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From the Chairperson

Mrs. Vinatha M Reddy

The company completed another year of meaningful and noteworthy work. Another year of achievements, milestones, rating upgrades, fund raising and building the brand that is Grameen Koota!

On behalf of the entire team, we are pleased to be presenting Grameen Koota's 16th Annual Report.

Financial inclusion continues to play a critical role in India's thrust for growth and development as was seen in the launch of the new Government's **Pradhan Mantri Jan Dhan Yojna**, the biggest financial inclusion initiative in the world. Financial Inclusion dovetails citizen empowerment and is a critical link between economic opportunities and outcomes. Financial Inclusion continues to be the top priority and focus of the Government as it facilitates linkages to the mainstream economy and is a powerful agent for strong and inclusive growth.

Micro Finance thus plays a critical role in aligning itself with the financial inclusion agenda of the Government and in being an instrument of economic and social change. With the active support for the micro finance sector coming from the Government, India can achieve greater financial inclusion which will in turn enable a more equitable development of society.

Grameen Koota stands proud to be doing work of critical National importance as one of the top Micro Finance Institutions in India. It continues to strengthen its brand image as a socially conscious and client centric MFI, being run in a professional business-like manner. Grameen Koota is well positioned for the years ahead and will continue to focus on greater coverage, meeting the diverse needs of our customers and in creating sustainable value for all its stakeholders.

The dedication, commitment and hardwork of our staff will help Grameen Koota march ahead. We look forward to the continued support and guidance of all other stakeholders in the microfinance eco system, including financial institutions, investors, regulatory agencies, technology service-providers, civil society organisations, networks and our Board.

As Grameen Koota enters a different league, it will contribute to impacting financial inclusion on a larger scale and at all times with better efficiencies and quality of service.



From the Managing Director's Desk

Mr. Suresh Krishna

On behalf of the entire team of Grameen Koota, I am happy to inform all the readers of our 2015 annual report that Grameen Koota has successfully completed another year of providing microfinance services to women from poor and low income households with strong focus on client centricity. The company raised additional Rs.120 crore in equity from existing investors during the year which would help the company to continue providing loans to both existing and new customers in the coming year.

Grameen Koota continues to support various credit needs of its customers through Income Generation Loans, Emergency Loans, Home Improvement Loans, Sanitation, Education and Medical Loans. The company is thankful to all the banks and financial institutions (both national and international) who continued to support by providing timely onlending funds.

During the year, both Government of India (GOI) and Reserve Bank of India (RBI) intensified their efforts on financial inclusion to bring millions of unreached households under the banking network. The launch of PMJDY and MUDRA by GOI will benefit millions of poor households to get basic banking and insurance services.

The company continued to attract new talent and expanded its team of over 2,500. The company has continuously been upgrading the skills of the team through various training programs conducted throughout the year. Employee capacity-building continues to be the core focus of the company as it expands to newer geography.

After careful assessment, the company has selected Temenos T24 as the new MIS System and plans to complete the migration early next year. This new technology will help in bringing down the costs of operations and strengthen the company's ability to handle larger scale of operations. The company continues to professionalize, strengthen its Risk Management and good governance practices.

We would like to thank the employees for their commitment and dedication to the vision of Grameen Koota and making it one of the most reputed microfinance institutions in the country. We also would like to thank promoters, investors and independent directors for their continued support in taking Grameen Koota to newer heights.

We look forward to your feedback, suggestions and support in continuing to develop Grameen Koota into a responsible microfinance institution serving the needs of women from poor and low income households in a sustainable manner.



Message from the CEO

Mr. Udaya Kumar

It has been an exciting financial year 2014-15 complete with lots of pleasant moments for Grameen Koota family. At the start of the year, we initiated branch expansion after four years setting up 61 more branches taking the total branches to 222, and again stepped into Madhya Pradesh and Chhattisgarh states with 16 new branches during March 2015. This successful expansion comes after the crisis and our decision to stabilise our operations with existing branches during FY 2013 and 2014.

Four years since the crisis helped us to implement series of activities to work on most preferred MFI for our stake holders in the areas we operate, we reviewed our processes, products, recruitments, staff trainings, customer enrolments, customer trainings etc., apart from growth strategy to make Grameen Koota a socially responsible and commercially sustainable institution.

Our social program 'Jagruti' is a grand success in creating very relevant media to deliver social awareness communications to all our women customers and their households. Continued stress on Client Protection Principles, responsible financing and our partnership with Navya Disha to create awareness on safe water, sanitation, health and education made Grameen Koota stand out as a Socially Responsible institution.

Considering future growth and opportunities, the Board of Directors has approved plan to transition our current technology to a robust Core Banking System and the team is already working on this major task and its implementation. Additionally, it was also decided by the Board to look for a new Corporate Office as a future requirement.

Owing to the constant support from every stake holder, Grameen Koota is able to present very strong financials this year. My sincere thanks to our promoters, investors, lenders and regulators for helping us to take Grameen Koota to a new level. Key players in this success are our quality customers who have been continuously supporting Grameen Koota and I am grateful to our employees who have been exhibiting great culture and team spirit as always in this endeavour.

About Us

Inspired by the Alex Counts book “Give us credit” and visualized by Mrs Vinatha M. Reddy in 1996, Grameen Koota (GK) was born as a project under the NGO T. Muniswamappa Trust with seed capital funding from Grameen Trust. Modeled after the Grameen Bank, Bangladesh, Grameen Koota in 2007 transformed into Grameen Financial Services Pvt. Ltd. (GFSPL) a Non-Banking Financial Company (NBFC), which subsequently got reclassified into a regulated and governed Non-Banking Financial Company - Micro Finance Institutions (NBFC-MFI) entity by the Reserve Bank of India (RBI) in 2013.

Grameen Koota strives for the social and financial upliftment of the rural poor and low-income households, particularly women, by providing them financial and non-financial services.

Our goals broadly include:

- Client prosperity by way of encouraging entrepreneurship
- Provision of diverse and flexible products to our clients to address their different life cycle needs
- Provision of services that help our clients manage their risks
- Help improve health and hygiene conditions of our clients and their households
- Spreading financial literacy amongst clients
- Raising awareness on basic community issues

Grameen Koota's area-centric approach is what differentiates it from other competitors and we are working towards enhancing our reach and penetration with the aim of attaining a portfolio of Rs 3,500 crore by the year 2020. Grameen Koota presently operates in 64 districts in five states of Karnataka, Maharashtra, Tamil Nadu, Madhya Pradesh and Chhattisgarh (238 branches, 9, 23,018 members and an outstanding portfolio of Rs.1,447.08 crore as of 31st March, 2015).



***"The fastest way to change society is to mobilize
the women of the world."***

-- Charles Malik



Grameen Koota's GUIDING PRINCIPLES

Grameen Koota's core philosophy is to strive towards enabling widespread economic and social change with our diverse financial products and development services. The over-arching principles that we abide by are encapsulated in CREATE.

CREATE stands for:

Commitment: We shall honour all our commitments. We are committed to our mission.

Reliability: We shall not deviate from any of the policies and procedures.

Empathy: We shall be sensitive to the situations and circumstances of the people with whom we are dealing and provide them support to the best of our abilities.

Accountability: We shall be accountable for all our deeds, actions and words.

Transparency: We shall provide full disclosures, to all our clients, in terms of services and fees. We shall make our financial statements, reports and accounts as clear and as comprehensive as possible.

Efficiency: We shall be punctual, disciplined in all transactions with our stakeholders, strive towards reducing operational costs and thereby provide services to our customers in a cost-effective manner.

Grameen Koota's Vision:

By 2020, we wish to enable economic and social change in over 2 million poor and low income households through financial products and development services.

Grameen Koota's Mission:

We exist

- To transform and uplift the lives of poor and low-income families with microfinance and other development services.
- To be a sustainable, friendly and trusted provider of affordable and need-based services



BOARD OF DIRECTORS



Vinatha M. Reddy
Founder, Promoter &
Chairperson



Suresh K Krishna
Co-Promoter &
Managing Director



Prabha Raveendranathan
Independent Director



Anal Kumar Jain
Independent Director



Amita Narain
Independent Director



Daksha Niranjana Shah*
Independent Director



Paolo Brichetti
Nominee Director



Kenneth Dan Vander Weele
Nominee Director

Note: *Mrs. Daksha Niranjana Shah was on the Board of the Company till May 04, 2014.

OUR MANAGEMENT TEAM



Suresh K Krishna
Managing Director



Udaya Kumar
Chief Executive Officer



B. R. Diwakar
Chief Financial Officer



Gururaj K S Rao
Senior Vice President – Internal
Audit & Risk Management



Srivatsa H N
State Head – Karnataka &
Tamil Nadu Operations



Kallol Chatterjee
State Head – Maharashtra
Operations



Gopal Reddy
Assistant Vice President
– Operations



Haridarshini A
Assistant Vice President
– Business Analysis



Raghavendra Rao
Head – Administration



Arun Kumar B
Assistant Vice President – IT
& New Initiatives



Anshul Sharan
Assistant Vice President
– Product Operations

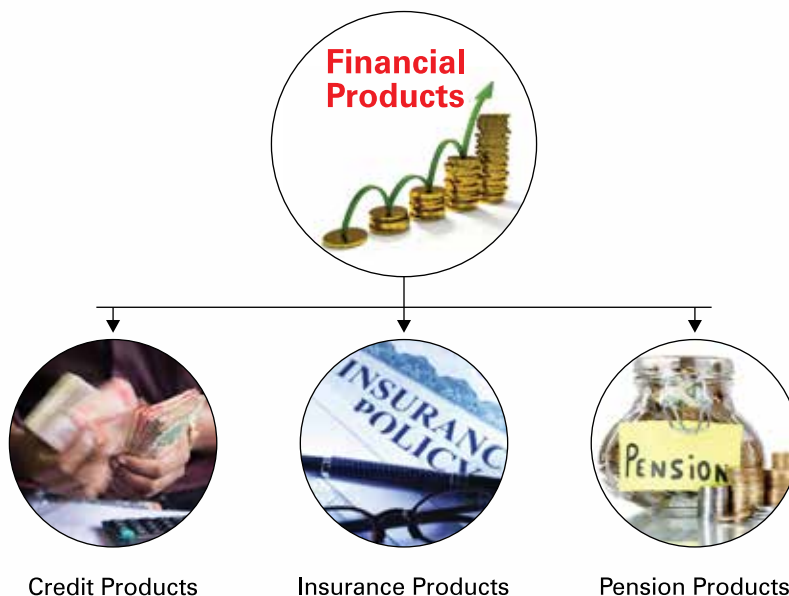


MVM Prasad
Head - Policy & Grievance
Redressal

A close-up photograph of a vintage sewing machine with a polished metal body and a large hand wheel. A person's hand is visible, adjusting a control on the side of the machine. A piece of blue fabric is being sewn on the machine's bed. In the background, another sewing machine and a person wearing an orange garment are blurred. A vertical green-to-blue gradient bar is on the right side of the image.

PRODUCTS AND SERVICES

Grameen Koota provides a wide range of products to meet the financial needs of the clients. These products have been designed by keeping their various life cycle needs in mind, which can be classified into Credit, Insurance & Pension, which are as mentioned below.



A. Credit Products

i. Income Generation Loan

Purpose

Income Generation Loans support business enterprises and income enhancement activities of the clients like purchasing fixed assets to install additional machinery etc. These loans also meet the additional working capital requirements of the client's businesses.

Loan Amount

Clients can avail loans ranging from Rs. 5,000/- up to Rs. 35,000/-.

Rate of interest

25% per annum on declining balance. In May 2014, interest rates of higher ticket size loans were reduced from 26% to 25%.

Tenure

Minimum 52 weeks to Maximum 104 weeks, depending upon the loan amount.

ii. Home Improvement Loans

Purpose

Grameen Koota offers its clients with home improvement loan that helps them to avail water connections & construct toilets and for improvement & extension of existing houses, i.e. repair or replace a roof, wall, floor or door, for monsoon proofing, adding a room or kitchen, etc.

Rate of interest

22% per annum on declining balance.

Loan Amount

Clients can avail loans ranging from Rs. 5,000/- up to Rs. 25,000/- under Home Improvement Loan depending upon the purpose.

Tenure

Minimum 52 weeks to Maximum 208 weeks, depending upon the loan amount.

iii. Emergency Loans

Purpose

Grameen Koota offers short term emergency loan to its clients to help them address emergencies and short-term cash flow constraints. Timely financial assistance refrains the members from resorting to other informal sources of money which are very expensive.

Loan Amount

Clients can avail Emergency loan up to Rs. 1,000/- to help them deal better with sudden crisis situations.

Rate of interest

24% per annum on declining balance.

Tenure

Maximum of 3 months.

iv. Family Welfare Loan

Purpose

Family Welfare Loan supports all those activities of our clients that can help them to improve the quality of their lives which include loans for fulfilling genuine consumption needs, such as purchasing cook stoves, LPG connections, bicycles, water purifiers and solar lights, meet education requirements of our clients' kith and kin, to cover medical expenses and to cater specific needs that arise during festivals.

Rate of interest

22% - 24% per annum on declining balance.

Loan Amount

Clients can avail loans ranging from Rs. 1,000/- to Rs. 10,000/- under Family Welfare Products depending upon the purpose.

Tenure

Minimum 24 weeks to Maximum 52 weeks, depending upon the loan amount.

v. Home Construction Loan

Purpose

Grameen Koota has tied up with Swarna Pragathi Housing Microfinance Private Limited (SPHMPL) to provide its clients with financial assistance for home construction and house extension. The loan is provided by SPHMPL, while Grameen Koota does the origination work.

Rate of interest

22% per annum on declining balance.

Loan Amount

Clients can avail loans ranging from Rs. 25,000/- to Rs. 200,000/- under Home Construction Loan depending upon the purpose.

Tenure

Minimum 104 weeks to Maximum 260 weeks, depending on the loan amount.

B. Insurance Products

Life Insurance

Grameen Koota has tied up with three insurance service providers, i.e., Shriram Life Insurance Company Limited, Bajaj Allianz Life Insurance Company Limited and Kotak Life Insurance Company Limited to cover its members and their spouses under group term life Insurance. Maximum insurance of Rs. 35,000/- is provided to both member and spouse.

Healthcare Insurance

Grameen Koota in collaboration with institutions like SAS Poorna Arogya Healthcare Pvt. Ltd. and L&T Insurance Company provides its clients and their families with affordable and quality healthcare facilities.

Under the healthcare program, members are provided with medical consultancy at low cost and cashless in-patient treatment at network hospitals. Access to quality medical services improves the health standards of members and protects them from high indebtedness due to sudden hospitalization and health related issues.

C. Pension Products

Pension Scheme

Grameen Koota has tied up with the Government of India as an aggregator of the National Pension Scheme (NPS) to serve its clients better.

National Pension Scheme from PFRDA provides pension coverage to the weaker and economically disadvantaged sections of society and promotes small savings during their productive life, in order to prevent economic deprivation in later stages of their lives.

Grameen Koota brings its clients under the mainstream of this program by creating awareness among the clients and collecting contribution from the members from their doorsteps. This saves considerable time and money of our clients.

The client has to contribute a minimum of Rs.1,000 and a maximum of Rs.12,000 in a year to avail the Swavalamban benefit of Rs.1,000 from the Government of India.

GRAMEEN KOOTA'S SOCIAL INITIATIVES

Grameen Koota believes in improving the lives of its clients but that improvement can come only when the right kind of social initiatives are put in place. We, therefore, have launched a host of supportive social initiatives for our clients, which include client education, healthcare initiatives, clean energy, safe drinking as well as water and sanitation projects.

WatSan Program:

Grameen Koota through its NGO affiliate 'Navya Disha', has been implementing Water and Sanitation Program in association with Water.org since 2009 in Karnataka, Maharashtra and Tamil Nadu for its clients. Navya Disha closely works with Grameen Koota in mobilizing loan funds required by the members along with free technical help for constructing toilets and getting water connections. It also helps them in getting subsidies on the purchase of required material.

During the financial year FY2014-15, Navya Disha and Grameen Koota have supported 109,027 households with sanitation facilities, 56,251 households to get access to clean drinking water and trained 360 masons.

To educate people on health and hygiene issues, 14 Block level workshops were conducted benefitting 6,650 people, sensitized 990 Panchayat members, while conducting Gram Panchayat meetings and a total of 47,239 clients were reached during 1,557 Kendra meetings.

Also, the organization reached out to 79,450 people through its street plays to spread awareness on a large scale and painted various images on the walls in 110 villages depicting consequences of not having proper sanitation facilities and drinking unclean water.

Sugrama Project:

The project Sugrama aims to achieve 100% sanitation coverage in all the target areas and create model villages by extending services to the entire village community. Broader objectives of Sugrama villages include open defecation-free villages, access for each household to clean drinking water, adoption of rain water harvesting and watershed techniques in each village to improve groundwater level, improved solid waste management and safe disposal of used water.

The Sugrama Project is under implementation in two Grama Panchayats -- Hosa Vantamuri in Belgaum District and Urdigere in Tumkur District -- and 2 full time coordinators are overseeing the work in these two panchayats. Currently, Water and Sanitation status improved from 2% to 14% in Hosa Vantamuri and from 42% to 56% in Urdigere gram panchayats.

Sushikshana Project:

Sushikshana program was launched in the FY 2014-15. The main objective is to educate school kids on non-curriculum topics like Water, Sanitation, Hygiene, Financial Literacy and Career Guidance. The schools include government, private, aided and un-aided schools of Karnataka and Maharashtra states. Navya Disha staff and volunteers are delivering an interactive and audio-visual rich content designed specifically for students. In the last financial year 1,559 students participated in WASH sessions from 32 schools.

National Pension Scheme (NPS) 'Swavalamban'

Grameen Koota as an aggregator of the National Pension Scheme (NPS), as of 31st March 2015, has enrolled total 51,631 members. During the FY2015, 23,840 members were enrolled under the program.

Healthcare Program - With this health care service during the financial year FY 2014-15, Grameen Koota has supported about 102,169 lives, and from its initiation till date over 347,949 lives.

Jagruthi - Grameen Koota recognised that knowledge is power and with a desire to make its clients well-informed, it initiated an awareness building program under the name "Jagruthi". This project aims to create awareness on different subjects ranging from health, food, nutrition, education, hygiene, sanitation to the importance of savings,

money management, government services and facilities, etc. to bring about a measurable and lasting impact on the awareness level of our clients in such a manner that it creates a perceptual shift in their minds.

Today, Jagruthi is being implemented in 181 Branches across Karnataka, Maharashtra and Tamil Nadu, educating over 895,746 members every week with a new topic. As of 31st March 2015, Jagruthi has generated awareness amongst our members by covering 185 topics. This has not only enlightened these women on various issues but also helped them avail facilities provided by government as well as in inculcating hygienic practices.

Buzz Bus - Another initiative supported by Grameen Koota is Buzz Bus, a one of its kind initiative put together by Better Future India and Navya Disha in 2012 with an aim to empower women entrepreneurs at the grassroots level by making education mobile, localized and accessible by all. Buzz Bus is a mobile academy consisting of a fully equipped mini-bus with trainers imparting education to the women entrepreneurs at the bottom of the pyramid. During the year 2014-15, nearly 226 members were trained under this initiative.

The following table consolidates all the social initiatives that Grameen Koota was involved in the last 5 years.

