

ANNUAL REPORT 2015-16



A background image showing a group of people, including women and children, sitting on the ground. They are surrounded by papers, books, and small objects, suggesting a community meeting or a learning session. The image is faded and serves as a backdrop for the table of contents.

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Message from the Founder & Chairperson

Mrs. Vinatha M. Reddy

It is a pleasure to be presenting Grameen Koota's 17th Annual Report, as the company completes another year of achievements & meaningful work, another year of milestones, rating upgrades, fundraising and of strengthening Brand Grameen Koota.

The company witnessed robust growth resulting in improvements in all operational & financial parameters. Grameen Koota opened more branches across 74 districts in the states of Karnataka, Maharashtra, Tamil Nadu, Chhattisgarh and Madhya Pradesh. The company was able to raise necessary resources throughout the year to match the business and operational needs both from existing lenders and by forming new lender relationships.

On behalf of the Board, I would like to express our deep appreciation for Mr. Suresh K. Krishna who made an invaluable contribution to Grameen Koota for 16 years from 1999-2015. From being Grameen Koota's first employee, he rose to being Managing Director till handing over reins on 15th July 2015 to Mr. Udaya Kumar, the current Managing Director and CEO.

The Micro Finance sector is passing through a phase that is both challenging and exciting. With the Reserve Bank of India announcing the licensing of Payment Banks and Small Finance Banks, we are about to witness the transformation of many top MFIs into Small Finance Banks. Choosing consciously to remain an NBFC-MFI in order to serve the clients it now targets, Grameen Koota is well placed to address risks as well as capitalize on growth opportunities in the unfolding scenario.

Partnering with Navya Disha Trust, Grameen Koota has been able to implement its CSR mandate most successfully. The suggested areas of work being water, sanitation, awareness on financial literacy and career guidance to high school students, Navya Disha is providing a valuable service to Grameen Koota clients and children in neighbourhood schools. With Navya Disha's excellent work in the field of sanitation and open defecation free communities, Grameen Koota members have till date been assisted in building about 3 lakh toilets.

Grameen Koota is, therefore, much aligned to Government of India's flagship programs of both Financial Inclusion and the Swachh Bharat Mission.

The management team led by the Managing Director and CEO has substantial depth of leadership talent and is well-placed to execute its strategy to take Grameen Koota to greater heights of becoming one of the top Micro Finance Institutions in India. Without any doubt, the dedication and hard work of our staff will help us move ahead in this direction.

The Board of Directors is fully committed to the highest standards of corporate governance and Grameen Koota stands tall and well positioned to impact financial inclusion on a larger scale, albeit, with better efficiencies and quality of services.





Message from the Managing Director & CEO Mr. Udaya Kumar

The financial year 2015-16 has been an accomplished year for Grameen Koota with several milestones, achievements and awards recorded in our journey, besides our concerted effort to widen the reach of our customer-base crossing one million and our operations expanding into new geographical areas.

We have opened 76 new branches during the year, entered into Madhya Pradesh and Chhattisgarh, got upgraded MFI grading to 'mfR1', credit rating to 'A-', social rating to 'Σα' with positive outlook and also got renewal of the Smart Campaign - Customer Protection Principles certificate. Another key development was our successful transition to Temenos T24 Core Banking System that has significantly enhanced our operational capabilities.

We pride ourselves on being a socially-focused and customer centric organization and swiftly passed on the benefits accrued from operational efficiency and low cost of borrowing to our customers, reducing the interest rates thrice during the year. Our endeavor will be to work continuously to improve our operating efficiencies and pass on the benefits to our customers.

The year also witnessed two more memorable events for Grameen Koota -- we moved into a new corporate office that was inaugurated by Nobel laureate Prof. Muhammad Yunus, and the industry's prestigious Microfinance India 2015 Award (in large MFI category) was bestowed on us. All these would not have been possible without the support from our dedicated staff, Board of Directors, stakeholders, lenders, investors and above all, our esteemed and highly disciplined women customers.

