Annual Report 2018-19

Courage
of Conviction.
Constancy
of Change.

Directors' Report

To the Members of

BSS MICROFINANCE LIMITED

The Directors present their Twenty Fifth Annual Report together with the audited accounts of the Company for the year ended 31st March 2019.

FINANCIAL HIGHLIGHTS

₹ in lac

Particulars	Year ended 31st March 2019	Year ended 31st March 2018
Gross income	15,889.80	16,247.88
Profit before tax	7,866.36	3,866.39
Provision for tax	2,337.41	1,378.11
Profit after tax	5,528.95	2,488.28
Other Comprehensive Income	13.40	(4.90)
Total Comprehensive Income for the period	5,542.35	2,483.38
Appropriations :		
Transferred to Statutory Reserve	-	425.14
Total Comprehensive Income carried to Balance Sheet	5,542.35	2,058.24

DIVIDEND

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

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 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 2019, Your Company has been facilitating micro credit for income generating activities and for quality of life improvement activities, to 4,29,312 poor women borrowers and their families.

The Asset Under Management (AUM), increased from ₹773.96 crs as on 31st March 2018 to ₹ 1,273.78 crs as on 31st March 2019, an increase of 64.58% Y-o-Y basis. The categories of Loan purposes include Animal Husbandry (56%), Petty Trading (18%), Petty Services (10%), Petty Manufacturing (9%), and Life Quality Improvement Loans (7%)

Industry Developments & Outlook

Micro finance industry continue to grow steadily, with more focus for expansion being shifted to northern side of the Country, where there is substantial uncovered ground. With Banks playing bigger role, both directly and indirectly in expanding micro credit, the Industry is likely to sustain the growth pattern and facilitate various financial services viz microcredit, savings, insurance, etc under one umbrella to weaker sections in a commercially viable manner. The Industry is also witnessing increased level of digital initiatives to support disbursement, collections and also for seamless loan processing mechanism.

Opportunities & Threats

There is still substantial potential and uncovered locations/ villages in the Country to expand microfinance operations. Many of the existing customers have higher financial requirements to expand their activities. The Company, being a Business Correspondent, is also well placed to facilitate various financial needs such as deposit accounts, remittances, etc to the customers.

Excessive lending to borrowers in some areas, especially in the bigger towns/ cities, and interference of vested interest external elements continues to be challenges faced by the Industry. The Company is strictly scrutinizing the credit bureau reports to avoid excessive lending and also continuously educating the borrowers to reduce repayment 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 etc. 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

With the view to scale up the operations and to facilitate seamless process of operations, the Company in co-ordination with the holding Company Kotak Mahindra Bank Limited has rolled out a new software, Finflux, with effect from 1st April 2019. The new software will help the Company to achieve higher efficiency in the operations and also will facilitate to enable more digital initiatives such as cash-less operations, deposit products, etc.

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 four Directors as on 31st March 2019, Non-Executive Director Sri Narayan S.A., Non-Executive Director Sri D. Kannan, Non-Executive Director Sri B.S. Sivakumar, and Independent Director Sri Chandrashekhar S Sathe, with any two forming the quorum.

On 7th January 2019, Sri Noshir Rustom Dastur retired as Independent Director after expiry of one year term , and Sri. Chandrashekar S Sathe retired as Independent Director after expiry of one year term and was reappointed as the Independent Director.

Your Directors place on record their appreciation for the valuable advice and guidance rendered by Sri Noshir Rustom Dastur.

Declaration from Independent Director

The Company being a wholly owned subsidiary does not come under the purview of Section 149 (7) of the Companies Act, 2013. The Board has received declarations from the Independent Director and the Board is satisfied that the Independent Director meet the criteria of independence.

Board Evaluation

The Nomination and Remuneration Committee of the Company's Board has formulated the criteria for performance evaluation of the Directors and the Board as a whole. The criteria formulated broadly covers the Board role, Board / Committee membership, practice and procedure and collaboration and style. The said questionnaire was circulated to all the Directors of the Company for the annual performance evaluation.

Based on the assessment of the responses received to the questionnaire from the Directors on the annual evaluation of the Board, its Committees, Chairman and the Individual Directors, a summary of the Board Evaluation was placed before the meeting of the Board for consideration. The Board at its meeting assessed the performance of the Directors. The Directors were satisfied with the results of the Performance evaluation of the Board and its Committees, Chairman and Individual Directors.

Key Managerial Personnel (KMPs)

In terms of the provisions of Section 203 of the Companies Act, 2013, Mr. S Kumar Chief Executive Officer, Mr. Suresh Batchu Chief Financial Officer and P B Kavitha, Company Secretary are the Key Managerial Personnel of the Company.

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, Chief Financial Officer and Company Secretary, is as per the terms of their employment.

Number of Board Meetings

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

COMMITTEES

AUDIT COMMITTEE

The Audit Committee was reconstituted during the year on 7th January 2019, and presently consists of three members, Sri Narayan SA, Non-Executive Director, Sri D. Kannan, Non-Executive Director and Sri Chandrashekhar S Sathe, Independent Director, with any two members forming the quorum.

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

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Your Company has constituted a Board Corporate Social Responsibility Committee (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. Chandrashekar S. Sathe.

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

NOMINATION AND REMUNERATION COMMITTEE

The Nomination Committee and the Remuneration Committee presently consists of three members, Non-Executive Director Sri Narayan S.A., Non-Executive Director Sri D. Kannan, and Independent Director Sri Chandrashekhar Shrikrishna Sathe, with any two forming the quorum. On 7th January 2019, one of the Nomination and Remuneration Committee members, Sri Noshir Rustom Dastur retired as Independent Director after expiry of one year term.

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

ASSET LIABILITY MANAGEMENT COMMITTEE

The Asset Liability Management Committee 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, four meetings of the Committee were held.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee 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, four meetings of the Committee were held.

SHARE TRANSFER COMMITTEE

The Share Transfer Committee 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.

FIRST TIER AUDIT COMMITTEE

First Tier Audit Committee presently comprises of four members Sri. D. Kannan, 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.

ROUTINE AND ADMINISTRATIVE FUNCTIONS COMMITTEE

Routine and Administrative Functions Committee presently comprises of three members Non-Executive Director Sri Narayan S.A., Non-Executive Director Sri D. Kannan and Non-Executive Director Sri B.S. Sivakumar.

During the year, 1 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 Audit Committee / 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: https://www.bssmfi.com/vigil-mechanism.html

CORPORATE SOCIAL RESPONSIBILITY

Your Company's 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 CSR interventions. The core CSR focus areas outlined are:

- Education
- Vocational skills and livelihood
- Preventive healthcare and sanitation
- Reducing inequalities faced by socially and economically backward groups
- Sustainable development
- Relief and rehabilitation
- Clean India
- Sports

The Company's CSR Policy is available on the Company's website: http://www.bssmfi.com/assets/pdf/csr-policy.pdf

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, 2019 is ₹ 27.82 crore.

The prescribed CSR expenditure required U/S 135, of the Act for FY 2018-19 is ₹ 55.65 lakh.

The CSR expenditure incurred from 1st April, 2018 to 31st March, 2019 U/S 135 of the Companies Act, 2013 amounts to ₹ 30.10 lakh as against ₹ 30 lakh CSR Expenditure incurred in FY 2017-18. The unspent CSR expenditure amount for FY 2018-19 is ₹ 25.55 lakh.

CSR expenditure of ₹ 30.10 lakh as a percentage of average net profit U/S 198 of the Company at ₹ 27.82 crore is 1.08%.

The Company's CSR programmes and expenditures are approved by the Board CSR Committee and the Board. The Company's CSR budget is guided by the vision of creating long-term benefits for the society. The Company has been building its CSR capabilities on a sustainable basis and is committed to gradually increasing its CSR spending in the coming year for its long-term projects. The Company identifies suitable NGO partners, wherever required, for carrying out its CSR programmes. It undertakes CSR programmes that are scalable, sustainable and have the potential to be replicated across locations and create a sustainable and measurable impact in communities.

Most of the CSR programmes undertaken are in the area of education and eradicating hunger. The Company's CSR footprint has been consistently increasing over the years. The Company is committed to stepping-up its CSR programmes and expenditure in the years ahead.

The Company's CSR Expenditure in FY 2018-19 of ₹ 30.10 lakh was higher than the previous financial year. In FY 2016-17, the Company's CSR Expenditure was ₹ 27.19 lakh, which increased to ₹ 30 lakh in FY 2017-18 – an increase of over 10% over the previous financial year.

The details of CSR Programmes and Expenditure U/S 135 of the Companies Act, 2013, for FY 2018-19, are annexed to this report.

Details of CSR activities and expenditure U/S 135 of the Companies Act, 2013

CSR project/ activity identified	Sector in which the project is covered	Area of project implementation (Name of the District / s, State / s where project / programme was undertaken	Programme / project wise budgeted amount (₹ Lakh)	Programme / project wise actual spend during the year – Direct expenditures (₹ Lakh)	Programme / project wise actual spend during the year – Overheads (₹ Lakh)	Cumulative Expenditure upto reporting period (Since FY 2014-15) (₹ Lakh)	Amount spent: Direct or Through implementing agency (₹ Lakh)
Eradicating Hunger	Eradicating hunger	Kodagu, Karnataka	11.44	11.44	-	61.15	Direct Implementation-11.44
Promoting Education	Promoting Education	Kodagu, Chitradurga- Karnataka	18.66	18.66	-	18.66	Direct Implementation-18.66
		Total csr spend u/s 135 of the companies act, 2013, during fy 2018-19					30.10

Summary of CSR Programmes implemented in FY 2018-19

In FY2018-19, the Company continued to implement its CSR Programme 'Eradicating hunger'. Heavy rains and cloud burst in August 2018 in Kodagu District, Karnataka left many areas sub-merged under water and there were landslides in many places. Many houses were washed away or collapsed. Many coffee estates/ plantation have suffered big time. Somvarpet, Virajpet and Kushalnagar were severely affected. The Company extended support in terms of providing essential provisions such as rice, sugar, salt, oil, etc to over 900 affected families in these areas.

In FY2018-19 the Company implemented its CSR programme on Education by providing school bags to 3,800 students from the economically underprivileged strata of the society in Kodagu and Chitradurga districts in Karnataka.

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 1,592 as of 31st March 2019.

None of the employees 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 2019.

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 ₹ 29.65 lac (Previous Year: ₹ 2.63 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 2019 and of the profit of the Company for the financial year ended 31st March 2019;

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

Place: Mumbai
Date: 27th June 2019

Narayan SA
Chairman

D. Kannan
Non Executive Director

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on March 31, 2019

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i)	CIN	U74899KA1994PLC049746
ii)	Registration Date	5th April 1994
iii)	Name of the Company	BSS MICROFINANCE LIMITED
iv)	Category / Sub-Category of the Company	Company limited by Shares/Non Government Company
v)	Address of the Registered office and contact details	No. 11, 2nd Block, 2nd 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.
vi)	Whether listed company Yes / No	No
vii)	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 1604 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:-

Sl. No.	Name & Description of main products/services	NIC Code of the Product /service	% 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 AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
		NIL			

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

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				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	-	-	-	0.00%	-	-	-	-	0.00%
b) Central Govt.or State Govt.	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	-	-	-	-	-	-	-	-	-
d) Bank/FI	-	-	-	-	-	-	-	-	-
e) Any other (BSS Trust)	-	-	-	0.00%	-	-	-	-	0.00%
SUB TOTAL:(A) (1)	**-**	**-**	**-**	**0.00%**	**-**	**-**	**-**	**-**	**0.00%**
(2) Foreign	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) NRI- 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)	**-**	**-**	**-**	**0.00%**	**-**	**-**	**-**	**-**	**0.00%**
B. PUBLIC SHAREHOLDING									
(1) Institutions	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	26,591,856	136,805	26,728,661	1	26,728,661	-	26,728,661	100.00%	0.00%
C) Cenntral govt	-	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIS	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1):-	**26,591,856**	**136,805**	**26,728,661**	**100.00%**	**26,728,661**	**-**	**26,728,661**	**100.00%**	**0.00%**
(2) Non Institutions									
a) Bodies corporates	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-

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	
i) Individual shareholders holding nominal share capital upto ₹1 lakhs	-	-	-	-	-	-	-	-	-
ii) Individuals shareholders holding nominal share capital in excess of ₹ 1 lakhs	-	-	-	0.00%	-	-	-	-	0.00%
c) Others (specify)	-	-	-	-	-	-	-	-	-
Trusts (BNS & BSS MBT)	-	-	-	0.00%	-	-	-	-	0.00%
SUB TOTAL (B)(2):	**-**	**-**	**-**	**0.00%**	**-**	**-**	**-**	**-**	**0.00%**
Total Public Shareholding (B)= (B)(1)+(B)(2)	**26,591,856**	**136,805**	**26,728,661**	**100.00%**	**26,728,661**	**-**	**26,728,661**	**100.00%**	**0.00%**
C. Shares held by Custodian for GDRs & ADRs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total (A+B+C)	**26,591,856**	**136,805**	**26,728,661**	**100.00%**	**26,728,661**	**-**	**26,728,661**	**100.00%**	

(ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share-holding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
1	KOTAK MAHINDRA BANK LIMITED	26,728,661	100.00%	NIL	26,728,661	100.00%	NIL	0.00%
		26,728,661	**100.00%**	**NIL**	**26,728,661**	**100.00%**	**NIL**	**0.00%**

(iii) Change in Promoters' Shareholding

Sl. 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	26,728,661	100.00%	-	-
		26,728,661	100.00%	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	-	-	-	-
	At the End of the year	**26,728,661**	**100.00%**	**-**	**-**

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

Sl. 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	-	-	-	-
Date wise increase/decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc).	-	-	-	-
At the End of the year (or on the date of separation, if separated during the year)	-	-	-	0.00%

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of share	% of total shares of the company	No. of shares	% of total shares
At the beginning of the year		-	-	-	-
Date wise increase/decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc):		-	-	-	-
At the End of the year		**-**	**-**	**-**	**-**

V. INDEBTEDNESS

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

(₹ in lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	-	-	-	-
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)	-	-	-	-
Change in Indebtedness during the financial year	-	-	-	-
- Addition				
- Reduction				
Net Change	-	-	-	-
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 PERSONNE-

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

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager				Total Amount
1	Gross salary *					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961 @	-	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-	-
2	Stock Option	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-
4	Commission					
	- as % of profit	-	-	-	-	-
	- Others, specify…	-	-	-	-	-
5	Others, please specify Sitting fees and Professional fees	-	-	-	-	-
	Total (A)	**-**	**-**	**-**	**-**	**-**
	Ceiling as per the Act	No Ceiling				

B. Remuneration to other directors

(₹ in lakh)

Sl. no.	Particulars of Remuneration	Name of Directors						Total Amount in ₹
		Sri. Chandrashekar S Sathe (Independent Director)	Sri. Noshir Rustom Dastur (Independent Director)					
1	**Independent Directors**							
(a)	Fee for attending board committee meetings	N/A	N/A					
(b)	Commission	N/A	N/A					
(c)	Others, please specify	N/A	N/A					
	Total (1)							
2	**Other Non-Executive Directors**							
A)	Fee for Attending Board Meetings (₹)	60,000	45,000					105,000
B)	Fee for Board Committee Meetings							
	i) Audit Committee (₹)	40,000	30,000					70,000
	ii) Asset Liability Management Committee (₹)							-
	iii) Risk Management Committee (₹)							-
	iv) Nomination and Remuneration Committee (₹)	10,000	10,000					20,000
	v) Corporate Social Responsibility Committee(₹)							-
	vii) Honororium	Nil	Nil	-	-	-	-	-
C)	Commission (₹)	Nil	Nil	Nil	Nil	Nil	Nil	-
D)	1. Others (Professional Fee) (₹)	-	-	-	-	-	-	-
	2. Others (Per-Diem Allowance) (₹)	-	-	-	-	-	-	-
	Total (2)	**110,000**	**85,000**	**-**	**-**	**-**	**-**	**195,000**
	Total (B) = (1)+(2)	**110,000**	**85,000**	**-**	**-**	**-**	**-**	**195,000**
	Total Managerial Remuneration	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	

Overall Ceiling as per the Act : NA

(₹ in lakh)

Sl. no.	Particulars of Remuneration	Name of Directors						Total Amount in ₹
		Sri Chandrashekhar S Sathe	Sri Noshir Rustom Dastur					
1	**Independent Directors**							
(a)	Fee for attending board committee meetings	110,000.00	85,000.00	N/A	N/A	N/A	N/A	195,000.00
(b)	Commission	400,000.00	N/A	N/A	N/A	N/A	N/A	400,000.00
(c)	Others, please specify	N/A	N/A	N/A	N/A	N/A	N/A	-
	Total (1)	**510,000.00**	**85,000.00**	**-**	**-**	**-**	**-**	**595,000.00**
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) Nomination and Remuneration Committee (₹)	-	-					-
	v) Corporate Social Responsibility Committee(₹)	-	-	-	-	-	-	-
	vii) Honororium	-	-		-	-	-	-
C)	Commission (₹)	-	-	-	-	-	-	-
D)	1. Others (Professional Fee) (₹)	Nil	Nil	Nil	Nil	Nil	Nil	-
	2. Others (Per-Diem Allowance) (₹)	-	-					-
	Total (2)	**-**	**-**					**-**
	Total (B) = (1)+(2)	**510,000**	**85,000**	**-**	**-**	**-**	**-**	**595,000**
	Total Managerial Remuneration	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**-**

Overall Ceiling as per the Act : NA

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

Sl. no.	Particulars of Remuneration		Key Managerial Personnel			Total Amount
			S. Kumar, CEO	Sri. Suresh Batchu, CFO	Ms. P. B. Kavitha, CS	
1	Gross salary *					
	(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	8,279,461	8,229,155	2,659,452	19,168,068
	(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961 @	N/A	N/A	N/A	-
	(c)	Profits in lieu of salary under section 17(3) 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		**8,279,461**	**8,229,155**	**2,659,452**	**19,168,068**

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.
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.