GRAMEEN KOOTA'S SOCIAL INITIATIVES OVER THE YEARS

Social Initiatives	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Sanitation Units Supported	3,581	5,255	16,808	50,253	109,009
Water Connections/Pure It Supported	2,591	1,478	16,067	31,003	56,252
Energy Efficient Cook Stoves Supported	1,908	5,960	1,258	465	86
Members enrolled under Health Insurance	5,441	101,218	90,216	54,123	102,169
Members & Spouse covered by Life Insurance	53,381	530,734	664,025	890,374	1,495,100
Youth trained and provided placement	-	127	31	-	-
Students participated in education program	200	728	519	-	-
Awareness topics covered under 'Jagruthi'	-	52	95	138	468
Members covered under 'Jagruthi'	-	195,000	317,606	500,662	895,746
Financial Literacy Program conducted	142	143	155	-	-
Members participated in Financial Literacy program	56,000	47,700	53,828	-	-
Health Camps Conducted	-	5	4	2	-
No. of Members who attended the health camps	-	691	609	260	-
No. of NPS Enrollments-Contributions	-	-	16,815	10,990	23,840





ACHIEVEMENTS AND RECOGNITIONS

ACHIEVEMENTS AND RECOGNITIONS

ICRA upgrades Grameen Koota's ratings

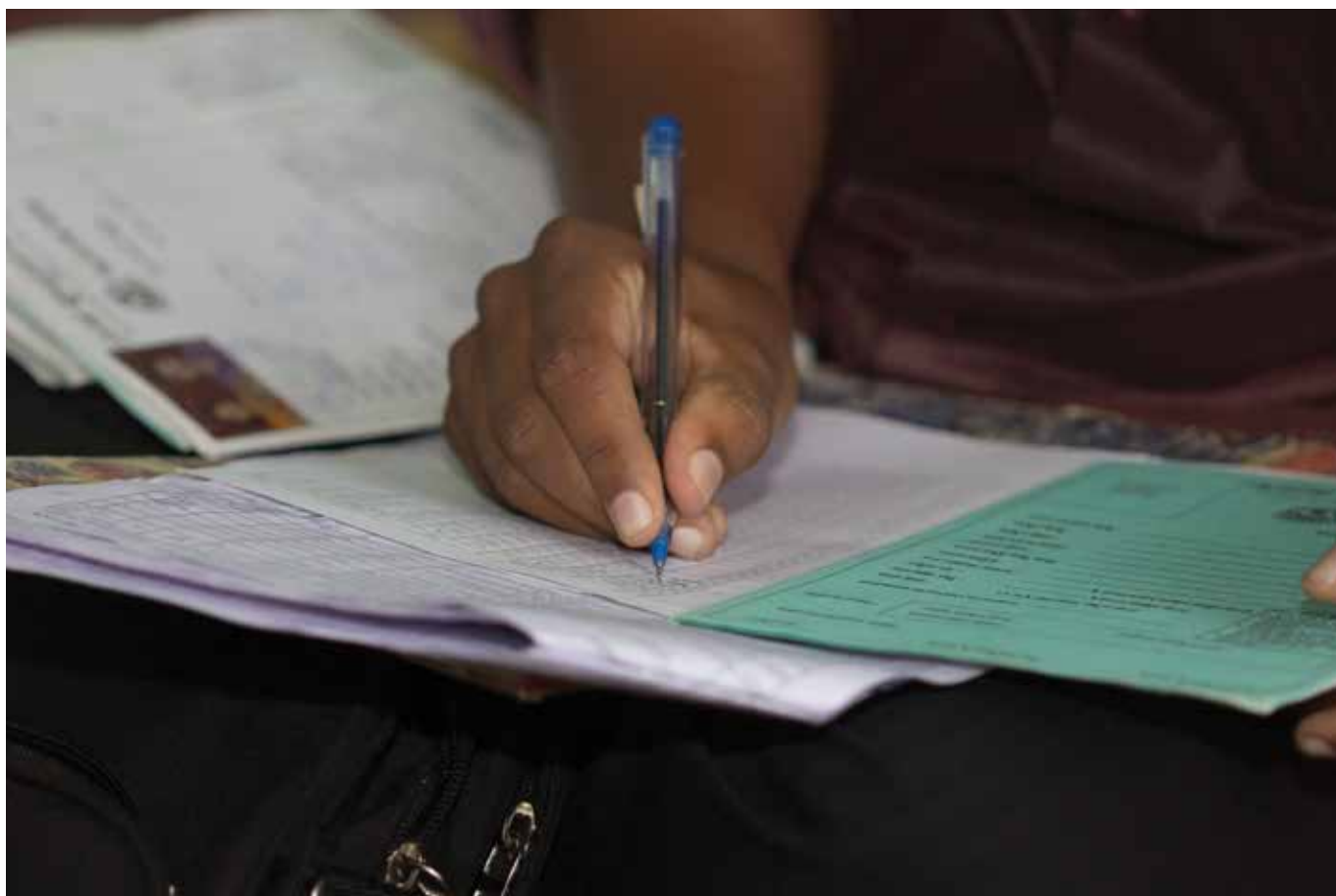
The rating of Grameen Financial Services Pvt Ltd (now renamed Grameen Koota Financial Services Pvt. Ltd.) has been upgraded by ICRA once again to 'BBB+' from 'BBB'. As per ICRA, the upgrade reflects on factors including the improvement in the resilience of earnings, superior ability to scale up as well as strengthened capacity to control asset quality. Grameen Koota has been regular in servicing all its principal and interest obligations in a timely manner and there has not been any delay or default during the specified period. The outlook on the long term rating is stable.

Grameen Koota awarded with High Level of Adherence in COCA rating

Grameen Koota's adherence to the code of conduct, laid down by Sa-dhan, MFIN, best practice guide by multilateral agencies and Reserve Bank of India, was evaluated by SME Rating Agency (SMERA) on broad parameters including Client Origination & Targeting, Loan Pricing & Transparency, Loan Appraisal, Privacy of Client Information, Staff Behaviour & Client Grievance Handling, Integrating Social Values into Operations, Relationship Management & Feedback Mechanism and Compliance Status of MFI vis-à-vis the Recent RBI Guidelines. SMERA believes that Grameen Koota exhibits high level of adherence to all ethical operational practices and consequently complies well with the code of conduct laid out.

Grameen Koota gets 'mFR2' again

Grameen Koota once again received the grading of mFR2 this year by CRISIL Limited, on a scale of 1 (highest) to 8 (lowest). Grameen Koota was graded on its overall performance, which was measured on a broad range of parameters under CRISIL's MICROS framework. In November 2013, Grameen Koota got upgraded from mFR3 to mFR2 by CRISIL Limited.





OUR CLIENTS AND THEIR SUCCESS STORIES

OUR CLIENTS AND THEIR SUCCESS STORIES

In this section we present some snippets from the experience of our clients. These are the people who may not be highly educated or come from a wealthy background but still aspire to make their lives better. Due to lack of education and exposure they remain devoid of even basic requirements of life. They want to lead a healthy life but are unable to practise it due to several constraints and the main reason is lack of financial support. Lack of funds to meet their personal as well as critical occupational needs restrains them from moving ahead.

Grameen Koota, through a variety of its loan products, tries to address such needs of the clients, so that they not only fulfil their financial needs but also move up in the process on the socio-economic ladder.

Shobha Ramegouda – The Master of her Own Success Plan

Shobha Ramegouda, 36, from Kanakapura, is adept at risk calculation in her own way. Living in a small town 50 kilometres away from Bangalore in Karnataka, Shobha was just 15 years when she was married off but she never relented in her endeavour to make her family life better for her husband and children. Though her husband owned 2 acres of land in their village, he had to live away from the family doubling as construction worker in Bangalore to earn extra income to support the family.

"I had seen my mother doing saree business and I did not like the idea of my husband staying away from home most of the time. So, I took my mother's guidance and ventured into the business of clothes ten years ago," said Shobha. She took up the business initially getting 20 sarees worth Rs.10,000 at a time and selling them from home for the neighbourhood at 20 percent margin. However, the business remained a low profile in view of the competition and time taken to sell the sarees.

That was the time, Shobha came to know about the Grameen Koota from her neighbours and joined it as a member to avail the loans to carry on with her business. Her first loan of Rs.10,000 seven years ago was put in her clothes business. She repaid the loan but had to take a year off due to her second child birth.

After one year gap, Shobha re-joined Grameen Koota and took her second loan for clothes retail business. The next year, in 2010, she decided to change the track. She took Rs.15,000 loan from Grameen Koota and adding Rs.5,000 from her savings, she ventured into dairy business buying a cow for Rs.20,000.

"My exposure to agriculture and working on my husband's agricultural land has taught me how to take care of the fodder for the cow," she explained. This enabled her save on fodder expenses and she was able to increase her daily income being meticulous about her expenses. Shobha said she began to sell 10 to 15 litres of milk daily to her neighbours and to the local dairy collection centre in Kanakapura.

Two years later, Shobha added one more cow with a loan of Rs.25,000 from Grameen Koota and in 2015 she bought the third cow at Rs.35,000 taking loan again. Shobha, sitting at home now, divides her attention to her milk and clothes business equally, while her husband stopped working as a labourer. He helps her in business, besides working on their small agricultural land.

Shobha has become not only literate about financial aspects but also realised how to make optimum utilisation of loans as per the need. She used the loan for home improvement, took education loan for her son's and daughter's



education, and added one TV and a refrigerator to her household appliances.

"Our life a decade ago was full of shortage and insufficiency. Now it's far better and we are looking forward to building a bigger home and rent out part of it," she said brimming with confidence. Shobha has a lesson for everyone.

Shakila Bhanu Kept her Vision High for Kids' Sake

Shakila Bhanu from Kanakapura in Karnataka has no education but she is determined to make her three children study and lead a better life.

Shakila's tryst with Grameen Koota began five years ago when she had learnt about the microfinance institution from her neighbours who were attending the Kendra meetings and she joined to raise her awareness and help her husband who is into scrap metal business.

With her first loan of Rs.15,000, she was able to invest in her husband's business, which requires quick working capital to trade in scrap material. Her second loan was Rs.25,000 and soon she took Rs.10,000 education loan for her children's education fee, which she said was timely and encouraging.

"We're not educated anyway. At least our children should study. We want to see our children speak in English," said the proud mother showing her three children who sit together to study daily.



Her elder son is studying in 6th Standard, her daughter is in 5th Standard and her younger son is in 1st standard. Together their fee comes to about Rs.30,000 per annum, says Shakila, who is proud to speak about her kids' education.

Her husband is planning to venture into electronics repair business soon to increase their household income and take care of their three children.

Mufeeda Begum – Chasing the Dream in Sericulture

Mufeeda, 36, from Kanakapura in Karnataka, is not new to sericulture as she has grown up in a family that owned a silk-weaving machine. She joined Grameen Koota 11 years ago to set up a hand-made silk weaving labour-intensive machine.



Mufeeda employs two labourers and pays them Rs.400 daily. She has given them an advance of Rs.100,000 to keep them on a long-term employment. She buys silkworm seeds and makes silk thread on the machine, which is in turn sold in Proddutur in Andhra Pradesh in an open auction.

During the peak season that lasts for 3 months, the couple earn Rs.30,000 to Rs.50,000, which Mufeeda says is sustainable to keep the business on throughout the year. However, due to mechanization, Mufeeda says the profit margin has come down.

Toying with the idea of buying a 4-head silk weaving automatic machine soon, Mufeeda says she requires more loan now. To redeem her wish, the loan amount

should be higher at around Rs.50,000 for two years.

Since her brother has a mechanized silk weaving business, Mufeeda is confident that she can emulate the example and expand her current business. Besides taking Grameen Koota loans for her home-based business venture, Mufeeda hopes to give good education to her three children.

In her 11-year-long journey with Grameen Koota, Mufeeda exudes confidence whenever she talks about the loans and attending Kendra meetings which are held in her premises, with her neighbours being the co-borrowers.

With all business calculations on her finger tips, Mufeeda plans to expand her business and build a small house in a plot they own just opposite their current house, which is owned by the undivided family.

Dodda Tayamma - Life is more meaningful now

Dodda Tayamma, 45, from Kanakapura in Karnataka has been a member of Grameen Koota for 15 years and she vividly remembers the day when GK volunteers visited her and taught her how to sign and gave her the first lessons in financial literacy.

Since Grameen Koota was the first bank she knew, she is proud of her long association with them. To begin with, she took loans in the initial years for her small tea and condiments business on the roadside. After her daughters are married off, Tayamma embarked upon dairy business four years ago.

With Grameen Koota loans, she bought two cows and makes Rs.400 to Rs.500 daily. She lives in a small land-holding on a hill-side where her husband and son work.

Later, Tayamma ventured into sericulture. As mulberry plants are grown in the land, she has taken Grameen Koota loans to buy silk worms which are reared in a thatched house nearby. The seeds are sold six times in a year and there is constant flow of money, she said explaining her sericulture business.

Tayamma exudes confidence about her business and she knows all the loans and the banks which provide them. She is aware of the incentives given to women in several banks and is confident to make her business grow further.



SOCIAL PERFORMANCE MANAGEMENT (SPM) REPORT

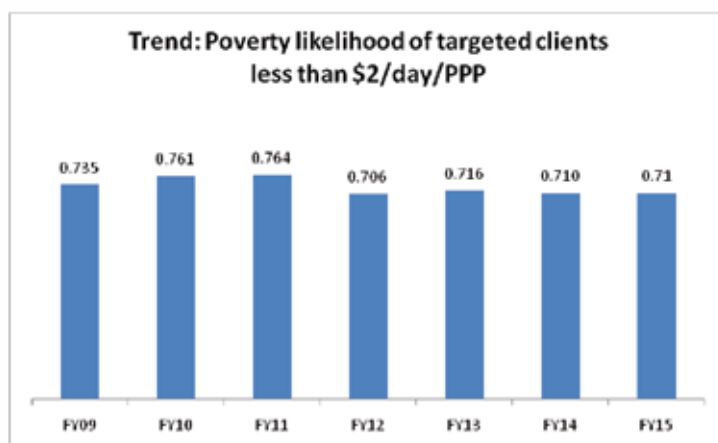


1) Governance and Strategy

Our vision and mission is to serve the poor and low-income households, by extending microfinance and related development services that address their requirements, leading to both social and economic change.

Client Targeting: Grameen Koota uses a set of economic indicators, internally developed for targeting clients. These indicators comprise condition of the house, cash flow of member family, and details of assets including livestock. Accordingly, members are classified into very poor / moderately poor / non-poor – where the latter are excluded. To further vindicate the poverty levels of targeted clients, we use a poverty index tool called Progress Out of Poverty Index (PPI) developed by Grameen Foundation. PPI is a poverty assessment tool consisting country-specific, poverty scorecard to provide results related to national and international poverty lines and is based on data from Social-Economic Surveys.

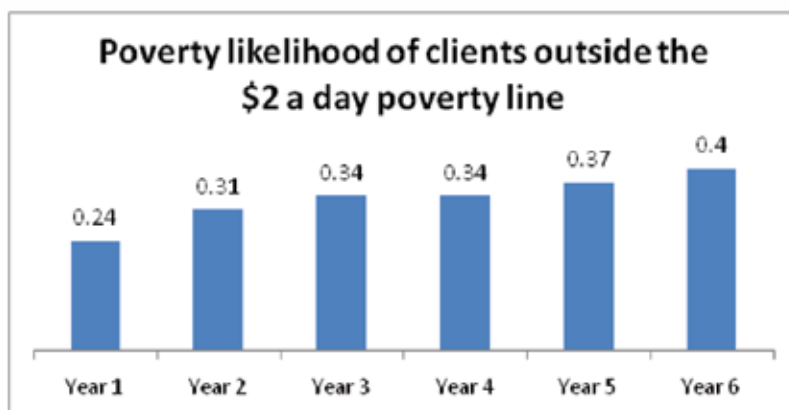
Apart from applying PPI to determine the poverty levels of clients, we also use PPI scores to track changes in poverty levels over time. In December 2008, when we began collecting the poverty status data of clients using PPI, we were the first MFI in India to do so. We are the first fully certified user of the PPI in India. PPI certification demonstrates that we are using the tool correctly, and ensures the accuracy of its results. New Clients' poverty levels are assessed at the time of joining. The table below indicates the percentage of clients who were living below \$2/day PPP at the time of joining Grameen Koota.



As witnessed in the above graph, the targeting of clients across past years has been consistent. Currently, \$1/day/PPP in Rupee terms is equivalent to Rs.31.7/person/day (Apr-15). In FY15, 73% of our clients targeted in rural areas and 63% in urban areas live on less than \$2 a day, whereas 48% of the clients targeted in rural areas and 38% in urban areas live on less than \$1.5 a day – as estimated using PPI.

The income levels of clients for qualifying assets after adjusting to inflation is pegged at around Rs. 81,800 for rural borrowers and Rs. 163,000 in case of urban borrowers. However, poverty outreach is lower than the national incidence of poverty for \$1.25/day and slightly lower than the national incidence for \$2/day. Poverty incidence at \$1.25/day and \$2/day lines of clients who joined in the FY 2014-15 is 30.3% and 71.1% respectively, which is higher than the clients who were existing clients (Poverty incidence at \$1.25/ day = 27.4% and \$2/day = 68.4%) of Grameen Koota during the period.

We track movement of poverty levels of clients by capturing PPI scores at multiple instances – during client joining, loan renewal and exit. Therefore, we have different sets of clients with two and multiple number of PPI instances. When we analyse the poverty levels of clients and compare their earliest PPI instance since 2009 and the latest PPI instance, we see a considerable improvement in the poverty levels of clients as seen in the graph below.



Governance: The Board members – two Promoter Directors, two Nominee Directors and three Independent Directors, have rich experience across different areas – microfinance, social development, banking, finance and technology. We have eight committees in board to oversee the critical areas of the company. It includes Nomination and remuneration, Shareholders’ and Grievances Committee, Audit committee, Risk Mitigation committee, Corporate and Social Responsibility Committee – all headed by Independent directors. The MD’s and CEO’s performance parameters include social development loans and financial goals. As a responsible microfinance institution, the board has adapted COC defined by MFIN, Sa-Dhan, AKMI and the Fair Practices Code by RBI, and monitors the performance regularly.

List of committees is given below:

Audit Committee – headed by Independent director
ALM Committee – headed by Promoter director
Nomination and remuneration Committee - headed by Independent director
Shareholders’ and Grievances Committee - headed by Independent director
Shares and Debenture allotment Committee - headed by Promoter director
Executive and Borrowings & Investments Committee - headed by Promoter director
Risk Mitigation Committee - headed by Independent director
Corporate Social Responsibility Committee - headed by Independent director

2) Monitoring Social Goals

We have set out objectives that will lead to achieving our vision and mission. They are:

- Designing products suitable to meet majority needs of the poor & low income households
- Offering services that help in asset building and strengthen financial safety nets which enable them to face the life cycle events
- Designing processes and procedures which are transparent and easily understood by the target customers
- Providing various development services which help in enhancing the income
- Developing programs to build awareness on financial literacy, government entitlements and schemes, health, insurance, education, environment, water, sanitation etc.
- Developing employee friendly policies & procedures which are transparent and fair
- Developing & implementing monitoring & measuring tools to study the impact of the products & services provided.

Accordingly, we have implemented and extended a set of developmental products apart from products supporting their livelihood. These products include supporting access to sanitation, water connection, social and economic security to families in terms of health insurance coverage and pension schemes. Further, we also undertake such activities that spread awareness and financial literacy amongst the clients like socio-economic development workshops, Jagruthi awareness program at each of our branches.

Client Protection Principles, Responsible financing, social values continue to reflect in our positioning in the industry with relevant products and processes.

Implementing a responsible finance strategy seeks to advance six principles into concrete actions, as we expand our business operations, and broaden financial inclusion operations through existing and/or new microfinance products and services. Integral to the comprehensive approach towards responsible finance, the six principles of client protection include: a) Avoidance of over-indebtedness; b) Transparent and responsible pricing; c) Appropriate Collection practices; d) Ethical Staff Behaviour; e) Mechanisms for Complaint Resolution and f) Privacy of Client Data.