With adaptable technology, transparent processes, reasonable pricing and responsible business practices, which we have nurtured over the years, we were able to scale up the portfolio during the year by more than Rs.1,000 crore and reached an all-time high of Rs.2,543 crore as of March 2016. Besides financial parameters of the company which have improved enormously, capital infusion of Rs. 120 crore by our strategic investor CreditAccess Asia (CAA) has helped us to scale up our expansion during the financial year. Essentially, all support systems played their role quite effectively to keep Grameen Koota one of the most efficient MFIs in India along with the highest levels of customer retention and employee retention. As ever, Grameen Koota strives to remain the most preferred MFI in the areas of its operation with the highest level of transparency, superior service, reasonable pricing and flexible products to meet the customer's life cycle needs.

Our strategic Investor, CreditAccess Asia played a significant role in supporting Grameen Koota by providing not only timely capital but also strategic guidance in our growth. The committed capital support from CAA will further boost the growth of Grameen Koota in the coming years.

As part of our corporate social responsibility, we have partnered with Navya Disha in successful implementation of our social agenda to support our society and customers during the financial year 2015-16 as shown here:

Table on Social Activities in FY2015-16:

Social Initiatives	FY 2015-16
Sanitation units supported	95,797
Water connections supported	47,473
Children supported for their Primary Education	296,926
Family members currently enrolled under Health Insurance	74,831
Members and spouse currently covered by Life insurance	2,131,139
Members currently trained under awareness program Jagruti	1,254,391
Members enrolled under National Pension Scheme	51,941

We owe a lot to our esteemed customers, who have been prompt in properly using our funds and repaying them on time and banks and financial institutions for supporting us throughout.

Our employees are our biggest strength and their growing commitment has made all this progress possible. They are the key players in our long journey with their unique contribution in field operations and we are committed together to accomplish new heights in the future. Our Board of Directors has remained a great source of strength and support in shaping the company with its invaluable guidance. Our lenders are always our key pillar of support and instrumental in our growth with their timely funding.

As Prof. Yunus inscribed his message on the wall of Grameen Koota that says, "Keep Changing the World!", we, at Grameen Koota, strive to uphold the expectations as ever.



Message from the Group Chief Executive Officer, CreditAccess Asia

Mr. Paolo Brichetti

The financial year 2015-16 was another successful one for Grameen Koota whereby the Company delivered again on its promises by achieving record results in terms of growth in net interest income, profitability and also the number of social programs the Company executed in the five states where it's active. It is another proof that management and employees of Grameen Koota have the right skills, drive and mindset to grow the Company in a successful and profitable manner thereby maintaining its leadership position in the microfinance industry in India.

The solid performance of Grameen Koota over the past years also shows that it has been the right decision to use the organizational and management structure of the Company as a blueprint for setting up new greenfield activities of CreditAccess Asia in Indonesia in 2012 (CAA-Bina Artha) and the Philippines in 2014 (CAA-One Puhunan).

By leveraging the in-depth knowledge and expertise of Grameen Koota's management of the microfinance industry, we were able to grow these companies in a structured way whereby our subsidiary in Indonesia already reached the break-even point, just four years after inception.

It also gives us confidence to start up operations in Vietnam in the course of this financial year. So in a time span of just ten years, CreditAccess has become a leading pan-Southeast Asian operator in the microfinance industry, active in four countries and with Grameen Koota acting as a center of excellence.

On behalf of the Board of Directors, I would like to thank all our staff whose hard work and commitment has made these achievements possible. I look forward to your continued efforts to maintain our competitive position and to build on our future success every day.