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

Narayan S A
Chairman

D. Kannan
Non Executive Director

ANNEXURE B

ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT FOR THE FY 2018-19

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.bssmfi.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 Chandrashekar Sathe.

C. Average net annual profit of the Company for last three financial years: ₹27.82 crores

D. Prescribed CSR Expenditure (two per cent. of the amount as in item C above): ₹55.65 lakhs

E. Details of CSR spent during the financial year/ amount unspent:

A. CSR spending towards relief measures for the people affected in Kodagu region due to flood: BSS has extended support to around 900 affected families in rain affected areas in Kodagu region, by way of providing 25 kgs of rice and some essential provisions (like sugar, salt, oil, etc) to each such family at a total cost of ₹ 11,43,970/-.

B. CSR spending towards Education support to poor children: BSS has funded to provide school bags to 3,800 poor children in the areas of Kodagu district and in North Karnataka. The total Cost is ₹ 18,65,600/-.

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	Support to Rain Affected families in Kodagu District Support to poor children in Kodagu and North Karnataka
2	Sector in which the Project is covered	Food supply – eradicating hunger, poverty and malnutrition Promoting education.
3	Projects or programs	Kodagu district and North Karnataka in Karnataka State
	(1) Local area or other	
	(2) Specify the State and district where projects or programs was undertaken	
4	Amount outlay (budget) project or programs wise	₹ 55,65,000/-
5	Amount spent on the projects or Programs Subheads:	₹ 30,09,570/-
	(1) Direct expenditure on projects or programs.	
	(2) Overheads:	
6	Cumulative expenditure upto to the reporting period from FY 2014-15 onwards till 31/03/2019	₹110,65,570/-
7	Amount spent: Direct or through implementing agency	Direct

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.

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

BSS Microfinance Limited

D. Kannan
Director

Narayan S.A.
Chairman of CSR Committee

Independent Auditor's Report

To The Members of BSS Microfinance Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of **BSS Microfinance Limited** ("the Company"), which comprise the Balance Sheet as at 31st March 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

BASIS FOR OPINION

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. 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.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.
- Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS/ 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by Section 143(3) of the Act, based on our audit, referred to in the Other Matters section above 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 including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.

    d) In our opinion, the aforesaid financial statements comply with the Ind AS/ Accounting Standards specified under Section 133 of the Act.

    e) On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of

Directors, none of the directors is disqualified as on 31st March, 2019 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 the requirements of section 197(16) of the Act, as amended,

   In our opinion and to the best of our information and according to the explanations given to us, the remuneration if any paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

h) 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 does not have any pending litigations which would impact its financial position

   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)

Place: Bengaluru
Date:

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 ("the Company") as of March 31, 2019 in conjunction with our audit of the Ind AS 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, 2019, 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)

S. Sundaresan
Partner
(Membership No. 25776)

Place: Bengaluru
Date: June 27, 2019

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) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of 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 explanations given to us no material discrepancies were noticed on such verification.

(c) The Company does not have any immovable properties of freehold or leasehold land and building and hence reporting under clause (i)(c) of the CARO 2016 is not applicable.

(ii) The Company does not have any inventory and hence reporting under clause (ii) of the CARO 2016 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, making investments.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. In respect of unclaimed deposits if any, the Company has complied with the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013

(vi) Having regard to the nature of the Company's business / activities, reporting under clause (vi) of CARO 2016 is not applicable.

(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 Provident Fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it to the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2019 for a period of more than six months from the date they became payable.

(c) There are no dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Value Added Tax as on March 31, 2019 on account of disputes.

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.

(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 the information and explanations given to us, the Company has paid managerial remuneration if any 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 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 CARO 2016 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 persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. The Company was carrying on business as an NBFC-MFI. During the previous year the Company 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 had made an application made for de-registration of the NBFC-MFI vide application dated October 24, 2017. Approval for the same from RBI was received on February 15, 2019.

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

S. Sundaresan
Partner
(Membership No. 25776)

Place: Bengaluru
Date: June 27, 2019

Balance Sheet
as at March 31, 2019

(Amount in lakhs)

Particulars		Note No.	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
ASSETS					
Non-Current Assets					
(a)	Property, Plant and Equipment	2	532.09	343.95	486.45
(b)	Other Intangible assets	3	67.37	5.05	35.56
(c)	Financial Assets				
	(i) Non-Current Investments	4	20.00	20.00	20.00
	(ii) Long term loans	5	168.69	21,264.05	14,333.08
(d)	Tax Assets		-	21.21	-
(e)	Deferred tax assets (Net)		314.38	390.46	603.89
(f)	Other non-current assets	6	35.35	11.74	19.32
Total Non-Current Assets			**1,137.88**	**22,056.46**	**15,498.30**
Current Assets					
(a)	Financial Assets				
(i)	Current Investments	7	751.56	5,102.86	-
(ii)	Trade receivables	8	1,080.46	362.29	-
(iii)	Cash and cash equivalents	9	2,156.37	1,415.43	2,521.32
(iv)	Bank balance other than (iii) above	10	12,822.40	7,221.69	3,785.97
(v)	Short term loans	11	3,321.88	13,294.00	38,974.38
(vi)	Other current financial assets	12	90.01	3.66	4.17
(b)	Other current assets	13	475.73	197.52	105.36
Total Current Assets			**20,698.41**	**27,597.45**	**45,391.20**
Total Assets			**21,836.29**	**49,653.91**	**60,889.50**
LIABILITIES AND EQUITY					
EQUITY					
(a)	Equity Share capital	14	2,672.87	2,672.87	2,672.87
(b)	Other Equity	15	13,378.14	7,835.79	5,352.41
Total Equity			**16,051.01**	**10,508.66**	**8,025.28**
LIABILITIES					
Non-Current Liabilities					
(a)	Financial Liabilities				
(i)	Long term borrowings	16	-	21,463.01	26,322.06
(b)	Long term provisions	17	109.63	328.28	237.81
Total Non-Current Liabilities			**109.63**	**21,791.29**	**26,559.87**
Current Liabilities					
(a)	Financial Liabilities				
(i)	Trade payables				
(A)	total outstanding dues of micro enterprises and small enterprises				
(B)	total outstanding dues of creditors other than micro enterprises and small enterprises		707.81	463.14	382.91
(ii)	Other current financial liabilities	18	4,077.58	16,037.68	25,721.04
(b)	Other current liabilities	19	56.96	84.97	29.94
(c)	Current tax liabilities (Net)		69.84	-	78.09
(d)	Short term provisions	19a	763.46	768.17	92.37
Total Current Liabilities			**5,675.65**	**17,353.96**	**26,304.35**
Total Equity and Liabilities			**21,836.29**	**49,653.91**	**60,889.50**
Significant Accounting Policies & Notes on Accounts		1			

In terms of our report attached.
For Deloitte Haskins & Sells LLP
Chartered Accountants
FRN: 117366W/W-100018

For and on behalf of Board of Directors

S. Sundaresan
Partner
M.No. 25776

Sivakumar BS
Director
Place: Mumbai

D Kannan
Director
Place: Mumbai

Place : Bengaluru
Date : June 27, 2019

Kumar S
CEO

Suresh Batchu
CFO

Kavitha P B
CS

Statement of Profit and Loss

for the year ended March 31, 2019

(Amount in lakhs)

	Particulars	Note No.	For the year ended March 31, 2019	For the year ended March 31, 2018
	REVENUE			
I	Revenue from Operations	20	14,846.30	15,683.01
II	Other Income	21	1,043.50	564.87
III	**Total Income (I+II)**		**15,889.80**	**16,247.88**
IV	EXPENSES			
	Employee benefits expenses	22	4,244.79	3,394.41
	Finance costs	23	1,973.22	7,357.78
	Depreciation and amortization expenses	2,3	194.68	322.62
	Other expenses	24	1,610.75	1,306.68
	Total Expenses (IV)		**8,023.44**	**12,381.49**
V	**Profit / (loss) before exceptional items and tax (III-IV)**		**7,866.36**	**3,866.39**
VI	Exceptional items		-	-
VII	Profit/(loss) before tax (V -VI)		7,866.36	3,866.39
VIII	Tax expense	25		
	(1) Current tax		2,212.06	1,162.85
	(2) Current tax pertaining to prior periods		49.27	-0.18
	(3) Deferred tax charge		76.08	215.44
	Total tax expense (1+2+3)		**2,337.41**	**1,378.11**
IX	**Profit / (loss) for the period (VII-VIII)**		**5,528.95**	**2,488.28**
X	Other comprehensive income			
	Items that will not be reclassified to profit or loss			
	Remeasurements of defined benefit liability		18.90	(6.91)
	Income Tax relating to Items that will not be reclassified to Profit or Loss		(5.50)	2.01
	Other Comprehensive Income		13.40	(4.90)
XI	**Total Comprehensive Income for the period (IX+X)**		**5,542.35**	**2,483.38**
XII	Earnings per equity share	26		
	Basic (₹)		20.69	9.31
	Diluted (₹)		20.69	9.31

In terms of our report attached.
For Deloitte Haskins & Sells LLP
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FRN: 117366W/W-100018

For and on behalf of Board of Directors

S. Sundaresan
Partner
M.No. 25776

Sivakumar BS
Director
Place: Mumbai

D Kannan
Director
Place: Mumbai

Place : Bengaluru
Date : June 27, 2019

Kumar S
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Kavitha P B
CS

Statement of Cash Flow
for the year ended March 31, 2019

(Amount in lakhs)

Particulars		For the year ended March 31, 2019	For the year ended March 31, 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		7,866.36	3,866.39
Adjustments:			
(a)	Depreciation / amortization	194.68	322.62
(b)	(Profit) on sale of fixed assets	2.45	(3.70)
(c)	Provisions & Write offs	135.05	(76.75)
(d)	Net gain/loss on fair value changes	(157.84)	(90.06)
(e)	Provision for expenses	209.56	760.57
(f)	Unwinding of discount on security deposit	(1.00)	(0.92)
(g)	Interest on borrowings	1,973.22	7,357.78
Operating profit before working capital changes		**10,222.48**	**12,135.93**
Working capital changes			
(a)	(Increase)/Decrease in Loans and Advances made	(2,903.51)	50,303.51
(b)	(Increase)/Decrease in Other Advances made	21.20	247.44
(c)	(Increase)/Decrease in Deposits made by the company	(5,602.80)	(3,437.78)
(d)	(Increase)/Decrease in Other Non Current Assets	(0.71)	(0.33)
(e)	(Increase)/Decrease in Trade receivables	(718.41)	(362.41)
(f)	(Increase)/Decrease in Other Current Assets	(364.67)	(91.66)
(g)	(Increase)/Decrease in Other Current Financial Assets	2,140.78	(2,207.62)
(h)	Increase/(Decrease) in Trade Payables	244.69	80.18
(i)	Increase/(Decrease) in Other Current Liabilities	(2,609.84)	2,309.71
(j)	Increase/(Decrease) in Other Current Financial Liabilities	(1,113.46)	2,454.54
(k)	Payments made out of provisions	(464.58)	(124.28)
Cash generated from operations		**(1,148.83)**	**61,307.23**
Income tax paid (net of refunds)		(2,147.73)	(1,265.27)
Net cash flows (used in) operating activities (A)		**(3,296.56)**	**60,041.96**
CASH FLOW FROM INVESTING ACTIVITIES			
(a)	Investment in Mutual Funds	(56,816.10)	(28,350.00)
(b)	Proceeds from Redemption of Mutual Funds	61,325.24	23,337.21
(c)	Purchase of PPE and Intangible Assets	(472.84)	(144.57)
(d)	Proceeds from Sale of PPE and Intangible Assets	3.61	5.40
Net cash flows generated from investing activities (B)		**4,039.91**	**(5,151.96)**
CASH FLOW FROM FINANCING ACTIVITIES			
(a)	Borrowings raised	-	20,300.00
(b)	Borrowings repaid	-	(72,307.74)
(c)	Interest paid	(2.41)	(3,988.15)
Net cash flows generated from financing activities (C)		**(2.41)**	**(55,995.89)**
Net increase in cash and cash equivalents (A+B+C)		**740.94**	**(1,105.89)**
Cash and cash equivalents at the beginning of the year		1,415.43	2,521.32
Cash and cash equivalents at the end of the year		**2,156.37**	**1,415.43**
Reconciliation of cash and cash equivalents with the balance sheet			
Cash and cash equivalents as per balance sheet (refer note 9)			
Cash on hand		390.03	490.15
	Balances with banks in current account	566.16	925.63
	Balances with banks in Fixed Deposits	1,200.87	-
	Less: Impairment loss allowance	(0.69)	(0.35)
Cash and cash equivalents as restated as at the year end		**2,156.37**	**1,415.43**

Reconciliation of liabilities from financing activities

(Amount in lakhs)

Particulars	Amount
Borrowings (including current maturities) as on March 31, 2017	51,782.72
Add: Borrowings raised (Including collateralised borrowings)	83,448.45
Add: Interest on borrowings	7,357.78
Add: Others	22.32
Less: Borrowings repaid	(72,307.74)
Less: Interest paid	(3,988.15)
Less: Setled through financial instruments	(31,529.61)
Borrowings (including current maturities) as on March 31, 2018	**34,785.77**
Add: Interest on borrowings	1,973.22
Add: Others	24.37
Less: Interest paid	(2.41)
Less: Setled through financial instruments	(33,793.16)
Borrowings (including current maturities) as on March 31, 2019	**2,987.79**

The above Cash flow statement has been prepared under the 'Indirect Method' as set out in Ind AS 7 - 'Cash Flow Statements'.