We ensure this by pursuing:

- a) Staff commitment to Grameen Koota's social mission through:
 - 1) Effective recruitment and training of new staff;
 - 2) Extensive training sessions to communicate social objectives and expectations to new staff and provide refresher training to the existing employees.
- b) Internal Control
 - 1) Check reliability & completeness of data within the MIS
 - 2) Monitor field compliance with client protection policies

3) HR and Responsibility to Staff

Staff selection process is well defined to determine skills and attitude of the candidates, and to assess mutual fit. A systematic process of induction and training is followed that reflects social goals & values (behaviour with clients, client appraisal, grievance redressal, problem solving in the field, etc). The social performance areas covered in staff training are on the principles and strategies of the organisation – mission/vision orientation, social objectives, and gender sensitization; and specific operations/procedures related to – code of conduct, client protection principles, client selection best practices, risk management and staff behaviour.

Customer perspective elements are considered for staff appraisal. Our incentive policy is such which does not promote aggressive selling or recovery, but encourages following policies & procedures as well as social goals.

There are tremendous internal growth opportunities for employees, especially the staff in operational hierarchy. We prefer to fill vacancies for higher posts, especially in operations internally. We have a policy to identify good performers from branch manager and above to give them special attention and motivation and create opportunities to grow in the company.

In order to make the process of payroll easier, a one stop shop for all payroll and leave process has been created. The payroll suite called "Power HR" has been designed to address all the needs of our employees. They can access their salary details and compensation structure online instantly and check their leaves, besides viewing the tax details and computation method. Any queries related to pay slip or tax computation can be sent online for quick response and redressal.

Since many of the branch staff are posted at branches away from their natives, we provide free of cost lodging facilities to them at the branch premises. We provide furniture, utensils and salary of the cook. Staff attrition is tracked regularly and discussed in review meetings by the senior management. Staff retention and team development are considered in appraisals of supervisory staff. A dedicated email-id for grievances and suggestions is displayed in all the branch offices. Staff can also write directly to the Managing Director, whose email-id is also displayed at the branches. Other major benefits extended to staff include vehicle loans and personal loans.

4) Treating Clients Responsibly

We are a SMART certified institution for adherence to Global standards of client protection. We are also certified as a S.T.A.R. MFI by MIX which implies being Socially Responsible and Transparent.

- **Preventing over-indebtedness:** At the time of client joining us, a detailed assessment of household position with respect to demographic situation, occupation, cash flow, assets and liabilities is carried out through administering MBDF, and should general loan be repeated, detailed cash flow information is captured along with PPI information. Further, we share client information with credit bureaus and also informally share details of defaulting clients with other MFIs through the regional industry association. We offer a range of products and services to serve diverse client needs. And, there are clear debt thresholds defined within which loan approvals are made at multiple levels/positions. We have a very strong internal audit department that verifies compliance with respect to the policies and systems to prevent over indebtedness.
- **Transparent pricing:** We have developed clear descriptions of loan terms, specifications, and eligibility criteria. Loan pass books are issued to clients that clearly mention annual interest rate (on reducing balance), processing fee, insurance amount and other terms and conditions. Pricing is communicated to clients at multiple points during the joining and credit process. The different channels used to disseminate information are: Introductory meeting, Compulsory group training, Group recognition test – at the time of joining and during the credit process – Centre meetings, flyers, branch office.
- **Responsible pricing:** Pricing is determined scientifically and as per the regulatory guidelines. We have reduced our prices over a period of time and Grameen Koota is committed towards passing on the benefits of scale to its clients. We have a varied pricing structure – the non-productive loans are priced much lower compared to productive loans. We have used our profits to develop different products and services to address diverse needs of clients.
- **Appropriate collection practices:** We have a very clear, comprehensive and well-written collection policy and code of conduct. There are clear examples of acceptable and unacceptable collection practices. Staff is trained primarily through class room sessions and shadowing experienced staff and we do not confiscate any physical collateral from clients. Re-scheduling is done in real and exceptional cases only. We have a well-defined policy and process in place for re-scheduling.
- **Ethical Staff behaviour:** Grameen Koota has developed a concise and comprehensive code of conduct which ratifies with codes promoted by industry associations and RBI Fair Practice Code. The Code of Conduct is part of all the key documents and communication at the organisation, *i.e.*, all policy documents are prepared based on the code of conduct. Training on ethical behaviour is through classroom sessions and shadowing senior staff along with running e-courses to continuously develop capacity amongst staff on ethical behaviour and code of conduct. Internal audit also keeps a close vigil on how staff is behaving with clients and whether appropriate action is taken in case of discrepancies.
- **Mechanisms for complaint resolution:** We systematically monitor client complaints through toll free numbers and have also established out-bound calling facility to pro-actively reach out clients to check their satisfaction level and if they have any complaints or suggestions. Apart from Toll Free numbers, we have established various other ways through which complaints can be registered. A detailed written policy has been developed to manage the grievance redressal process.
- **Privacy of client data:** We have put in place policies and processes for the privacy of client data. Clients are aware of their data being shared with third parties, such as credit bureau checks. Data privacy is part of the Code of conduct and is reiterated through trainings. Across the organization, the protection of client data is ensured through non-disclosure agreements with all relevant third parties and through data-sharing and data-masking protocols.

Grievance Redressal Cell

During FY 2014-15, we received 1,602 grievances, of which 1,571 were from our members and 33 were from our staff. We had resolved 1,596 of these grievances (including the cases carried forward from last year) as of 31st March 2015.

Highlights of the Cell:

- **Written Grievance Redressal Policy:** The Code of Fair Practices clearly establishes (in written format) different mechanisms of grievance redressal and clearly defines responsibility and timelines for the resolution of grievances. Board of Directors also tracks the progress of the institution on grievance resolution. We have formulated a very detailed and clear Customer Grievance Redressal Policy. The written policy document covers all elements of Grievance Redressal, channels for receiving complaints, complaint boxes, toll free number, outbound mail, email etc.; establishing grievance cell at Head Office; escalation process etc.
- **Active Client Handling Process:** We have instituted a number of Grievance Redressal Mechanisms which include:

Toll free numbers: We have established toll free numbers for addressing complaints and queries of clients. The number is printed in passbooks, registers at field level and also displayed in branches. The toll free number is communicated to clients in multiple ways. It is printed on the loan card, and also printed in the Centre Minutes Register. It is prominently displayed at branches. Besides, this number is communicated to clients by Kendra Manager during CGTs and centre meetings.

Out-bound calling: We have a dedicated staff responsible for making fixed number of out-bound calls to clients on a daily basis to check their satisfaction with our services, if clients have any grievances against Grameen Koota, if clients are aware about different redressal mechanisms etc. We use a standard script for its outbound calls and staff is trained on the same. The script helps in communicating standard messages to clients and creating awareness about our products, services and grievance redressal mechanism.

Complaint boxes at branches: Based on regulatory requirements, we recently introduced complaint boxes at each of our branches and developed policies and processes to make the complaint boxes effective.

E-mail and post: Clients who are literate and use e-mail services can also send an email at yourvoice@gfspl.in or they can send in their complaint or suggestion through post. The postal address is mentioned on the back of the loan cards.

The details of above mentioned channels, through which the grievances could be raised, are also displayed on the official website of Grameen Koota as well as in its regional offices and head office.

- **AKMI Ombudsman:** We are an active member of Association of Karnataka Microfinance (AKMI). The association has established a client grievance redressal ombudsman. The Ombudsman's mandate is to resolve client complaints that are not resolved at the MFI Level.
- **Dedicated Staff for handling complaints:** At the head office, the toll free number is handled by a senior staff member. This person has the responsibility of receiving and recording complaints in a simple MS Excel tracking spread-sheet and also maintaining a manual diary. The staff members have to make a note of follow up action taken on each complaint and query.
- **Clear categorization of query, request and complaint:** We make a clear distinction between queries, requests and complaints. In the detailed grievance redressal policy, each of the three categories is clearly demonstrated via the examples given below:
 1. Query Clarification on interest rate offered, repayment amount, etc.
 2. Request for Higher loan amount, personal loan, insurance claim request, etc.
 3. Complaint / Harassment of client regarding repayment or non-disbursal of an emergency loan on time, etc.
- **Customer Feedback:** We consolidate the list of grievances and complaints received from clients and staff. The consolidated and analysed results are presented to Management on a monthly basis. The issues raised have to be addressed within the stipulated time as per the policies and procedures failing which, after passing through various levels, they get escalated to the CEO/MD on day seven. Management also engages with Internal Audit and Supervisory staff to understand the issues and challenges in field operations. Based on all the discussions and feedback, necessary policy and process changes are introduced in the system and a circular towards the same is released to all branches. Every quarter, the Grievances Committee of the Board reviews the kind of

grievances that come up; keeps a close vigil on whether the complaints are resolved satisfactorily and also takes steps to improve customer service. It also provides feedback on different mechanisms established by the institution for grievance redressal.

5) Understanding the needs and preferences of clients

It is our constant endeavour to meet the requirements of the clients by offering need based services backed with client-friendly policies and strong implementation that has led to a client outreach of 923,018 members across 238 branches and 64 districts in the states of Karnataka, Maharashtra, Tamil Nadu, Chhattisgarh and Madhya Pradesh.

In order to meet this objective, Grameen Koota conducts customer surveys on regular basis. We have a two-pronged feedback process – one where clients are interviewed in person face-to-face, and another done over phone as a part of the feedback process. While the former is conducted by our Area Managers on a monthly basis, the latter is done on daily basis with the help of a call centre. The call centre team has segmented clients into 6 different categories based on their vintage including dropped clients and asks specific sets of questions that are relevant to each segment to understand each segment's needs. In 2014-15, over 8,497 respondents were interviewed for the purpose. The highlights of the findings are presented in the table below:

Total calls made for the FY 2014-15

Particulars	Rating					Total
	5	4	3	2	1	
Staff Behavior	2,102	5,306	1,089	0	0	8,497
Loan Amount	2,951	4,850	696	0	0	8,497
Loan processing time	1,877	5,402	1,218	0	0	8,497
Disbursement process	1,863	5,393	1,241	0	0	8,497
Tenure	2,388	5,199	910	0	0	8,497
Installment	2,480	5,170	847	0	0	8,497
Kendra Meeting	3,031	4,849	617	0	0	8,497

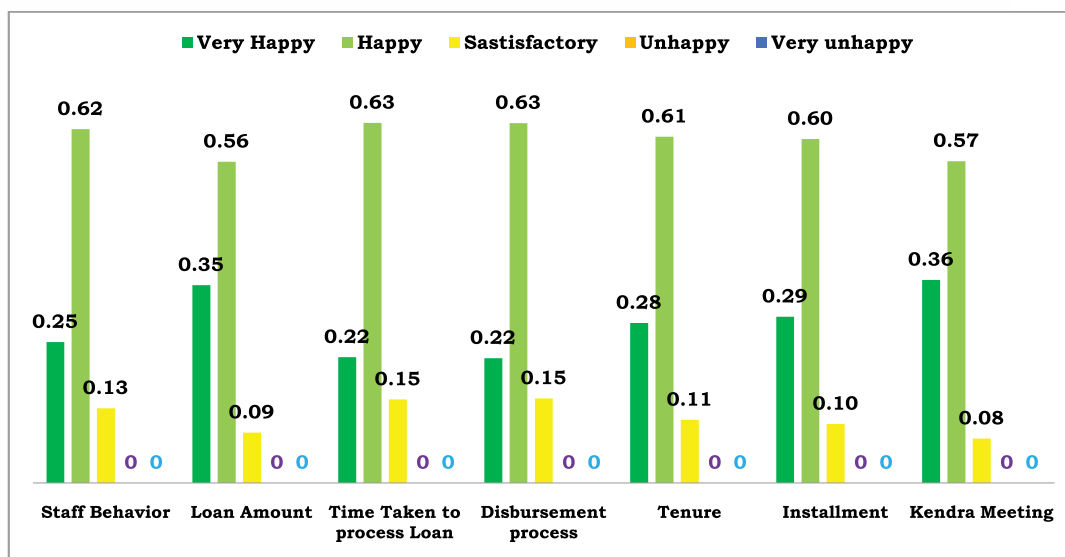
On the basis of feedback data obtained from the members during the survey, we observed that the members have expressed their general comfort level. While the trend has been **positive** and member's opinion is shifting slowly but steadily towards **rating 4 & 5** (on a scale of 1-signifying low satisfaction to 5 signifying high satisfaction). Time taken to process the loan, disbursement process and staff attitude emerged as areas that need to be fine-tuned.

6. Member Awareness and Feedback Analysis:

Member Awareness Analysis was carried out based on the information obtained from them through telephone calls. During the year **8,497** calls were made. In addition, we also made **547** calls to waiting borrowers and **456** calls to Dropped-out members, respectively. An additional **131** calls are made to elicit feedback of Waiting Borrowers on account of a special survey undertaken. Also **59** calls were made to Kendra Leaders to validate the reasons adduced by Dropped out Borrowers. Thus the Cell has made a total of **9,690** successful calls to the members during the current FY 2014-15 as shown in the table below:

Total No. of calls - 8,497		
Awareness on (in absolute numbers)		
Particulars	Total	% Awareness
Loan products	8,174	96%
Loan passbook	8,497	100%
Interest & Fee	7,180	85%
Credit Bureau	7,732	91%
Insurance	8,001	94%
Branch add & contact No.	8,497	100%
Complaint box	7,054	83%
Toll- free Redressal No.	7,376	87%

Graphical presentation of members' feedback data analysis of different services offered by Grameen Koota (FY2014-15).





MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY PERSPECTIVE

The year 2014-15 saw the microfinance sector in India further emerging and consolidating itself in view of the Reserve Bank of India's guidance framework for the sector as partner in its broader goal of financial inclusion in the country. As on 31st March 2015, 45 members of the Microfinance Institutions Network (MFIN) had received NBFC-MFI licences from RBI, including Grameen Koota.

During FY 2014-15, MFIs disbursed over 33.43 million loans worth Rs.545.91 billion. Compared to FY 2013-14, the total number of loans disbursed by MFIN members grew by 37% and the loan amount disbursed by them registered a 47.08% growth.

Industry Trends

An overview of the microfinance operations of NBFC-MFIs by MFIN reiterates the fact that the microfinance industry continues to play a significant role in promoting financial inclusion among low income clients in the country, with presence in 32 States and Union Territories and operating 10,553 branches.

The Indian microfinance industry grew at an impressive rate of 61% in terms of Gross Loan Portfolio (GLP) in FY 2014-15 at Rs. 401.38 billion. Major NBFC-MFIs with more than Rs.5 billion GLP registered the highest growth of 63% over FY 2013-14. They accounted for 86% of the total portfolio. Small size NBFC MFIs with less than Rs.1 billion GLP, however, registered a growth of 54% over FY 2013-14. In terms of total number of clients of the microfinance industry, the figure stood at 30 million or registering 29% growth over FY 2013-14.

The growth in disbursed loan size is also higher in the FY 2014-15 at more than 33.43 million loans distributed amounting to Rs 545.91 billion. Compared to FY 2013-14, the number of loans disbursed grew by 37% and the loan amount disbursed increased by 55%.

Funding

Industry funding in FY 2014-15 shows continued confidence of funders, including commercial bank funding. During FY 2014-15, NBFC-MFIs received total debt funding of Rs. 276.82 billion, 78% of it from the banks and the rest from other Financial Institutions (FIs). The industry registered an impressive growth of 84% compared to FY 2013-14 when the figure stood at Rs.150.40 billion (79% from the banks).

Productivity

The improvement in productivity is essentially attributed to increased operational efficiency of the sector. This year the average clients per branch for NBFC-MFIs stood at 2,890, a growth of 19% over FY 2013-14 and the average clients per loan officer stood at 591, growing at 9% over FY 2013-14.

Portfolio Quality

The portfolio of the industry in FY 2014-15 reflects good quality of operations since the Portfolio at Risk (PAR) for NBFC-MFIs (other than MFIs under CDR) remained well under 1% of GLP, indicating good portfolio quality.

Geographical presence

The Gross Loan Portfolio (GLP) of MFIs is currently more evenly distributed across all regions in the country, with the share of south at 30%, east 28%, north 22% and west at 20%. The top five states -- West Bengal, Tamil Nadu, Karnataka, Maharashtra and Uttar Pradesh -- account for 59% of GLP.

SROs & MUDRA

At the regulatory level, the microfinance industry transformed into a more regulated financial service provider and the Reserve Bank of India has continued its engagement with the sector by formally providing recognition to both Sa-Dhan and MFIN as the self-regulatory organisations (SRO).

At the policy level, the Government of India has finalised the launch of MUDRA (Micro Units Development and Refinance Agency) which would be the refinancing and regulatory organization for micro-enterprise financing. MUDRA would fulfil the need of sector, especially for the medium and smaller entities, by providing them new lines of finance and even regulatory framework for MFIs which are outside RBI's purview till now, thus stabilizing and further strengthening the sector.

The Pradhan Mantri Jan Dhan Yojana (PMJDY)

The Pradhan Mantri Jan Dhan Yojana (PMJDY) launched by the Government of India is a big step in reaching financial inclusion to the last mile. With over 190 million savings accounts being opened under the program, it might be a game changer going forward.

The Pradhan Mantri Suraksha Bima Yojana (PMSBY)

The Pradhan Mantri Suraksha Bima Yojana (PMSBY) and the Atal Pension Yojana were launched this year as social security measures aimed at the low income households. Besides, the launch of Bandhan Bank and IDFC Bank, RBI's proposal to allow setting up of new Payment Banks and Small Finance Banks will be the big game changers for the banking and financial sector in the country with focus on financial inclusion.

Rural Reach

According to Sa-Dhan, the Southern region still has the highest share in terms of outreach and loans outstanding, followed by East. In terms of growth rate, however, the North-eastern and Central regions have higher figures. Urban clientele are growing faster than the rural clientele. The proportion of urban clientele, which was 44% in 2013-14 increased to 67% in 2014-15. Otherwise, women borrowers constitute 97% of the total clientele of MFIs, SC/ST borrowers constitute 28% and minorities 18%, according to Sa-Dhan figures.

Industry Highlights

- As of 31st March, 2015, MFIs provided loans to over 30.50 million clients, an increase of 29% over FY 2013-14.
- The aggregate gross loan portfolio (GLP) of MFIs stood at Rs 401.38 billion (excluding non-performing (PAR > 180 days) portfolio (Rs 26 bn) and SKS portfolio (Rs 0.13 bn) in Andhra Pradesh). It represents a YOY growth of 61% over FY 2013-14.
- Annual loan disbursements in FY 2014-15 increased by 55% over FY 2013-14. Total number of loans disbursed by MFIs grew by 37% in FY 2014-15 over FY 2013-14 reaching 33.43 million.
- Funding to MFIs (in FY 2014-15) grew by 84% over FY 2013-14.
- Portfolio at Risk (PAR) figures (PAR 30, 90, 180) remained under 1% for FY 2014-15.
- Average loan amount disbursed per account was Rs 16,327.
- The Capital Adequacy Ratio (CAR) for all types of MFIs remained above the desirable level of 15%. NBFC-MFIs have an impressive CAR of 21.5 %.
- MFIs now cover 32 states/union territories (489 districts).
- MFIs' coverage is now geographically well dispersed with GLP in south at 30%, east at 28%, north at 22% and west at 20%.
- Productivity ratios for MFIs continued to improve. GLP per branch is now at Rs 38.03 million, up by 49% over FY 2013-14.
- Insurance to over 36.36 million clients with sum insured at Rs 670.50 billion was extended through MFIs.
- Pension accounts were extended to over 1.87 million clients through MFIs.

Operational and financial aspects

MFIs employ more than 94,500 personnel, out of which 16% are women, and 64% of them are field staff. The figure of active borrowers per credit officer (ABCO) is 419, which is lower than the FY 2013-14. While financial expense was the major chunk incurred by MFIs in FY2014-15 at 50%, personnel expense and other administrative expenses account for 23% and 25% respectively, according to figures available from Sa-Dhan and MFIN.