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

-Charles Malik



An Overview

Vision

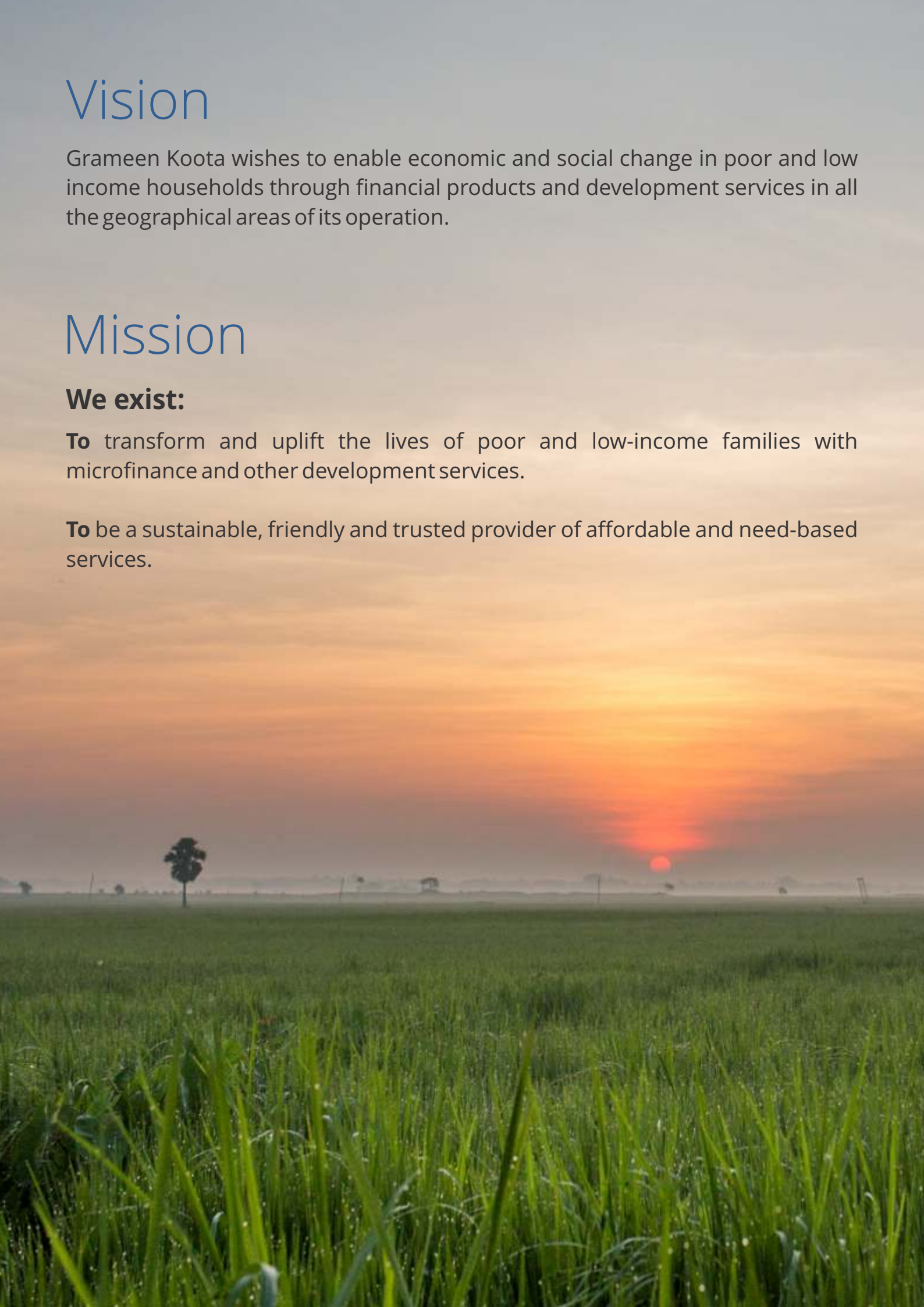
Grameen Koota wishes to enable economic and social change in poor and low income households through financial products and development services in all the geographical areas of its operation.

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.



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

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:

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





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 customers, 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. |

BOARD OF DIRECTORS

Mrs. Vinatha M Reddy Director and Chairperson

Mr. Udaya Kumar Managing Director and CEO

Mr. Suresh K Krishna Director

Mr. Paolo Brichetti Nominee Director

Mr. Kenneth Dan Vander Weele Nominee Director

Mr. George Joseph Independent Director

Mr. Prabha Raveendranathan Independent Director

Mr. Anal Kumar Jain Independent Director

Mr. M.N. Gopinath Independent Director



Grameen Koota Founder-Chairperson Mrs. Vinatha M. Reddy is seen with other directors of the Board from left to right: Mr. Prabha Raveendranathan, Mr. Suresh K. Krishna, Mr. George Joseph, Mr. Udaya Kumar (MD & CEO), Mr. Kenneth Dan Vander Weele, Mr. Anal Kumar Jain, Mr. Paolo Brichetti and Mr. M. N. Gopinath.