In terms of our report attached.
For Deloitte Haskins & Sells LLP
Chartered Accountants
FRN: 117366W/W-100018

For and on behalf of Board of Directors

S. Sundaresan
Partner
M.No. 25776

Sivakumar BS
Director
Place: Mumbai

D Kannan
Director
Place: Mumbai

Place : Bengaluru
Date : June 27, 2019

Kumar S
CEO

Suresh Batchu
CFO

Kavitha P B
CS

Statement of Changes in Equity

for the year ended March 31, 2019

A. Equity Share Capital

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Balance at the beginning of the reporting period	2,672.87	2,672.87	2,672.87
Changes in equity share capital during the year	-	-	-
Balance at the end of the reporting period	2,672.87	2,672.87	2,672.87

B. Other equity

(Amount in lakhs)

Particulars	Reserves and Surplus			Total
	Statutory Reserve	Securities premium	Retained earnings	
Balance as at April 1, 2017	**1,146.25**	**400.93**	**3,805.23**	**5,352.41**
Profit for the year			2,488.28	2,488.28
Other comprehensive income for the year (net of tax)			(4.90)	(4.90)
Total Comprehensive Income for the year ended March 31, 2018	**-**	**-**	**2,483.38**	**2,483.38**
Transfer/utilisations				
Transfer to special reserve u/s 45 IC of the RBI Act, 1934	425.14		(425.14)	-
Balance as at March 31, 2018	**1,571.39**	**400.93**	**5,863.47**	**7,835.79**
Profit for the year			5,528.95	5,528.95
Other comprehensive income for the year (net of tax)			13.40	13.40
Total Comprehensive Income for the year ended 31st March, 2019	**-**	**-**	**5,542.35**	**5,542.35**
Balance as at March 31, 2019	**1,571.39**	**400.93**	**11,405.82**	**13,378.14**

In terms of our report attached.
For Deloitte Haskins & Sells LLP
Chartered Accountants
FRN: 117366W/W-100018

For and on behalf of Board of Directors

S. Sundaresan
Partner
M.No. 25776

Sivakumar BS
Director
Place: Mumbai

D Kannan
Director
Place: Mumbai

Place : Bengaluru
Date : June 27, 2019

Kumar S
CEO

Suresh Batchu
CFO

Kavitha P B
CS

Schedules forming part of Balance Sheet and Profit and Loss Account

1. CORPORATE INFORMATION

BSS Microfinance Limited ('the Company') is a Public Limited Company and 100% Subsidiary of Kotak Mahindra Bank Limited ('KMBL'), domiciled in India and incorporated on April 5, 1994 under the provisions of the Companies Act, 1956, with its registered office situated at No. 11, 2nd Block, 2nd Stage, Nagarbhavi Layout, Near BDA Complex, Bengaluru - 560072. During the financial year 2017-18, when it became the subsidiary of KMBL, the Company exited the line of Microfinance business and became Business Correspondent of KMBL and the Company had made an application to the RBI for de-registration of the NBFC-MFI, vide application dated October 24, 2017. Approval for the same was received on February 15, 2019. Currently, the Company is acting as Business Correspondent of KMBL in respect of microfinance loans and other related activities and having 176 branches across Karnataka, Maharashtra, Tamilnadu and Madhya Pradesh.

2. BASIS OF PREPARATION

A. Statement of compliance

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) Rules, 2016 and other relevant provisions of the Act.

The Company has adopted IndAS from April 1, 2018 with effective transition date of April 1, 2017 and accordingly, these financial statements together with the comparative reporting period have been prepared in accordance with the recognition and measurement principles as laid down in lnd AS, prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with relevant rules issued thereunder and other relevant provisions of the Act . The transition to Ind AS has been carried out from the erstwhile Accounting Standards notified under the Act read with Rule 7 of Companies (Accounts) Rules 2014 (as amended), guidelines issued by the RBI and other generally accepted accounting principles in India (collectively referred to as 'the Previous GAAP'). Accordingly, the impact of transition has been recorded in the opening reserves as at 1 April 2017 and the comparative previous year has been restated / reclassified. Reconciliations and explanations of the effect of the transition from Previous GAAP to Ind AS on the Equity, Statement of Profit and Loss and Cash Flows are provided in Note 35.

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the financial years presented in the financial statements, including the preparation of the opening Ind AS Balance Sheet as at 1 April 2017 being the 'date of transition to Ind AS'. These financial statements were authorized for issue by the Company's Board of Director's on June 27, 2019.

B. Functional and presentation currency

The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency. All the amounts are rounded to the nearest lakhs with two decimals, except when otherwise indicated.

C. Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following:

- Certain financial assets and liabilities - measured at fair value (refer accounting policy regarding financial instruments); and
- Net defined benefit (asset) / liability - plan assets are measured at fair value less present value of defined benefit obligation.

D. Use of estimates and judgements

The preparation of financial statements in accordance with Ind AS requires use of judgements, estimates and assumptions for some items, which might have an effect on their recognition and measurement in the Balance Sheet and Statement of Profit and Loss. The actual amounts realized may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

Judgement, estimates and assumptions are required in particular for:

I. Revenue

Recognition of revenue over time or at a point in time:

The Company recognises revenue from servicing of microfinance loans originated as a business correspondent, over time because the customer simultaneously receives and consumes the benefits of the Company's performance as it performs.

The Company recognises revenue from distribution of micro insurance at a point in time because service is completed on transfer of micro insurance premium to insurance company.

II. Determination of estimated useful lives of property, plant, equipment

Useful lives of property, plant and equipment are based on nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers' warranties and maintenance support.

III. Recognition and Measurement of defined benefit obligations

The obligation arising from defined benefit plan is determined on the basis of actuarial valuation. Key actuarial assumptions which form the basis of above valuation includes discount rate, trends in salary escalation, demographics and life expectancy. The discount rate is determined by reference to market yields at the end of the reporting period on government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations. Further details are disclosed in Note 32.

IV. Recognition of deferred tax assets

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases and depreciation carry-forwards. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and depreciation carry-forwards could be utilized.

V. Recognition and measurement of provisions and contingencies

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the reporting date. The actual outflow of resources at a future date may therefore, vary from the amount included in other provisions.

VI. Discounting of long-term financial assets/liabilities

All financial assets/liabilities are required to be measured at fair value on initial recognition. In case of financial assets/liabilities which are required to be subsequently measured at amortised cost, interest is accrued using the effective interest method.

VII. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. For further details about determination of fair value please refer Note 33.

VIII. Business model assessment

Classification and measurement of financial assets depends on the results of the Solely Payment of Principal and Interest ('SPPI') and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

IX. Effective Interest Rate (EIR) method

The Company's EIR methodology, recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the financial instrument.

Schedules forming part of Balance Sheet and Profit and Loss Account

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to benchmark rate and other fee income/expense that are integral parts of the instrument.

X. Impairment of financial assets

The Company recognizes loss allowances for Expected Credit Losses(ECL) on its financial assets measured at amortized cost and Fair Value through Other Comprehensive Income (FVOCI) except investment in equity instruments. At each reporting date, the Company assesses whether the above financial assets are credit- impaired. A financial asset is 'credit- impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Company's ECL calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs.

XI. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

E. Standard issued but not effective

Following are the new standards and amendments to existing standards (as notified by Ministry of Corporate Affairs ('MCA') on March 30, 2019) which are effective for annual period beginning after April 1, 2019. The Company intends to adopt these standards or amendments from the effective date.

Ind AS 116 – Leases

Ind AS 116 is applicable for financial reporting periods beginning on or after April 1, 2019 and replaces existing lease accounting guidance, namely Ind AS 17 Leases. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The nature of expenses related to those leases will change as Ind AS 116 replaces the operating lease expense (i.e. rent) with depreciation charge for ROU assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company is in the process of analysing the impact of new lease standard on its financial statements.

F. Amendments to existing Ind AS:

The following amended standards are not expected to have a significant impact on the Company's standalone financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company when it will adopt the respective amended standards.

I. Amendment to Ind AS 12 Income Taxes: Appendix C – Uncertainty over Income Tax Treatments

The Appendix addresses how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

II. Amendments to Ind AS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

III. Amendments to Ind AS 19 Employee Benefits

This amendment requires:

- To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- To recognise in the Statement of Profit and Loss as part of past service cost, or gain or loss on settlement, any reduction in surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

3. Significant accounting policies

A. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises:

a. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

b. any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Income and expenses related to the incidental operations, not necessary to bring the item to the location and condition necessary for it to be capable of operating in the manner intended by management, are recognised in the Statement of Profit and Loss.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted and depreciated for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the Statement of Profit and Loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

iii. Depreciation

Deprecation 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 of assets based on technical evaluation by management are as follows:

Furniture and Fixtures	-	10 Years
Plant and Machinery	-	15 Years
Vehicles	-	8 Years
POS Device	-	10 Years
Computers	-	3 Years
Other Fixtures	-	1 Year

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

B. Intangible assets

i. Recognition and measurement

Intangible assets are stated at cost of acquisition less accumulated amortization and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making 'the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase/completion

Schedules forming part of Balance Sheet and Profit and Loss Account

is recognized as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

iii. Amortisation

The intangible assets are amortized over the estimated useful lives as given below:

Tally, Kredits and MS Office - 5 Years

Other Software - 1 Year

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

C. Accounting for Operating Leases as a Lessee

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased term, are classified as operating leases. Payments made under operating leases are generally recognised in the Statement of Profit and Loss on a straight line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessors expected inflationary cost increases.

D. Revenue recognition

Revenue (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services

Fees

Upfront fee from loan originated as Business Correspondent are recognised as an income on accrual basis.

Revenue from servicing of microfinance loans is recognised as an income over the service period.

Micro Insurance Agency commission is recoginsed on successful conversion of micro insurance premium paid to insurance company.

Interest income

Interest income on financial assets is recognized on an accrual basis using effective interest method. Interest revenue is continued to be recognized at the original effective interest rate applied on the gross carrying amount of assets falling under impairment stages 1 and 2 as against on amortised cost for the assets falling under impairment stage 3.

Dividend income

Dividend income is recognised in the Statement of Profit and Loss when the right to receive the dividend is established.

E. Income Tax

Income tax expense comprises current and deferred tax. It is recognised in the Statement of Profit and Loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income (OCI).

Current tax

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss either in other comprehensive income or in equity. Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax assets and current tax liabilities are offset only if the Company has a legally enforceable right to set off the recognised amounts, and it intends to realise the asset and settle the liability on a net basis or simultaneously.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are reviewed at each reporting date and based on management's judgement, are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if:

a. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

b. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

F. Employee benefits

Defined Contribution Plan

Provident Fund/Employee State Insurance Scheme

The Company's contribution to government 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. The Company has no further obligations.

Defined Benefit Plan

Gratuity

The Company accounts for the liability for future gratuity benefits based on an actuarial valuation. The Company contributes to a Gratuity Fund administered by trustees and managed by Kotak Mahindra Life Insurance Company Limited, fellow subsidiary. The net present value of the Company's obligation towards the same is actuarially determined based on the projected unit credit method as at the Balance Sheet date.

Remeasurement of all defined benefit plans, which comprise actuarial gains and losses are recognised immediately in OCI in the year they are incurred. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit and Loss. Remeasurements are not reclassified to profit or loss in subsequent period.

Schedules forming part of Balance Sheet and Profit and Loss Account

Compensated Absences

Compensated absences which accrue to employees and which are expected to be availed within twelve months immediately following the year end are reported as expenses during the year in which the employees performs the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefit, and where the availment or encashment is otherwise not expected to wholly occur within the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

Other Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentives.

G. Foreign Currency transactions

Transactions in foreign currencies are translated into functional currency at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

H. Borrowing costs

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

I. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares), if any, that have changed the number of equity shares outstanding, without a corresponding change in resources.

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

J. Impairment of non-financial assets

The carrying values of assets/cash generating units at each balance sheet date are reviewed for impairment if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount in the Statement of Profit and Loss.

The recoverable amount is the greater of the fair value less costs of disposal and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods which no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, to the extent the amount was previously charged to the Statement of Profit and Loss. In case of revalued assets, such reversal is not recognized.

K. Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events and 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. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are not recognised but disclosed in the notes.

L. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the company's Chief Operating Decision Maker ("CODM") to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

M. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Recognition, Initial measurement and Derecognition

All financial assets are recognised initially at fair value plus or minus, in the case of financial assets not recorded at fair value through profit or loss, transaction fees or costs that are directly attributable and incremental to the origination/acquisition of the financial asset unless otherwise specifically mentioned in the accounting policies.

All regular way purchase or sale of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Classification

The Company classifies its financial assets as subsequently measured at either amortized cost or fair value based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held such that it best reflects the way the business is managed and is consistent with information provided to the management. The information considered includes:

- the objectives for the portfolio, in particular, management's strategy of focusing on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.
- the risks that affect the performance of the business model, the financial assets held within that business model and how those risks are managed.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- reset terms
- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms; and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Schedules forming part of Balance Sheet and Profit and Loss Account

Subsequent measurement
The Company classifies its financial assets in the following measurement categories:

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest (EIR) method. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR and reported as part of interest income in the Statement of Profit and Loss. The losses if any, arising from impairment are recognised in the Statement of Profit and Loss.

Financial asset at fair value through Other Comprehensive Income (FVOCI)
A financial asset is measured at FVOCI if it meets both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at fair value. Interest income is recognised using the effective interest (EIR) method. The impairment losses, if any, are recognized through Statement of Profit and Loss. The loss allowance is recognized in OCI and does not reduce the carrying value of the financial asset. On derecognition, gains and losses accumulated in OCI are reclassified to the Statement of Profit and Loss.

Financial asset at fair value through profit and loss (FVTPL)
Any financial asset, which does not meet the criteria for classification as at amortized cost or as FVOCI, is classified to be measured at FVTPL.

Financial assets included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

All equity investments except for investments in subsidiary/associate/joint ventures are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL.

Financial liabilities
The company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Liabilities which are classified at fair value through profit or loss, including derivatives that are liabilities, shall be subsequently measured at fair value.

N. Impairment of Financial Assets
Methodology for computation of Expected Credit Losses (ECL)

The financial instruments covered within the scope of ECL include financial assets measured at amortised cost and FVOCI, such as loans, fees receivable, security deposit, balances with banks and other financial assets. ECL has not been determined on financial assets measured at FVTPL.

The loss allowance has been measured using lifetime ECL except for financial assets on which there has been no significant increase in credit risk since initial recognition. In such cases, loss allowance has been measured at 12 month ECL.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and FVOCI is credit-impaired. A financial asset is credit- impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred since initial recognition. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties.

ECL are a probability weighted estimate of credit losses, measured as follows:

- Financial assets that are not credit impaired at the reporting date:

ECL has been estimated by determining the probability of default ('PD'), Exposure At Default ('EAD') and loss given default ('LGD').

PD has been computed using observed history of default and converted into forward looking PD's using suitable macro-economic variable data.

- Financial assets that are credit impaired at the reporting date:

ECL has been estimated as the difference between the gross carrying amount and the present value of estimated future cash flows.

For trade receivables, the Company applies a simplified approach. It recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Further, regulatory LGD has been considered to compute ECL.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised:

- If the expected restructuring will not result in derecognition of the existing asset, expected cash flows arising from the modified financial asset are included in calculating cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset and the recognition of modified asset, the modified asset is considered as a new financial asset. The date of the modification is treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The impairment loss allowance is measured at an amount equal to 12 month expected credit losses until there is a significant increase in credit risk. If modified financial asset is credit-impaired at initial recognition, the financial asset is recognized as originated credit impaired asset.

Criteria used for determination of movement from stage 1 (12 month ECL) to stage 2 (lifetime ECL) and stage 3 (Lifetime ECL)

The Company applies a three-stage approach to measure ECL on financial assets measured at amortised cost and FVOCI. The assets migrate through the following three stages based on an assessment of qualitative and quantitative considerations:

- **Stage 1: 12 month ECL:**

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised. Interest income is accrued using the effective interest rate on the gross carrying amount.

