reporting under clause (ii) of the Order is not applicable.
- (iii) The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) The Company has been NBFC-MFI registered under RBI guideline and hence reporting under clause (v) of the Order is not applicable till September 27th 2017, subsequently the company has not accepted any deposits during the year and Company has no unclaimed deposits.
- (vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013.
- (vii) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues, including Service Tax, Income Tax, Professional Tax, Provident Fund, Employees State Insurance, cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Income-tax, Service Tax, Professional Tax, Provident Fund, Employees State Insurance, cess and other material statutory dues in arrears as at March 31, 2018.
- (viii) In our opinion and according to information and explanations given to us and confirmations given by financial institutions and banks, the Company has not defaulted in the repayment of loans or borrowings to financial institutions and banks. The Company has not taken any loans or borrowings from government and also company has not raised any debentures.
- (ix) In our opinion and according to information and explanations given to us, money raised by way of term loans have been applied by the Company during the year for the purposes for which they are raised, other than temporary deployment pending application of proceeds. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments).
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to information and explanations given to us, the Company has provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding, subsidiary or associate company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company was carrying a business as an NBFC-MFI. During the year the Company has assigned its loan portfolio to its holding company Kotak Mahindra Bank Limited on September 27, 2017 and has been continuing as Business Correspondent for loans. The Company has made an application to the RBI for De-registration as NBFC-MFI vide application dated October 24, 2017.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No.117366W/W-100018)

S. Sundaresan
(Partner)
(Membership No. 25776)

BENGALURU, April 24, 2018

Balance Sheet

as at March 31, 2018

(In Rupees)

Particulars	Note	March 31, 2018	March 31, 2017
I. EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share Capital	3	267,286,610	26,72,86,610
(b) Reserves and Surplus	4	817,681,941	60,51,12,379
2. Non-current liabilities			
(a) Long-Term Borrowings	5	-	264,73,94,982
(b) Long-Term Provisions	6	32,828,868	2,37,80,287
3. Current liabilities			
(a) Short-Term Borrowings	5	-	255,33,79,108
(b) Short-Term Provisions	6	62,112,252	72,009,698
(c) Trade Payables			
i) Total outstanding dues of micro enterprises and small enterprises	7	-	-
ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	7	46,309,978	3,82,92,095
(d) Other Current Liabilities	7(a)	505,455,950	37,564,171
Total		173,16,75,599	624,48,19,330
II. ASSETS			
1. Non-Current Assets			
(a) Property, Plant and Equipment	8	34,395,322	48,645,202
(b) Intangible Assets	8	505,294	3,556,247
(c) Non-Current Investments	9	2,000,000	2,000,000
(d) Long-Term Loans and Advances	10	-	145,12,80,056
(e) Deferred Tax Assets (Net)	11	25,032,711	23,450,796
(f) Other Non Current Assets	12	734,434,627	389,650,133
2. Current Assets			
(a) Current Investments	9	505,762,995	-
(b) Short-Term Loans and Advances	14	30,692,529	407,24,06,627
(c) Cash and Cash Equivalents	13	141,576,863	252,344,816
(d) Other Current Assets	15	257,275,258	1,485,453
Total		173,16,75,599	624,48,19,330

See accompanying notes forming part of the financial statements 1-25

In terms of our report attached

For Deloitte Haskins & Sells LLP

Chartered Accountants
FRN: 117366W/W-100018

S. Sundaresan

Partner
M.No. 25776

Place : Bengaluru
Date : April 24, 2018

For and on behalf of Board of Directors

Narayan S A

Director
Place : Mumbai

Kumar S
CEO

D Kannan

Director
Date : April 24, 2018

Suresh Batchu
CFO

Statement of Profit and loss

for the year ended March 31, 2018

(In Rupees)

Particulars	Note	Year Ended March 31, 2018	Year Ended March 31, 2017
I. Revenue from Operations	16	123,05,68,415	133,20,03,934
II. Other Income	17	5,18,72,589	3,90,02,651
III. Total Revenue (I+II)		128,24,41,004	137,10,06,585
IV. Expenses			
i) Finance Costs	18	394,573,351	678,168,205
ii) Employee Benefit Expense	19	340,130,321	281,640,653
iii) Provisioning and Writeoffs	20	75,532,960	22,433,210
iv) Depreciation and Amortization Expense	8	32,261,197	18,588,253
v) Other Expenses	21	112,688,456	85,628,964
Total Expenses		955,186,285	108,64,59,285
V) Profit Before Tax (III - IV)		327,254,719	284,547,301
VI) Tax Expense:			
i) Current Tax		116,285,550	102,360,300
ii) Deferred Tax		(15,81,915)	(62,61,197)
iii) Previous year Income Tax		(18,478)	(74,708)
Tax Expense		114,685,157	96,024,395
VII) Profit for the Year (V - VI)		212,569,562	188,522,906
VIII) Earnings Per Share (of ₹ 10 each)			
i) Basic	24 (f)	7.95	7.05
ii) Diluted	24 (f)	7.95	7.05

See accompanying notes forming part of the financial statements 1-25

In terms of our report attached

For Deloitte Haskins & Sells LLP

Chartered Accountants

FRN: 117366W/W-100018

S. Sundaresan

Partner

M.No. 25776

Place : Bengaluru

Date : April 24, 2018

For and on behalf of Board of Directors

Narayan S A

Director

Place : Mumbai

Kumar S

CEO

D Kannan

Director

Date : April 24, 2018

Suresh Batchu

CFO

Cashflow Statement

for the year ended March 31, 2018

(In Rupees)

Particulars	Year Ended March 31, 2018	Year Ended March 31, 2017
Cash Flows from Operating Activities		
Net Profit Before Taxation	327,254,719	284,547,301
Adjustment for:		
Depreciation & Amortization	32,261,197	18,588,253
Standard Assets Provision, NPA Provision & Write Offs	75,532,960	26,562,653
Profit on Sale of Assets	(3,70,367)	(2,39,127)
Short Term Capital Gains on Mutual Funds	(44,83,712)	-
Provision for expenses	55,134,092	22,479,662
Operating Profit Before Working Capital Changes	485,328,889	351,938,742
Changes in working Capital		
(Increase)/Decrease in Loans and Advances made	537,27,03,775	(116,68,20,678)
(Increase)/Decrease in Other Advances made	10,789,382	(14,99,705)
(Increase)/Decrease in Deposits made by the company	(34,47,84,494)	21,174,070
(Increase)/Decrease in Other Current Assets	(25,57,89,806)	(6,52,364)
Increase/(Decrease) in Trade Payables	8,017,883	(84,153)
Increase/(Decrease) in Other Current Liabilities	467,891,779	(19,70,312)
Payments made out of provisions	(1,24,28,240)	(1,22,18,142)
Cash Generated from / (used in) Operations	573,17,29,167	(81,01,32,541)
Net Income Tax Refund/(Paid) during the period	(12,65,26,947)	(9,38,69,044)
Net Cash Generated from/ (Used in) Operating Activities (A)	560,52,02,220	(90,40,01,585)
Cash flows from Investing Activities		
Investment in Mutual Funds	(283,50,00,000)	-
Proceeds from Redemption of Mutual Funds	233,37,20,717	-
Purchase of PPE and Intangible Assets	(1,44,56,600)	(3,50,90,537)
Proceeds from Sale of PPE and Intangible Assets	539,799	656,769
Net Cash from / (used in) Investing Activities (B)	(51,51,96,084)	(3,44,33,768)
Cash flows from Financing Activities		
Borrowings raised	203,00,00,000	342,00,00,000
Borrowings repaid	(723,07,74,090)	(262,55,12,232)
Net Cash from / (used in) Financing Activities (C)	(520,07,74,090)	794,487,768
Net increase/(decrease) in Cash & Cash Equivalents (D= A+B+C)	(11,07,67,953)	(14,39,47,585)
Cash & Cash Equivalents at the Beginning of the Period (E)	252,344,816	396,292,401
Cash & Cash Equivalents at the end of the Period (D+E)	141,576,863	252,344,816
Cash & Cash Equivalents comprises of :		
Cash in hand	49,014,602	16,221,517
Cash at Bank and Deposits with Banks	92,562,261	236,123,299
Cash & Cash Equivalents at the end of the Year	141,576,863	252,344,816