The Yield of the microfinance sector for FY2014-15 was 23.8%, which is the highest for the NBFC-MFIs (24.2%) and lowest for the cooperatives (20.2%). The Margin for different types of institutions was in the range of 9% - 14% and NBFC-MFIs maintained a median margin of 10.09%. Median OSS (Operational Self Sufficiency) is 113% and about 13% of MFIs have OSS less than 100%. Median ROA and ROE for the sector was at 1.94% and 9.25% respectively and the returns are generally higher for not for profit MFIs and very large sized MFIs.

The CAR (Capital Adequacy Ratio) for all types of Micro Finance Institutions remained above the desirable level of 15%. NBFC-MFIs have an impressive CAR of 21.5%. Leveraging of the sector was 2.9. The sector received a sum of Rs 40,802 crore (1 crore=10 million), which includes a portfolio sale of Rs 5,221 crore. The total outstanding borrowing of MFIs stood at Rs 35,573 crore, with a substantial share of this derived by NBFC-MFIs (96%) especially from the very large MFIs (84%).

Grameen Koota's Operations Perspective

During the financial year 2014-15, Grameen Koota registered 78.95% growth in loan portfolio, 69.25% growth in active borrowers, 35% growth in number of branches and 70% growth in total number of employees. We have opened 61 branches and also expanded into Madhya Pradesh and Chhattisgarh states.

Client Profile

Grameen Koota's clients come from diverse backgrounds, from various ethnicities and different age groups but they have been functioning together as its members for years now. The tables below show the distribution of the clients based on their ethnicity, age and vintage with the Company.

Ethnicity	FY 12	FY 13	FY 14	FY 15
BC	19%	16%	13%	10%
OBC	21%	22%	24%	27%
SC	18%	19%	23%	27%
ST	8%	9%	9%	9%
Minorities	29%	30%	28%	25%
Others	5%	4%	3%	2%

Client's Age	FY12	FY13	FY 14	FY 15
Less than 25 years	7%	7%	8%	9%
25-30 years	17%	15%	15%	16%
30-35 years	20%	19%	19%	19%
35-40 years	21%	20%	18%	18%
40-50 years	30%	31%	30%	29%
>50 years	6%	8%	9%	9%

Customer Vintage with the company	FY12	FY13	FY 14	FY 15
Less than 1 year	20%	22%	39%	37%

1-3 years	60%	49%	26%	37%
3-6 years	17%	22%	26%	18%
6 years and above	3%	7%	9%	8%

Profitability

During FY 2014-15, our total revenues were Rs 281.43 crore, an increase of nearly 90% over the previous financial year. Our total expenses stood at Rs 205.35 crore during FY 2014-15, an increase of 71% over the previous financial year. Our profit before tax was around Rs. 76.08 crore in FY 2014-15, an increase of more than 175% over the previous financial year.

Outreach and branch network

During the financial year 2014-15, Grameen Koota registered 78.95% growth in loan portfolio (including managed and originated loans) and 69.25% growth in active borrowers, growth in number of branches was 35% and total employees was 70%. Improving operations along with staff productivity has been an important area of focus for the year which has resulted in growth. We have also ensured that increase in number of staff does not have an adverse impact on our portfolio quality. We have opened 61 branches and also expanded into Madhya Pradesh and Chhattisgarh states.

Operational Trends

During the last four financial years, starting from 1st April 2011 and ending on 31st March 2015, the company had a Compounded Annual Growth Rate (CAGR) of around 15.07% in the number of districts, 12.31% in the number of branches and 39.65% in the number of active borrowers. Loans disbursed has witnessed a CAGR of 47.08%. Our outstanding loan portfolio, including managed portfolio has grown at 56.08% year on year. The number of our total staff has grown at a rate of 28.01% during this period. Portfolio quality as always has been of very high quality with on-time repayment rate of above 99% consistently over the years.

Operational Trends

Particulars	Mar-12	Mar-13	Mar-14	Mar -15	CAGR (%)
Branches	168	161	176	238	12.31%
Districts	42	41	42	64	15.07%
Active Borrowers	313,610	346,519	504,688	854,188	39.65%
Loans disbursed (INR Cr.)	595.3	606.4	1,028.1	1,893.9	47.08%
Portfolio on Book (INR Cr.)[A]	267.4	384.2	668.6	1,339.6	56.08%
Managed Portfolio (Securitized) (INR Cr.)[B]	113.9	139.7	141.0	107.5	
Originated Portfolio (INR Cr.)[C]	-	-	0.6	2.7	
Portfolio Outstanding (INR Cr.)[A+B+C]	381.3	523.9	810.1	1,449.7	
Field Officers	848	800	1,092	1,969	32.42%
Total Staff	1,267	1,189	1,560	2,658	28.01%
Repayment Rate	99.6%	99.9%	99.9%	99.9%	N/A
Funds raised during the year (INR Cr.)	366.7	541.8	883.7	1,180.7	47.66%

Financial Performance

For FY 2014-15, our portfolio yield was 24.55% as against 24.89% for the last financial year. Our Operating Expense Ratio declined to 6.7% in FY 2014-15, from 7.74% in the last financial year, reflecting improvements in operating efficiencies. We have maintained robust portfolio quality with PAR>30 at 0.05%.

Funding Trends

The changes in the funds received from different sources during the FY 2014-15 in comparison to last year can be

seen in the below table.

Outstanding As On	Mar-13	Mar-14	Mar-15
Public Sector Banks	22%	29%	22%
Private Banks	32%	30%	41%
Securitization / Buyouts	26%	15%	9%
NCD / Foreign Sources	14%	18%	21%
NBFC's and FI's	7%	8%	8%

Portfolio Distribution

We have operational presence in Karnataka, Maharashtra and Tamil Nadu. While Karnataka continues to contribute a major proportion to our loan portfolio (69.63% for year ending March 2015), we have been increasing our outreach in Maharashtra which contributed 27.65% for the year ending March 2015.

State Wise Portfolio Distribution

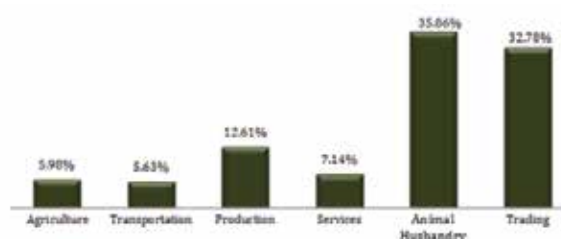
State wise Portfolio Distribution	FY 13		FY14		FY15	
State	Portfolio(Rs.Cr)	% age	Portfolio(Rs.Cr)	% age	Portfolio(Rs.Cr)	% age
Karnataka	412.94	78.82%	573.85	70.83%	1009.43	69.63%
Maharashtra	105.00	20.04%	219.10	27.04%	400.81	27.65%
Tamil Nadu	5.96	1.14%	17.19	2.12%	39.51	2.73%

Grameen Koota offers various products as shown in the table below:

Products	FY 13		FY 14		FY 15	
	No. of Loans Disbursed	Amount Disbursed (Rs. Cr)	No. of Loans Disbursed	Amount Disbursed (Rs. Cr)	No. of Loans Disbursed	Amount Disbursed (Rs. Cr)
Income Generation Loans	279,511	490.18	519,308	801.17	960,233	1,491.84
Emergency Loans	687,466	68.75	868,901	86.89	1,309,382	130.94
Family Welfare Loans	98,938	24.34	219,931	68.17	407,306	117.97
Home Improvement Loans	28,164	23.15	81,136	71.87	166,909	153.17
Home Construction Loans	-	-	59	0.63	224	2.19
Total	1,094,079	606.42	1,689,335	1,028.73	2,844,054	1,896.11

Income Generation Loans (Activity wise)

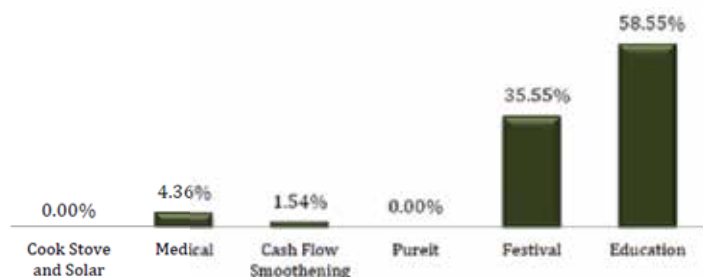
As per the graph, most of the clients avail income generation loans for the purpose of establishing or supporting businesses like trading and animal husbandry, whereas very few clients belong to the profession related to agriculture.



Family Welfare Loans

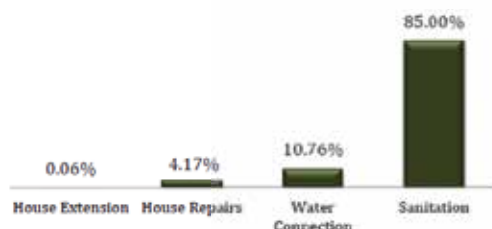
As the graph represents, highest utilization of our family

welfare loans is for the purpose of education, which is a good sign of our clients' understanding of the importance of education and contributing towards increasing the literacy rate of the states we are operating in.



- Focus on underserved rural population with high incidence of poverty
- Poverty outreach data collected using Round 62 PPI Index
- Grameen Koota is always in line with national poverty benchmark
- Graph represents 1st IGL clients

Home Improvement Loans



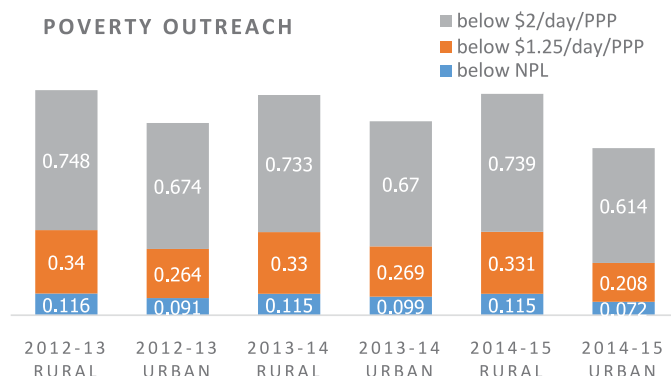
The highest utilization by our clients of our home improvement loans is for the purpose of constructing toilets in their homes and then getting their own water connections. These numbers are the testimony of us getting nearer to our goal of having a healthy society, free from open defecation and unhygienic drinking water.

Water and Sanitation Loans	FY 12	FY 13	FY 14	FY 15
No. of Loans Disbursed	6,733	32,874	81,256	165,261
Amount Disbursed (Rs. Cr)	5.43	23.75	64.97	149.66

Social Performance Highlights

Grameen Koota is committed to Social Performance. This commitment is reflected in the fact that Grameen Koota is constantly working on mission fulfilment. This data broadly covers four areas: Outreach to poor communities, services that meet the needs of these communities and quality of these services, responsibility to staff and change in client lives. The table below provides a snapshot of our social performance. Apart from this data, Grameen Koota collects a number of other data points (e.g. community profiles – caste, religion, client satisfaction, reasons for staff and client exit, etc.) that are used internally.

Outreach to Poor Communities



Updated poverty estimate: 14.2% of overall customer base fall under below poverty line as defined by 68th NSSO estimates-2012-14(per day per capita of Rural is Rs. 32 & Urban is Rs. 47)

Increased rural outreach

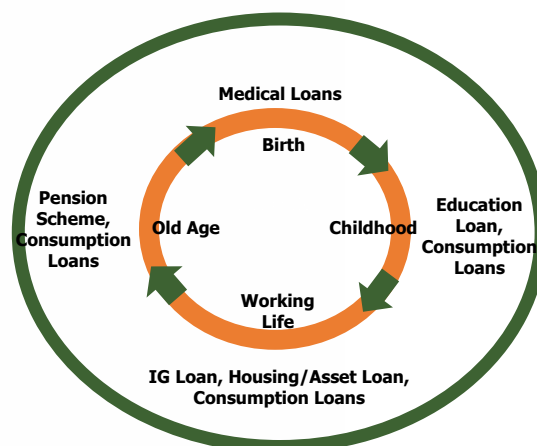
Rural/Urban	2012-13	2013-14	2014-15
Total Clients	381,749	568,958	923,018
Rural	63%	64%	71%
Urban	37%	36%	29%

Increased penetration in rural areas to serve poor and low income households

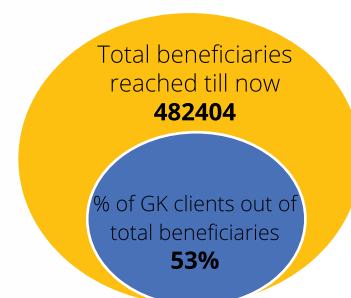
Meeting Client Needs and Quality of Service

- Income Generation Loans (IGL) provided to trading, animal husbandry, service sector, production, transportation services and agriculture.
- Non IGL products support the life cycle needs - Emergency, Family Welfare (Festival, Medical & Education), Home Improvement (Home improvement & extension, safe drinking water & sanitation) and Home Loans

Grameen Koota provides loan products specifically tailored to meet clients' social needs



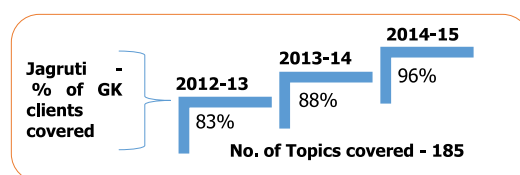
Loan Clients	Mar'13	Mar'14	Mar'15
Income Generation Loans (IGL)	337,748	480,736	819,698
IGL but no other loan	158,669	176,704	276,725
IGL and non-IGL	179,079	304,032	542,973
Non-IGL	8,771	23,952	34,490
Home Construction Loans	-	-	59
Total	1,094,079	606.42	1,689,335



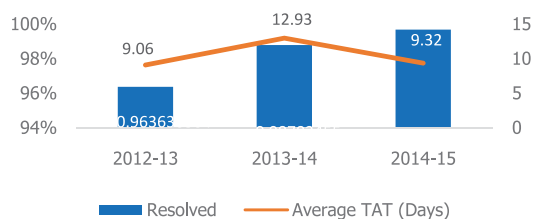
An option to avail affordable health care services with network hospitals

Health Card	Year	2012-13	2013-14	2014-15
Enrolments				
GK Clients		35,868	20,673	40,411
Including Families		90,216	48,909	102,169

- Jagruthi:** A knowledge sharing and awareness creation program for our clients
- Themes covered:** Finance, Health, Sanitation etc. with sub-topics like child nutrition, open defecation, saving etc.



Grievance complaints (Excluding Insurance)

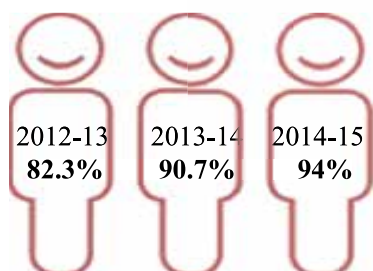


- 8,497 clients reached to obtain feedback on product, processes and services
- Monthly 5 clients contacted by Area Managers for feedback

Number of Grievances (Complaints)			
Type/Year	2012-13	2013-14	2014-15
Grievances (excl. Insurance)*	110	411	302
Insurance	127	158	122

- *Nature of grievances- Non-sanction of loans beyond limits set by SRO/RBI to prevent over-indebtedness
- Average TAT (Turn Over Time)- below 10 days excluding insurance

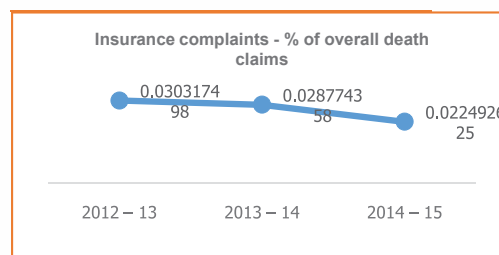
Borrower Retention



- Borrower exit rate calculated as per MIX Market guidelines
- Borrower exit reasons : Customers forced dropouts, CB rejection, Members migration
- Borrower retention rate is above the industry standards

Responsibility to Staff

as on 31 March 2015		
Levels	Total staff	% women
Mgt. staff	25	12%
Field Staff	2,450	4%
Admin staff	112	23%
Total staff	2,587	5%



- Furnished accommodation for all branch staff
- Company has 5 day work week
- Extended lunch hours for women with infants
- Life cover of three times annual CTC for all employees
- Career growth opportunity for employees with minimum lateral hiring
- Frequent trainings towards capacity building

Staff Turnover		
2012-13	2013-14	2014-15
23.20%	23.20%	19.00%

- Staff attrition is below the Industry average
- Adequate pre-hire and post-hire training activities to ensure alignment with mission and vision

Change in Client Lives

Change in poverty status	PPI (2009)	PPI (2013)	PPI (2014)	PPI (2015)
< NPL /day	14.6%	8.7%	7.1%	6.5%
< \$ 1.25/day	39.7%	25.9%	21.5%	19.7%
< \$ 2/day	76.0%	65.9%	62.7%	60.4%

- Grameen Koota is using PPI since 2009
- Incidence of poverty for clients in subsequent instances is lower than that of previous instance across the three poverty lines

Non-financial services	Beneficiaries
Customer awareness through Jagruthi	881,932
Number of children supported with education loans	269,542
Clients supported to build toilets with sanitation loans	184,609
Affordable health care facility by health cards	133,323
Subscribers who availed health consultation services	76,101
Clients enrolled for National Pension Scheme	51,631
Families of clients supported to improve homes	5,286

Internal Audit and Internal Controls

Grameen Koota believes in maintaining a strong internal control framework and views such a framework as an essential prerequisite for a growing business like ours. Precisely for this reason, we have well documented policies, procedures and authorization guidelines that commensurate with the size of our organization. Additionally we have an independent internal audit system in place to conduct audits of all branches, regional offices as well as the head office.

Internal Audit of the Company is an independent consulting activity guided by a philosophy to add value to improve and enhance operations of our organization. It assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Company's internal control, risk management and governance processes.

The internal audit activity is conducted with strict accountability for confidentiality and safeguarding records and information. It has full authorized, free and unrestricted access to any and all of Grameen Koota's records, physical properties and personnel pertinent to carrying out any engagement. The Audit Committee of the Board is updated on significant internal audit observations, compliance with statutes, and progress of risk management and effectiveness of working of the control systems every quarter. Internal Audit also interacts with the external auditors. Every branch is audited on an average of 6 times in a year.

Risk Management: Overview and Strategy

IFC supported Grameen Koota to develop and strengthen core institutional activities around risk management. The program implementation was being facilitated by M-Cril and IMaCs and designed a new risk management dashboards for monitoring risks and started the Risk Management department which reports to the Risk Mitigation Committee of the board.

Human Resources

Human Resources personnel in the Microfinance sector face a major challenge in acquiring resources with the right skills and aptitude for the industry. The company's HR team strongly abides by the organization's Vision of being Committed, Reliable, Empathetic, Accountable, Transparency and Efficiency (CREATE). The HR department ensures that these values are genuinely met for all internal resources. The department continues to work towards different employee welfare benefits including "Birthday, Wedding, Sibling Wedding and Child Gifts", ESI, Insurance, SAF and Gratuity.

HR Highlights:

- Shifted to 5 working days a week from the 6-day working week.
- Zero delay in all statutory payments and filing of returns on time.
- Employee welfare benefits like leave accumulation has been extended from 60 to 120 days with encashment made any time during the year subject to eligibility, E-PF pass book can be downloaded, and employee-benefit handouts are given to candidates post-recruitment.

Information Technology

The information technology team in the Company has been focusing on implementation of a centralized and consolidated Information System to enable smooth and swift flow of information and data across the system. This will enable the Company to control the cost of operations and provide improved services to the members. Grameen Koota has also been working on embracing effective and low cost technologies to support the company's growth and overcome challenges in operations.