- **Stage 2: Lifetime ECL (not credit impaired):**

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Company uses days past due (DPD) information and other qualitative factors to assess deterioration in credit quality of a financial asset.

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Interest income is accrued using the effective interest rate on the gross carrying amount.

Schedules forming part of Balance Sheet and Profit and Loss Account

- **Stage 3: Lifetime ECL (credit impaired):**

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of loss allowance).

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the Expected Credit Loss reverts from lifetime ECL to 12-months ECL.

For loans whose significant payment obligations are only after next 12 months, life time ECL has been applied.

Method used to compute lifetime ECL:

The Company calculates ECLs based on a probability-weighted scenarios to measure the expected cash shortfalls, discounted at EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the present value of cash flows that the entity expects to receive. The Company applies statistical techniques to estimate 12 month ECL and lifetime ECL.

Manner in which forward looking assumptions has been incorporated in ECL estimates:

The Company considers its historical loss experience and adjusts it for current observable data. In addition, the Company uses reasonable forecasts of future economic conditions including expert judgement to estimate the amount of expected credit losses. The methodology and assumptions including any forecasts of future economic conditions are periodically reviewed and changes, if any, are accounted for prospectively.

O. Write-offs

Financial assets are written off either partially or in their entirety when there is no reasonable expectation of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment on financial instruments in the Statement of Profit and Loss. However, financial assets that are written off may be subject to enforcement activities to comply with the Company's procedures for recovery of amounts due.

P. Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in the Statement of Profit and Loss.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Q. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified financial asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified financial asset are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit and loss account. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the Statement of Profit and Loss.

R. Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

S. Measurement of fair values

The Company's accounting policies and disclosures require fair value measurement of financial instruments such as investment in mutual funds.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Management uses its judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market participants are applied.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Schedules forming part of Balance Sheet and Profit and Loss Account

T. Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits with banks. It also comprises of short-term deposits with an original maturity of three months or less, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

U. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit / (loss) before exceptional items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

V. Current versus non-current classification

The Company presents assets and liabilities in the Balance Sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading.

W. Optional exemptions and Mandatory exceptions under Ind AS 101 First Time Adoption of Indian Accounting Standards (Ind AS)

Optional exemptions:

I. Deemed cost

The Company has elected to account for property plant and equipment and intangible assets at their previous GAAP carrying amount as on 1 April 2017 i.e. deemed cost as at the date of transition.

Mandatory exceptions:

I. Estimates

The estimates at April 1, 2017 and March 31, 2018 are consistent with those made for the same dates in accordance with the Indian GAAP (after adjustments to reflect any differences if any, in accounting policies). The Company has made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

- Fair valuation of financial instruments at FVTPL and / or FVOCI; and
- Impairment of financial assets based on expected credit loss model.

II. Derecognition of financial assets and financial liabilities

In accordance with Ind AS 101, the Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS.

III. Classification of financial assets

The Company has classified and measured the financial assets on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

Operating Cycle

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III (Division II) to the Companies Act, 2013. Based on the nature the 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 and non-current classification of assets and liabilities.

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

(Amount in lakhs)

Particulars	Plant and equipment	Furniture and fixtures	Vehicles	Computers, Printers, Data Card and Other Softwares	POS Device	Other fixtures	Total
Deemed cost as at April 1, 2017	61.57	62.66	3.79	192.98	164.92	0.53	486.45
Additions during the year	17.80	41.48	-	76.66	10.50	-	146.44
Disposals during the year	-	-	-	-1.19	-	-0.51	-1.70
Balance as at March 31, 2018	**79.37**	**104.14**	**3.79**	**268.45**	**175.42**	**0.02**	**631.19**
Accumulated depreciation	-	-	-	-	-	-	-
Depreciation for the year	13.69	25.50	1.26	86.60	160.17	0.02	287.24
Disposals during the year	-	-	-	-	-	-	-
Balance as at March 31, 2018	**13.69**	**25.50**	**1.26**	**86.60**	**160.17**	**0.02**	**287.24**
Net carrying amount as at March 31, 2018	**65.68**	**78.64**	**2.53**	**181.85**	**15.25**	**0.00**	**343.95**
Balance as at April 1, 2018	**79.37**	**104.14**	**3.79**	**268.45**	**175.42**	**0.02**	**631.19**
Additions during the year	32.46	153.09	-	185.85	-	0.68	372.08
Disposals during the year	-9.87	-4.14	-	-4.87	-	-	-18.88
Balance as at March 31, 2019	**101.96**	**253.09**	**3.79**	**449.43**	**175.42**	**0.70**	**984.39**
Accumulated depreciation as at April 1, 2018	**13.69**	**25.50**	**1.26**	**86.60**	**160.17**	**0.02**	**287.24**
Depreciation for the year	14.31	34.74	0.77	130.24	-	0.27	180.33
Disposals during the year	-7.12	-3.58	-	-4.57	-	-	-15.27
Balance as at March 31, 2019	**20.88**	**56.66**	**2.03**	**212.27**	**160.17**	**0.29**	**452.30**
Net carrying amount as at March 31, 2019	**81.08**	**196.43**	**1.76**	**237.16**	**15.25**	**0.41**	**532.09**

The Company has availed the deemed cost exemption as per Ind AS 101 in relation to the property plant and equipment as on the date of transition (April 1, 2017) and hence the net block carrying amount has been considered as the gross block carrying amount on that date. Refer note below for the gross block value and the accumulated depreciation on April 1, 2017 under the previous GAAP.

(Amount in lakhs)

Particulars	Plant and equipment	Furniture and fixtures	Vehicles	Computers, Printers, Data Card and Other Softwares	POS Device	Other fixtures	Total
Gross Block	103.66	147.50	25.02	524.36	294.51	17.63	1,112.68
Accumulated Depreciation	-42.09	-84.84	-21.23	-331.38	-129.59	-17.10	-626.23
Net Block	**61.57**	**62.66**	**3.79**	**192.98**	**164.92**	**0.53**	**486.45**

Impairment loss and reversal of impairment loss

There is no impairment loss recognised for property, plant and equipment.

Schedules forming part of Balance Sheet and Profit and Loss Account

NOTE 3 INTANGIBLE ASSETS

(Amount in lakhs)

Particulars	Software (Tally, Kredits & Office)	Other Softwares	Total
Deemed cost as at April 1, 2017	9.64	25.92	35.56
Additions during the year	4.01	0.86	4.87
Disposals during the year	-	-	-
Balance as at March 31, 2018	**13.65**	**26.78**	**40.43**
Accumulated amortisation and impairment	-	-	-
Amortisation for the year	9.98	25.40	35.38
Disposals during the year	-	-	-
Balance as at March 31, 2018	**9.98**	**25.40**	**35.38**
Net carrying amount as at March 31, 2018	**3.67**	**1.38**	**5.05**
Balance as at April 1, 2018	13.65	26.78	40.43
Additions during the year	35.59	41.08	76.67
Disposals during the year	-	-	-
Balance as at March 31, 2019	**49.24**	**67.86**	**117.10**
Accumulated amortisation and impairment	9.98	25.40	35.38
Amortisation for the year	5.12	9.23	14.35
Disposals during the year	-	-	-
Balance as at March 31, 2019	**15.10**	**34.63**	**49.73**
Net carrying amount as at March 31, 2019	**34.14**	**33.23**	**67.37**

The Company has availed the deemed cost exemption as per Ind AS 101 in relation to the intangible assets as on the date of transition (April 1,2017) and hence the net block carrying amount has been considered as the gross block carrying amount on that date. Refer note below for the gross block value and the accumulated depreciation on April 1, 2017 under the previous GAAP.

Particulars	Software (Tally, Kredits & Office)	Other Softwares	Total
Gross Block	142.29	92.61	234.90
Accumulated Amortisation	(132.65)	(66.69)	(199.34)
Net Block	**9.64**	**25.92**	**35.56**

Impairment loss and reversal of impairment loss

There is no impairment loss recognised for intangible assets

Schedules forming part of Balance Sheet and Profit and Loss Account

NOTE 4 NON-CURRENT INVESTMENT

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Quoted Investment	-	-	-
Total Quoted	-	-	-
Equity shares at FVTPL	20.00	20.00	20.00
Total (Unquoted)	20.00	20.00	20.00
Total (Quoted + Unquoted)	**20.00**	**20.00**	**20.00**
Aggregate Amount of Quoted Investments	-	-	-
Market Value of Quoted Investments	-	-	-
Aggregate Amount of Unquoted Investments	20.00	20.00	20.00
Aggregate Amount of Impairment in Value of Investments	-	-	-

NOTE 5 LONG TERM LOANS

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Security Deposits			
Unsecured, considered good	170.01	105.05	94.39
	170.01	**105.05**	**94.39**
Microfinance Loans			
Unsecured, considered good	-	21,267.57	14,368.33
	-	**21,267.57**	**14,368.33**
Less: Impairment loss allowance	(1.32)	(108.57)	(129.64)
Total	**168.69**	**21,264.05**	**14,333.08**

NOTE 6 OTHER NON-CURRENT ASSETS

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Capital Advances	24.19	0.11	6.85
Advances other than capital advances			
Deposits for utilities	2.95	2.24	1.91
Prepaid Rent	8.21	9.39	10.56
Total	**35.35**	**11.74**	**19.32**

Schedules forming part of Balance Sheet and Profit and Loss Account

NOTE 7 CURRENT INVESTMENT

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Quoted			
Mutual funds at FVTPL	751.56	5,102.86	-
Total (Quoted)	**751.56**	**5,102.86**	**-**
Unquoted	-	-	-
Total (Unquoted)	**-**	**-**	**-**
Total (Quoted + Unquoted)	751.56	5,102.86	-
Aggregate Amount of Quoted Investments	751.10	5,057.63	-
Market Value of Quoted Investments	**751.56**	**5,102.86**	
Aggregate Amount of Unquoted Investments	-	-	-
Aggregate Amount of Impairment in Value of Investments	**-**	**-**	**-**

NOTE 8 TRADE RECEIVABLES

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Unsecured, considered good	1,080.82	362.40	-
Less: Impairment loss allowance	(0.36)	(0.11)	-
Total	**1,080.46**	**362.29**	**-**

NOTE 9 CASH AND CASH EQUIVALENTS

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Cash on hand	390.03	490.15	162.22
Balances with banks in current account	566.16	925.63	1,270.23
Balance in fixed deposits with original maturity less than 3 months	1,200.87	-	1,091.71
Sub total	**2,157.06**	**1,415.78**	**2,524.16**
Less: Impairment loss allowance	(0.69)	(0.35)	(2.84)
Total	**2,156.37**	**1,415.43**	**2,521.32**

NOTE 10 BANK BALANCE OTHER THAN CASH AND CASH EQUIVALENTS

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Balance in fixed deposits with original more than 3 months but less than 12 months	12,826.70	7,223.90	3,786.12
Less: Impairment loss allowance	(4.30)	(2.21)	(0.15)
Total	**12,822.40**	**7,221.69**	**3,785.97**

Schedules forming part of Balance Sheet and Profit and Loss Account

NOTE 11 SHORT TERM LOANS

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Loans to employees			
Secured, considered good	144.49	83.44	51.86
	144.49	**83.44**	**51.86**
Microfinance Loans			
Unsecured, considered good	2,962.63	13,274.00	38,834.60
Significant increase in Credit Risk	18.14	6.98	928.16
credit impaired	17.32	5.56	430.98
	2,998.09	**13,286.54**	**40,193.74**
Other loans			
Unsecured, considered good	181.48	-	-
Significant increase in Credit Risk	113.09	0.04	-
credit impaired	30.87	-	-
	325.44	**0.04**	**-**
Less: Impairment loss allowance	(146.14)	(76.02)	(1,271.22)
Total	**3,321.88**	**13,294.00**	**38,974.38**

NOTE 12 OTHER CURRENT FINANCIAL ASSETS

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Deposit with insurance companies	90.04	3.66	4.17
Less: Impairment loss allowance	(0.03)	(0.00)	(0.00)
Total	**90.01**	**3.66**	**4.17**

NOTE 11 OTHER CURRENT ASSETS

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Advances other than capital advances			
Prepaid Rent	1.18	1.18	1.18
Balance with government authorities	3.56	21.01	5.01
Prepaid expenses	100.32	60.12	56.13
	105.06	**82.31**	**62.32**
BC fees accrued but not due	295.62	80.11	-
Less: Impairment loss on BC fees	(0.10)	(0.02)	-
	295.52	**80.09**	**-**
Others	75.15	35.12	43.04
Total	**475.73**	**197.52**	**105.36**

Schedules forming part of Balance Sheet and Profit and Loss Account

NOTE 14 EQUITY SHARE CAPITAL

(Amount in lakhs)

Particulars	No. of Shares held	As at March 31, 2019	No. of Shares held	As at March 31, 2018	No. of Shares held	As at April 01, 2017
Authorised						
3,50,00,000 (March 31, 2018: 3,50,00,000 April 1, 2017:3,50,00,000) Equity shares of ₹10 each with voting rights	35,000,000	3,500.00	35,000,000	3,500.00	35,000,000	3,500.00
50,00,000 [PY - 50,00,000] Optionally Convertible Preference Shares of ₹ 10 each	5,000,000	500.00	5,000,000	500.00	5,000,000	500.00
Total	**40,000,000**	**4,000.00**	**40,000,000**	**4,000.00**	**40,000,000**	**4,000.00**
Issued, subscribed and paid up						
2,67,28,661 (March 31, 2018: 2,67,28,661 April 1, 2017: 2,67,28,661) equity shares of ₹10 each with voting rights	26,728,661	2,672.87	26,728,661	2,672.87	26,728,661	2,672.87

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

(Amount in lakhs)

Particulars	No. of shares	Face Value	Amount
Equity shares of ₹ 10 each, fully paid-up			
As at April 1, 2017	26,728,661	10	2,672.87
Add/(less) : Movement during the year	-		-
As at March 31, 2018	**26,728,661**	**10**	**2,672.87**
Add/(less) : Movement during the year	-		-
As at March 31, 2019	26,728,661	10	2,672.87

b. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each shareholder is entitled to one vote per share held. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors if any, is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the equity shareholders will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. However, no preferential amount exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

Particulars	As at March 31, 2019		As at March 31, 2018		As at April 01, 2017	
	Number of shares	% Holding	Number of shares	% Holding	Number of shares	% Holding
Kotak Mahindra Bank Limited	26,728,661	100.00%	26,728,661	100.00%	-	-
BSS Trust	-	-	-	-	13,552,996	50.71%
BSS Mutual Benefit Trust	-	-	-	-	10,879,342	40.70%

Schedules forming part of Balance Sheet and Profit and Loss Account

d. Details of shareholders holding more than 5% shares in the company

Particulars	As at March 31, 2019		As at March 31, 2018		As at April 01, 2017	
	Number of shares	% Holding	Number of shares	% Holding	Number of shares	% Holding
Kotak Mahindra Bank Limited	26,728,661	100.00%	26,728,661	100.00%	-	-
BSS Trust	-	-	-	-	13,552,996	50.71%
BSS Mutual Benefit Trust	-	-	-	-	10,879,342	40.70%

NOTE 15 OTHER EQUITY

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Securities Premium	400.93	400.93	400.93
Statutory Reserve	1,571.39	1,571.39	1,146.25
Retained Earnings	11,405.82	5,863.47	3,805.23
Total	**13,378.14**	**7,835.79**	**5,352.41**

Notes

1. **Nature and purpose of reserves**

Securities Premium

Premium collected on issue of securities are accumulated as part of securities premium. Utilisation of such reserve is restricted by the Companies Act, 2013.