See accompanying notes forming part of the financial statements

1-25

In terms of our report attached

For Deloitte Haskins & Sells LLP

Chartered Accountants

FRN: 117366W/W-100018

S. Sundaresan

Partner

M.No. 25776

Place : Bengaluru

Date : April 24, 2018

For and on behalf of Board of Directors

Narayan S A

Director

Place : Mumbai

Kumar S

CEO

D Kannan

Director

Date : April 24, 2018

Suresh Batchu

CFO

Notes

Forming Part of The Financial Statements For The Financial Year Ended March 31, 2018

NOTE 1 - CORPORATE INFORMATION

BSS Microfinance Limited (the Company) is a Public Limited Company domiciled in India and incorporated under the provisions of Companies Act, 1956. On 14th March 2018 the Company has converted into Public Limited Company from Private Limited. The registered office of the Company is No. 11, 2nd Block, 2nd Stage, Nagarbhavi Layout, Near BDA Complex, Bengaluru - 560072 and Currently, having 119 branches across Karnataka, Maharashtra, Tamilnadu and Madhya Pradesh. During the year the Company has changed its business model from Microfinance Lending to Business Correspondent of a Bank for providing microfinance services to poor.

Upto September 27, 2017, the Company was engaged in Microfinance activities as a registered NBFC- MFI, for providing financial service to the poor women. W.e.f. September 27, 2017, the Company has become a subsidiary of Kotak Mahindra Bank Limited (KMBL) and acting as Business Correspondent(BC) of KMBL, in respect of Microfinance loans and other related activities.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

a) Basis of Preparation of Financial Statements :

The Financial Statements of the Company have been prepared in accordance with the generally accepted accounting principles in India to comply with the accounting standards specified under section 133 and the relevant provision of the Companies Act, 2013. The financial statements have been prepared on accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

b) Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognized prospectively.

c) Cash and cash Equivalents

Cash comprises of Cash on hand, balances with other banks. Cash equivalents are short term balances (with an original maturity of 3 months or less from the date of acquisition)."

d) Property, Plant and Equipment (PPE) :

All PPEs have been stated at historical cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price, allocable costs and any attributable cost of bringing the asset to its working conditions for its intended use.

e) PPEs and Depreciation :

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation is provided on a pro-rata basis on a Written Down Value Method over the estimated useful life of the assets at rates which are equal to or higher than the rates prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. Estimated useful lives over which assets are depreciated are as follows:

Property, Plant and Equipment	Useful Life	Property, Plant and Equipment	Useful Life
Furniture and Fixtures	10 Years	POS Device	10 Years
Plant & Machinery	15 Years	Computers	6 years
Vehicles	8 years	Other Fixtures	1 year

Notes

Forming Part of The Financial Statements For The Financial Year Ended March 31, 2018

f) Intangible Assets and Amortization:

Intangible Assets are recognized when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Intangible Assets	Useful Life
Tally, Kredits and MS Office	5 years
Other Software	1 year

g) Investments:

Investments are classified into long term investments and current investments. Investments, which are intended to be held for more than one year from the date, on which the investments are made, are classified as long term investments and investments, which are intended to be held for less than one year from the date, on which the investments are made, are classified as current investments. Long term investments are carried at cost and provision for diminution in value is made to recognize a decline other than temporary in the value of investment, such reduction being determined and made for each investment individually. Current investments are valued at cost (calculated by applying weighted average cost method) or market / fair value whichever is lower. In case of investments in units of a mutual fund, the NAV of units is considered as market / fair value. The Securities acquired with the intention to trade are considered as Stock-in-Trade. Brokerage, stamping and additional charges paid if any, are included in the cost of investments.

h) Impairments:

The carrying amount of fixed assets are reviewed at each balance sheet date if there is any indication of impairment based on internal as well as external factors. An impairment loss is recognized when the carrying amount of the asset is more than its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

i) Borrowing cost :

Borrowing costs consist of Interest and other costs incurred in relation to borrowal of funds. Borrowing costs are recognized as an expense in the period in which they are incurred.

j) Revenue Recognition :

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

- i. Interest income on Micro loans given is recognized on accrual basis.
- ii. Income including interest on NPA is recognized only when it is actually realized. Any interest recognized before the asset become NPA and remaining unrealized is derecognized.
- iii. Interest income on deposits with Banks is recognized on a time proportion basis taking into account the amount of deposit and interest accrued thereon, applicable interest rate.
- iv. Present value of future income on assignment portfolio is amortised over the life of the underlying loan portfolio.
- v. Income from Business Correspondent Service fee is recognised as an Income on accrual basis over the service period.
- vi. All other income is recognized on accrual basis, when there is no reasonable uncertainty in the ultimate realization/ collection.

Notes

Forming Part of The Financial Statements For The Financial Year Ended March 31, 2018

k) Foreign currency transactions:

Foreign currency transactions are translated at the rates prevailing on the date of transaction. Outstanding foreign currency monetary assets and liabilities are restated at the year end rates. Gains/Losses arising on restatements/settlements are adjusted to the Statement of Profit and Loss as applicable.

l) Employee Benefits:

Employee benefit consist of Provident fund, Employee State Insurance Scheme, Gratuity and Compensated absences.

i. Provident Fund / Employee State Insurance Scheme – Defined Contribution Plan

The Company's contribution to provident fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

ii. Defined Benefit Plan

Gratuity: The Company estimates its liability towards employees' gratuity based on an actuarial valuation done by an independent actuary using the projected unit credit method at the end of each accounting period. Actuarial gains/losses are immediately recognized in the statement of profit and loss. Obligation under the defined benefit plans is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to the prevailing market yields at the balance sheet date on Indian Government bonds where the currency and term of the Indian Government bonds are consistent with the currency and estimated term of the defined benefit obligation.

The gratuity plan provides a lumpsum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Company is subject to a maximum of ₹ 20,00,000 (Previous year: ₹ 10,00,000).

iii. Compensated Absences

The Company accrues the liability for compensated absences based on the actuarial valuation as at the balance sheet date conducted by an independent actuary. The net present value of the Company's obligation is determined based on the projected unit credit method as at the Balance Sheet date.

m) Lease:

Assets leased by the Company in its capacity as a lessee, wherein substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Lease arrangements where risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating lease. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term. Initial direct costs in respect of operating leases such as legal costs, brokerage costs, etc. are recognised as expense immediately in the Statement of Profit and Loss.

n) Taxes:

- a. Tax Expenses comprises of Current Tax and Deferred Tax, current tax is measured at the amount expected to be paid to the Tax Authorities in accordance with the Income Tax Act, 1961.
- b. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred tax assets arising mainly on account of carry forward losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will

Notes

Forming Part of The Financial Statements For The Financial Year Ended March 31, 2018

be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Statement of Profit and Loss in the period of the change. The carrying amount of deferred tax assets are reviewed at each Balance Sheet date. Deferred tax assets and deferred tax liabilities are off set when there is legally enforceable right to set-off assets against liabilities representing current tax and where the deferred tax assets and deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

o) Earnings per Share:

The earnings considered in ascertaining the Earnings per Share (EPS) of the Company comprises the Net Profit available to equity share holders. The Number of shares used in computing basic EPS is the weighted average number of shares outstanding during the period.

p) Provisions:

Provision is recognised when there is a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are measured based on best estimate of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

q) Write off of Receivables/Loans:

The receivables/loans are written off when the Company has no reasonable expectations of recovering a receivables/ loans.

r) Operating Cycle

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the provision of services and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

Notes to the Financial Statements

for the year ended 31st March 2018

(In Rupees)

NOTE 3 - SHARE CAPITAL	March 31, 2018	March 31, 2017
Authorised Share Capital		
3,50,00,000 [PY - 3,50,00,000] Equity Shares of ₹ 10 each	35,00,00,000	35,00,00,000
50,00,000 [PY - 50,00,000] Optionally Convertible Preference Shares of ₹ 10 each	5,00,00,000	5,00,00,000
Total	400,000,000	400,000,000
Issued, Subscribed, Called & Paid Up Share Capital		
2,67,28,661 [PY - 2,67,28,661] Equity Shares of ₹ 10 each fully paid up	26,72,86,610	26,72,86,610
Total	26,72,86,610	267,286,610

3 (a) Shareholder having more than 5% of Shares in the Company

Reconciliation of equity share capital	March 31, 2018		March 31, 2017	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Kotak Mahindra Bank Limited (including nominee's holding)	26,728,661	100.00%	-	-
Bharatha Swamukti Samsthe (Trust)	-	-	13,552,996	50.71%
BSS Mutual Benefit Trust	-	-	10,879,342	40.70%

As disclosed above the holding company, Kotak Mahindra Bank Limited (including nominee's holding) holds 100% of equity shares in the company

3 (b) Reconciliation of the no. of shares outstanding at the beginning and at the end of the period

Particulars	March 31, 2018		March 31, 2017	
	No. of Shares	Equity Share Capital	No. of Shares	Equity Share Capital
At the beginning of the year	2,67,28,661	26,72,86,610	2,67,28,661	26,72,86,610
At the end of the year	2,67,28,661	26,72,86,610	2,67,28,661	26,72,86,610

3 (c) The company has only one class of equity share with voting rights (one vote per share).

Notes to the Financial Statements

for the year ended 31st March 2018

(In Rupees)

NOTE 4 - RESERVES AND SURPLUS	March 31, 2018	March 31, 2017
a) Statutory Reserve		
Opening Balance	114,624,759	7,69,20,169
Additions during the period	42,513,913	37,704,590
Closing Balance	157,138,672	11,46,24,759
b) Securities Premium on Equity Shares		
Opening Balance	40,093,390	4,00,93,390
Received during the year	-	-
Closing Balance	40,093,390	4,00,93,390
c) Surplus in Statement of Profit and Loss		
Opening Balance	450,394,230	29,95,75,914
Add: Profit for the year	212,569,562	18,85,22,906
Less: Transferred to Statutory Reserve (20% of Profit for the year. As per Sec. 45 IC of RBI Act, 1934)	(4,25,13,913)	(3,77,04,590)
Closing Balance	620,449,879	45,03,94,230
Total (a+b+c)	817,681,941	60,51,12,379

(In Rupees)

NOTE 5 - BORROWINGS	March 31, 2018	March 31, 2017
Secured Borrowings outstanding (Secured by hypothecation of Book debts and Cash Collateral)	-	500,07,74,090
Unsecured Loan from Capital First Limited	-	20,00,00,000
Of the above		
- Payable within one year - Short-Term Borrowings	-	255,33,79,108
- Payable after one year - Long-Term Borrowings	-	264,73,94,982
Total	-	520,07,74,090
Of the above		
Secured Borrowings from :		
- From Public Sector Banks	-	240,57,44,277
- From Private Sector Banks	-	165,58,44,547
- From NBFCs	-	62,03,52,269
- From Others	-	318,832,997
Unsecured Loan from Capital First Limited	-	20,00,00,000
Total	-	520,07,74,090

During the year the company has prepaid all its borrowings due to which some banks have charged prepayment charges and the company is in the process of negotiation to settle such claims. However, the company has made provision for such charges on estimated basis including interest thereon and same is disclosed in Other Current Liabilities.

Notes to the Financial Statements

for the year ended 31st March 2018

Secured Borrowings

(In Rupees)

FY 2017-18 Particulars	Term Loans Maturing in			
	< 6 Months	6 to 12 Months	1 to 3 Years	> 3 Years
	-	-	-	-
Total	-	-	-	-
Grand Total				-

(In Rupees)

FY 2016-17 Particulars	Term Loans Maturing in			
	< 6 Months	6 to 12 Months	1 to 3 Years	> 3 Years
Interest Rates				
10% to 11%	433,299,604	467,096,697	850,010,863	75,000,000
11% to 12%	232,892,700	198,628,872	408,485,024	44,974,147
12% to 13%	374,912,510	314,450,910	726,581,711	104,318,047
13% to 14%	293,648,123	238,449,692	229,719,237	8,305,953
above 14%	-	-	-	20,00,00,000
Total	133,47,52,937	121,86,26,171	221,47,96,835	43,25,98,147
Total Borrowings				520,07,74,090

The above total borrowings includes unsecured loan amount of ₹ 20,00,00,000.

(In Rupees)

NOTE 6 - PROVISIONS	March 31, 2018	March 31, 2017
Provision for Employee Benefits		
Provision for Gratuity (Ref: Note 19(a))	29,465,663	2,35,41,113
Provision for Compensated Absence (Ref: Note 19(a))	11,111,331	9,476,298
Provision for Income Tax (Net of Previous Year Advance Tax of ₹ 9,45,51,748)	-	78,08,552
Provision for Standard Assets	-	4,86,42,020
Provision for Doubtful Assets	-	76,167
Provision for Non Performing Assets	-	62,45,835
Provision for Bad and doubtful Assets	19,601,308	-
Provision for Expenses	34,762,818	-
	94,941,120	9,57,89,985
Of the above		
- Long Term Provisions	3,28,28,868	2,37,80,287
- Short Term Provisions	6,21,12,252	7,20,09,698
Total Provisions	9,49,41,120	9,57,89,985

Notes to the Financial Statements

for the year ended 31st March 2018

(In Rupees)

NOTE - 7 TRADE PAYABLES:	March 31, 2018	March 31, 2017
Dues of micro enterprises and small enterprises	-	-
Dues of creditors other than micro enterprises and small enterprises	46,309,978	3,82,92,095
Total	46,309,978	38,292,095

Disclosure as required under Micro Small and Medium Enterprises Development Act 2006:

(In Rupees)

	March 31, 2018	March 31, 2017
i. Principal amount remaining unpaid to any supplier as at the end of the accounting year	Nil	Nil
ii. Interest due thereon remaining unpaid to any supplier as at the end of the accounting year		
iii. The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day		
iv. The amount of interest due and payable for the year		
v. The amount of interest accrued and remaining unpaid at the end of the accounting year		
vi. The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid		

(In Rupees)

NOTE 7 (A) - OTHER CURRENT LIABILITIES	March 31, 2018	March 31, 2017
Interest accrued but not due on Borrowings	-	8,532,952
Client Micro Insurance Account - Payable to Members	25,582,908	25,582,908
Payable to KMBL (Holding Company)	245,172,655	
Other Payables		
Statutory Remittances	2,531,881	2,422,985
Other Liabilities	232,168,506	1,025,326
Total	505,455,950	3,75,64,171

Notes to the Financial Statements

for the year ended 31st March 2018

NOTE- 8 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AS ON MARCH 31, 2018