MIFOS

MIFOS, Microfinance Open Source, continues to play a key role in client information management. MIFOS helps the Company manage its entire customer & product portfolio. As the data sizes have grown, the company is planning to upgrade to the latest version of MIFOS to enable smoother and more efficient operations.

E-Learning Portal

Grameen Koota has continued to use the open source online E-learning portal for employee training, which provides a strong platform for delivering effective learning modules to all employees. The portal is a powerful tool to reduce training costs and deliver effective training programs to larger audience.

Reporting

Grameen Koota has various internal and external reports using Jasper Reporting Server, which enables the reports to be auto extracted and emailed to various stake holders with a high degree of accuracy on timely basis. By adding a dedicated reporting server at our corporate office, the monthly data extraction time has been significantly reduced and helps ensure timely delivery of reports to all our stakeholders.

Credit Bureau

Grameen Koota is working with Credit Bureaus like Highmark, Equifax and CIBIL. The credit bureaus help identify overlapping microfinance borrowers, their overall loan exposure and incidents of high default. Every single loan given by the Company undergoes a credit check with the Credit Bureaus. The Credit Bureau verification process has been completely integrated into the loan delivery processes and is instrumental in minimizing instances of borrower over-indebtedness.

Credit Bureau utilization data

	FY12	FY13	FY14	FY 15
Applications sent	372,722	712,620	2,245,921	4,040,310
Applications approved	351,752	654,654	2,080,385	3,577,937
Applications rejected	20,970	57,966	165,536	462,373

Infrastructure Outsourcing

Grameen Koota has been continuously working to partner with IBM on outsourced infrastructure management services, so that the entire production and disaster recovery server infrastructure management is managed by them. The Company is also partnering with Bharti Airtel for network connectivity across all critical locations.

Technology initiatives

Grameen Koota is actively working on upgrading its technology infrastructure and applications to keep pace with the changing environment in the industry. There is a lot of focus on increasing operational efficiency through technology initiatives such as field force automation, robust internal communication and knowledge management systems to ensure greater cooperation between teams as well as more effective management of operations.

Treasury and Cash management system

Grameen Koota has an integrated Treasury and Cash Management system that operates the complete cash/bank operations, entails pooling of excess funds from branches and funding to the branches requiring disbursement, repayment of loan instalments and payments to vendors, employees for goods, services, reimbursement, salary and investment of surplus funds, if any.

Grameen Koota is one of the few MFIs to:

- Complete assignment of receivables to Lenders, also assign portfolio for securitization deals and buy-out deals.
- Issue a non-convertible debenture directly with a Foreign Institutional Investor, listing the same in Bombay Stock Exchange (BSE).



DIRECTORS' REPORT

BOARD'S REPORT

To

The Members of Grameen Koota Financial Services Pvt Ltd

The Directors have pleasure in presenting before you the Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March, 2015.

1. FINANCIAL SUMMARY/HIGHLIGHTS/ OPERATIONS, STATE OF AFFAIRS:

(Rupees in Lakhs)

Particulars	2014-2015	2013-14
Gross Income	28,142.81	14,782.86
Profit Before Interest and Depreciation	20,494.52	9,757.93
Finance Charges	12,789.28	6,940.02
Gross Profit	7,705.24	2,817.92
Provision for Depreciation	192.28	52.69
Net Profit Before Tax	7,512.96	2,765.22
Provision for Tax	2,645.93	914.32
Net Profit After Tax	4,867.03	1,850.90
Balance of Profit brought forward	2,286.78	806.06
Balance available for appropriation	7,153.81	2,656.96
Proposed Dividend on Equity Shares	-	-
Tax on proposed Dividend	-	-
Transfer to General Reserve	973.65	370.18
Surplus carried to Balance Sheet	8,466.95	2,286.78

The Company witnessed all-round growth during the year, adding more clients to its base and serving them through additional branches that were opened and made operational in the year. The efforts to add more clients per Kendra enabled the Company to generate additional revenue, while ensuring that the costs are kept under control. The Company was able to raise the necessary financial resources all through the year to match its operational needs and requirements, leveraging on its existing relationship with banks and financial institutions, while also forming new relationships and adding to its lender base.

Company's organizational highlights for FY 2014-2015 are as follows:

Year Ended	2015	2014
Branches	238	176
States	5	3
Districts	64	42
Kendras	42,739	24,163
Members	923,018	568,958
Loans Disbursed(Rs.Cr)	1,893.91	1,028.07
Portfolio Outstanding(Rs.Cr)	1,447.08	809.52
Total Employees	2,658	1,560

The Company's overall performance during the year was quite robust resulting in improvement in all operational and financial parameters. The regulatory landscape related to the microfinance sector and the overall sentiment associated with MFIs in general greatly contributed to the performance of the Company during the year. The Central Government's pronouncements in the area of financial inclusion, setting up of an exclusive institution for tiny sector which will also serve as a refinancing agency for MFIs, increase in the threshold limits of loans that may be offered by MFIs, are all expected to further enhance the range and scale of services that can be offered by the MFIs in the near future. The setting up of segmented banks, like Small Finance Banks, is also expected to churn the space currently occupied by the MFIs and offer a broader scope for serving the MFI clientele in a superior manner.

The Company would continue to focus on being an MFI and leverage on its strength of offering its bouquet of products to more clients in newer geographies. The Company, has during the year, forayed into serving in the States of Madhya Pradesh and Chattisgarh. With the objective of primarily being a non-urban player, the Company is poised to achieve a larger outreach of clients and serving them in its own unique manner.

The Company, during the year, formally changed its name to 'Grameen Koota Financial Services Pvt. Ltd.,' from its earlier name of 'Grameen Financial Services Pvt. Ltd.,' to align with its brand and recall name of 'Grameen Koota'. Another major development that occurred during the year was the equity infusion of Rs.120 crore by its existing investors – CreditAccess Asia and Creation Investments – reinforcing the belief and confidence in the potential growth story of Grameen Koota.

2. EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS:

There has not been any event or change subsequent to the date of Financial Statements that has warranted or materially affected any financial position of the Company between the date of closure of financial statements and finalisation of the Board's Report.

3. CHANGE IN THE NATURE OF BUSINESS, IF ANY

There has not been any change in the nature of the business of the Company.

4. DIVIDEND

No dividend has been declared by the Company during the year.

5. BOARD MEETINGS

The Board of Directors have met seven times during the financial year on the following dates:

1. May 03, 2014
2. May 27, 2014
3. July 08, 2014
4. July 31, 2014
5. November 11, 2014
6. February 04, 2015
7. February 27, 2015

The table below shows the participation of the Directors at the meetings held during the year:

Name of the Director	Designation on the Board	Eligible Meetings	Meetings Attended
Mrs. Vinatha M Reddy	Director and Chairperson	7	7
Mr. Paolo Brichetti	Investor Director	7	6
Mr. Kenneth Dan Vender Weele	Investor Director	7	4
Mrs. Daksha Niranjana Shah*	Independent Director	1	1
Mr. R. Prabha	Independent Director	7	7
Mr. Anal Jain	Independent Director	7	6
Mrs. Amita Narain	Independent Director	7	6
Mr. Suresh K Krishna	Managing Director	7	7

*Mrs. Daksha Niranjana Shah was on the Board of the Company till May 04, 2014

Board Committees

The Company's Board has eight Committees that monitor different aspects of the Company's operations ensuring strong oversight and regular monitoring. These Committees are:

Name of Committee	Members of the Committee
Audit Committee	Mr. R Prabha, Mr. Paolo Brichetti and Ms. Amita Narain
ALM Committee	Mr. Suresh K Krishna and Mr. Paolo Brichetti
Nomination and Remuneration Committee	Mr. Anal Jain, Mr. Paolo Brichetti, Mr. R. Prabha and Mr. Suresh K Krishna
Shareholders' and Grievance Committee	Mr. R Prabha, Mrs. Vinatha M Reddy and Mr. Suresh K Krishna
Risk Mitigation Committee	Ms. Amita Narain, Mr. Anal Jain, Mr. Ken Vander Weele, Mr. Paolo Brichetti and Mr. Suresh K Krishna
Executive, Borrowings and Investment Committee	Mrs. Vinatha M Reddy, Mr. Suresh K Krishna and Mr. Paolo Brichetti
Shares and Debentures Allotment Committee	Mrs. Vinatha M. Reddy and Mr. Suresh K Krishna
Corporate Social Responsibility (CSR) Committee	Mrs. Amita Narain, Mr. R Prabha, Mrs. Vinatha M Reddy and Mr. Suresh K Krishna

The following table presents the number of meetings held by each of these Committees during the year.

Committee	No. of Meetings Held during the year
Audit Committee	3
Asset Liability Management Committee	4
Nomination and Remuneration Committee	3
Shareholders' and Grievance Committee	4
Shares & Debenture Allotment Committee	9
Executive, Borrowings & Investments Committee	30
Risk Mitigation Committee	3
CSR Committee	2

6. DIRECTORS AND KEY MANAGERIAL PERSONNEL:

Mrs. Daksha Nirajan Shah resigned from the directorship due to her pre-occupancies. There have not been any other changes in the composition of the Board during the year. There have also not been any changes in the key managerial personnel during the year.

7. POLICY LAID DOWN BY THE NOMINATION AND REMUNERATION COMMITTEE FOR REMUNERATION OF DIRECTORS, KMP & OTHER EMPLOYEES AND the criteria FORMULATED BY THE COMMITTEE FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES, INDEPENDENCE OF A DIRECTOR

- **Formal Evaluation of Board, Committees and Individual Directors:**

The company has developed an annual performance evaluation matrix of the Board, Committees and Individual Directors. Each director will evaluate and give a score and various performance indicators. The scores are analysed and the average score is arrived for each indicator. The scores are presented to the board for further evaluation.

- **Fixation of remuneration of the directors:**

Directors would be paid a sitting fees which would be determined by the board in line with the regulations. In case the company determines to use the services of the Directors for specific assignments then the company would compensate the directors additionally for their professional services and such compensation would be determined by the board.

- **Code of Conduct for senior management:**

All the employees of grade E and above sign a confidentiality and non-disclosure agreement at the time of their appointment that all the trade secrets, business procedures, marketing plan, customer information, third party information shall be kept confidential. The Company also has adopted a policy to avoid conflict between the personal interest of the employee and that of the Organization.

8. VIGIL MECHANISM:

The company has established vigilance mechanism for employees to report any genuine concerns through Your Voice and Toll Free Number. The employees can raise their concerns directly with the Management by emailing directly to Your Voice or calling on toll free number. Employees are also encouraged to report any alleged dishonest or illegal activity occurring in the organization. They can report such activity to the management by sending a mail to md@Grameen Koota.in. The cases reported are investigated and resolved with strict timelines and the identity of the person reporting is kept confidential and is not disclosed. The quarterly reports are reviewed by Grievance Committee of the Board of Directors.

9. DIRECTORS' RESPONSIBILITY STATEMENT:

In pursuance of section 134 (5) of the Companies Act, 2013, the Directors hereby confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the directors had prepared the annual accounts on an on-going concern basis;
- the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and

- the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

10. INFORMATION ABOUT THE FINANCIAL PERFORMANCE / FINANCIAL POSITION OF THE SUBSIDIARIES / ASSOCIATES/ JV

The Company does not have any subsidiaries or associates, nor has it entered into any joint venture with any organisation.

11. EXTRACT OF ANNUAL RETURN:

As required pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 as a part of this Annual Report is enclosed as Annexure- 1.

12. AUDITORS:

The Auditors, S.R. Batliboi & Co LLP retire at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment for a period of One Year from the conclusion of this Annual General Meeting [AGM] till the conclusion of next AGM.

Practising Company Secretary: Mrs. Chenthamarai V, Practising Company Secretary is appointed as Secretarial Auditor for FY 2015-16.

13. SECRETARIAL AUDIT:

Secretarial audit report as provided by Practising Company Secretary is annexed to this Report as Annexure-2.

14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:

Information Relating to Conservation of Energy, Technology Absorption

Though the Company is not engaged in any manufacturing activity, it consistently invests in energy efficient office equipment at all its office locations and strives to promote and provide funds to its borrowers who may acquire eco-friendly stoves and lighting equipment.

Foreign Exchange Earnings and Outgo

During the year, the foreign exchange inflow and outflow for the Company is Rs.9,848,043/- & Rs. 19,231,994/- respectively.

15. DEPOSITS

The company is a non-deposit taking NBFC-MFI and has not accepted any deposit as defined by the Companies Act 2013.

16. SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS:

There has been one instance of a significant and material order passed by the Income Tax CIT Appeals pertaining to a tax claim for the Assessment Year 2011-12. The Company's appeal against the tax demand which was raised during the previous financial year, has been disposed off in the Company's favour.

17. DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Company maintains appropriate systems of internal financial controls, including monitoring procedures. Company policies, guidelines and procedures are well documented and provide for adequate checks and balances and are meant to ensure that all transactions are authorised, recorded and reported correctly. The independent internal audit system is in place to conduct audits of all branches, regional offices and the head office as well. The internal audit department reviews the effectiveness and efficiency of these systems and procedures to ensure that the financial and operational information is accurate and complete in all respects. The Audit Committee approves and reviews audit plans for the year. Audits are conducted on an ongoing basis and significant deviations are brought to the notice of the Audit. The Audit Committee of the Board is updated on significant internal audit

observations, compliance with statutes and effectiveness of working of the control systems every quarter. Internal Audit also interacts with the external auditors. The audit committee reviews with management, the quarterly financial statements before submission to the Board for approval.

18. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company has not indulged in any funding or acquisition activity which falls under the purview of Section 186 of the Companies Act 2013. The Company is into lending by way of micro finance loans which are of small size ranging from Rs.1,000 to Rs.50,000/-. Accordingly, the provisions of Section 186 of the Companies Act, 2013 are majorly not applicable to the business of the Company. The Company, however, has complied with the provisions of the relevant Section of the Companies Act.

19. RISK MANAGEMENT POLICY

The Board of Directors stands at the apex of the governance, supporting the risk management framework. The Board comprises of professional directors with relevant experience and who are well placed to understand risks specific to Grameen Koota and Microfinance sector in general. The Board shall provide the strategic direction and will approve the yearly Risk Management Plan before the end of the financial year for the following year. The Board shall take into consideration the input and recommendation of the Audit Committee. The Board shall oversee the implementation of the risk management plan principally through the Board Risk Committee (BRC). The Board Risk Committee shall have the discretion to refer any matter, as it comes to their notice and as they deem fit, to the entire board for discussion. The Board Risk Committee (BRC) shall meet at least four times in a year and in all cases before the meeting of the board of directors. The Board Risk Committee shall be responsible for advising on and evaluating the Risk Management Plan to be submitted to the Board for approval and overseeing its implementation. The major risks to be focussed and monitored closely by management and reported to the risk committee shall be identified based on the risk profile of Grameen Koota. This list of major risks and relative focus on specific risks would change periodically based on changing perceptions on the risk profile of Grameen Koota as determined by the Board Risk Committee/Management.

20. CORPORATE SOCIAL RESPONSIBILITY POLICY :

In pursuant to the provisions of section 135 and schedule VII of the Companies Act, 2013, CSR Committee of the Board of Directors was formed to recommend (a) the policy on Corporate Social Responsibility (CSR) and (b) implementation of the CSR Projects or Programs to be undertaken by the Company as per CSR Policy for consideration and approval by the Board of Directors.

Accordingly, the Company had made provision for donation to the extent of 5% of PAT in FY 2014-15, however, the same could not be considered as CSR contribution, as the actual payment was not made during FY 2014-15. Hence the Board decided that out of 5% provision made for donation to Navya Disha in FY 2014-15, 3% be given as donation and the balance equivalent of 2% be paid out to Navya Disha in 2015-16, which will qualify as CSR contribution by the Company for FY 2015-2016.

21. RELATED PARTY TRANSACTIONS:

In terms of conditions mentioned in Section 134(3) (h) & Rule 8(2) of Cos. (Accounts) Rules, 2014, the Company has not entered into any related party transactions.

22. FORMAL ANNUAL EVALUATION OF THE BOARD:

An online form was created and sent to all the directors to evaluate performance of each director individually, Board as a whole, Committee evaluation and evaluation of chairpersons. Feedback of all the directors would be compiled and a consolidated report shall be presented to the Board for its review.

23. RATIO OF REMUNERATION TO EACH DIRECTOR:

Disclosures of Ratio of Remuneration to each Director to the median employee's remuneration is provided as **ANNEXURE - III.**

24. LISTING WITH STOCK EXCHANGES:

The Company confirms that the shares of the Company are not listed, However, the Company has issued Non-Convertible Debentures as part of its debt raising and the same are listed on the Bombay Stock Exchange. The Company has paid the Annual Listing Fees for the year 2015-2016 towards the debenture listing.

25. SECRETARIAL STANDARDS

The Company hereby confirms that it is complying with applicable secretarial Standards with regard to conducting of Board and General Meetings, composition of Board Meetings, Quorum etc.