Statutory Reserve

Before the Company de-registered itself as an Non Banking Finance Company, it was required to appropriate 20% of its profits as per Section 45 IC of the Reserve Bank of India Act, 1934.

Retained Earnings

Retained earnings represents surplus/accumulated earnings of the Company and are available for distribution to shareholders.

2. **Other equity movement**

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018
Securities Premium		
Opening balance	400.93	400.93
Addition during the year	-	-
Closing balance	400.93	400.93
Statutory Reserve		
Opening balance	1,571.39	1,146.25
Addition during the year	-	425.14
Closing balance	1,571.39	1,571.39
Retained Earnings		
Opening balance	5,863.47	3,805.23
Profit for the year	5,528.95	2,488.28
Other comprehensive income for the year (net of tax)	13.40	(4.90)
Transferred to Statutory Reserve	-	(425.14)
Closing balance	**11,405.82**	**5,863.47**

Schedules forming part of Balance Sheet and Profit and Loss Account

NOTE 16 LONG TERM BORROWINGS

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Secured			
Term loans from Banks	-	-	24,322.06
Collateralised Borrowings from Kotak Bank (Refer Note 38)	-	21,463.01	-
Unsecured			
Term loans from Other parties	-	-	2,000.00
Total	**-**	**21,463.01**	**26,322.06**

Terms of Repayment schedule (including current maturities of long term debt) as at April 1, 2017

Termloans from Banks are secured by hypothecation of Bookdebts.

(Amount in lakhs)

Particulars	Term Loans Maturing in			
	< 6 Months	6 to 12 Months	1 to 3 Years	> 3 Years
Interest Rates				
10% to 11%	4,333.00	4,670.97	8,500.11	750.00
11% to 12%	2,328.93	1,986.29	4,084.85	449.74
12% to 13%	3,749.13	3,144.51	7,265.82	1,043.18
13% to 14%	2,936.48	2,384.50	2,297.19	83.06
Total	**13,347.54**	**12,186.27**	**22,147.97**	**2,325.98**
				50,007.76
Add: Interest accrued				85.33
Less: EIR impact				(310.36)
Grand Total				**49,782.73**

NOTE 17 LONG TERM PROVISIONS

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Provision for employee benefits			
Gratuity	-	239.72	168.07
Compensated Absences	109.63	88.56	69.74
Total	**109.63**	**328.28**	**237.81**

Schedules forming part of Balance Sheet and Profit and Loss Account

NOTE 18 OTHER CURRENT FINANCIAL LIABILITIES

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Current Maturities of Long-Term debt (Refer Note 16 & 38)	2,987.79	13,322.76	25,460.65
Amount Payable to KMBL	626.58	2,377.82	-
Advance received from KMBL	454.26	73.91	-
Client Micro Insurance Account - Payable to Members	-	255.83	255.84
Salaries payable	8.95	7.36	4.55
Total	**4,077.58**	**16,037.68**	**25,721.04**

NOTE 19 OTHER CURRENT LIABILITIES

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Revenue received in advance	2.36	27.48	-
Statutory dues payable	47.35	25.32	24.23
Other payables	7.25	32.17	5.71
Total	**56.96**	**84.97**	**29.94**

NOTE 19(a) SHORT TERM PROVISIONS

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Provision for employee benefits			
Gratuity	0.43	54.93	67.34
Compensated Absences	28.60	22.55	25.03
Others			
Provision for Expenses	360.84	475.73	-
Provision related to managed portfolio	373.59	214.96	-
Total	**763.46**	**768.17**	**92.37**

NOTE 20 REVENUE FROM OPERATIONS

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest income on Microfinance Loans	4,319.45	14,233.79
Business Correspondent Service Fees	10,393.47	1,449.22
Micro Insurance commission	133.38	-
Total	**14,846.30**	**15,683.01**

Schedules forming part of Balance Sheet and Profit and Loss Account

NOTE 21 OTHER INCOME

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest income on fixed deposits	814.22	436.47
Interest income on employee advances	6.73	6.30
Unwinding of discount on security deposit	1.00	0.92
Net gain on fair value changes for investment*	157.84	90.06
Net gain on sale of property, plant and equipment	-	3.70
Liabilities no longer required written back	61.61	-
Miscellaneous Income	2.10	27.42
Total	**1,043.50**	**564.87**

* Total Net gains (losses) on fair value changes include ₹ 202.6 lakhs (previous year: ₹ 44.83) as 'Net gain or loss on sale of investments'

NOTE 22 EMPLOYEE BENEFITS EXPENSES

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Salaries and wages	3,713.11	2,957.52
Contribution to provident and other funds	222.33	168.81
Gratuity	70.37	68.47
Compensated absences	145.99	124.51
Staff welfare expenses	92.99	75.10
Total	**4,244.79**	**3,394.41**

NOTE 23 FINANCE COSTS

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest on Borrowings	1,973.22	7,357.78
Total	**1,973.22**	**7,357.78**

Schedules forming part of Balance Sheet and Profit and Loss Account

NOTE 24 OTHER EXPENSES

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Rent	359.85	259.20
Communication cost	112.25	76.55
Provision related to managed portfolio	158.63	214.96
Travelling and conveyance	482.45	341.00
Legal, professional and consultancy charges	7.48	31.95
Repairs and maintenance	88.31	86.80
Insurance	23.12	18.70
Printing and stationary	136.44	103.97
Bank charges	-	39.08
Electricity and water charges	88.93	67.85
Payment to auditors	-	-
- As Statutory Audit Fees	17.00	6.00
- As Tax Audit Fees	1.65	0.35
- For Other services (Interim Audit, Certification work etc.)	0.88	-
- For Reimbursement of Expenses	0.04	0.09
Interest expense on income tax	-	3.83
Membership, subscription and conference	3.55	3.34
Impairment Loss on financial assets	-	-
Loans	(140.71)	(78.95)
Trade Receivables	0.26	0.11
Bank Balances	2.43	(0.43)
Other Financial Asset	0.03	(0.00)
Contract Asset	0.08	0.02
Input Service Tax and GST Written-off	42.72	36.92
Postage and courier	39.20	21.24
Overlap/Credit Report Charges	21.96	15.37
CSR Expenditure	30.10	30.00
Disaster Recovery Charges	8.57	8.27
Miscellaneous expenses	125.53	20.46
Total	**1,610.75**	**1,306.68**

Schedules forming part of Balance Sheet and Profit and Loss Account

NOTE 25 TAX EXPENSE

(a) Amounts recognised in profit and loss

(Amount in lakhs)

Particulars	For the year ended 31-Mar-2019	For the year ended 31-Mar-2019
Current tax expense		
Current period	2,212.06	1,162.85
Changes in estimated related to prior years	49.27	(0.18)
Total current tax expense (A)	**2,261.33**	**1,162.67**
Deferred income tax liability / (asset), net		
Origination and reversal of temporary differences	76.08	179.87
Change in tax rate		35.57
Recognition of previously unrecognised tax losses		
Change in recognised deductible temporary differences		
Deferred tax expense (B)	**76.08**	**215.44**
Tax expense for the year (A)+(B)	**2,337.41**	**1,378.11**

(b) Amounts recognised in other comprehensive income

(Amount in lakhs)

Particulars	For the year ended 31-Mar-19			For the year ended 31-Mar-18		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Items that will not be reclassified to profit or loss						
(a) Remeasurements of defined benefit liability (asset)	18.90	(5.50)	13.40	(6.91)	2.01	(4.90)
Total	**18.90**	**(5.50)**	**13.40**	**(6.91)**	**2.01**	**(4.90)**

(c) Reconciliation of effective tax rate

(Amount in lakhs)

Particulars	For the year ended 31-Mar-19	For the year ended 31-Mar-18
Profit before tax	7,866.36	3,866.39
Tax Rate	29.120%	34.608%
Tax using applicable tax rate	2,290.68	1,338.08
Tax effect of:		
Change in tax rates	-	35.57
Tax effects of amounts which are not deductible for taxable income	1.51	13.11
Changes in estimated related to prior years	49.27	(0.18)
Others	(4.05)	(8.47)
Total income tax expenses	**2,337.41**	**1,378.11**

Schedules forming part of Balance Sheet and Profit and Loss Account

(d) Movement in deferred tax balances

(Amount in Lakhs)

Particulars	31-Mar-19					
	Net balance 31-Mar-18	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax asset	Deferred tax liability
Deferred tax asset/(liabilities)						
Property, plant and equipment	18.43	(4.17)		14.26	14.26	-
Loans	(819.00)	(638.21)		(1,457.21)	-	(1,457.21)
Investments	(13.17)	13.04		(0.13)	-	(0.13)
Borrowings	922.21	581.00		1,503.21	1,503.21	-
Provision for employee benefits	118.16	(77.78)		40.38	40.38	-
Provision related to managed assets	62.60	46.19		108.79	108.79	-
Other Provisions	101.23	3.85		105.08	105.08	-
Total	**390.46**	**(76.08)**	**-**	**314.38**	**1,771.72**	**(1,457.34)**

(Amount in Lakhs)

Particulars	31-Mar-18					
	Net balance 31-Mar-18	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax asset	Deferred tax liability
Deferred tax asset/(liabilities)						
Property, plant and equipment	(48.21)	66.64		18.43	18.43	-
Loans	645.24	(1,464.24)		(819.00)	-	(819.00)
Investments	-	(13.17)		(13.17)	-	(13.17)
Borrowings	(107.41)	1,029.62		922.21	922.21	-
Provision for employee benefits	114.27	1.88	2.01	118.16	118.16	-
Provision related to managed assets	-	62.60		62.60	62.60	-
Other Provisions	-	101.23		101.23	101.23	-
Total	**603.89**	**(215.44)**	**2.01**	**390.46**	**1,222.63**	**(832.17)**

NOTE 26 EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of Equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of Equity shares outstanding during the year plus the weighted average number of Equity shares that would be issued on conversion of all the dilutive potential Equity shares into Equity shares.

Schedules forming part of Balance Sheet and Profit and Loss Account

Sr. No.	Particulars	For the year ended 31-Mar-19	For the year ended 31-Mar-18
A)	Net profit attributable to equity holders (Amount in Lakhs)	5,528.95	2,488.28
B)	**Adjustments**	-	-
C)	**Profit attributable to equity holders of the Company adjusted for the effect of dilution**	5,528.95	2,488.28
D)	**Weighted average number of ordinary shares**		
	Issued ordinary shares at the beginning of the year (Lakhs)	267.29	267.29
	Weighted average number of shares (in lakhs) at the end of the year for basic EPS (Lakhs)	267.29	267.29
E)	**Weighted average number of shares at 31 March adjusted for the effect of dilution(Lakhs)**	267.29	267.29
F)	**Face value per share (INR)**	10.00	10.00
G)	**Basic earnings per share (INR)**	20.69	9.31
H)	**Diluted earnings per share (INR)**	20.69	9.31

NOTE 27 CONTINGENT LIABILITIES

(Amount in lakhs)

Sr. No.	Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
	Contingent liabilities:			
a)	First Loss Default Guarantee	8,199.96	3,298.09	-
	Total	**8,199.96**	**3,298.09**	**-**

NOTE 28 PAYMENT TO AUDITORS

(Amount in lakhs)

Sr. No.	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
	Payment to the auditor as:		
a)	Audit fees	17.00	6.00
b)	For taxation matters	1.65	0.35
c)	For other services (Limited Reviews, Half yearly audit and Certification Work)	0.88	-
d)	For reimbursement of expenses	0.04	0.09
	Total	**19.57**	**6.44**

NOTE 29 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company's CSR program is associated with the CSR initiatives of Kotak Mahindra Bank Limited (KMBL), its holding company. KMBL is building its CSR capabilities on a sustainable basis and the Company is committed to gradually increase its CSR spend in the coming years. As per the provisions of the Section 135 of the Companies Act, 2013, the Company is required to spend ₹ 55.65 lakh during the year on CSR activities and ₹ 30.10 Lakh has been spent towards eradication of hunger and promoting eduction. Unspent amount for financial year 2018-19 is ₹ 25.55 lakhs.

Schedules forming part of Balance Sheet and Profit and Loss Account

Details of CSR expenditure

(Amount in lakhs)

Particulars	In cash	Yet to be paid in cash	Total
Amount spent during the year ending on March 31, 2019:			
Construction/ acquisition of any asset	-	-	-
On purposes other than above	-	-	-
Eradication of Hunger	11.44	-	11.44
Promoting Education	18.66	-	18.66
Amount spent during the year ending on March 31, 2018:			
Construction/acquisition of any asset	-	-	-
On purposes other than above			
Donation to Swamy Vivekanand Youth Movement - Towards Healthcare & Sanitation	30.00	-	30.00

NOTE 30 RELATED PARTY DISCLOSURES

Related party disclosures, as required by notified Ind AS 24 - 'Related Party Disclosures' are given below:

A. Names of Related Parties

Sr. No.	Particulars	Country of Incorporation	Proportion of ownership interest
a)	**Holding company:**		
	Kotak Mahindra Bank Limited	India	100.00%
	Uday S. Kotak along with relatives and entities controlled by him holds 29.99% (Previous year 30.04%) of the equity share capital and 19.68% of the paid-up share capital of Kotak Mahindra Bank Limited as on March 31, 2019		
	BSS Trust (Upto September 27, 2017)	India	50.71%
b)	**Fellow subsidiaries with whom transactions have taken place during the year:**		
	Kotak Mahindra Life Insurance Company Limited	India	
	Kotak Mahindra General Insurance Company Limited	India	
c)	**Entity having joint control/significant influence over the Company**		
	BSS Mutual Benefit Trust (Upto September 27, 2017)	India	40.70%
d)	**Key Management Personnel / Directors**		
	Narayan Subramaniam Ayypankav - Director (w.e.f September 27, 2017)		
	Devarajan Kannan - Director (w.e.f September 27, 2017)		
	Sambasivakumar Balasubranian - Director (w.e.f September 27, 2017)		
	Chandrashekhar Shrikrishna Sathe - Director (w.e.f. January 8, 2018)		
	Noshir Rustom Dastur - Director (w.e.f. January 8, 2018 - Upto January 7, 2019)		
	Dr. Ramesh Bellamkonda - MD (Upto September 27, 2017)		
	Kavitha PB - Executive Director (Upto September 27, 2017)		

Schedules forming part of Balance Sheet and Profit and Loss Account

Sr. No.	Particulars	Country of Incorporation	Proportion of ownership interest
	Panchakshari S - Executive Director (Upto September 27, 2017)		
	S Kumar - ED & CEO (Upto September 27, 2017)		
	Mr. K.S. Nagendra - Director (Upto September 27, 2017)		
	Mr. B. Krishna Kumar - Director(Upto September 27, 2017)		
	Mr. V. Nagaraja - Director (Upto September 27, 2017)		
	Mr. Vijay Nath Bhat - Director (Upto September 27, 2017)		
	Mr. S. Ganesh - Director (Upto September 27, 2017)		
	Mr. B B Mohanthy - Director (Upto September 27, 2017)		
e)	**Post employment benefit plans**		
	BSS Microfinance Limited Employees Group Gratuity Trust (BMLEGGT) (Refer Note 32)	India	

B. Transactions with key management personnel

i. Key management personnel compensation

Sr. No.	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
i.	Short-term employee benefits	-	210.09
ii.	Contribution to funds	-	5.41
iii.	Director sitting fees	1.95	9.15

Note: The above figures do not include provisions for encashable leave and gratuity, as separate actuarial valuation are not available

ii. Transactions with related parties
The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

(Amount in lakhs)