S l. No	Particulars	Gross Block			Depreciation Block			Net Block			
		As on April 1, 2017	As on March 31, 2018	As on April 1, 2017	Deletions for the period	Depreciation for the period	As on April 1, 2017	As on March 31, 2018			
(a) Property, Plant and Equipment											
1	Furniture and Fixtures	14,749,666	4,145,831	-	18,895,497	8,484,138	-	2,549,841	11,033,979	6,265,528	7,861,518
2	POS Device	29,451,036	1,050,000	-	30,501,036	12,959,106	-	1,60,16,878*	28,975,984	16,491,930	1,525,052
3	Plant and Machinery	10,365,608	1,780,386	-	12,145,994	4,207,253	-	1,368,537	5,575,790	6,158,355	6,570,204
4	Computers, Printers, Data Card and Other Softwares	52,435,693	7,666,083	2,362,273	57,739,503	33,137,922	2,243,643	8,659,576	39,553,855	19,297,771	18,185,648
5	Cars	2,501,646	-	-	2,501,646	2,122,975	-	125,773	2,248,748	378,671	252,898
6	Other Fixtures	1,763,020	-	1,749,249	13,771	1,710,073	1,698,447	2,143	13,769	52,947	2
	Total - (A)	111,266,669	14,642,300	4,111,522	121,797,447	62,621,467	3,942,090	28,722,747	87,402,125	48,645,202	34,395,322
Intangible Assets											
1	Software (Tally, Credits & Office)	14,228,780	401,496	-	14,630,276	13,264,659	-	998,371	14,263,030	964,121	367,246
2	Other Softwares	9,260,812	86,000	-	9,346,812	6,668,686	-	2,540,078	9,208,764	2,592,126	138,048
	Total - (B)	23,489,592	487,496	-	23,977,088	19,933,345	-	3,538,449	23,471,794	3,556,247	505,294
	Total Property, Plant and Equipment and Intangible Assets (A) + (B)	134,756,261	15,129,796	4,111,522	145,774,535	82,554,812	3,942,090	32,261,196	110,873,919	52,201,449	34,900,616
	Total Property, Plant and Equipment and Intangible Assets - Previous Year	104,136,589	35,103,773	4,484,101	134,756,261	68,033,018	4,066,459	18,588,253	82,554,812	36,103,571	52,201,449

* including ₹ 1,09,07,614 towards accelerated depreciation due to technological changes

Notes to the Financial Statements

for the year ended 31st March 2018

(In Rupees)

NOTE 9 - INVESTMENTS:	March 31, 2018	March 31, 2017
a) Non Current Investments (Unquoted Investments) :		
Investment in Equity Instruments		
Investment in Alpha Micro Finance Consultants Private Limited	2,000,000	2,000,000

Investment in Alpha Micro Finance Consultants Private Limited comprises of 200,000 fully Paid Equity Shares of ₹ 10 each -₹ 20,00,000.

(In Rupees)

	No. of units	March 31, 2018	March 31, 2017
b) Current Investments (Quoted Investments) :			
Investment in Mutual Funds (Carried at Cost)			
Kotak Floater Short Term- Direct Plan - Growth	89,080.3799	250,121,447	-
Axis Liquid Fund - Direct - Growth	49,763.5250	95,641,548	-
Aditya Birla Sunlife Cash Plus - Direct - Growth	573,946.3510	160,000,000	-
Total		505,762,995	-

(In Rupees)

NOTE 10 - LOANS AND ADVANCES	March 31, 2018	March 31, 2017
Microloans - [Unsecured considered good]		
- Overdue for more than six months	-	155,949
- Others	-	548,34,43,500
Total	-	548,35,99,449
Of the above - Current Assets Vs Non Current Assets		
Microloan Receivables - Short Term Loans & Advances	-	403,23,19,393
Microloan Receivables - Long Term Loans & Advances	-	145,12,80,056
Total	-	548,35,99,449

(In Rupees)

NOTE 11 - DEFERRED TAX ASSET	As per Books of Account	As Per Income Tax Act, 1961	Timing Difference	DTA/(L)
PPE and Intangible Assets	3,49,00,616	41,232,793	6,332,177	1,843,930
Provision for Employee Benefit Expenses	4,05,76,994	-	40,576,994	11,816,021
Upfront Servicer Fee	2,748,411		2,748,411	800,337
Other Provisions	54,364,126	18,057,731	36,306,395	10,572,423
Closing DTA/(L)				25,032,711
Opening DTA/(L)				2,34,50,796
Amount Debited/(Credited) to Profit & Loss Account				(15,81,915)

Notes to the Financial Statements

for the year ended 31st March 2018

(In Rupees)

NOTE 12 - OTHER NON CURRENT ASSETS	March 31, 2018	March 31, 2017
Deposits under lien		
- Related Parties (Holding Company) (Ref: Note-24 (a) and 24(b))	71,63,04,852	-
- Others	60,84,976	37,86,12,074
Deposits for Utilities	1,20,44,799	1,10,38,059
Total	73,44,34,627	38,96,50,133

(In Rupees)

NOTE 13 - CASH & CASH EQUIVALENTS	March 31, 2018	March 31, 2017
Cash on Hand	4,90,14,602	1,62,21,517
Balance with Banks		
In Current Accounts	9,25,62,261	12,70,23,299
In Deposit Accounts	-	10,91,00,000
Total	14,15,76,863	25,23,44,816

(In Rupees)

NOTE 14 - SHORT-TERM LOANS AND ADVANCES	March 31, 2018	March 31, 2017
Employee Advances	8,344,347	5,186,098
Prepaid Expenses	6,012,223	56,12,715
Balance with Govt. authorities	2,100,576	5,01,016
Advance Tax and TDS Receivables (Net of Current Year Provision of ₹ 11,66,69,001)	21,21,483	-
Microloans Receivables	-	403,23,19,393
Capital Advances	11,400	684,596
Other Receivables	12,102,500	28,102,809
Total	3,06,92,529	407,24,06,627
Out of the above:		
Amount due from directors	-	-
Amount due from other officers of the company	-	-
Amount due from firms in which any director is a partner	-	-
Amount due from private companies in which any director is a director or member	-	-

(In Rupees)

NOTE 15 - OTHER CURRENT ASSETS	March 31, 2018	March 31, 2017
BC Service Fee Receivable from KMBL (Holding Company)	36,239,880	-
BC Servicer Fee Receivables (Accrued But Not Due)	8,010,912	-
Assignor Interest Receivable	212,657,571	-
Others	366,895	1,485,453
Total	257,275,258	1,485,453

Notes to the Financial Statements

for the year ended 31st March 2018

(In Rupees)

NOTE 16 - REVENUE FROM OPERATIONS:	March 31, 2018	March 31, 2017
Interest Income on Microloans (Net)	71,79,56,100	127,82,34,554
Processing fee on Microloans	3,52,70,378	53,724,296
Assignment Income	33,24,19,618	-
Business Correspondent Service Fee	14,49,22,319	-
Bad debts written off - Recovered	-	45,084
Total	123,05,68,415	133,20,03,934

(In Rupees)

NOTE 17 - OTHER INCOME	March 31, 2018	March 31, 2017
Interest Income on Fixed Deposits	43,646,787	37,684,205
Short Term Capital Gains on Mutual Funds	4,483,712	
Interest income on Employee Advances	629,839	509,034
Profit on Sale of Assets	370,366	239,127
Miscellaneous Income	2,741,885	570,285
Total	51,872,589	39,002,651

(In Rupees)

NOTE 18 - FINANCE COSTS	March 31, 2018	March 31, 2017
Interest Expense		
i. On Borrowings	336,613,655	642,891,611
ii. On Others	383,451	-
Other Borrowing Cost	57,576,245	35,276,594
TOTAL	39,45,73,351	67,81,68,205

(In Rupees)

NOTE 19 - EMPLOYEE BENEFIT EXPENSE	March 31, 2018	March 31, 2017
Salaries and Wages	308,202,272	25,26,83,853
Gratuity Expenses (Ref: Note 19(a))	7,537,219	96,44,992
Contribution to Provident Fund (Ref: Note 19(a))	11,808,713	93,32,348
Staff Welfare Expenses	12,582,117	9,979,460
Total	34,01,30,321	28,16,40,653

Notes to the Financial Statements

for the year ended 31st March 2018

19 (a) The details of employee benefits as required under AS-15 (R) is given below:

a) Defined Contribution Plan: During the year the company has recognised the following amounts in the statement of profit and loss under defined contribution plan whereby the company is required to contribute a specified percentage of the payroll cost to fund the benefits.