26. ISSUE OF SHARES UNDER EMPLOYEES STOCK OPTION SCHEME

The Company has provided three share-based payment schemes to its Directors and Employees. The plans in operation are Tranche I, II and III. During the year ended March 31, 2015, the following series were in operation:

Particulars	Tranche I	Tranche II	Tranche III
Date of grant	April 1, 2012	October 1, 2013	June 1, 2014
Date of Board / Compensation Committee approval	October 15, 2011	August 22, 2012	July 30, 2014
Date of shareholder's approval			
Number of Options granted	716,676	631,339	443,000
Method of settlement	Equity	Equity	Equity

Graded vesting period:			
Day following the expiry of 12 months from grant	25%	25%	25%
Day following the expiry of 24 months from grant	25%	25%	25%
Day following the expiry of 36 months from grant	25%	25%	25%
Day following the expiry of 48 months from grant	25%	25%	25%
Exercise period	48 months from date of vesting	48 months from date of vesting	48 months from date of vesting
Vesting conditions	Continuous service	Continuous service	Continuous service
Weighted average remaining contractual life (years)	5.01	6.51	7.18
Weighted average exercise price per option (Rs.)	27.00	27.00	39.86
Weighted average fair value of options (Rs.)	14.32	16.97	36.21
Money realised by exercise of options	-	-	-
Pricing Formula	Intrinsic Value method	Intrinsic Value method	Intrinsic Value method

Reconciliation of options:

Particulars	March 31, 2015	March 31, 2014
Tranche I		
Options outstanding at the beginning of the year	669,176	702,676
Granted during the year	-	-
Forfeited during the year	11,875	33,500
Exercised during the year	-	-

Expired during the year	-	-
Total number of options in force	657,301	669,176
Exercisable at the end of the year	497,945	167,294
Tranche II		
Options outstanding at the beginning of the year	631,339	-
Granted during the year	-	631,339
Forfeited during the year	27,000	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	604,339	631,339
Exercisable at the end of the year	256,839	-
Tranche III		
Options outstanding at the beginning of the year	-	-
Granted during the year	443,000	-
Forfeited during the year	6,000	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	437,000	-
Exercisable at the end of the year	-	-

Total number of shares arising as a result of exercise of option: Nil

Details of stock options granted during the year:

Tranche III: The weighted average fair value of stock options granted during the year was Rs.36.21. The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Tranche vesting in FY 2015-16	Tranche vesting in FY 2016-17	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19
Share price on the date of grant (Rs.)	55.14	55.14	55.14	55.14
Exercise price (Rs.)	39.86	39.86	39.86	39.86
Expected volatility (%)	44.135%	44.135%	44.135%	44.135%
Life of the options granted (years)	5	6	7	8
Risk-free interest rate (%)	8.054%	8.054%	8.054%	8.054%
Expected dividend rate (%)	0%	0%	0%	0%
Fair value of the option (Rs.)	33.23	35.38	37.28	39.96

The Company measures the cost of ESOP using the intrinsic value method. Had the Company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	Year ended March 31, 2015	Year ended March 31, 2014
Stock option expenditure (charge to profit and loss)	8,889,604	6,048,451
Basic EPS	9.13	4.66
Diluted EPS	8.97	4.51

Following are the senior management personnel who were granted more than 5% of the options granted during the year:

Sl.No.	Name	No. of options granted	Percentage of the total options granted during the year
1	Mr. Udaya Kumar	130,000	29.35%
2	Mr. Diwakar BR	40,000	9.03%
3	Mr. Gururaj Rao	28,000	6.32%
4	Mr. Srivatsa HN	23,000	5.19%

**Annual Return Extracts in MGT 9
ANNEXURE - I**

**Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as of the financial year ended on March 31, 2015**

[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:

- **CIN:** U51216KA1991PTC053425
- **Registration Date:** June 12, 1991
- **Name of the Company:** Grameen Koota Financial Services Private Limited
- **Category / Sub-Category of the Company:** NBFC – MFI
- **Address of the Registered Office and Contact details:** Avalahalli, Anjanapura Post, J.P. Nagar 9th Phase, Bangalore – 560 108; Ph: 080-3041 8100 | Fax: 080- 2632 4433
- **Whether listed Company:** No
- **Name, Address and Contact details of Registrar and Transfer Agent:** Karvy Computershare Pvt Ltd; Plot no. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad - 500 081.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Income from Microfinance Services	64990 of NIC Codes 2008	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES- Not Applicable

S. NO	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY / ASSOCIATE	% of shares held	Applicable Section
	Not applicable				

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

Category of the Share holders	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		6,116,280	6,116,280	11.55	1,724,280	0	1,724,280	2.36	-9.19
b. Central Govt		0	0	0	0	0	0	0	0
c. State Govt(s)		0	0	0	0	0	0	0	0
d. Bodies Corp		0	0	0	0	0	0	0	0
e. Banks / Fis		0	0	0	0	0	0	0	0
f. Any other		4,500,000	4,500,000	8.50	0	4,500,000	4,500,000	6.17	-2.33
Sub Total (A)(1)		10,616,280	10,616,280	20.05	1,724,280	4,500,000	6,224,280	8.53	-11.52
(2) Foreign									
a. NRIs – Individuals		0	0	0	0	0	0	0	0
b. Other – Individuals		0	0	0	0	0	0	0	0
c. Bodies Corp		0	0	0	0	0	0	0	0
d. Banks / Fis		0	0	0	0	0	0	0	0
e. Any other		0	0	0	0	0	0	0	0
Sub Total (A)(2)		0	0	0	0	0	0	0	0
Total Share holding of Promoter (A) = (A)(1) + (A)(2)		10,616,280	10,616,280	20.05	1,724,280	4,500,000	6,224,280	8.53	-11.52
B. Public Shareholding									
(1) Institutions									
a. Mutual Funds		0	0	0	0	0	0	0	0
b. Banks/Fis		0	0	0	0	0	0	0	0
c. Central Govt		0	0	0	0	0	0	0	0
d. State Govt(s)		0	0	0	0	0	0	0	0
e. Venture Capital Funds		0	0	0	0	0	0	0	0
f. Insurance Companies		0	0	0	0	0	0	0	0
g. FIs		0	0	0	0	0	0	0	0
h. Foreign Venture Capital Funds		0	0	0	0	0	0	0	0
i. Others (Pls specify) – Employees		0	0	0	0	0	0	0	0
Sub Total (B)(1)		0	0	0.00		0	0	0.00	0.00

(2) Non-Institutions		0	0	0	0	0	0	0	0
a. Bodies Corp		0	0	0	0	0	0	0	0
i) Individual		0	0	0	0	0	0	0	0
ii) Overseas		41,286,220	41,286,220	77.97	42,204,121	23,889,214	66,093,335	90.60	12.63
b. Individuals		0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs. 1 Lakh		0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh		0	0	0	0	0	0	0	0
c. Others (Employees)		1,050,933	1,050,933	1.98		635,818	635,818	0.87	-1.11
Sub Total (B)(2)		42,337,153	42,337,153	79.95	0	24,525,032	66,729,153	91.47	11.52
Total Share holding of non-Promoter (B) = (B) (1) + (B)(2)		42,337,153	42,337,153	79.95	0	24,525,032	66,729,153	91.47	11.52
C. Shares held by Custodian for GDRs & ADRs		0	0	0	0	0	0	0	0
Grand Total (A+B+C)		52,953,433	52,953,433	100.00	43,928,401	29,025,032	72,953,433	100.00	0.00

(ii) Shareholding of Promoters

SI No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change of shareholding 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	
	Suresh K Krishna	800,680	1.51	Nil	200,680	0.28	Nil	-1.24
	Vinatha M Reddy	2,241,100	4.23	Nil	615,600	0.84	Nil	-3.39
	Vijitha Subbaiah	1,016,500	1.92	Nil	200,000	0.27	Nil	-1.65
	Venkataram Reddy	686,000	1.30	Nil	236,000	0.32	Nil	-0.97
	Pratap Reddy	686,000	1.30	Nil	236,000	0.32	Nil	-0.97
	Jayaram Reddy	686,000	1.30	Nil	236,000	0.32	Nil	-0.97
	TMTCT	4,500,000	8.50	Nil	4,500,000	6.17	Nil	-2.33

(iii) Change in Promoters Shareholding

Sl No		Shareholding 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	10,616,280	20.05		
	Date wise increase / decrease in Promoters shareholding during the year specifying the reasons for increase or decrease (eg: allotment / transfer / bonus / sweat equity etc)	<p>June 20, 2014 - 2,000,000 shares transferred to CreditAccess Asia NV (CAA)</p> <p>August 25, 2014 - 1,000,000 shares transferred to CAA</p> <p>March 26, 2015 - 20,000,000 shares issued to CAA and Creation Investments</p> <p>March 31, 2015 - 1,392,000 shares transferred to CAA</p>	11.52	6,224,280	8.53
	At the end of the year			6,224,280	8.53

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

SI No		Shareholding at the beginning of the year	Cumulative shareholding during the year		
	For Each of the Top 10 Shareholders	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	1,050,933	1.98	415,115	0.57
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc)	There has not been any significant change in holding			
	At the End of the year (or on the date of separation, if separated during the year)	635,818	0.87		

(v) Shareholding of Directors and Key Managerial Personnel

SI No		Shareholding at the beginning of the year	Cumulative shareholding during the year		
	For Each of the Directors and KMP	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	3,041,780	5.74		
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.	June 20, 2014 - 700,000 shares transferred to CreditAccess Asia NV (CAA) Aug 25, 2014 - 400,000 shares transferred to CAA March 26, 2015 - 20,000,000 shares issued to CAA and Creation Investments March 31, 2015 - 1,125,500 shares transferred to CAA	4.62	816,280	1.12
	At the End of the year (or on the date of separation, if separated during the year)			816,280	1.12

Note: No shares are held by CEO, CFO and CS in Grameen Koota Financial Services Private Limited

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

SI No	Particulars of Remuneration	Name of MD/WTD/Manager (Mr. Suresh K Krishna, Managing Director)	Total Amount
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	Rs. 5,325,145	
	(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 (Bonus & Ex-gratia)	Rs. 7,701,302	
	Total (A)	Rs. 13,026,447	
	Ceiling as per the Act		Not more than 5% of Net profit

B. Remuneration to other directors

SI No	Particulars of Remuneration	Name of Directors						Total amount
		Mrs. Vinatha M Reddy	Mr. Anal Jain	Mr. R. Prabha	Mr. Paolo Brichetti	Ms. Amita Narain	Mr. Ken Vander Wheele	
	3. Independent Directors							
	• Fee for attending board / committee meetings		Rs. 20,000 per day	Rs. 20,000 per day		Rs. 20,000 per day		
	• Commission							
	• Others, please specify		Conveyance at actuals	Conveyance at actuals		Conveyance at actuals		
	Total (1)		140,000	180,000		140,000		460,000
	4. Other Non-Executive Directors							
	• Fee for attending board / committee meetings	Rs. 10,000 per day					Nil	
	• Commission							
	• Others, please specify (Bonus / Ex-gratia)	2,099,242					Rs. 200,000 per annum	
	Total (2)	2,189,242					200,000	2,389,242
	Total (B)=(1+2)							2,829,242
	Total Managerial Remuneration							
	Overall Ceiling as per the Act							Not more than 1% of Net Profit

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

SI No	Particulars of Remuneration	Key Managerial Personnel			
		Udaya Kumar, CEO	B R Diwakar, CFO	Darshana Kothari, Company Secy.	Total Amount
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	Rs.7,057,487	Rs.3,721,536	Rs.600,000	Rs.11,379,022
	(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	130,000 Options	40,000 Options	Nil	
3	Sweat Equity				
4	Commission				
	-as % of profit				
	-others, specify...				
5	Others, please specify (Bonus)	Rs.1,357,209	Rs.629,798	Nil	Rs.1,987,007
	Total (A)	Rs.8,414,696	Rs.4,351,334	Rs.600,000	Rs.13,366,030

V. INDEBTEDNESS

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

(Rupees in Lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	78,332.39	2,190.00	-	80,522.39
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	583.19	146.22	-	729.41
Total (i+ii+iii)	78,915.58	2,336.22	-	81,251.80
Change in Indebtedness during the financial year				
• Addition	102,000.00	-	-	102,000.00
• Reduction	53,469.22	-	-	53,469.22
Net Change	48,530.78	-	-	48,530.78
Indebtedness at the end of the financial year				
i) Principal Amount	126,863.17	2,190.00	-	129,053.17
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	371.89	131.60	-	503.49
Total (i+ii+iii)	127,235.06	2,321.60	-	129,556.66

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL
ANNEXURE III

(i) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;	41.85% (Rs.5,614,793 / 134,160)
(ii) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	Yet to be decided
(iii) the percentage increase in the median remuneration of employees in the financial year;	20%
(iv) the number of permanent employees on the rolls of company;	2,658
(vii) variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year;	Not applicable
(xi) the ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year;	1.26 (Rs.7,057,487 / 5,614,794)

STATEMENT SHOWING DETAILS OF EMPLOYEES OF THE COMPANY DRAWING MORE THAN Rs.5 LAKH PER MONTH:

(i) designation of the employee;	CEO
(ii) remuneration received;	Rs. 7,057,487
(iii) nature of employment, whether contractual or otherwise;	Permanent
(iv) qualifications and experience of the employee;	Post Graduate & Certified Associate of Indian Institute of Bankers, 25 years of experience in banking prior to joining Grameen Koota.
(v) date of commencement of employment;	8th Sep-2010
(vi) the age of such employee;	55 years
(vii) the last employment held by such employee before joining the company;	Barclays Bank Plc.
(viii) the percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub-rule (2) above; and	Nil
(ix) whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager:	No

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PHILOSOPHY

The company is committed to ensure high standards of transparency and accountability in all its activities. The best management practices and high levels of integrity in decision making are followed to ensure long term wealth generation and creation of value for all the stakeholders. The company follows all the principles of corporate governance in its true spirit and at all times.

BOARD OF DIRECTORS

a. Composition

The Board consists of seven Directors as on 31st March 2015, comprising of two promoter Directors, two investor Directors and three independent Directors.

b. Board Meetings

The Board met seven times during the financial year 2014-2015. The Board of Directors of the Company had met not exceeding a maximum time gap of one hundred and twenty days.

c. Attendance of each Director at Board Meetings and at the previous Annual General Meeting (AGM)

S.No	Name	No.of Board Meetings held	No.of Board Meetings attended	Attendance at the last AGM
1	Mrs. Vinatha M Reddy	7	7	Present
2	Mr. Suresh K Krishna	7	7	Present
3	Mr. R Prabha	7	7	Absent
4	Mr. Anal Jain	7	6	Absent
5	Mrs. Amita Narian	7	6	Absent
6	Mrs. Daksha Niranjana Shah*	1	1	Absent
7	Mr. Paolo Brichetti	7	6	Absent
8	Mr. Kenneth Dan Vender Weele	7	4	Absent

*Mrs. Daksha Niranjana Shah was on the Board of the Company till May 04, 2014

1. AUDIT COMMITTEE

The Audit Committee assists the board in the dissemination of financial information and in overseeing the financial and accounting processes in the company. The terms of reference of the Audit Committee covers all matters specified in section 177 of the Companies Act 2013. The terms of reference broadly include review of internal audit reports and action taken reports, assessment of the efficacy of the internal control systems/ financial reporting systems and reviewing the adequacy of the financial policies and practices followed by the Company. The Audit Committee reviews the compliance with legal and statutory requirements, the quarterly and annual financial statements and related party transactions and reports its findings to the Board. The committee also recommends the appointment of statutory auditor. The audit committee takes note of any default in the payments to creditors and shareholders. The committee also looks into those matters specifically referred to it by the Board. The audit committee comprises of the following directors for the year ended 31st March 2015:

1. Mr. R Prabha - Chairman
2. Mr. Paolo Brichetti - Member
3. Mrs. Amita Narain - Member

As on 31st March 2015 the committee comprised of two independent directors and one executive director, all of whom are financially literate and have relevant finance / audit exposure. The Managing Director, the Chief Executive Officer and the Chief Financial Officer are permanent invitees to the meetings of the committee. The other Directors are invited to attend the Audit Committee meetings as and when required. The Company Secretary acts as the secretary to the committee. The Audit Committee met three times during the year on May 27, 2014, November 10, 2014 and February 03, 2015.

Attendance of each Director at Audit Committee Meetings

Name of the Director	Number of audit committee meetings attended
Mr. R Prabha - Chairman	3
Mr. Paolo Brichetti – Member	3
Mrs. Amita Narain - Member	3

2. NOMINATION AND REMUNERATION COMMITTEE

(I) Brief description of terms of reference is for:

- **appointment of the directors, and key managerial personnel of the Company;**

The board would setup a nomination & remuneration committee which would be responsible for ensuring that the directors appointed would have appropriate skills to support the functioning of the company. The NRC would review the candidature of the Directors and ensure they are fit and proper as per the guidelines of RBI and companies act. The NRC would also take declarations from each director appointed that no prosecution is pending against the said director, a declaration that he is not disqualified to be appointed and a declaration on list of entities in which he is interested. Independent / non-executive directors nominated on the board are between 35 to 70 years of age.

- **Fixation of the remuneration of the directors, key managerial personnel and other employees of the Company.**

Directors would be paid a sitting fees which would be determined by the board in line with the regulations. In case the company determines to use the services of the Directors for specific assignments then the company would compensate the directors additionally for their professional services and such compensation would be determined by the board.

(II) Composition of committee and attendance of members

The Committee at the beginning of the financial year consisted of Mr. Anal Jain, Mr. R Prabha, Mr. Paolo Brichetti, Mrs. Vinatha M Reddy, and Mr. Suresh K Krishna. The Committee was re-constituted on July 31, 2014 comprising Mr. Anal Jain, Mr. Paolo Brichetti, Mr. R. Prabha and Mr. Suresh K Krishna. Attendance of Meeting is as under:

Sl.No.	Name of Director and position	Meeting/ Attendance		
		May 02, 2014	30.07.2014	03.02.2015
1	Mr. Anal Kumar Jain, Chairperson	Present	Absent	Present
2	Mr. R Prabha, Member	Present	Present	Present
3	Mr Paolo Brichetti, Member	Present	Present	Present
4	Mrs. Vinatha M Reddy, Member	Present	Present	--
5	Mr. Suresh K Krishna, Member	Present	Present	Present

3. SHAREHOLDERS' AND GRIEVANCE COMMITTEE

Mr. R Prabha, Independent Director is the Chairman of the Committee. Mrs. Vinatha M Reddy and Mr. Suresh K Krishna are the other members of the Committee. The complaints received from shareholders and other clients are referred to this Committee. There were no complaints received from shareholders during the FY 2014-15.

4. REMUNERATION PAID TO DIRECTORS

Of the total seven directors, one is executive director. The remuneration payable to this director is determined by the Board on the recommendation of the Remuneration Committee. This is subject to the approval of the shareholders at the Annual General Meeting. The non-executive directors do not draw any remuneration from the Company except sitting fees for attending the meetings of the Board and the Committees.

There were no pecuniary relationship or transactions of the non-executive directors vis-à-vis the company during the Financial Year ended 31st March, 2015.

5. ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETING

The details of the Annual General Meetings held in the last three years are as follows:

Annual General Meetings of the Company:

Venue	Financial Year	Date & Time
Registered Office of the Company	2011-2012	June 25, 2012
Registered Office of the Company	2012-2013	June 28, 2013
Registered Office of the Company	2013-2014	June 25, 2014

6. RISK MANAGEMENT

Periodic assessments to identify the risk areas are carried out and management is briefed on the risks in advance to enable the company to control risk through a properly defined plan. The risks are classified as financial risks, operational risks and market risks. The risks are taken into account while preparing the annual business plan for the year. The Board is also periodically informed of the business risks and the actions taken to manage them. The Company has formulated a policy for Risk management with the following objectives:

- Provide an overview of the principles of risk management
- Explain approach adopted by the Company for risk management
- Define the organizational structure for effective risk management

- Develop a “risk” culture that encourages all employees to identify risks and associated opportunities and to respond to them with effective actions.
- Identify, assess and manage existing and new risks in a planned and coordinated manner with minimum disruption and cost, to protect and preserve Company’s human, physical and financial assets.

B) RISK MANAGEMENT COMMITTEE:

The company has constituted a Risk Management company with the following directors:

- Mrs. Amita Narain – Chairperson
- Mr. Anal Kumar Jain - Member
- Mr. Paolo Brichetti - Member
- Mr. Kenneth Dan Vander Wheele - Member
- Mr. Suresh K Krishna – Member

7. WHISTLE BLOWER POLICY

The company has an established mechanism for Directors / Employees to report concerns about unethical behaviour, actual or suspected fraud, or violation of the code of conduct or ethics policy. It also provides for adequate safeguards against victimization of directors/ employees who avail of the mechanism. The company affirms that no personnel has been denied access to the audit committee. The Company has formulated a Policy of Vigil Mechanism and has established a mechanism that any personnel may raise Reportable Matters within 60 days after becoming aware of the same. All suspected violations and Reportable Matters can be reported to the Chairman of the Audit Committee and mails can be sent to the e-mail id ‘info@gfspl.in’. The key directions/actions will be informed to the Managing Director of the Company.

8. COMPLIANCES:

There have been no instances of non-compliance by the Company on any matters related to Labour Law, RBI, RoC, Income Tax and Service Tax Act and other applicable Acts.