Nature of Transaction	Year ended March 31	Holding Company	Entity having significant influence	Fellow Subsidiaries	Total
Interest income on fixed deposit	2019	745.88	-	-	745.88
	2018	250.45	-	-	250.45
Service fee income	2019	10,608.98	-	-	10,608.98
	2018	1,355.55	-	-	1,355.55
Amount received towards rendering of services	2019	1.00	-	-	1.00
	2018	-	-	-	-
Micro-Insurance Commission	2019	-	-	133.38	133.38
	2018	-	-	-	-
Interest expense	2019	1,972.19	-	-	1,972.19
	2018	3,455.26	66.21	-	3,521.47

Schedules forming part of Balance Sheet and Profit and Loss Account

(Amount in lakhs)

Nature of Transaction	Year ended March 31	Holding Company	Entity having significant influence	Fellow Subsidiaries	Total
Insurance Premium	2019	-	-	24.53	24.53
	2018	-	-	10.18	10.18
Expenses incurred	2019	-	-	-	-
	2018	-	23.76	-	23.76
Balance Outstanding					-
Balance in current account	2019	204.46	-	-	204.46
(Net of impairment allowance)	2018	398.74	-	-	398.74
	2017	-	-	-	-
Fixed deposits	2019	13,022.77	-	-	13,022.77
(Net of impairment allowance)	2018	7,160.94	-	-	7,160.94
	2017	-	-	-	-
Trade receivables	2019	1,063.41	-	17.05	1,080.46
(Net of Impairment allowance)	2018	362.29	-	-	362.29
	2017	-	-	-	-
BC fees accrued but not due	2019	295.52	-	-	295.52
	2018	80.09	-	-	80.09
	2017	-	-	-	-
Insurance deposit	2019	-	-	87.39	87.39
	2018	-	-	1.10	1.10
	2017	-	-	-	-
Prepaid insurance	2019	-	-	33.58	33.58
	2018	-	-	-	-
	2017	-	-	-	-
Amount payable to Kotak Bank	2019	626.58	-	-	626.58
	2018	2,377.82	-	-	2,377.82
	2017	-	-	-	-
Advance received	2019	454.26	-	-	454.26
	2018	73.91	-	-	73.91
	2017	-	-	-	-
Other Payables	2019	3.98	-	-	3.98
	2018	-	-	-	-
	2017	-	-	-	-
Collateralised borrowings	2019	2,987.79	-	-	2,987.79
	2018	34,785.77	-	-	34,785.77
	2017				-

Schedules forming part of Balance Sheet and Profit and Loss Account

(Amount in lakhs)

Nature of Transaction	Year ended March 31	Holding Company	Entity having significant influence	Fellow Subsidiaries	Total
Revenue received in advance	2019	2.36	-	-	2.36
	2018	27.48	-	-	27.48
	2017	-	-	-	-
First Loss Default Guarantee (Contingent Liability)	2019	8,199.96	-	-	8,199.96
	2018	3,298.09	-	-	3,298.09
	2017	-	-	-	-

iii. Terms and conditions of transactions with related parties

All transactions with these related parties are made in the normal course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances (excluding collateralized borrowings) at the year-end are unsecured and settlement occurs in cash.

NOTE 31 LEASE DISCLOSURES

Operating Lease as Lessee:

The company has taken on operating lease for 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 INR 350.49 lakhs (Previous Year INR 257.94 lakhs).

Future likely Lease payments in respect of the above are as follows:

Sr No	Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
(A)	Less than one year	538.75	268.64	231.96
(B)	Between one and five years	-	-	-
(C)	More than five years	-	-	-
	Total	**538.75**	**268.64**	**231.96**

NOTE 32 EMPLOYEE BENEFITS

A. The Company contributes to the following post-employment defined benefit plans in India.

(i) Defined Contribution Plans:

The Company makes contributions towards provident fund. Under the plan, the Company is required to contribute a specified percentage of payroll cost to fund the benefits. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes. The Company recognised INR 155.69 lakhs (previous year INR 118.097 lakhs) for provident fund contributions in the Statement of Profit and Loss."

(ii) Defined Benefit Plan:

Gratuity

The Company accounts for the liability for future gratuity benefits based on an actuarial valuation. The Company contributes to a Gratuity Fund administered by trustees and managed by Kotak Mahindra Life Insurance Company Limited, fellow subsidiary. The net present value of the Company's obligation towards the same is actuarially determined based on the projected unit credit method as at Balance Sheet date.

Schedules forming part of Balance Sheet and Profit and Loss Account

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Present value of funded defined benefit obligation (A)	345.70	294.65	235.41
Fair value of plan assets (B)	(345.28)	-	-
Net (asset) / liability recognised in the Balance Sheet (A-B)	0.42	294.65	235.41

B. Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

(Amount in lakhs)

Particulars	Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset) / liability	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
Opening balance	294.65	235.41	-	-	294.65	235.41
Included in profit or loss						
Current service cost	48.73	38.80	-	-	48.73	38.80
Past service cost	-	13.79	-	-	-	13.79
Interest cost (income)	21.64	15.88		-	21.64	15.88
	365.02	303.88	-	-	365.02	303.88
Included in OCI						
Remeasurement loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	-	10.08	-	-	-	10.08
Financial assumptions	(9.25)	(37.47)	-	-	(9.25)	(37.47)
Experience adjustment	2.47	34.30	-	-	2.47	34.30
Actual return on plan assets less interest on plan assets	-	-	12.13	-	(12.13)	-
	(6.78)	6.91	12.13	-	(18.91)	6.91
Other						
Contributions paid by the employer			340.15		(340.15)	-
Benefits paid	(12.54)	(16.14)	(7.00)	-	(5.54)	(16.14)
Closing balance	345.70	294.65	345.28	-	0.42	294.65
Represented by						
Net defined benefit asset					-	-
Net defined benefit liability					0.42	294.65

Schedules forming part of Balance Sheet and Profit and Loss Account

C. Plan assets

Plan assets comprise the following:

Particulars	As at March 31, 2019		As at March 31, 2018	
	Quoted value	Unquoted value	Quoted value	Unquoted value
Funds Managed by Insurer	-	100%	-	-
	-	**100%**	**-**	**-**

D. Defined benefit obligations

i. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

Particulars	As at March 31, 2019	As at March 31, 2018
Discount rate	6.95%	7.35%
Salary escalation rate	**8.00%**	**9.00%**

Assumptions regarding future mortality have been based on published statistics and mortality tables.

ii. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Particulars	As at March 31, 2019		As at March 31, 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(16.18)	17.78	(13.93)	15.33
Future salary growth (1% movement)	**16.45**	**(15.40)**	**14.02**	**(13.12)**

The sensitivity analysis presented above may not be representative of actual change in the defined benefit obligation as it is unlikely that the change in assumption would occur in isolation of one another as some of the assumptions may be corelated.

iii. Risk Exposure

A decrease in Government Securities yield will increase plan liabilities. Since the benefits are lump sum in nature the plan is not subject to any longevity risks.

E. Expected Future Cash Flows

Expected contribution:

The Company's best estimate of Contribution during the next year is INR 57.22 lakhs.

Expected future benefit payments:

Expected cash flows over the next (valued on undiscounted basis)	As at March 31, 2019	As at March 31, 2018
1 Year	64.73	54.93
2 to 5 years	**199.06**	**173.07**
6 to 10 years	**137.86**	**123.17**
More than 10 years	**109.77**	**105.77**

E. Compensated Absence - Earned Leave

The Company provides for accumulated compensated absences as at the balance sheet date on the basis of an actuarial valuation. The Company recognized ₹ 145.99 lakhs (Previous year : ₹124.51 lakhs) for Compensated Absences in the Statement of Profit and Loss.

NOTE 33 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

A. Classification of financial assets and financial liabilties:

Carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, are presented below. It does not include the fair value information for financial assets and financial liabilities whose carrying amount is a reasonable approximation of fair value.

(Amount in lakhs)

Particulars	As at March 31, 2019			As at March 31, 2018			As at April 01, 2017		
	FVTPL	FVTOCI	Amortised cost	FVTPL	FVTOCI	Amortised cost	FVTPL	FVTOCI	Amortised cost
Financial Assets									
Non-current assets									
(i) Non-Current Investments	20.00	-	-	20.00	-	-	20.00	-	-
(ii) Long term loans	-	-	168.69	-	-	21,264.05	-	-	14,333.08
Currentt assets									
(i) Current Investments	751.56	-	-	5,102.86	-	-	-	-	-
(ii) Trade receivables	-	-	1,080.46	-	-	362.29	-	-	-
(iii) Cash and cash equivalents	-	-	2,156.37	-	-	1,415.43	-	-	2,521.32
(iv) Bank balance other than (iii) above	-	-	12,822.40	-	-	7,221.69	-	-	3,785.97
(v) Short term loans	-	-	3,321.88	-	-	13,294.00	-	-	38,974.38
(vi) Other current financial assets	-	-	90.01	-	-	3.66	-	-	4.17
Total financial assets	**771.56**	**-**	**19,639.81**	**5,122.86**	**-**	**43,561.12**	**20.00**	**-**	**59,618.92**
Financial liabilities									
Non-current liabilities									
(i) Long term borrowings	-	-	-	-	-	21,463.01	-	-	26,322.06
Current liabilities									
(i) Trade payables									
(A) total outstanding dues of micro enterprises and small enterprises									
(B) total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	707.81	-	-	463.14	-	-	382.91
(ii) Other current financial liabilities	-	-	4,077.58	-	-	16,037.68	-	-	25,721.04
Total financial liabilities	**-**	**-**	**4,785.39**	**-**	**-**	**37,963.83**	**-**	**-**	**52,426.01**

Schedules forming part of Balance Sheet and Profit and Loss Account

B. Fair value

Fair values of financial assets and financial liabilities measured as fair value, including their levels in the fair value hierarchy, are presented below.

(Amount in lakhs)

Particulars	As at March 31, 2019				As at March 31, 2018				As at April 01, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Assets												
Non-current assets												
(i) Non-Current Investments	20.00	-	-	20.00	20.00	-	-	20.00	20.00	-	-	20.00
Currentt assets												
(i) Current Investments	751.56	-	-	751.56	5,102.86	-	-	5,102.86	-	-	-	-
Total	**771.56**	**-**	**-**	**771.56**	**5,122.86**	**-**	**-**	**5,122.86**	**20.00**	**-**	**-**	**20.00**

Fair values of financial assets and financial liabilities measured at amortised cost, including their levels in the fair value hierarchy, are presented below.

(Amount in lakhs)

Particulars	As at March 31, 2019				As at March 31, 2018				As at April 01, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Assets												
Non-current assets												
(i) Long term loans	20.00	-	-	20.00	20.00	-	-	20.00	20.00	-	-	20.00
Currentt assets												
(i) Short term loans	751.56	-	-	751.56	5,102.86	-	-	5,102.86	-	-	-	-
Total	**771.56**	**-**	**-**	**771.56**	**5,122.86**	**-**	**-**	**5,122.86**	**20.00**	**-**	**-**	**20.00**
Financial liabilities												
Non-current liabilities												
(i) Long term borrowings	-	-	-	-	-	-	21,463.01	21,463.01	-	-	26,322.06	26,322.06
Current liabilities												
(i) Current maturities of long-term debt	-	-	2,987.79	2,987.79	-	-	13,322.76	13,322.76	-	-	25,460.65	25,460.65
Total	**-**	**-**	**2,987.79**	**2,987.79**	**-**	**-**	**34,785.77**	**34,785.77**	**-**	**-**	**51,782.71**	**51,782.71**

Fair value of financial assets and liabilities

(Amount in lakhs)

Particulars	As at March 31, 2019		As at March 31, 2018		As at April 01, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Non-current assets						
(i) Non-Current Investments	20.00	20.00	20.00	20.00	20.00	20.00
(ii) Non-Current Trade receivables						
(iii) Long term loans	168.69	168.69	21,264.05	21,264.05	14,333.08	14,333.08
(iv) Other non-current financial assets						
Currentt assets						
(i) Current Investments	751.56	751.56	5,102.86	5,102.86	-	-
(ii) Trade receivables	1,080.46	1,080.46	-			
(iii) Cash and cash equivalents	2,156.37	2,156.37	1,415.43	1,415.43	2,521.32	2,521.32
(iv) Bank balance other than (iii) above	12,822.40	12,822.40	7,221.69	7,221.69	3,785.97	3,785.97
(v) Short term loans	3,321.88	3,321.88	13,294.00	13,294.00	38,974.38	38,974.38
(vi) Other current financial assets	90.01	90.01	3.66	3.66	4.17	4.17
Total financial assets	**20,411.37**	**20,411.37**	**48,321.69**	**48,321.69**	**59,638.92**	**59,638.92**
Financial liabilities						
Non-current liabilities						
(i) Long term borrowings	-	-	21,463.01	21,463.01	26,322.06	26,322.06
Current liabilities						
(ii) Trade payables						
(A) total outstanding dues of micro enterprises and small enterprises						
(B) total outstanding dues of creditors other than micro enterprises and small enterprises	707.81	707.81	463.14	463.14	382.91	382.91
(iii) Other current financial liabilities	4,077.58	4,077.58	16,037.68	16,037.68	25,721.04	25,721.04
Total financial liabilities	**4,785.39**	**4,785.39**	**37,963.83**	**37,963.83**	**52,426.01**	**52,426.01**

C. Measurement of fair values

The fair value of financial instruments have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The categories used are as follows:

Level 1 : Level 1 hierarchy includes financial instruments measured using unadjusted quoted prices in active markets that the Company has the ability to access for the identical assets or liabilities. A financial instrument is classified as a Level 1 measurement if it is listed on an exchange. This includes listed equity instruments, traded bonds and mutual funds that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges in valued using the closing price as at the reporting period. The mutual funds are valued at the closing NAV.

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Schedules forming part of Balance Sheet and Profit and Loss Account

Level 3 : If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Bank develops Level 3 inputs based on the best information available in the circumstances.

Financial instruments valued at carrying value

The respective carrying values of certain on-balance sheet financial instruments approximated their fair value. These financial instruments trade receiavbles, cash and cash equivalents, bank balance, other financial assets, trade payables, employee related payables and other financial liabilities which are considered as financial instruments. Carrying values were assumed to approximate fair values for these financial instruments as they are short-term in nature and their recorded amounts approximate fair values or or are receivable or payable on demand.

Valuation techniques used to determine fair value

Investment in equity shares

Investment in Alpha Micro Finance Consultants Private Limited comprises of 200,000 fully Paid Equity Shares of ₹ 10 each -₹ 20,00,000. This Investee Company was formed by group of Micro Finance NBFCs for the purpose of interacting with credit bureaus and establishing an optimal credit bureau environment for micro finance sector. This investment is longterm investment and unquoted. Fair value is not materially different from the cost.

Fair value of financial instruments carried at amortised cost

Loans and advances

The fair values of loans that do not reprice or mature frequently are estimated using discounted cash flow models. The discount rates are based on internal models and consequently for the purposes of level disclosures categorized under Level 3. The Level 3 loans would decrease (increase) in value based upon an increase (decrease) in discount rate. Since, the Company has charged the interest rates which reflect current market price, the carrying values of these loans approximate their fair values. For purposes of these fair value estimates, the fair values of impaired loans were computed by discounting expected cashflows using appropriate market yield.

Deposits

The fair value of demand deposits and savings deposits without defined maturities are the amounts payable on demand. For deposits with defined maturities, the fair values were estimated using discounted cash flow models that apply market interest rates corresponding to similar deposits and timing of maturities.

Borrowings

The fair values of the Company's borrowings and other borrowings were calculated based on a discounted cash flow model. The discount rates were based on yield curves appropriate for the remaining maturities of the instruments.

Level 3

The table below lists key unobservable inputs to Level 3 financial instruments, and provides the range of those inputs as at March 31, 2019:

Financial Instruments	Significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Investments in equity securities	Price	If the price was higher / lower, the fair value would increase / decrease.