(In Rupees)		
Particulars	March 31, 2018	March 31, 2017
Employer's contribution to Provident Fund	11,808,713	9,332,348
Total	11,808,713	9,332,348

b) Defined Benefit Plan: During the year the company has recognised the following amounts in the statement of profit and loss under defined benefit plan:

i) Gratuity : Gratuity Provision has been made based on actuarial valuation done as at the year end. The details of actuarial valuation as provided by the Independent Actuary are as follows:

(In Rupees)		
Particulars	March 31, 2018	March 31, 2017
1. Principal Actuarial Assumptions		
Discount Rate	7.35%	6.75%
Salary Escalation Rate	9.00%	12.00%
Withdrawal Rate	20.00%	28.00%
Age of Retirement	60 years	58 years
Mortality Rate basis	IALM 06-08	IALM 06-08
2. Changes in the Present Value of Obligation - Reconciliation of Balances :		
Present Value of the Obligation at the beginning of the Period	23,541,113	14,782,667
Interest Cost	1,587,901	1,111,303
Current Service Cost	3,879,986	2,127,609
Past Service Cost – (Vested Benefits)	1,378,791	-
Benefits Paid	1,612,669	886,546
Actuarial (Gain) / Loss on Obligation	690,541	6,406,080
Present Value of the Obligation at the end of the Period	29,465,663	23,541,113
3. Expenses Recognized in the Profit and Loss Account	7,537,219	9,644,992
4. Movement in the Liabilities Recognized in the Balance Sheet		
Opening Net Liability	23,541,113	14,782,667
Expenses as above	7,537,219	9,644,992
Contribution Paid	1,612,669	886,546
Closing Net Liability	29,465,663	23,541,113
5. Current and Non Current Breakdown		
Current Liability - Short Term Provision	5,493,254	6,734,400
Non Current Liability - Long Term Provision	23,972,409	16,806,713

Notes to the Financial Statements

for the year ended 31st March 2018

- (ii) **Compensated Absence – Earned Leave:** It has been made based on actuarial valuation done as at the year end. The details of actuarial valuation as provided by the Independent Actuary are as follows:

Particulars	(In Rupees)	
	March 31, 2018	March 31, 2017
1. Principal Actuarial Assumptions		
Discount Rate	7.35%	6.75%
Salary Escalation Rate	9.00%	12.00%
Withdrawal Rate	20.00%	28.00%
Age of Retirement	60 years	58 years
Mortality Rate basis	IALM 06-08	IALM 06-08
2. Expenses Recognized in the Profit and Loss Account	12,450,604	12,834,670
3. Closing Net Liability	11,111,331	9,476,298
Current Liability - Short Term Provision	2,254,872	2,502,724
Non Current Liability - Long Term Provision	8,856,459	6,973,574

NOTE 20 - PROVISIONING AND WRITEOFFS	(In Rupees)	
	March 31, 2018	March 31, 2017
Write-off in case of death of Program Members	12,485,892	1,08,92,112
Bad debts written off - Microloans	98,409,782	4,156,597
Provision for Non Performing Assets - Microloans	(6,245,835)	6,215,104
Provision for Doubtful Assets (Others - Net)	-	(4,129,443)
Provision for Bad and doubtful Assets	19,525,141	-
Contingent Provision for Standard Assets	(48,642,020)	52,98,840
Total	75,532,960	2,24,33,210

NOTE 21 - OTHER EXPENSES	(In Rupees)	
	March 31, 2018	March 31, 2017
Rent Expenses	25,793,754	1,87,02,950
Travelling & Conveyance	34,100,147	2,69,93,151
Printing and Stationery	10,397,408	48,95,474
Electricity & Water Charges	6,784,590	51,81,106
Telephone Expenses	7,654,812	63,27,555
Membership & Subscription	334,389	2,89,553
Auditor's Remuneration (Ref. Note-21(a))	644,155	12,68,600
Professional and Consultancy Charges	3,194,769	39,79,400
Input Service Tax and GST Written-off	3,692,132	24,36,972
Insurance	1,869,874	16,24,358
Postage & Courier	2,123,802	14,00,299
Overlap/Credit Report Charges	1,537,230	11,94,969
CSR Expenditure	3,000,000	2,719,000
Disaster Recovery Site Charges	827,100	475,033
Repairs & Maintenance	8,680,012	61,22,167
Miscellaneous Expenses	2,054,282	20,18,377
Total	11,26,88,456	8,56,28,964

Notes to the Financial Statements

for the year ended 31st March 2018

(In Rupees)

21(A) AUDITOR'S REMUNERATION	March 31, 2018	March 31, 2017
Statutory Audit Fees	6,00,000	860,000
Tax Audit Fees	35,000	200,000
Certification and other fees	-	191,000
Out of pocket expenses	9,155	17,600
Total	644,155	1,268,600

NOTE 22 - RELATED PARTY TRANSACTIONS DURING THE FINANCIAL YEAR 2017-18:

Details of related parties:

Description of relationship	Names of related parties
Holding Company (Controlling Entity)	Kotak Mahindra Bank Limited holds 100% of the Equity Share Capital (w.e.f. September 27, 2017)
	Uday S. Kotak along with relatives and entities controlled by him holds 30.04% of the equity share capital of Kotak Mahindra Bank Limited, as on March 31, 2018
	BSS Trust- Shareholder holding more than 50%-(Upto September 27, 2017)
Fellow Subsidiaries	Kotak Mahindra Life Insurance Company Limited (w.e.f. September 27, 2017)
Enterprise Having Significant Influence	BSS Mutual Benefit Trust - Shareholder holding more than 25% (Upto September 27, 2017)
Key Management Personnel (KMP)	Dr. Ramesh Bellamkonda, MD (Upto September 27, 2017) Kavitha P B, Executive Director (Upto September 27, 2017) Panchakshari S, Executive Director (Upto September 27, 2017) S Kumar, ED & CEO (Upto September 27, 2017) S. Kumar, CEO (From September 27, 2017)

Related Party Transactions during the financial year 2017-18

Nature of Transaction	Holding Company	Enterprise Having Significant Influence	Fellow Subsidiaries	KMP
I. Liabilities				
Other Payables	227,583,609	-	-	-
Advance received towards disbursements	7,391,000	-	-	-
II. Assets				
Balance in current Account	39,885,907	-	-	-
Fixed Deposit	714,437,929	-	-	-
Interest Accrued FD	1,866,923	-	-	-
Other Receivables	36,239,880	-	-	-
Insurance Deposit	-	-	109,664	-