Management Team



ARUN KUMAR B

Head – Information Technology



GOPAL REDDY

State Head
Maharashtra, Madhya Pradesh &
Chhattisgarh



UDAYA KUMAR

Managing Director & CEO



GURURAJ K S RAO

Senior Vice President
Internal Audit & Risk Management



HARIDARSHINI A

Head - Human Resources



B. R. DIWAKAR
Chief Financial Officer



PRAKASH R
Head - Internal Audit



K. N. NAGANANDA KUMAR
Head - Centralised Operations



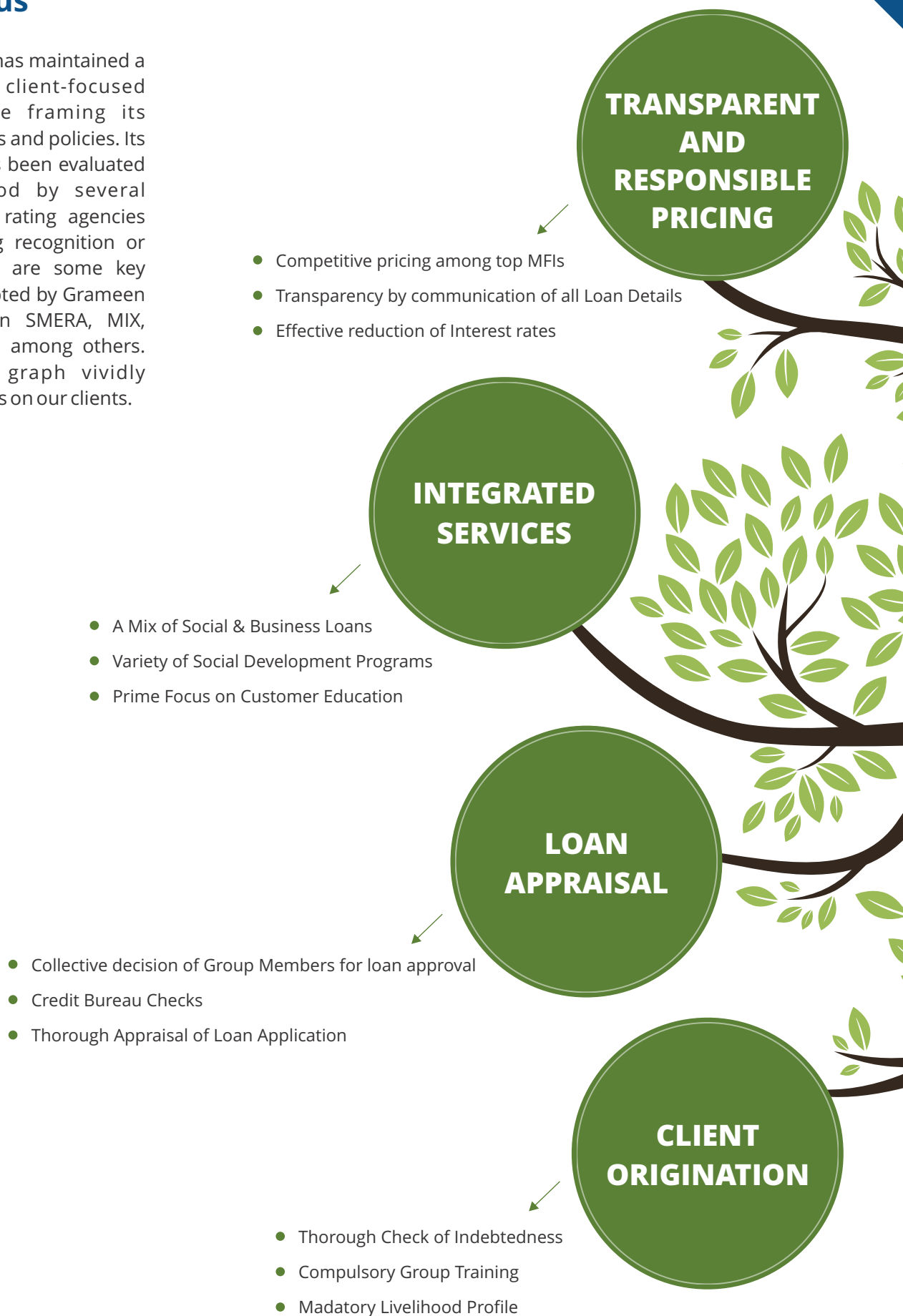
ANSHUL SHARAN
Head – Strategy & Planning