Sensitivity analysis of Level 3 financial instruments measured at fair value on a recurring basis

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

Schedules forming part of Balance Sheet and Profit and Loss Account

(Amount in lakhs)

Particulars	As at March 31, 2019		As at March 31, 2018	
	Increase	Decrease	Increase	Decrease
Investment in unquoted equity shares:				
If price was higher / (lower) by 500 bps, the fair value would increase / (decrease)	1.00	(1.00)	1.00	(1.00)

D. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk ;
- Liquidity risk ; and
- Market risk.

i. Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

ii. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's Company's receivables from customers, loans and advances, bank balances and other financial assets. The carrying amounts of following financial assets represent the maximum credit risk exposure:

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Loans	3,638.02	34,742.64	54,708.32
Trade receivables	1,080.82	362.40	-
Bank Balances	14,593.74	8,149.54	6,148.07
Other financial assets	90.04	3.66	4.17
Contract Asset	295.62	80.11	-
Total	**19,698.24**	**43,338.35**	**60,860.56**

Schedules forming part of Balance Sheet and Profit and Loss Account

a. Credit quality analysis

The following table sets out the information about the credit quality of financial assets measured at amortised cost.

(Amount in lakhs)

Particulars	As at March 31, 2019				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit impaired	Total
Trade Receivables					
Current	-	1,080.82	-	-	1,080.82
Past due 1–30 days	-	-	-	-	-
Past due 31–60 days	-	-	-	-	-
Past due 61–90 days	-	-	-	-	-
Past due 90 days	-	-	-	-	-
	-	1,080.82	-	-	1,080.82
Less: Impairment Allowance	-	(0.36)	-	-	(0.36)
Carrying amount	-	1,080.46	-	-	1,080.46
Loans (other than security deposit and employee loans)					
Current	3,267.29	-	-	-	3,267.29
Past due 1–30 days	152.66	-	-	-	152.66
Past due 31–60 days	-	116.25	-	-	116.25
Past due 61–90 days	-	46.45	-	-	46.45
Past due 90 days	-		55.38	-	55.38
	3,419.95	162.70	55.38	-	3,638.03
Less: Impairment Allowance	(55.85)	(55.17)	(36.43)		(147.45)
Carrying amount	3,364.10	107.53	18.95	-	3,490.58

(Amount in lakhs)

Particulars	As at March 31, 2018				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit impaired	Total
Trade Receivables					
Current	-	-	-	-	-
Past due 1–30 days	-	362.40	-	-	362.40
Past due 31–60 days	-	-	-	-	-
Past due 61–90 days	-	-	-	-	-
Past due 90 days	-	-	-	-	-
	-	362.40	-	-	362.40
Less: Impairment Allowance	-	(0.11)	-	-	(0.11)
Carrying amount	-	362.29	-	-	362.29

Schedules forming part of Balance Sheet and Profit and Loss Account

(Amount in lakhs)

Particulars	As at March 31, 2018				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit impaired	Total
Loans (other than security deposit and employee loans)					
Current	34,724.23	-	-	-	34,724.23
Past due 1–30 days	6.74	-	-	-	6.74
Past due 31–60 days	-	2.85	-	-	2.85
Past due 61–90 days	-	2.84	-	-	2.84
Past due 90 days			5.98	-	5.98
	34,730.97	5.69	5.98	-	34,742.64
Less: Impairment Allowance	(177.92)	(2.69)	(3.97)		(184.58)
Carrying amount	34,553.05	3.00	2.01	-	34,558.06

(Amount in lakhs)

Particulars	As at March 31, 2017				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit impaired	Total
Trade Receivables					
Current	-	-	-	-	-
Past due 1–30 days	-	-	-	-	-
Past due 31–60 days	-	-	-	-	-
Past due 61–90 days	-	-	-	-	-
Past due 90 days	-	-	-	-	-
	-	-	-	-	-
Less: Impairment Allowance	-	-	-	-	-
Carrying amount	-	-	-	-	-
Loans (other than security deposit and employee loans)					
Current	52,864.28	-	-	-	52,864.28
Past due 1–30 days	436.57	-	-	-	436.57
Past due 31–60 days	-	430.75	-	-	430.75
Past due 61–90 days	-	544.16	-	-	544.16
Past due 90 days	-		432.56	-	432.56
	53,300.85	974.91	432.56	-	54,708.32
Less: Impairment Allowance	(621.82)	(494.16)	(284.88)		(1,400.86)
Carrying amount	52,679.03	480.75	147.68	-	53,307.46

Schedules forming part of Balance Sheet and Profit and Loss Account

b. Amounts arising from ECL

i. Inputs, assumptions and techniques used for estimating impairment:

Inputs considered in the ECL model:

The Company applies various approaches to determine if there has been a significant increase in credit risk.

In determining whether credit risk has increased significantly since initial recognition, the Company uses days past due information and forecast information to assess deterioration in credit quality of a financial asset.

The company categorises Financial assets into stages based on the days past due status.

- Stage 1: 0-30 days past due
- Stage 2: 31- 90 days past due
- Stage 3: More than 90 days past due

The Company has used simplified approach to provide expected credit loss on trade receivables as prescribed by Ind AS 109 which permits use of lifetime expected credit loss provision for all trade receivables. The Company has historic credit loss data to compute ECL

Assumption considered in the ECL model:

- "Loss given default" (LGD) is an estimate of loss from a transaction given that a default occurs.
- "Probability of default" (PD) is defined as the probability of whether the borrowers will default on their obligations in the future. For assetswhich are in Stage 1, a 12 month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD.
- "Exposure at default" (EAD) represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Company.

Forward looking information:

The Company incorporates forward looking information into both assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of a variety of external actual and forecast information, the Company forms a 'base case' view of the future direction of relevant economic variables such as domestic credit growth, change in gross fixed investments etc.. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

Assessment of significant increase in credit risk:

The credit risk on a financial asset of the Company are assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due. Accordingly the financial assets shall be classified as Stage 2, if on the reporting date, it has been 30 days past due.

Definition of default:

A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. This definition of default is determined by considering the business environment in which the company operates and other micro-economic factors. Accordingly the financial assets shall be classified as Stage 3, if on the reporting date, it has been 90 days past due. As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate."

Schedules forming part of Balance Sheet and Profit and Loss Account

ii. **Impairment loss allowance**

The following table shows reconciliations from the opening to the closing balance of the loss allowances and write offs:

(Amount in lakhs)

Particulars	Current	Past due 1–30 days	Past due 31–60 days	Past due 61–90 days	Past due more than 90 days
Trade receivables					
Balance as at April 1, 2017	**-**	**-**	**-**	**-**	**-**
Net remeasurement of loss allowance	-	-	-	-	-
New financial assets originated during the year	0.11	-	-	-	-
Financial assets that have been derecognised during the period	-	-	-	-	-
Balance as at March 31, 2018	**0.11**	**-**	**-**	**-**	**-**
Net remeasurement of loss allowance			-	-	-
New financial assets originated during the year	0.36	-	-	-	-
Financial assets that have been derecognised during the period	(0.11)	-	-	-	-
Balance as at March 31, 2019	**0.36**	**-**	**-**	**-**	**-**

(Amount in lakhs)

Particulars	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loans				
Balance as at April 1, 2017	**619.35**	**494.17**	**284.88**	**1,398.39**
Transfer to/from 12 month ECL	(1.10)	0.67	0.43	0.00
Transfer to/from Lifetime ECL not credit impaired	10.61	(10.69)	0.08	(0.00)
Transfer to/from Lifetime ECL credit impaired	0.32	-	(0.32)	-
Net remeasurement of loss allowance	(275.30)	1.30	2.88	(271.12)
New financial assets originated during the year	301.00	273.11	128.54	702.66
Financial assets that have been derecognised during the period	-	-	-	-
Impairment loss adjusted to record interest on NPA loans	-	-	(1.98)	(1.98)
Write-offs	(477.95)	(755.87)	(410.54)	(1,644.36)
Balance as at March 31, 2018	**176.93**	**2.69**	**3.97**	**183.59**
Transfer to/from 12 month ECL	(1.04)	0.24	0.80	-
Transfer to/from Lifetime ECL not credit impaired	-	(2.06)	2.06	-
Transfer to/from Lifetime ECL credit impaired	-	-	-	-
Net remeasurement of loss allowance	(58.31)	4.92	6.56	(46.83)
New financial assets originated during the year	211.10	50.02	23.40	284.52
Financial assets that have been derecognised during the period	(105.44)	(0.64)	(0.36)	(106.44)
Write-offs	(169.73)	-	-	(169.73)
Balance as at March 31, 2019	**53.50**	**55.17**	**36.43**	**145.11**

Schedules forming part of Balance Sheet and Profit and Loss Account

(Amount in lakhs)

Particulars	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
For the year ended March 31, 2018				
Impact on Statement of profit and loss before bad debts recovered				431.54
Bad debt written off recovered				(508.93)
Impairment loss on microfinance loans				(77.39)
For the year ended March 31, 2019				
Impact on Statement of profit and loss before bad debts recovered				131.24
Bad debt written of recovered				(273.31)
Impairment loss on microfinance loans				(142.07)

(Amount in lakhs)

Particulars	Security deposit, employee loans	Bank Balance	Other financial assets	Contract Asset
Balance as at April 1, 2017	**2.47**	**2.99**	**-**	**-**
Net remeasurement of loss allowance	(1.46)	(0.43)	-	0.02
Balance as at March 31, 2018	**1.00**	**2.56**	**-**	**0.02**
Net remeasurement of loss allowance	1.34	2.43	0.03	0.08
Balance as at March 31, 2019	**2.34**	**4.99**	**0.03**	**0.10**

iii. Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Maturity Profile of Financial Liabilities

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

(Amount in lakhs)

Sr. No.	Particulars	Carrying amount	Total	Less than 1 month	1-3 months	3 months -1 year	1-5 years	More than 5 years
	As at March 31, 2019							
	Financial liabilities							
1	Borrowings (including current maturities)	2,987.79	(3,041.19)	(1,018.10)	(1,449.50)	(573.60)	-	-
2	Trade Payables	707.81	(707.81)	(707.81)	-	-	-	-
3	Other Financial Liabilities	1,089.79	(1,089.79)	(1,089.79)	-	-	-	-
	Carrying Amount	**4,785.39**	**(4,838.79)**	**(2,815.70)**	**(1,449.50)**	**(573.60)**	**-**	**-**

Schedules forming part of Balance Sheet and Profit and Loss Account

(Amount in lakhs)

Sr. No.	Particulars	Carrying amount	Total	Less than 1 month	1-3 months	3 months -1 year	1-5 years	More than 5 years
	As at March 31, 2018							
	Financial liabilities							
1	Borrowings (including current maturities)	34,785.77	(36,966.59)	(3,672.04)	(7,235.27)	(21,681.97)	(4,377.31)	-
2	Trade Payables	463.14	(463.14)	(463.14)	-	-	-	-
3	Other Financial Liabilities	2,714.91	(2,714.91)	(2,459.08)	-	(255.83)	-	-
	Carrying Amount	**37,963.82**	**(40,144.64)**	**(6,594.26)**	**(7,235.27)**	**(21,937.80)**	**(4,377.31)**	**-**

(Amount in lakhs)

Sr. No.	Particulars	Carrying amount	Total	Less than 1 month	1-3 months	3 months -1 year	1-5 years	More than 5 years
	As at April 1, 2017							
	Financial liabilities							
1	Borrowings (including current maturities)	51,782.72	(57,131.87)	(2,350.48)	(5,639.31)	(22,032.78)	(27,109.30)	-
2	Trade Payables	382.91	(382.91)	(382.91)	-	-	-	-
3	Other Financial Liabilities	260.39	(260.39)	(4.55)	-	(255.84)		-
	Carrying Amount	**52,426.02**	**(57,775.17)**	**(2,737.94)**	**(5,639.31)**	**(22,288.62)**	**(27,109.30)**	**-**

iv. **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company does not have any exposure to currency risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates would adversely affect the Company's financial conditions. The same typically involves looking at Gap or mismatch over different time intervals as at a given date.

Exposure to interest rate risk

Company's interest rate risk arises from borrowings. The interest rate profile of the Company's interest bearing financial instruments as reported to the management of the Company is as follows.

Schedules forming part of Balance Sheet and Profit and Loss Account

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Fixed-rate instruments			
Financial assets	3,490.57	34,558.05	53,307.46
Financial Liabilities	2,987.79	34,785.77	51,782.72
Variable-rate instruments			
Financial assets	-	-	-
Financial Liabilities	-	-	-
Total Net	**6,478.36**	**69,343.82**	**105,090.18**

Fair value sensitivity analysis for fixed-rate instruments
The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Variable-rate instruments
There are no financial instruments with variable rate.

NOTE 34 - CAPITAL DISCLOSURE

For the purpose of the Company's capital management, capital includes issued capital and other equity reserves . The primary objective of the Company's Capital Management is to maximise shareholders value. The Company manages its capital structure and makes adjustments in the light of changes in economic environment. The Company is sufficiently capitalised and no changes were made in objectives, policies or processes for managing capital during the year ended April 01 2017, March 31, 2018 and March 31, 2019.

The Company funds its operations through internal accruals and aims at maintaining a strong capital base to support the future growth of its businesses.

NOTE 35 TRANSITION TO IND AS

For the purposes of reporting as set out in Note 1, we have transitioned our basis of accounting from Indian generally accepted accounting principles ("IGAAP") to Ind AS. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended March 31, 2019, the comparative information presented in these financial statements for the year ended March 31, 2018 and in the preparation of an opening Ind AS balance sheet at April 1, 2017 (the "transition date").

In preparing our opening Ind AS balance sheet, we have adjusted amounts reported in financial statements prepared in accordance with IGAAP. An explanation of how the transition from IGAAP to Ind AS has affected our financial performance, cash flows and financial position is set out in the following tables and the notes that accompany the tables. On transition, we did not revise estimates previously made under IGAAP except where required by Ind AS.