Notes to the Financial Statements

for the year ended 31st March 2018

Nature of Transaction	Holding Company	Enterprise Having Significant Influence	Fellow Subsidiaries	KMP
III. Income				
Interest Income FD	25,045,422	-	-	-
Service Fee Income	135,555,451	-	-	-
Amount received towards rendering of services	-	Nil (27,33,650)	-	-
IV. Expenses				
Interest Expense OD	29,655	-	-	-
Insurance Premium paid	-	-	1,017,632	-
Interest expense on Loan	-	66,20,730 (34,18,438)	-	-
Expenses incurred	-	2,375,721	-	-
V. Other Transactions				
Assignment Collections remitted	3,152,960,865	-	-	-
Advance received towards disbursements	4,560,079,000	-	-	-
BC Collections remitted	729,730,504	-	-	-
Fixed Deposits made during the year	2,001,239,133	-	-	-
Fixed Deposits closed during the year	1,302,000,000	-	-	-
Loan Received during the year	-	210,000,000	-	-
Loan repaid during the year	-	210,000,000	-	-
VI. Remuneration:				
Dr. Ramesh Bellamkonda	-	-	-	1,07,54,251 (1,25,16,003)
Kavitha P B	-	-	-	12,58,913 (20,83,950)
Panchakshari S	-	-	-	42,42,692 (84,65,925)
S Kumar	-	-	-	83,25,374 (69,98,263)

NOTE 23 - LEASE

The company has taken on operating lease certain facilities and office premises for a period ranging from 11 months to 60 months which are non cancellable for the period as reflected in the respective agreement. These lease agreements generally provide for increase in the lease payments by 5% over the period as mentioned in the agreements. Lease payments are recognised in Statement of Profit and Loss. The total minimum lease payments for the current period, in respect of operating leases, included under rent expenses, aggregates to ₹ 2,57,86,554/- (PY - ₹ 1,87,02,950/-) Future likely Lease payments in respect of the above are as follows:

Particulars	(In Rupees)	
	As on March 31, 2018	As on March 31, 2017
Less than one year	26,863,680	23,196,159
1 year to 5 years	-	-
more than 5 years	-	-

Notes to the Financial Statements

for the year ended 31st March 2018

NOTE 24 - OTHER DISCLOSURES

- a) Assignment of Portfolio: The Company has assigned its loan portfolio to Kotak Mahindra Bank Limited on September 27, 2017, following are the disclosures required as per DNBR (PD) CC. No.002/03.10.001/2014-15 dated November 10, 2014:
- i) No. of Loan Accounts Assigned - 4,07,325
 - ii) Aggregate value of loan accounts assigned ₹ 631,48,44,789
 - iii) Aggregate Consideration Received ₹ 631,48,44,789
 - iv) Additional consideration realized in respect of accounts transferred in earlier years - Nil
 - v) Quantum of credit enhancement in the form of deposits- ₹ 44,20,39,133
 - vi) Service fee received ₹ 50,00,000 is amortised over the tenure of assigned loans
 - vii) Present value of future income on assignment portfolio is amortised over the life of the underlying loan portfolio. Income recognised during the year is ₹ 33,24,19, 618 and the balance unamortized as at balance sheet date is ₹ 21,26,57,571."
- b) Business Correspondent Portfolio: The Company has entered into a Business Correspondent(BC) agreement with Kotak Mahindra Bank Limited(KMBL) on July 24, 2017 to provide business correspondent services. The scope of the activities to be undertaken by the Business Correspondent, by mutual consent of the Bank and the Business Correspondent shall at all times be limited to whatever may be permissible under RBI guidelines applicable to Business Correspondents. The company shall receive service fee as a consideration for providing business correspondent services. The company has provided performance security not exceeding seven percent of the disbursement in each monthly tranche.
- c) During the year Company has changed its business model from Microfinance Lending to Business Correspondent of a Bank for providing microfinance services to poor. In this process the company has sold entire portfolio as on September 24, 2017 to KMBL. On account of this, the company shall receive assignment income till the maturity of the portfolio and BC service fee on BC operations in place of interest income from microloan portfolio. The operations of the company continued without any significant change inspite of this change in this model.
- d) Segment Reporting: The company's business segment was microfinance services and the principal geographical segment is India. Subsequent to September 27, 2017 the company's business is Business Correspondent services in respect of microfinance for KMBL. Accordingly no separate disclosures are required to be made under Accounting Standard-17.
- e) Corporate Social Responsibility (CSR): As per Section 135 of the Companies Act 2013, the company is required to spend ₹ 39,68,470/- (2% of the average net profits of the Company made during the three immediately preceding financial years) towards CSR activities for the financial year 2017-18. Break up for the same is as follows:
- i) Gross Amount required to be spent during the financial year 2017-18 - ₹ 39,68,470/- (PY - ₹27,19,000)
 - ii) Amount spend towards CSR Activities as per Company's CSR Policy : Donation to Swami Vivekananda Youth Movement - ₹ 30,00,000/-
 - iii) Unspent amount as on March 31, 2018 - ₹ 9,68,470."
- f) Earnings Per Share (EPS): The earnings considered in ascertaining the Earnings per Share (EPS) of the Company comprises the Net Profit available to equity share holders as per Accounting Standard 20 (AS-20). The Number of shares used in computing basic EPS is the weighted average number of shares outstanding during the period.

Notes to the Financial Statements

for the year ended 31st March 2018

(In Rupees)

Particulars	31 st Mar 2018	31 st Mar 2017
Profit Available to Equity Shareholders	212,569,562	188,522,906
Weighted Average No. of Equity Shares	26,728,661	26,728,661
Equity Share of ₹	10	10
Potential Equity Shares	-	-
Basic Earnings Per Share (₹)	7.95	7.05
Diluted Earnings Per Share (₹)	7.95	7.05

- g) Contingent Liabilities – ₹ Nil (PY - ₹ Nil)
- h) Amount remitted in Foreign currency on account of fee for technical services during the year - ₹ 2,62,640 (PY - ₹ 26,25,350/-)
- i) During the year the company has not entered any derivative contract and no disclosure pertaining to the same is applicable during the current financial year. Unhedged Foreign currency exposures as at 31st March 2018 - Nil (PY - Nil)
- j) Penalties imposed by Regulators - Nil (PY - Nil)
- k) Frauds reported during the Financial Year - Nil (PY - Nil)
- l) Claims against the company not acknowledged as debts – ₹ Nil (PY - ₹ Nil)
- m) Previous Year figures have been regrouped or reclassified wherever necessary to correspond with the current year's classification / disclosures and figures in the financial statements have been rounded off to the nearest Rupee.
25. De-registration of NBFC MFI: As the Company has assigned all its receivables and became a business correspondent of the Kotak Mahindra Bank Limited, made an application to the RBI for de-registration of the NBFC-MFI, vide application dated October 24, 2017. The Company is awaiting the approval for the same. However, the Company has made required disclosures under the RBI guidelines.