SRIVATSA H N
State Head
Karnataka & Tamil Nadu

Client Focus

Grameen Koota has maintained a very effective client-focused approach while framing its products, services and policies. Its performance has been evaluated over the period by several institutions and rating agencies before according recognition or an award. Here are some key parameters adopted by Grameen Koota, based on SMERA, MIX, Smart Campaign among others. The following graph vividly portrays our focus on our clients.





AWARDS & RECOGNITIONS

ICRA Upgrades Grameen Koota Rating from 'BBB+' to 'A-'

The Rating Committee of ICRA in June 2015 upgraded the long term rating of Grameen Koota from ICRA BBB+ (pronounced ICRA triple B Plus) to ICRA A- (ICRA 'A minus') for Rs.613.27 crore. The Line of Credit of Grameen Koota was assigned a long-term rating of ICRA A- (ICRA 'A minus') to the additional limit of Rs.400 crore. The outlook on the long term rating is stable and the aforesaid ratings are valid till June 07, 2016.

CRISIL Upgrades Grameen Koota Rating from 'mfR2 to 'mfR1'

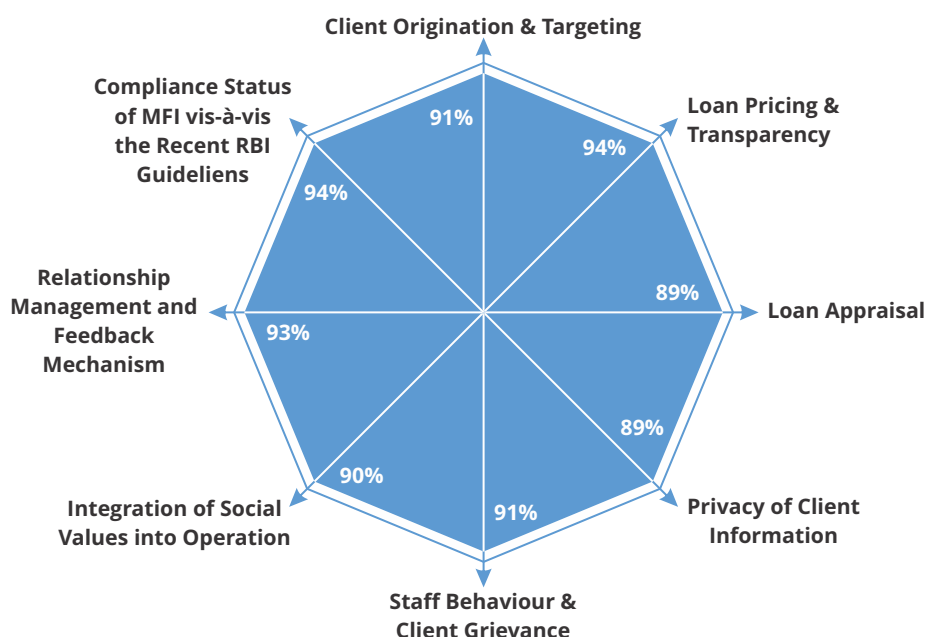
The rating agency CRISIL in August 2015 assigned the top MFI grading of 'mfR1' to Grameen Koota, upgrading the rating from 'mfR2' to 'mfR1', on an eight-point scale given in the MFI industry. CRISIL's MFI grading is a great accomplishment for Grameen Koota as it accords recognition for a microfinance institution (MFI) to conduct its operations in a scalable and sustainable manner. The new upgrade entails recognition on Grameen Koota as the Best MFI by a credible rating agency and makes it on par with best MFIs in India.