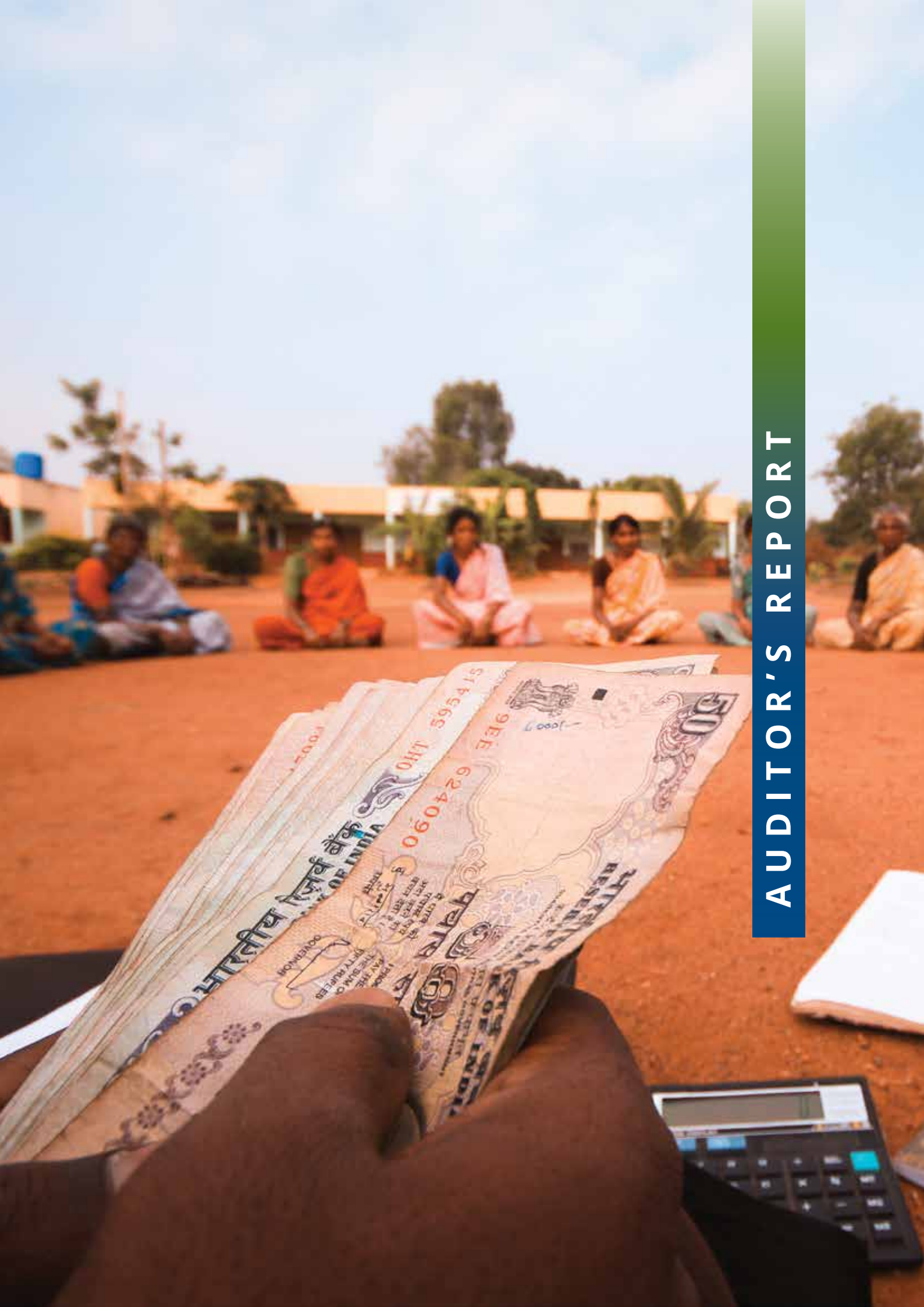
9. CODE OF CONDUCT FOR THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

The standards for business conduct provide that the directors and the senior management will uphold ethical values and legal standards as the company pursues its objectives, and that honesty and personal integrity will not be compromised under any circumstances. A copy of the said code of conduct is available on the website www.gfspl.in.

10. Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

No complaints were received during the year under sexual harassment.



AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT

To the Members of Grameen Koota Financial Services Private Limited

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

2. As required by Section 143(3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) On the basis of written representations received from the directors as on March 31, 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015, from being appointed as a director in terms of Section 164 (2) of the Act;
 - (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 34 to the financial statements;
 - ii. The Company did not have any outstanding long-term contracts including derivative contracts as at March 31, 2015 for which there were any material foreseeable losses; and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

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

per Shrawan Jalan
Partner
Membership No.:102102
Bangalore
May 5, 2015

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

Re: Grameen Koota Financial Services Private Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 4(ii) of the Order are not applicable to the Company and hence not commented upon.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a) and (b) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, 2013, for the products/services of the Company.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
(c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.
(d) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder.
- (viii) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (ix) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xi) Based on the information and explanation given to us by the management, term loans were applied for the purpose for which the loans were obtained. However, idle/surplus funds which were not required for immediate utilization have been gainfully invested in liquid assets payable on demand.

- (xii) We have been informed that during the year there was an instance of misappropriation of cash by an employee of the Company amounting to Rs.50,528. As informed, services of the employee have been terminated and the Company is in the process of taking legal action against the employee. The Company has made a provision of Rs.24,665 against the outstanding balance (net of recovery) amounting to Rs.49,330, as at the Balance Sheet date.

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

per Shrawan Jalan
Partner
Membership No.:102102
Bangalore

May 5, 2015

Financial Statements

Balance sheet as at March 31, 2015

Particulars	Notes	31-Mar-15 (Rupees)	31-Mar-14 (Rupees)
Equity and Liabilities			
Shareholders' funds			
Share capital	3	729,534,330	529,534,330
Reserves and surplus	4	3,079,504,836	1,581,047,015
		<u>3,809,039,166</u>	<u>2,110,581,345</u>
Non-current Liabilities			
Long-term borrowings	5	5,849,797,757	3,700,177,335
Long-term provisions	6	29,842,370	29,014,696
		<u>5,879,640,127</u>	<u>3,729,192,031</u>
Current liabilities			
Other current liabilities	7	7,503,999,153	4,717,349,657
Short-term provisions	6	120,488,704	61,507,797
		<u>7,624,487,857</u>	<u>4,778,857,454</u>
TOTAL		17,313,167,150	10,618,630,830
Assets			
Non-current assets			
Fixed assets			
Tangible assets	8	25,671,806	24,777,933
Intangible assets	9	11,506,308	1,503,630
Intangible assets under development		24,943,743	2,310,800
Non-current investments	10	2,000,000	2,024,204
Deferred tax asset (net)	11	35,612,469	12,678,607
Long-term loans and advances	12	2,703,018,391	1,586,887,989
Other non-current assets	13	760,875,115	471,126,663
		<u>3,563,627,832</u>	<u>2,101,309,827</u>
Current assets			
Cash and bank balances	14	2,797,744,826	3,250,310,260
Short term loan and advances	12	10,831,402,960	5,179,531,875
Other current assets	13	120,391,532	87,478,868
		<u>13,749,539,318</u>	<u>8,517,321,003</u>
TOTAL		17,313,167,150	10,618,630,830
Summary of significant accounting policies		2.1	
Accompanying notes are an integral part of the financial statements.			

As per our report of even date

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

For and on behalf of Board of Directors of
Grameen Koota Financial Services Private Limited

per Shrawan Jalan
 Partner
 Membership No.102102
 Place:
 Date:

Managing Director

Chairman

Chief Financial Officer
 Date:

Company Secretary

Statement of profit and loss for the year ended March 31, 2015

Particulars	Notes	31-Mar-15 (Rupees)	31-Mar-14 (Rupees)
Income			
Revenue from operations	15	2,681,603,367	1,423,360,955
Other income	16	132,677,401	54,924,926
Total revenue (I)		2,814,280,768	1,478,285,881
Expenses			
Employee benefits expenses	17	433,892,133	292,134,959
Finance costs	18	1,278,927,632	694,001,630
Other expenses	19	253,055,237	153,102,781
Depreciation and amortisation expenses	20	19,228,099	5,269,467
Provision and write-offs	21	68,382,882	57,254,744
Total expenses (II)		2,053,485,983	1,201,763,581
Profit before tax (III)=(I)-(II)		760,794,785	276,522,300
Tax expense			
Current tax		285,952,432	86,256,049
Deferred tax		(22,933,861)	4,540,298
Short provision of tax relating to earlier years		3,218,119	636,057
Total tax expense (IV)		266,236,690	91,432,404
Profit for the year (III)-(IV)		494,558,095	185,089,896
Earnings per equity share [nominal value of share Rs.10 (March 31, 2014: Rs.10)]			
Basic (Computed on the basis of total Profit for the year)		9.28	4.66
Diluted (Computed on the basis of total Profit for the year)		9.14	4.66
Summary of significant accounting policies	2.1		
Accompanying notes are an integral part of the financial statements.			

As per our report of even date

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

For and on behalf of Board of Directors of
Grameen Koota Financial Services Private Limited

per Shrawan Jalan
Partner
Membership No.102102

Managing Director

Chairman

Place:

Chief Financial Officer

Company Secretary

Date:

Date:

Cashflow statement for the year ended March 31, 2015

(Amount in Rupees unless otherwise stated)

	Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
A.	Cash flow from operating activities		
	Profit before tax	760,794,785	276,522,300
	Adjustments for :		
	Depreciation and amortization	19,228,099	5,269,468
	Provision for gratuity	3,597,152	9,873,893
	Provision for leave benefits	5,168,185	4,942,844
	Bad debts written off	1,282,801	44,594,164
	Loss on sale of fixed assets	25,876	1,634,564
	Provision for non-performing assets	67,100,081	12,660,580
	Stock option expenditure	3,899,726	586,980
	Amortisation of ancillary borrowing costs	65,687,149	32,614,247
	Amortisation of discount on issue of debentures	332,575	118,451
	Amortisation of share issue expenses	4,058,974	219,711
	Income from mutual funds	(44,053,348)	(34,068,637)
	Other provisions and write offs	3,957,568	3,529,069
	Operating profit before working capital changes	891,079,623	358,497,634
	Movements in working capital :		
	Increase/ (decrease) in other liabilities	67,134,746	(12,752,531)
	Decrease / (increase) in trade receivables	-	203,845
	Decrease / (increase) in loans and advances	(6,759,844,017)	(2,827,923,531)
	Decrease / (increase) in other assets	(38,666,811)	124,826,556
	Cash used in operations	(5,840,296,459)	(2,357,148,027)
	Direct taxes paid (net of refunds)	(302,568,390)	(106,641,651)
	Net cash used in operating activities (A)	(6,142,864,849)	(2,463,789,678)
B.	Cash flow from investing activities :		
	Purchase of fixed assets	(53,247,920)	(6,816,516)
	Proceeds from sale of fixed assets	464,453	127,505
	Purchase of non-current investments	-	21,896
	Sale / redemption of non-current investments	24,204	-
	Purchase of current investments	(15,654,100,000)	(10,538,800,000)
	Sale of current investments	15,698,153,348	10,575,460,366
	Margin money deposits (net)	(841,345,261)	(243,359,808)
	Net cash used in investing activities (B)	(850,051,176)	(213,366,557)
C.	Cash flow from financing activities :		
	Long-term borrowings (net)	4,775,774,985	4,101,417,143
	Proceeds from issuance of equity share capital including securities premium	1,198,309,000	793,604,577
	Payment of expenses towards issue of equity shares		
	Net cash from financing activities (C)	5,974,083,985	4,895,021,720

Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C)	(1,018,832,040)	2,217,865,486
Cash and cash equivalents as at the beginning of the year	2,852,432,439	634,566,954
Cash and cash equivalents as at end of the year (refer note 17)	1,833,600,399	2,852,432,439
Components of cash & cash equivalents at the year end		
Cash on hand	109,478,824	49,763,335
Balance with banks - on current account	724,121,575	1,740,848,492
Deposits with original maturity of less than 3 months*	<u>1,000,000,000</u>	<u>1,061,820,612</u>
	<u>1,833,600,399</u>	<u>2,852,432,439</u>
Summary of significant accounting policies (Refer note 2.1)		
Accompanying notes are an integral part of the financial statements.		

As per our report of even date

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

For and on behalf of Board of Directors of
Grameen Koota Financial Services Private Limited

per Shrawan Jalan
 Partner
 Membership No.102102

Managing Director Chairman

Place:

Chief Financial Officer Company Secretary

Date:

Date:

1. Corporate information

Grameen Koota Financial Services Private Limited ('the Company') is a company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company was earlier known as Grameen Financial Services Private Limited and the new name of the Company is effective from November 13, 2014. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and has got classified as a Non-Banking Financial Company –Micro Finance Institution ('NBFC-MFI') with effect from September 5, 2013.

The Company is engaged primarily in providing micro finance services to women who are enrolled as members and organized as Joint Liability Groups ('JLG').

In addition to the core business of providing micro-credit, the Company uses its distribution channel to provide certain other financial products and services to the members.

2. Basis of preparation

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

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

2.1 Summary of significant accounting policies

a. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

b. Revenue recognition

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

- i. Interest income on loans given is recognised under the internal rate of return method. Income or any other charges on non-performing asset is recognised only when realized. Any such income recognised before the asset became non-performing and remaining unrealized is reversed.
- ii. Interest income on deposits with banks is recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.
- iii. Loan processing fees collected from members are recognised on an upfront basis at the time of disbursement of the loan.
- iv. Profit / premium arising at the time of securitization of loan portfolio is amortized over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from excess interest spread is recognized in the statement of profit and loss account net of any losses at the time of actual receipt.
- v. Dividend income is recognised when the right to receive payment is established by the balance sheet date.

vi. All other income is recognised on an accrual basis.

c. **Tangible fixed assets**

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

d. **Intangible assets**

The amount relating to acquisition of software, valued at the cost of acquisition of these assets and these are amortized over a period of five years in equal installments, based on expected future economic benefits accruing to the Company from the year of acquisition.

e. **Depreciation**

Depreciation on tangible fixed assets is provided using the straight line method as per the useful lives of the assets estimated by the management. The useful life estimated by the management is as under:

Category of Asset	Useful life (Years)
Furniture and fittings	10
Office equipment	05
Vehicles	08
Buildings	30
Electrical equipment	10
Computers (including Servers)	03

Fixed assets costing up to Rs.5,000 individually are depreciated fully in the year of purchase. The management has estimated, supported by independent assessment by professionals, the useful life of servers and two-wheeler vehicles as 3 years and 8 years respectively, which are lower than those prescribed under Schedule II to the Act (also refer note 2.2 (a)).

f. **Impairment**

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

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

g. **Leases (where the Company is the lessee)**

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value of the leased property and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are recognised as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs are capitalised. A leased asset is depreciated on a straight-line basis over the useful life of the asset. However, if there is no reasonable certainty

that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

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

h. Investments

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

i. Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Ancillary borrowing costs incurred in connection with arrangement of borrowing are amortized over the tenure of the loan (also refer note 2.2 (b)).

j. Foreign currency transactions

- i. All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transaction.
- ii. Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.
- iii. Exchange differences arising on the settlement of monetary items or on the restatement of Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

k. Retirement and other employee benefits

- i. Retirement benefits in the form of provident fund and superannuation are defined contribution schemes. The Company has no obligation, other than the contribution payable to the respective funds. The Company recognises contribution payable to the respective funds as expenditure, when an employee renders the related service.
- ii. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains and losses for defined benefit plans are recognised in full in the period in which they occur in the statement of profit and loss.
- iii. The Company treats accumulated leave expected to be carried forward beyond twelve months as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the end of each financial year. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date.
- iv. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

- v. The Company recognises termination benefit as a liability and an expense when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

I. Income taxes

- i. Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.
- ii. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.
- iii. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.
- iv. The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.
- v. Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognises MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

m. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as fraction of an equity share to the extent that they were entitled to participate in dividends related to a fully paid equity share during the reporting year.

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

n. Provisions

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

o. Contingent liabilities

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

p. Cash and cash equivalents

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

q. Share based payments

In case of stock option plan, measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India as applicable for equity-settled share based payments.

The cost of equity-settled transactions is measured using the intrinsic value method and recognised, together with a corresponding increase in the "Stock options outstanding account" in reserves. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognised in the statement of profit and loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

r. Classification of loan portfolio

Asset classification	Arrear period
Standard assets	Overdue for up to 90 days
Non-performing assets	
Substandard assets	Overdue for 90 days or more
Loss assets	After 9 months of being classified as substandard assets

"Overdue" refers to interest and / or instalment remaining unpaid from the day it became receivable.

s. Provisioning policy for loan portfolio

Loans are provided for and / or written off, as per management estimates, subject to the minimum provisioning required as per Non-Banking Financial Company – Micro Finance Institutions (NBFC-MFIs) Directions, 2011, as amended from time to time.

t. Accounting for amounts received towards technical assistance

Amounts received as technical assistance are recognised in the statement of profit and loss on meeting the conditions attached to such assistance. Amounts received as technical assistance during the year are in the nature of revenue. Therefore, the same are credited to the statement of profit and loss, under the heading 'Other Income'.

u. Share issue expenses

Expenses incurred in connection with issue of equity shares are amortized over a period of five years.

2.2 Change of Estimates

- In accordance with the requirements of Schedule II to the Act, the Company has reassessed the useful lives and residual value of the fixed assets and:

- i) An amount of Rs.6,126,975 has been charged to statement of profit and loss for the year ending March 31, 2015 in respect of assets whose remaining useful life is 'nil' as at April 1, 2014; and
 - ii) An amount of Rs.3,550,287 has been charged to statement of profit and loss for the year ending March 31, 2015 representing the additional depreciation on the carrying value of assets as at April 1, 2014 due to change in useful life of assets.
- b. In the current year, the Company changed its estimate in respect of amortization of the ancillary borrowing costs. Had the Company applied the estimates applicable in the previous year, the amortization of ancillary borrowing costs in the current year would have been lower by Rs.11,596,426.

22. Segment information

The Company operates in a single reportable segment, i.e., lending to members, which have similar risks and returns for the purpose of AS 17 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. The Company operates in a single geographical segment, i.e., domestic.

23. Related Party Transaction

Names of the related parties with whom transactions have been entered

Key Management Personnel	Ms. Vinatha M. Reddy, Non-executive Chairperson Mr. Suresh K. Krishna, Managing Director
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Particulars	Key management personnel	
	March 31, 2015	March 31, 2014
Transactions during the year		
Ms. Vinatha M. Reddy		
Exgratia	2,099,242	200,438
Sitting fee	90,000	-
Rent	321,984	-
Mr. Suresh K. Krishna		
Salaries, perquisites and ex-gratia	13,339,320	5,215,150
Balances as at year end		
Ms. Vinatha M. Reddy	-	-
Mr. Suresh K. Krishna	-	-

Provisions for gratuity and leave benefits are made for the Company as a whole and the amounts pertaining to the Key Management Personnel are not specifically identified and hence are not included above.

24. Capital commitments

Estimated amounts of contracts remaining to be executed on capital account (net of capital advances) and not provided:

Particulars	March 31, 2015	March 31, 2014
For purchase/development of computer software	13,794,824	583,700

25. Contingent liabilities

Particulars	March 31, 2015	March 31, 2014
Credit enhancements provided by the Company towards securitization transactions	172,828,413	185,855,805
Performance security provided by the Company pursuant to service provider agreement	1,413,655	317,350
Tax on items disallowed by the Income Tax department not acknowledged as debt by the Company	Nil*	2,898,254

*An amount of Rs.72,141,000 pertaining to the Assessment Year 2011-12 (financial year 2010-11) was pending under appeal with Income Tax authorities. The same has been disposed off during the current financial year in Company's favour. Tax on disallowance amounting to Rs.893,868 under section 14A of the Income Tax Act, 1961 has been duly provided for in the current year.

26. Retirement benefits

Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

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

Statement of profit and loss

Net employee benefit expense

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Current service cost	4,838,201	4,150,099
Interest cost on benefit obligation	1,308,670	759,295
Expected return on plan assets	(1,902,045)	(387,123)
Net actuarial (gain) / loss recognised	(647,674)	5,351,621
Past service cost	-	-
Net employee benefit expense	3,597,152	9,873,893
Actual return on plan assets	1,156,312	51,525

Balance sheet

Details of provision for gratuity:

Particulars	March 31, 2015	March 31, 2014
Defined benefit obligation	20,310,655	18,041,524
Plan assets	(16,717,752)	(4,324,392)
Plan liability	3,592,903	13,717,132

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

Particulars	Gratuity	
	March 31, 2015	March 31, 2014
Opening defined benefit obligation	18,041,523	9,239,218
Interest cost	13,08,670	759,295
Past service cost	-	-
Current service cost	4,838,201	4,150,099
Benefits paid	(2,484,333)	(1,123,112)
Actuarial (gains) / losses on obligation	(1,393,407)	5,016,023
Closing defined benefit obligation	20,310,654	18,041,523

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

Particulars	Gratuity	
	March 31, 2015	March 31, 2014
Opening fair value of plan assets	4,324,362	5,395,979
Expected return	1,902,045	387,123
Contributions by employer	13,721,411	-
Benefits paid	(2,484,333)	(1,123,112)
Actuarial gains / (losses)	(745,733)	(335,598)
Closing fair value of plan assets	16,717,752	4,324,392

The Company expects to contribute Rs.7,036,098 (March 31, 2014:Rs.9,317,022) towards gratuity in the next financial year.