Schedule to the Balance Sheet of a Non-Deposit Taking Non-Banking Financial Company

(as required in terms of paragraph 16 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016)

Liabilities side :		(₹)	
(A) Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:	Amount Outstanding	Amount	Amount overdue
(a) Debentures : Secured	-	-	-
: Unsecured	-	-	-
(other than falling within the meaning of public deposits*)	-	-	-
(b) Deferred Credits	-	-	-
(c) Term Loans	-	-	-
Interest Accrued but not due on Termloans	-	-	-
(d) Inter-corporate loans and borrowing	-	-	-
(e) Commercial Paper	-	-	-
(f) Other Loans (Subordinated Debt)	-	-	-

Notes to the Financial Statements

for the year ended 31st March 2018

Assets side :

	Amount Outstanding
(B) Break-up of Loans and Advances including bills receivables [other than those included in (C) below] :	
(a) Secured	-
(b) Unsecured - Microloans Outstanding	-
- Loans to Staff	8,344,347
(C) Break up of Leased Assets and stock on hire and other assets counting towards AFC activities	-
(i) Lease assets including lease rentals under sundry debtors :	
(a) Financial lease	-
(b) Operating lease	-
(ii) Stock on hire including hire charges under sundry debtors:	
(a) Assets on hire	-
(b) Repossessed Assets	-
(iii) Other loans counting towards AFC activities	
(a) Loans where assets have been repossessed	-
(b) Loans other than (a) above	-
(D) Break-up of Investments :	
Current Investments :	
1. Quoted :	
(i) Shares : (a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	505,762,995
(iv) Government Securities	-
(v) Others (please specify)	-
2. Unquoted :	
(i) Shares : (a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others (please specify)	-
Long Term investments :	
1. Quoted :	
(i) Shares : (a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others (please specify)	-

Notes to the Financial Statements

for the year ended 31st March 2018

	Amount Outstanding
2. Unquoted :	
(i) Shares : (a) Equity	2,000,000
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others (please specify)	-

(E) Borrower group-wise classification of assets financed as in (B) and (C) above :

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties (As per Accounting Standard of ICAI)			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2. Other than related parties	-	-	-
Total			

(F) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties (As per Accounting Standard of ICAI)	-	-
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2. Other than related parties	-	-
i) Alfa Microfinance Consultants Private Limited	2,000,000	2,000,000
ii) Aditya Birlasunlife Mutual Fund	160,311,595	160,000,000
iii) Axis Mutual Fund	95,920,727	95,641,548
iv) Kotak Mutual Fund	254,053,262	250,121,447
Total	-	-

Notes to the Financial Statements

for the year ended 31st March 2018

(G) Other information

Particulars	Amount
(i) Gross Non-Performing Assets	-
(a) Related parties	-
(b) Other than related parties	-
(ii) Net Non-Performing Assets	-
(a) Related parties	-
(b) Other than related parties	-
(iii) Assets acquired in satisfaction of debt	-

H) Investments

(Amount in ₹)

Particulars	Current Year	Previous Year
(1) Value of Investments		
(i) Gross Value of Investments		
(i) (a) In India	507,762,995	2,000,000
(i) (b) Outside India,	-	-
(ii) Provisions for Depreciation		
(ii) (a) In India	-	-
(ii) (b) Outside India,	-	-
(iii) Net Value of Investments		
(iii) (a) In India	507,762,995	2,000,000
(iii) (b) Outside India.	-	-
(2) Movement of provisions held towards depreciation on investments.	-	-
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / write-back of excess provisions during the year	-	-
(iv) Closing balance	-	-

I) Forward Rate Agreement / Interest Rate Swap

(Amount in ₹)

Particulars	Current Year	Previous Year
(i) The notional principal of swap agreements		
(ii) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements		
(iii) Collateral required by the NBFC upon entering into swaps	NIL	NIL
(iv) Concentration of credit risk arising from the swaps		
(v) The fair value of the swap book		

Notes to the Financial Statements

for the year ended 31st March 2018

J) Exchange Traded Interest Rate (IR) Derivatives

S. No.	Particulars	Current Year	Previous Year
		Amount. ₹	Amount. ₹
(i)	Notional principal amount of exchange traded IR derivatives undertaken during the year 2015-16 (instrument-wise)	Nil	Nil
	Notional principal amount of exchange traded IR derivatives outstanding as on 31 st March 2016 (instrument-wise)	Nil	Nil
	Notional principal amount of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil
	Mark-to-market value of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil

Quantitative Disclosures

Sl. No.	Particular	Currency Derivatives	Interest Rate
			Derivatives
(i)	Derivatives (Notional Principal Amount)		(Amount in ₹)
(i)	For hedging		NIL
(ii)	Marked to Market Positions [1]		
(ii)	a) Asset (+)		
(ii)	b) Liability (-)		NIL
(iii)	Credit Exposure [2]		
(iv)	Unhedged Exposures		

J(a). Details of financing of parent company products - NIL

J(b). Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC - NIL

During the year there are no instances of SGL/GBL exceeding the sanctioned limit or outstanding or entire outstanding whichever is higher.

J(c). Secured Advances - NIL

J(d). Registration obtained from other financial sector regulators - NIL

No registration has been taken from other financial sector regulators

J(e). Disclosure of Penalties imposed by RBI and other regulators - NIL

No penalties have been imposed

J(f). Draw Down from Reserves - NIL

J(g). Concentration of NPAs

Non Performing Assets(NPAs) as on March 31, 2018 is Nil

Notes to the Financial Statements

for the year ended 31st March 2018

K) Disclosures relating to Securitisation, as per DNBR (PD) CC. No.002/03.10.001/2014-15 dated November 10, 2014:

S. No.	Particulars	No. / Amount in ₹
i	No of SPVs sponsored by the NBFC for securitisation transactions	NIL
ii	Total amount of securitised assets as per books of the SPVs sponsored	
iii	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet	
	a) Off-balance sheet exposures	
	First loss	
	Others	
	b) On-balance sheet exposures	
	First loss	
iv	Amount of exposures to securitisation transactions other than MRR	
	a) Off-balance sheet exposures	
	i) Exposure to own securitizations	
	First loss	
	Loss	
	ii) Exposure to third party securitisations	
	First loss	
	Others	
	b) On-balance sheet exposures	
	i) Exposure to own securitisations	
	First loss	
	Others	
	ii) Exposure to third party securitisations	
	First loss	
	Others	

L) Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

Particulars	(Amount in ₹)	
	Current year	Previous Year
(i) No. of accounts	NIL	NIL
(ii) Aggregate value (net of provisions) of accounts sold to SC / RC		
(iii) Aggregate consideration		
(iv) Additional consideration realized in respect of accounts transferred in earlier years		
(v) Quantum of Credit Enhancement		
(vi) Aggregate gain / loss over net book value		

Notes to the Financial Statements

for the year ended 31st March 2018

M) Assignment transactions undertaken by NBFCs

(Amount in ₹)

Particulars	Current year	Previous Year
(i) No. of accounts	407,325	NIL
(ii) Aggregate value (net of provisions) of accounts sold	6,314,844,759	
(iii) Aggregate consideration	6,314,844,759	
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	
(v) Quantum of Credit Enhancement	442,039,133	
(vi) Aggregate gain / loss over net book value	-	

As the Company has assigned all its receivables to Kotak Mahindra Bank Limited, on September 27, 2017, the Company has calculated margin till the end of first quarter (i.e, June 30, 2017), which is 9.77% and margin for the financial year 2016-17 - 9.99%.