A.Reconciliation of equity

Schedules forming part of Balance Sheet and Profit and Loss Account

As at April 1, 2017 (Amount in lakhs)

Particulars	Amount as per IGAAP (Reclassified)	Effects of transition to Ind AS	Amount as per Ind AS
ASSETS			
Non-Current Assets			
(a) Property, Plant and Equipment	486.45	-	486.45
(b) Other Intangible assets	35.56	-	35.56
(c) Financial Assets			
(i) Non-Current Investments	20.00	-	20.00
(ii) Long term loans	14,621.27	(288.19)	14,333.08
(d) Tax assets	-	-	-
(e) Deferred tax assets (Net)	234.51	369.38	603.89
(f) Other non-current assets	8.76	10.56	19.32
Total Non-Current Assets	**15,406.55**	**91.75**	**15,498.30**
Current Assets			
(a) Financial Assets			
(i) Current Investments	-	-	-
(ii) Trade receivables	-	-	-
(iii) Cash and cash equivalents	2,524.16	(2.84)	2,521.32
(iv) Bank balance other than (iii) above	3,786.12	(0.15)	3,785.97
(v) Short term loans	40,623.02	(1,648.64)	38,974.38
(vi) Other current financial assets	4.17	(0.00)	4.17
(b) Other current assets	104.18	1.18	105.36
Total Current Assets	**47,041.65**	**(1,650.45)**	**45,391.20**
Total Assets	**62,448.20**	**(1,558.70)**	**60,889.50**
LIABILITIES AND EQUITY			
EQUITY			
(a) Equity Share capital	2,672.87	-	2,672.87
(b) Other Equity	6,051.12	(698.71)	5,352.41
Total Equity	**8,723.99**	**(698.71)**	**8,025.28**
LIABILITIES			
Non-Current Liabilities			
(a) Financial Liabilities			
(i) Long term borrowings	26,473.95	(151.89)	26,322.06
(b) Long term provisions	237.81	-	237.81
Total Non-Current Liabilities	**26,711.76**	**(151.89)**	**26,559.87**

Schedules forming part of Balance Sheet and Profit and Loss Account

As at April 1, 2017 (Amount in lakhs)

Particulars	Amount as per IGAAP (Reclassified)	Effects of transition to Ind AS	Amount as per Ind AS
Current Liabilities			
(a) Financial Liabilities			
(ii) Trade payables	-	-	-
(A) total outstanding dues of micro enterprises and small enterprises	-	-	-
(B) total outstanding dues of creditors other than micro enterprises and small enterprises	382.91	-	382.91
(ii) Other current financial liabilities	25,879.50	(158.46)	25,721.04
(b) Other current liabilities	29.94	-	29.94
(c) Current tax liabilities (Net)	78.09	-	78.09
(d) Short term provisions	642.01	(549.64)	92.37
Total Current Liabilities	**27,012.45**	**(708.10)**	**26,304.35**
Total Equity and Liabilities	**62,448.20**	**(1,558.70)**	**60,889.50**

As at March 31, 2018 (Amount in lakhs)

Particulars	Amount as per IGAAP (Reclassified)	Effects of transition to Ind AS	Amount as per Ind AS
ASSETS			
Non-Current Assets			
(a) Property, Plant and Equipment	343.95	-	343.95
(b) Other Intangible assets	5.05	-	5.05
(c) Financial Assets			
(i) Non-Current Investments	20.00	-	20.00
(ii) Long term loans	118.21	21,145.84	21,264.05
(d) Tax assets	21.21	-	21.21
(e) Deferred tax assets (Net)	250.33	140.13	390.46
(f) Other non-current assets	2.35	9.39	11.74
Total Non-Current Assets	**761.10**	**21,295.36**	**22,056.46**
Current Assets			
(a) Financial Assets			
(i) Current Investments	5,057.63	45.23	5,102.86
(ii) Trade receivables	362.40	(0.11)	362.29
(iii) Cash and cash equivalents	1,415.77	(0.34)	1,415.43
(iv) Bank balance other than (iii) above	7,223.90	(2.21)	7,221.69
(v) Short term loans	88.31	13,205.69	13,294.00
(vi) Other current financial assets	2,211.28	(2,207.62)	3.66
(b) Other current assets	196.35	1.17	197.52
Total Current Assets	**16,555.64**	**11,041.81**	**27,597.45**
Total Assets	**17,316.74**	**32,337.17**	**49,653.91**

Schedules forming part of Balance Sheet and Profit and Loss Account

As at March 31, 2018 (Amount in lakhs)

Particulars	Amount as per IGAAP (Reclassified)	Effects of transition to Ind AS	Amount as per Ind AS
LIABILITIES AND EQUITY			
EQUITY			
(a) Equity Share capital	2,672.87	-	2,672.87
(b) Other Equity	8,176.82	(341.03)	7,835.79
Total Equity	**10,849.69**	**(341.03)**	**10,508.66**
LIABILITIES			
Non-Current Liabilities			
(a) Financial Liabilities			
(i) Long term borrowings	-	21,463.01	21,463.01
(b) Long term provisions	328.28	-	328.28
Total Non-Current Liabilities	**328.28**	**21,463.01**	**21,791.29**
Current Liabilities			
(a) Financial Liabilities			
(ii) Trade payables	-	-	-
(A) total outstanding dues of micro enterprises and small enterprises	-	-	-
(B) total outstanding dues of creditors other than micro enterprises and small enterprises	463.14	-	463.14
(ii) Other current financial liabilities	2,714.91	13,322.77	16,037.68
(b) Other current liabilities	2,211.50	(2,126.53)	84.97
(c) Current tax liabilities (Net)	-		-
(d) Short term provisions	749.22	18.95	768.17
Total Current Liabilities	**6,138.77**	**11,215.19**	**17,353.96**
Total Equity and Liabilities	**17,316.74**	**32,337.17**	**49,653.91**

Schedules forming part of Balance Sheet and Profit and Loss Account

B. Reconciliation of Statement of Profit or Loss for the year ended March 31, 2018

(Amount in lakhs)

	Particulars	Amount as per IGAAP (Reclassified)	Effects of transition to Ind AS	Amount as per Ind AS
I	Revenue from Operations	12,305.68	3,377.33	15,683.01
II	Other Income	518.73	46.14	564.87
III	**Total Income (I+II)**	**12,824.41**	**3,423.47**	**16,247.88**
IV	**EXPENSES**			
	Employee benefits expenses	3,401.30	(6.89)	3,394.41
	Finance costs	3,902.82	3,454.96	7,357.78
	Depreciation, amortization and impairment	322.62	-	322.62
	Other expenses	1,925.13	(618.45)	1,306.68
Total Expenses (IV)		**9,551.87**	**2,829.62**	**12,381.49**
V	**Profit / (loss) before exceptional items and tax (III-IV)**	**3,272.54**	**593.85**	**3,866.39**
VI	**Exceptional items**	**-**	**-**	**-**
VII	**Profit/(loss) before tax (V -VI)**	**3,272.54**	**593.85**	**3,866.39**
VIII	**Tax expense**			
	(1) Current tax	1,162.85	-	1,162.85
	(2) Current tax pertaining to prior periods	(0.18)	-	(0.18)
	(3) Deferred tax charge/(credit)	(15.82)	231.26	215.44
Total tax expense (1+2+3)		**1,146.85**	**231.26**	**1,378.11**
IX	**Profit / (loss) for the period (VII-VIII)**	**2,125.69**	**362.59**	**2,488.28**
X	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss			**-**
	Remeasurements of defined benefit liability	-	(6.91)	(6.91)
	Income Tax relating to Items that will not be reclassified to Profit or Loss	-	2.01	2.01
Total Comprehensive Income for the period (IX+X)		**2,125.69**	**357.69**	**2,483.38**

C. Cash flow statement

There were no significant reconciliation items between cash flows prepared under Indian GAAP and those prepared under Ind AS.

The following reconciliations provide a quantification of the effect of significant differences arising from the transition from Previous GAAP to Ind AS in accordance with Ind AS 101.

Schedules forming part of Balance Sheet and Profit and Loss Account

i. Reconciliation of equity

(Amount in lakhs)

Particulars	Note No.	As at March 31, 2018	As at April 01, 2017
Equity under previous GAAP		10,849.69	8,723.99
Summary of Ind AS adjustments			
Impairment loss on financial instruments	1	6.83	(854.22)
Interest on assigned loans	2,3	3,168.82	26.47
Interest cost on collateralised Borrowings	2	(3,166.95)	-
EIR Impact on loans	4	(317.54)	(548.36)
Provision for managed portfolio	5	(214.96)	-
EIR impact on Borrowings	6	-	310.36
Fair valuation of investments	7	45.23	-
Valuation of security deposits	8	(2.60)	(2.34)
Income tax impact	10	140.13	369.38
Total Ind AS adjustments		(341.03)	(698.71)
Equity under Ind AS		10,508.66	8,025.28

Reconciliation of Total Comprehensive Income

(Amount in lakhs)

Particulars	Note No.	For the year ended 31 March 2018
Net Profit After Tax as per Previous GAAP		2,125.69
Summary of Ind AS adjustments		
Impairment loss on financial instruments	1	861.05
Interest on assigned loans	2,3	3,142.35
Interest cost on collateralised Borrowings	2	(3,166.93)
EIR Impact on loans	4	230.82
Provision for managed portfolio	5	(214.96)
EIR impact on Borrowings	6	(310.36)
Fair valuation of investments	7	45.23
Valuation of security deposits	8	(0.26)
Transfer of actuarial gain/loss on remeasurement of defined benefit obligation to OCI	9	6.91
Income tax impact	10	(231.26)
Total Ind AS adjustments		**362.59**
Net Profit (after tax) as per Ind AS		2,488.28
Actuarial gain/Loss on remeasurement of defined benefit obligation (net of tax)	9	(4.90)
Total Comprehensive Income as per Ind AS		2,483.38

Schedules forming part of Balance Sheet and Profit and Loss Account

Notes to the reconciliation:

1. **Provision for expected credit loss :**
Upto September 27, 2017, the Company was engaged in Microfinance activities and provision was made against assets in accordance with RBI guidelines. Thereafter, provision was done based on the ageing of the loans and evaluation done by the management. Under Ind AS, the Company has recognised impairment loss on financial assets and contract asset based on expected credit loss model.

2. **Transfer of financial assets that do not result in de-recognition:**
Under previous GAAP, microfinance loans transferred to the assignee were de-recognised and assignment income was recorded for servicing the mircofinance loans transferred. Under Ind AS, since transfer of microfinance loans do not meet de-recogniton criteria, microfinance loans continue to be recognised in the books of the Company with the corresponding associated liability (i.e. collateralised borrowings). Since microfinance loans and associated liabilities are measured at amortised cost under Ind AS, interest income and interest expense is recorded as per Effective Interest Rate method (EIR).

3. **Interest on NPA loans:**
Under previous GAAP, interest income on NPA loans was booked as per RBI guidelines (Refer Note 1). However, under Ind AS interest income is recognised on credit impaired assets by applying the EIR on amortised cost of such assets.

4. **EIR impact on loans:**
Under previous GAAP, processing fees on loans was recognised as income as and when accrued. Under Ind AS 109, such processing fees on origination of loans is required to be adjusted from the carrying amount of loans on initial recognition. These processing fees are recognised in the Statement of Profit and Loss over the tenure of the loan as part of the interest income by applying the EIR method. "

5. **Provision for managed portfolio:**
Under Ind AS, provision is created on First Loss Default Guaratee provided for loan originated as Business Correspondent using the probability based model.

6. **EIR impact on borrowings:**
Under previous GAAP, fees and cost related to borrowings were recognised as expense as and when accured. Under Ind AS 109, such fees and cost on borrowings is required to be adjusted from the carrying amount of loans on initial recognition. These fees and cost are recognised in the Statement of Profit and Loss over the tenure of the loan as part of the interest expense by applying the EIR method.

7. **Fair valuation of investments**
Under previous GAAP, investments were measured at lower of cost or fair value. Under Ind AS, these financial assets are classified as FVTPL and the changes in fair value are recognised in statement of profit and loss.

8. **Fair valuation of security deposits:**
As per Ind AS 109, all financial assets and liabilities are required to be measured at their respective fair value. The interest free refundable security deposits are financial assets and are thus required to be measured at present value using an appropriate discount rate. The difference between the fair value and the transaction price has been recognised as prepaid rent and is amortised over the period of the lease on straightline basis. Subsequently, these security deposits have been measured at amortised cost using the EIR method and the resultant interest is accounted as interest income.

9. **Remeasurements of defined benefit obligation:**
Both under previous GAAP and Ind AS the Company recognised costs related to post-employment defined benefit plan on an actuarial basis. Under previous GAAP, actuarial gains and losses are charged to Statement of Profit and Loss. However under Ind AS, the actuarial gains and losses are recognised through other comprehensive income.

10. **Income tax impact:**
Prevoius GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of the balance sheet approach has resulted in recognition of deferred tax on new temporary differences which was not required under previous GAAP.

Schedules forming part of Balance Sheet and Profit and Loss Account

NOTE 36 SEGMENT INFORMATION

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. The Company is organised into one business unit and has single segment which is providing microfinance services.

The Board of Directors are the Chief Operating Decision Maker ("CODM") of the company and evaluates the Company's performance. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statement.

The Company caters only to the domestic market where there are no differing risks and returns and hence, there are no reportable geographical segments.

Information about major customers

For F.Y.2018-19, revenue from one customer of the Company is INR 10,393.47 lakhs which is more than 10 percent of the Company's total revenue. For previous year, there are no transactions with single external customers which amounts to 10 percent or more of the company's revenue.

NOTE 37 REVENUE FROM CONTRACTS WITH CUSTOMERS

a) The Company has recognised following amounts relating revenue in the Statement of Profit and Loss:

(Amount in lakhs)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue from contracts with customers	10,526.85	1,449.22
Interest income on Microfinance Loans	4,319.45	14,233.79
Revenue from operations	**14,846.30**	**15,683.01**
Other income	1,043.50	564.87
Total Income	**15,889.80**	**16,247.88**
Impairment loss on receivables	0.26	0.11
Impairment loss on contract assets	0.08	0.02

b) Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical market, major service lines :

(Amount in lakhs)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Primary Geographical Market		
India	10,526.85	1,449.22
Major services		
Business Correspondent	10,393.47	1,449.22
Micro Insurance	133.38	-
Total	**10,526.85**	**1,449.22**
Timing of revenue recognition		
Over a period of time	9,501.56	1,144.65
At a point in time	1,025.29	304.57
Total	**10,526.85**	**1,449.22**

Schedules forming part of Balance Sheet and Profit and Loss Account

c) Contract Balances

i. The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Receivables	1,080.46	362.29	-
Contracts assets	295.52	80.09	-

The contract assets primarily relate to the Company's right to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the Customer.

ii. Significant changes in the contract assets balances during the period are as follows:

(Amount in lakhs)

Particulars	Contract assets	
	As at March 31, 2019	As at March 31, 2018
At the beginning of the reporting period	80.11	-
Revenue recognised in the current period	295.62	80.11
Transfer of contract asset recognised at the beginning of the period to receivables	(80.11)	-
Gross	**295.62**	**80.11**
Less: Impairment of contract asset	(0.10)	(0.02)
At the end of the reporting period	**295.52**	**80.09**

NOTE 38 TRANSFER OF FINANCIAL ASSETS THAT DO NOT RESULT IN DERECOGNITION

(Refer Note -5,11,16 and 18)

During the financial year 2017-18, the Company has transferred its microfinance loans through assignment agreement with a first loss default guarantee (FLDG). The Company has also agreed to provide servicing assistance to the transferee pursuant to the terms of servicing agreement.

As per previous GAAP, the above loans were derecognized as they satisfied the True Sale criteria.

Under Ind AS, the Company continues to recognise the microfinance loans in its entirety in the balance sheet because it retains credit risk on the microfinance loans transferred (due to FLDG). Accordingly, it retains the credit risk in respect of the transferred microfinance loans. Hence, the company continues to recognise the microfinance loans receivables in its books of accounts and cash received on assignment is recognised as an associated liability.

The Company had no ability to use these assets during the tenure of the microfinance loans in view of the legal transfer pursuant to assignment agreement. All these assets (Ref. Note 5 and 11) should accordingly be considered as collateralised security for the liabilities (Ref. Note 16 and 18).

Schedules forming part of Balance Sheet and Profit and Loss Account

The following table sets out the carrying amount of the financial assets transferred that are not derecognised in their entirety and associated liabilities:

(Amount in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018
Carrying amount of assets	2,967.91	34,370.57
Carrying amount of associated liabilities	2,987.79	34,785.77
Fair value of assets	2,967.91	34,370.57
Fair value of associates liabilities	2,987.79	34,785.77
Net position at Fair Value	**(19.88)**	**(415.20)**

NOTE 39 OFFSETTING

The following table presents the recognised financial instruments that are offset and other similar agreements but are not offset, as at March 31, 2019, March 31, 2018 and April 1, 2017.

The column 'net amount' shows the impact on the Company's balance sheet if all set-off rights are exercised.

(Amount in lakhs)

Particulars	Effect of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Netting not recognised on the balance sheet	Net Amount
March 31, 2019					
Financial Assets					
Loans	2,967.91	-	2,967.91	(2,987.79)	(19.88)
March 31, 2018					
Financial Assets					
Loans	34,370.57	-	34,370.57	(34,785.77)	(415.20)

In terms of our report attached.
For Deloitte Haskins & Sells LLP
Chartered Accountants
FRN: 117366W/W-100018

For and on behalf of Board of Directors

S. Sundaresan
Partner
M.No. 25776

Sivakumar BS
Director
Place: Mumbai

D Kannan
Director
Place: Mumbai

Place : Bengaluru
Date : June 27, 2019

Kumar S
CEO

Suresh Batchu
CFO

Kavitha P B
CS

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