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

Particulars	Gratuity	
	March 31, 2015	March 31, 2014
Investment with insurer	100%	100%

The overall expected rate of return on assets is determined based on the average long term rate of return expected on investment of the fund during the estimated term of the obligations.

The principal assumptions used in determining gratuity:

Particulars	Gratuity	
	March 31, 2015	March 31, 2014
Discount rate	7.79%	8.75%
Expected rate of return on assets	9.00%	8.00%
Salary escalation rate per annum	10% for the first five years and 7% thereafter	10% for the first five years and 7% thereafter
Rates of leaving service	18.97%	20.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

Amounts for the current and previous four years are as follows:

Particulars	Gratuity				
	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011
Defined benefit obligation	20,310,655	18,041,524	9,239,218	5,797,813	4,149,882
Plan assets	16,717,752	4,324,392	5,395,979	3,633,569	2,935,414
Surplus / (deficit)	(3,592,902)	(13,717,132)	(3,843,239)	(2,164,244)	(1,214,368)
Experience adjustments on plan liabilities	(1,393,407)	(5,016,023)	(2,117,859)	(491,242)	(1,945,340)
Experience adjustments on plan assets	745,733	335,598	1,090	(16,970)	(32,799)

27. Earnings and expenditure in foreign currency (on accrual basis)

a. Earnings in foreign currency:

Particulars	March 31, 2015	March 31, 2014
Amount received towards technical assistance	9,848,043	9,798,745

b. Expenditure in foreign currency:

Particulars	March 31, 2015	March 31, 2014
Travelling expenses	1,434,529	446,378
Debenture issue expenses	-	1,854,273
Training expenses	526,516	-
Professional charges	486,699	-
Purchase of software license	16,784,250	-
Total	19,231,994	2,300,651

28. Earnings per share (EPS)

Profit and number of shares data used in computation of basic and diluted EPS:

Particulars	March 31, 2015	March 31, 2014
Net profit for calculation of EPS	494,558,095	185,089,896
Weighted average number of equity shares – basic EPS	53,282,200	39,729,688
Effect of dilution: Stock options granted under ESOP *	803,787	-
Weighted average number of equity shares – diluted EPS	54,085,987	39,729,688
Basic EPS (Rs.)	9.28	4.66
Diluted EPS (Rs.)	9.14	4.66
Nominal value of shares (Rs.)	10.00	10.00

*Represents effect of dilution on account of equity shares arising on exercise of stock options.

29. Loan portfolio and provision for standard and non-performing assets as at March 31, 2015:

Asset Classification	Portfolio loans outstanding (Gross)		Provision for standard and substandard assets			Portfolio loans outstanding (Net)	
	March 31, 2015	March 31, 2014	March 31, 2014	Additions in 2014-15	March 31, 2015	March 31, 2015	March 31, 2014
Standard	1,339.08	668.49	6.61	6.29	12.90	1,326.18	661.88
Non-performing	0.49	0.08	0.08	0.41	0.49	-	-
Total	1,339.57	668.57	6.69	6.70	13.39	1,326.18	661.88

Loan portfolio and provision for standard and non-performing assets as at March 31, 2014:

(Rupees in Crores)

Asset Classification	Portfolio loans outstanding (Gross)		Provision for standard and substandard assets			Portfolio loans outstanding (Net)	
	March 31, 2014	March 31, 2013	March 31, 2013	Additions in 2013-14	March 31, 2014	March 31, 2014	March 31, 2013
Standard	668.49	379.72	0.95	5.66	6.61	661.88	378.77
Non-performing	0.08	4.47	4.47	(4.39)	0.08	-	-
Total	668.57	384.19	5.42	1.27	6.69	661.88	378.77

30. Leases

Operating Lease

Head office and branch office premises are acquired on operating lease. The branch office premises are generally rented on cancellable term for period of eleven to sixty months with no escalation clause and renewable at the option of the Company.

There are no restrictions imposed by lease arrangements. There are no subleases. Lease payments during the year are charged to statement of profit and loss.

Particulars	March 31, 2015	March 31, 2014
Operating lease payments recognised during the year	29,026,776	18,822,765

31. Dues to micro, small and medium enterprises

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

For the year ended March 31, 2015, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

32. Amounts received as technical assistance

Following amounts have been received and recognised in statement of profit and loss under "Other Income":

Particulars	March 31, 2015	March 31, 2014
Amounts received as technical assistance	11,289,571	11,278,435

33. Stock options

During the year ended March 31, 2015, the following stock option grants were in operation:

Particulars	Tranche I	Tranche II	Tranche III
Date of grant	Apr 1, 2012	Oct 1, 2013	Jun 1, 2014
Date of Board / Compensation Committee approval	Oct 15, 2011	Aug 22, 2012	Jul 30, 2014
Number of Options granted	716,676	631,339	443,000
Method of settlement	Equity	Equity	Equity
Graded vesting period:			
Day following the expiry of 12 months from grant	25%	25%	25%
Day following the expiry of 24 months from grant	25%	25%	25%
Day following the expiry of 36 months from grant	25%	25%	25%
Day following the expiry of 48 months from grant	25%	25%	25%
Exercise period	48 months from date of vesting		
Vesting conditions	Continuous service		
Weighted average remaining contractual life (years)	5.01	6.51	7.18
Weighted average exercise price per option (Rs.)	27.00	27.00	39.86
Weighted average fair value of options (Rs.)	14.32	16.97	36.21

Reconciliation of options:

Particulars	March 31, 2015	March 31, 2014
Tranche I		
Options outstanding at the beginning of the year	641,176	654,676
Granted during the year	-	-
Forfeited during the year	5,250	13,500
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	635,926	641,176
Exercisable at the end of the year (refer note below)	546,926	320,588
Tranche II		
Options outstanding at the beginning of the year	631,339	-
Granted during the year	-	631,339
Forfeited during the year	27,000	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	604,339	631,339
Exercisable at the end of the year (refer note below)	256,339	-
Tranche III		
Options outstanding at the beginning of the year	-	-
Granted during the year	443,000	-
Forfeited during the year	6,000	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	437,000	-
Exercisable at the end of the year	-	-

Note: Include 68,669 options (Tranche I) and 103,004 options (Tranche II), the vesting period of which has been accelerated to March 1, 2015 pursuant to a resolution dated March 28, 2014, passed by the Board of Directors through circulation and ratified on May 4, 2014. Such options would have otherwise vested by March 31, 2016 and September 30, 2017 respectively.

Details of stock options granted during the year:

Tranche III: The weighted average fair value of stock options granted during the year was Rs.36.21. The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Tranche vesting in FY 2015-16	Tranche vesting in FY 2016-17	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19
Share price on the date of grant (Rs.)	55.14	55.14	55.14	55.14
Exercise price (Rs.)	39.86	39.86	39.86	39.86
Expected volatility (%)	44.13%	44.13%	44.13%	44.13%
Life of the options granted (years)	5	6	7	8
Risk-free interest rate (%)	8.05%	8.05%	8.05%	8.05%
Expected dividend rate (%)	0%	0%	0%	0%
Fair value of the option (Rs.)	33.23	35.38	37.28	39.96

The Company measures the cost of ESOP using the intrinsic value method. Had the Company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	Year ended March 31, 2015	Year ended March 31, 2014
Profit after tax as reported	494,558,095	185,089,896
Add: ESOP cost using intrinsic value method	3,899,726	586,980
Less: ESOP cost using fair value method	14,500,836	6,045,363
Profit after tax (adjusted)	483,946,985	179,631,513
Earnings Per Share		
Basic		
- As reported	9.28	4.66
- Adjusted for ESOP cost using fair value method	9.08	4.51
Diluted		
- As reported	9.14	4.66
- Adjusted for ESOP cost using fair value method	8.95	4.51

Particulars	As at March 31, 2015	As at March 31, 2014
Stock options outstanding (gross)	9,029,234	2,260,194
Deferred compensation cost outstanding	4,542,528	1,673,214
Stock options outstanding (net)	4,486,706	586,980

34. Provision for fraud and misappropriation

An amount of Rs.5,082,487 has been provided in the financial statements towards the legal proceedings and claims initiated by the Company in respect of the cases of frauds and thefts reported up to March 31, 2015.

35. Disclosures required by the RBI

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

Particulars	March 31, 2015	March 31, 2014
CRAR (%)	28.14%	31.64%
CRAR-Tier I Capital (%)	26.56%	28.81%
CRAR-Tier II Capital (%)	1.58%	2.83%
Amount of subordinated debt raised as Tier II capital	-	11.40
Amount raised by issue of Perpetual Debt Instruments	-	-

b. Investments

Particulars	March 31, 2015	March 31, 2014
1 Value of Investments		
(i) Gross Value of Investments		
(a) in India	0.20	0.20
(a) outside India	-	-
(ii) Provisions for Depreciation		
(a) in India	-	-
(a) outside India	-	-
(ii) Net Value of Investments		
(a) in India	0.20	0.20
(a) outside India	-	-
2 Movement of provision held towards depreciation		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less: Write-off / write-back of excess provision	-	-
(iv) Closing balance	-	-

c. Derivatives

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

d. Disclosure related to securitization

Disclosure as per RBI circular DBOD.NO.BP.BC.60/21.04.048/2005-06 dated February 1, 2006:

During the year the Company has sold loans through securitization. The information on securitization activity of the Company as an originator is as shown below:

Particulars	For year ended March 31, 2015	For year ended March 31, 2014
Number of loans securitized	231,730	159,850
Book value of loans securitized (refer note 1)	1,641,353,236	1,396,989,897
Sale consideration received (refer note 1)	1,678,670,478	1,475,635,926
Income recognised in statement of profit and loss	156,302,461	69,948,706
Particulars	As at March 31, 2015	As at March 31, 2014
Principal outstanding of loans securitized	1,074,976,661	1,409,562,133
Credit enhancements provided and outstanding:		
Cash collateral	233,741,182	195,454,889

Note 1: For the year ended March 31, 2015, the amount includes Rs.16,532,996 (Previous year: Nil) representing portfolio loans de-recognised on account of loans sold under securitization and held as "Subordinated contribution".

Disclosure as per RBI circular DNBS.PD.No.301/3.10.01/2012-13 dated August 21, 2012:
(Information in respect of transactions in operation as at reporting date)

(Rupees)

Particulars	As at March 31, 2015	As at March 31, 2014
No of SPVs sponsored by the NBFC for securitization transactions	14	13
Amount of securitized assets as per books of SPV sponsored by NBFC	1,220,301,000	1,485,313,000
Amount of exposures retained by NBFC to comply with MRR as on the date of balance sheet		
a. Off-Balance sheet exposure		
• First Loss	-	-
• Others	-	-
b. On-Balance sheet exposure		
• First Loss – Cash collateral	233,742,000	195,454,889
• Others	-	-
Amount of exposures other than MRR		
a. Off-Balance sheet exposure		
i. Exposure to own securitizations		
• First Loss	-	-
• Loss	-	-
ii. Exposure to third party transactions		
• First Loss	-	-
• Others	-	-
b. On-Balance sheet exposure		
ii. Exposure to own securitizations		
• Others	-	24,204
iii. Exposure to third party transactions		
• First Loss	-	-
• Others	-	-

e. Details of financial assets sold to securitization / reconstruction company for asset reconstruction:

The Company has not sold any financial asset to securitization / reconstruction company for asset reconstruction in the current and previous year.

f. Details of assignment transactions:

The Company has not undertaken any assignment transactions in the current and previous year.

g. Details of non-performing financial asset purchased / sold:

The Company has not purchased / sold any non-performing financial assets in the current and previous year.

h. Asset liability management:

Maturity pattern of assets and liabilities as on March 31, 2015:

Particulars	Upto 30/31 days	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings	35.82	48.96	77.65	184.04	359.08	370.25	154.73	60.00	1,290.53
Advances*	126.40	115.70	110.34	302.48	428.27	269.77	-	-	1,352.96
Investments	-	-	-	-	-	-	-	0.20	0.20
Foreign currency assets	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-

* Net of provision for non-performing assets

Maturity pattern of assets and liabilities as on March 31, 2014:

(Rupees in crore)

Particulars	Upto 30 / 31 days	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings	34.57	26.77	72.11	112.71	189.04	268.12	10.50	91.40	805.22
Advances*	60.46	59.97	47.26	139.72	210.59	158.57	0.08	-	676.65
Investments	-	-	-	-	-	-	-	0.20	0.20
Foreign currency assets	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-

* Net of provision for non-performing assets

i. Exposures:

The Company has no exposure to the real estate sector and capital market directly or indirectly in the current and previous year.

j. Unsecured Advances: Refer Note 12.

k. Registration obtained from other financial regulators:

The Company is not registered with any other financial sector regulators.

l. Disclosure of penalties imposed by RBI and other regulators:

No Penalties were imposed by RBI and other regulators during current and previous year.

m. Ratings assigned by credit rating agencies and migration of ratings:

Particulars	Name of rating agency	Date of rating	Rating / (Previous year rating)	Borrowing limit / conditions imposed by rating agency	Valid upto
Long term debt	ICRA	June 16, 2014	BBB+ / (BBB)	613.27	May 31, 2015
Non-convertible debentures	ICRA	June 16, 2014	BBB+ / (BBB)	200.00	June 15, 2015
Subordinated debt	ICRA	June 16, 2014	BBB / (BBB-)	22.00	June 15, 2015
Organization rating	CRISIL	Dec 12, 2014	MfR2/ (MfR3)	NA	Dec 11, 2015
IFMR Mosec Talos-PTC 1	ICRA	Aug 2014	BBB / NA	12.08	Jun 2016
IFMR Mosec Talos-PTC 2	ICRA	Aug 2014	B- / NA	1.27	Jun 2016
IFMR Mosec Odin-PTC 1	ICRA	Sep 2014	BBB / NA	17.11	Jul 2016
IFMR Mosec Odin-PTC 2	ICRA	Sep 2014	B / NA	1.92	Jul 2016
IFMR Mosec Mesembria-PTC 1	ICRA	Oct 2014	BBB / NA	30.11	Aug 2017
IFMR Mosec Mesembria-PTC 2	ICRA	Oct 2014	B- / NA	1.59	Aug 2017
IFMR Mosec Eiar-PTC 1	India Rating	Jan 2015	A- / NA	31.77	Mar 2016
IFMR Mosec Eiar-PTC 2	India Rating	Jan 2015	BBB / NA	2.85	Mar 2016
IFMR Mosec Eiar-PTC 3	India Rating	Jan 2015	BB+ / NA	0.71	Mar 2016
IFMR Mosec Zephyrus-PTC 1	ICRA	Jan 2015	BBB / NA	9.96	Nov 2016
IFMR Mosec Zephyrus-PTC 2	ICRA	Jan 2015	C+ / NA	.52	Nov 2016
Ceres-PTC 1	India Rating	Feb 2015	A- / NA	25.11	Sep 2016
Ceres-PTC 2	India Rating	Feb 2015	BB- / NA	2.51	Sep 2016
IFMR Mosec Aria 2015-PTC 1	ICRA	Mar 2015	A- / NA	7.90	Jan 2017
IFMR Mosec Aria 2015-PTC 2	ICRA	Mar 2015	B- / NA	1.29	Jan 2017
Beta Trust	ICRA	Mar 2015	BBB+ / NA	19.5	May 2016

n. Provisions and contingencies (shown under the head expenditure in Statement of Profit and Loss):

Particulars	March 31, 2015	March 31, 2014
Provision for standard assets	6.29	5.66
Provision for non-performing assets	0.42	(4.39)
Provision for income tax	28.91	8.44
Provision for gratuity	0.36	0.99
Provision for leave encashment	0.52	0.49
Provision fraud and misappropriation (net of recoveries)	(0.16)	0.07
Provision for other assets (net)	0.05	(0.15)
Total	36.39	11.11

o. Draw down from Reserves:

There has been no draw down from reserves during the year ended March 31, 2015 (previous year: Nil).

p. Concentration of Advances, Exposures and NPAs

(Rupees in crore)

Particulars	March 31, 2015	March 31, 2015
Concentration of Advances		
Total advances to twenty largest borrowers	0.10	0.10
(%) of advances to twenty largest borrowers to total advances	0.01%	0.02%
Concentration of Exposures		
Total exposure to twenty largest borrowers / customers	0.12	0.13
(%) of exposures to twenty largest borrowers / customers to total exposure	0.01%	0.02%
Concentration of NPAs		
Total Exposure to top four NPA accounts	0.04	0.03

q. Sector-wise NPAs

Sr. No.	Sector	Percentage of NPAs to Total Advances in that sector as at March 31, 2015	Percentage of NPAs to Total Advances in that sector as at March 31, 2014
1	Agriculture and Allied Activities	0.01%	0.00%
2	MSME	-	-
3	Corporate Borrowers	-	-
4	Services	0.02%	0.01%
5	Unsecured Personal Loans	0.01%	0.00%
6	Auto Loans	-	-
7	Other Personal Loans	-	-

r. Movement of NPAs

(Rupees in crore)

Particulars		March 31, 2015	March 31, 2014
(i)	Net NPAs to Net Advances (%)		
(ii)	Movement of NPAs (Gross):		
	(a) Opening balance	0.08	4.47
	(b) Additions during the year	0.55	0.07
	(c) Reductions during the year (loans written off)	0.12	4.46
	(b) Closing balance	0.49	0.08
(iii)	Movement of Net NPAs		
	(a) Opening balance	-	-
	(b) Additions during the year	-	-
	(c) Reductions during the year	-	-
	(b) Closing balance	-	-
(iv)	Movement of provisions for NPAs		
	(a) Opening balance	0.08	4.47
	(b) Provisions made during the year	0.55	0.07
	(c) Write-off / write-back of excess provisions	0.12	4.46
	(b) Closing balance	0.49	0.08

s. Disclosure of customer complaints

Sr. No	Particulars	No. of complaints
a.	No. of complaints pending at the beginning of the year	17
b.	No. of complaints received during the year	424
c.	No. of complaints redressed during the year	433
d.	No. of complaints pending at the end of the year	8

t. Information on instances of fraud

Instances of fraud reported during the year ended March 31, 2015:

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount provided
Cash Embezzlement	1	50,528	1,198	24,665
Theft by external parties	1	50,000	-	25,000

Instances of fraud reported during the year ended March 31, 2014:

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount provided
Cash Embezzlement	1	278,606	-	278,606
Fake Loans	2	40,800	541	40,259

u. The net interest margin (NIM) for the Company, for the year ended March 31, 2015 is 9.56%

(March 31, 2014: 10.30%).

v. The Company has not disbursed any loans against the security of gold.

36. The Company's application to the Company Law Board on October 19, 2011 for compounding in respect of equity shares issued in financial year 2010, against the dividend on compulsorily convertible preference shares, amounting to Rs.937,505, to non-resident shareholders, for which FIPB approval was received subsequently on December 2, 2011, is pending with the appropriate authorities.
37. Previous year's figures have been regrouped where necessary to conform to this year's classification.

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

For and on behalf of the Board of Directors of
Grameen Koota Financial Services Private Limited

per Shrawan Jalan
Partner
 Membership No.102102

Managing Director

Chairman

Chief Financial Officer

Company Secretary

Place :

Place :

Date :

Date :