N) Details of non-performing financial assets purchased

(Amount in ₹)

Particulars	Current year	Previous Year
1 (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding		
2 (a) Of these, number of accounts restructured during the year		
(b) Aggregate outstanding		

O) Details of Non-performing Financial Assets sold

(Amount in ₹)

Particulars	Current year	Previous Year
1 No. of accounts sold	NIL	NIL
2 Aggregate outstanding		
3 Aggregate consideration received		

P) Exposure to Real Estate Sector (Amount in ₹)

Category	Current year	Previous Year
a) Direct Exposure		
(i) Residential Mortgages -	-	-
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	-	-
(ii) Commercial Real Estate -	-	-

Notes to the Financial Statements

for the year ended 31st March 2018

Category	Current year	Previous Year
Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose 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 limits	-	-
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -	-	-
a. Residential	-	-
b. Commercial Real Estate	-	-
Total Exposure to Real Estate Sector	-	-

Q) Exposure to Capital Market

(Amount in ₹)

Particulars	Current year	Previous Year
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	2,000,000	2,000,000
(ii) advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;	-	-
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi) loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows / issues;	-	-
(viii) all exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	2,000,000	2,000,000

Notes to the Financial Statements

for the year ended 31st March 2018

R) Provisions and Contingencies (Amount in ₹)

Break up of 'Provisions and Contingencies'	Current Year	Previous Year
Provisions for depreciation on Investment	-	-
Provision towards NPA	-	6,245,835
Provision made towards Income tax	116,285,550	102,360,300
Provision for Bad and doubtful assets	19,601,308	-
Provision for others	34,762,818	-
Provision for Standard Assets	-	48,642,020

R(a). Concentration of deposits (for deposit taking NBFCs) (Amount in ₹)

Total Deposits of twenty largest depositors	-
Percentage of Deposits of twenty largest depositors to Total Deposits of the NBFC	Not Applicable

R(b). Concentration of Advances (Amount in ₹)

Total Advances (microloans outstanding) to twenty largest borrowers	-
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	Not Applicable

R(c). Concentration of Exposures (Amount in ₹)

Total Exposure (microloan outstanding) to twenty largest borrowers/customers	-
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	Not Applicable

S) Sector wise NPAs'

Sl. No.	Sector	Percentage of NPAs to Total Advances in that sector
1	Agriculture & Allied activities	-
2	MSME	-
3	Corporate borrowers	-
4	Services	-
5	Unsecured personal loans	-
6	Auto loans	-
7	Other personal loans	-

Notes to the Financial Statements

for the year ended 31st March 2018

T) Movement of NPAs (Amount in ₹)

Particulars	Current Year	Previous Year
(i) Net NPAs to Net Advances (%)	-	0.64%
(ii) Movement of NPAs (Gross)		
(ii) (a) Opening balance	40,857,202	113,269
(b) Net Additions / (Reductions)	(40,857,202)	40,743,932
(ii) (c) Closing balance	-	40,857,202
(iii) Movement of Net NPAs		
(iii) (a) Opening balance	34,611,367	82,538
(b) Net Additions / (Reductions)	(34,611,367)	34,528,829
(iii) (c) Closing balance	-	34,611,367
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(iv) (a) Opening balance	6,245,835	30,732
(b) Net Additions / (Reductions)	(6,245,835)	6,215,104
(iv) (c) Closing balance	-	6,245,835

Overseas Assets

Name of the Joint Venture/ Subsidiary	Other Partner in the JV	Country	Total Assets
	NIL		

U) Off-balance Sheet SPVs sponsored

Name of the SPV sponsored

Domestic	Overseas
	NIL

V) Customer Complaints

(a) No. of complaints pending at the beginning of the year	-
(b) No. of complaints received during the year	4
(c) No. of complaints redressed during the year	4
(d) No. of complaints pending at the end of the year	-

Notes to the Financial Statements

for the year ended 31st March 2018

W) Disclosures required as per RBI Guidelines for NBFC - NDSI:

Particulars	March 31, 2018	March 31, 2017
Net Owned Funds - Tier -I Capital	1,053,418,323	839,779,231
Tier - II Capital	-	248,642,020
Risk Weighted Assets	825,692,851	5,569,162,603
a) Capital to Risk (Weighted) Assets Ratio (CRAR)	127.58%	19.54%
Tier I Capital	127.58%	15.08%
Tier II Capital	0.00%	4.46%
b) Exposure to Real Estate Sector		
Direct & Indirect Exposure	Nil	Nil
c) Amount of Subordinated Debt raised as Tier II Capital- ₹	Nil	Nil
d) Amount raised by issue of Perpetual Debt Instruments	Nil	Nil
e) Ratings Assigned during the year		
MFI Grading - CARE (CRISIL) (MFI Grading Scale - mfR-1 Highest, mfR-8 Lowest)	MFI-2	MFI-2
Bank Loan Rating - BRICKWORK Ratings	BBB + (Stable outlook)	BBB + (Stable outlook)

Notes to the Financial Statements

for the year ended 31st March 2018

f. i) Maturity Pattern of certain items of assets and liabilities as on March 31, 2018

Particulars	1 day to 30 days	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 months	1 to 3 Yrs.	3 to 5 Yrs.	>5 Yrs.	Total
Assets									
Advances (microloans outstanding)	-	-	-	-	-	-	-	-	-
Fixed Deposits with Banks (Free of Lien)	-	-	-	-	-	-	-	-	-
Investments	505,762,995	-	-	-	-	-	-	2,000,000	507,762,995
Liabilities									
Secured Borrowings from Banks/Fis/Others	-	-	-	-	-	-	-	-	-
Unsecured Borrowings from Banks/Fis/Others	-	-	-	-	-	-	-	-	-
Foreign Currency Assets/Liabilities	-	-	-	-	-	-	-	-	-

f. ii) Maturity Pattern of certain items of assets and liabilities as on March 31, 2017

Particulars	1 day to 30 days	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 months	1 to 3 Yrs.	3 to 5 Yrs.	>5 Yrs.	Total
Assets									
Advances (microloans outstanding)	348,505,848	395,365,811	370,583,875	1,043,514,258	1,874,349,589	1,451,280,056	-	-	5,483,599,436
Fixed Deposits with Banks (Free of Lien)	109,100,000	-	-	-	-	-	-	-	109,100,000
Investments	-	-	-	-	-	-	-	2,000,000	2,000,000
Liabilities									
Secured Borrowings from Banks/Fis/Others	188,504,696	160,130,543	315,368,355	670,749,344	1,218,626,171	2,214,796,835	232,598,147	-	5,000,774,091
Unsecured Borrowings from Banks/Fis/Others	-	-	-	-	-	-	-	200,000,000	200,000,000
Foreign Currency Assets/Liabilities	-	-	-	-	-	-	-	-	-

For and on behalf of Board of Directors

Narayan S A
Director
Place : Mumbai

D Kannan
Director
Date : April 24, 2018

Place : Bengaluru
Date : April 24, 2018

Kumar S
CEO

Suresh Batchu
CFO

ANNEXURE TO THE DIRECTORS' REPORT

BSS Microfinance Limited

Details for Section 197, read with Rules under Chapter XIII of the Companies Act, 2013 for the year ended 31st March 2018

Employees drawing a remuneration of Rs. 1.02 crore or above per annum:

EMPLOYED THROUGHOUT THE YEAR: Nil

EMPLOYED PART OF THE YEAR: One Employee employed part of the year was in receipt of monthly remuneration exceeding Rs. Eight Lakhs Fifty Thousand only.

Name	Designation	Gross Remuneration (Amt in ₹.)	Qualification	Experience in years	Date of Commencement of employment	Age (years)	Last Employment held
Dr. Ramesh Bellamkonda	As Managing Director from 01-04-2017 to 27-09-2017 (Salary)	84,29,251	Medical Doctor, Specialist in Gastroenterology	20 years plus	03-09-97	65	Medical Doctor in Practice
	As Non Executive Director from 28-09-2017 to 22-11-2017 (Sitting Fees and Professional Fees)	23,25,000	Involved in Microfinance Work for 20 years plus				

NOTES:

- 1) Gross remuneration includes Basic Salary, House Rent Allowance, Incentives, Gratuity, Leave Encashment.
- 2) None of the employees is related to any Director of the Company
- 3) None of the employees hold 2% of the total share capital of the Company.
- 4) Nature of employment in all cases is non-contractual and the terms and conditions are as per Company's Rules.

For and on behalf of the Board of Directors

Narayan S A
Chairman

D. Kannan
Non Executive Director

Mumbai,
Date :



Kotak Mahindra Bank Limited, 27BKC, C 27,
G Block, Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051

BSE: 500247 | NSE: KOTAKBANK | Bloomberg: KMB:IN

CIN: L65110MH1985PLC038137