SMERA Upgrades Grameen Koota's COCA Rating

The rating agency SMERA has assigned the top MFI Code of Conduct Assessment (COCA) Rating of 'COCA 1' defining "Very High Level of Adherence" to Grameen Koota, upgrading it from the previous rating of 'COCA 2' or "High Level of Adherence", on a six-point scale given to the MFI industry.

Grameen Koota's adherence to the code of conduct guidelines as laid down by MFIN, Sa-Dhan, and fair practices guidelines 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.

The new rating entails recognition that Grameen Koota has a "Very High Level of Adherence" to all these parameters of code of conduct laid down by regulators and towards ethical operational practices. The graph below shows performance score of Grameen Koota on different parameters:



Grameen Koota Awarded Microfinance India Award 2015

Grameen Koota was honoured with the industry's top award "Microfinance Organization of the Year (Large) 2015" at the 7th edition of the Microfinance India Awards, during the Inclusive Finance India Summit on December 8, 2015. Instituted by ACCESS Development Services with support from HSBC, the award recognizes best practices by Large Microfinance Organizations. It is judged on financial and social performance parameters with focus on good governance, transparency, innovations in process, product and technology, good human resource management and integration of social performance and financial performance.



Hon'ble Minister of State for Finance, Mr. Jayant Sinha presented the Microfinance India Award to Grameen Koota MD and CEO Mr. Udaya Kumar on Dec. 8, 2015 in New Delhi.

Awarded Smart Campaign Certification

Grameen Koota has been awarded the Smart Campaign Certification check-in for its adherence to Client Protection Principles (CPP) and the certification was handed over to the team led by its MD and CEO Mr. Udaya Kumar on the side-lines of the Inclusive Finance India Summit held in New Delhi on December 8, 2015.



What's New

A. Implementation of new Core Banking System (CBS)

Grameen Koota has migrated to a new Core Banking Solution (CBS) from open-source MIFOS to T24 MCB that was offered by Temenos, which is a leading provider of MFI core banking solutions worldwide.

B. Regional Processing Centers

Regional Processing Centers are part of Grameen Koota's new initiative to improve the quality of data and optimize the in-house back office team, wherein customer data entry takes place centrally. They are located in 7 centers namely Bangalore, Belgaum, Davanagere, Erode, Nagpur, Kolhapur & Aurangabad, catering to 269 branches.

C. Corporate Office

Grameen Koota has shifted to a new corporate office keeping in view the expansion of services being rendered. Inaugurated by Nobel laureate Prof. Muhammad Yunus, the new office has a large space of 24,000 sq.ft. with a seating capacity for 260 employees. The building has centralized air condition facility, several meeting rooms, spaced working bays, a large cafeteria and a small training facility. The office has a well-equipped board room where board meetings are conducted.



D. Social Awareness Campaign

Grameen Koota has conducted 88 Social Awareness Campaigns reaching 39,114 customers across Karnataka and Maharashtra. These campaigns have covered the areas of financial management, water, sanitation, health, nutrition, AIDS awareness, insurance, savings, pension, and other social protection schemes announced by the government from time to time. These programs were addressed mainly by local administration officials, doctors, policy makers, social activists and lawyers, among others.



"During the microfinance crisis, I used to respond to media saying that there is good MFI and bad MFI and you should not mix both. I used to confidently cite Grameen Koota example as a good MFI. They stayed on the right course."

- Nobel laureate Prof. Muhammad Yunus, while inaugurating Grameen Koota's new corporate office

Trainings

1. Training on Credit Risk Management Culture

Accion's Training and Capacity Building team organized a three-day training program on "Creating a Risk Management Culture: Key Credit and Operational Risk Tools for Micro and Small Business Lenders" from December 15 -17, 2015 in Bangalore, and was attended by the middle level management team from Risk and Operations.

The program was designed to inform managers of their responsibility in managing risk and how they can contribute to building an institution-wide awareness of risk. The course was designed for non-risk managers and it contained guidance and insights on the following:

1. Expose managers to 'what' and 'why' of risk management
2. Enhance understanding of their role as managers to effectively mitigate different types of risks that impact microfinance institutions
3. Introduce practical tools and strategies to manage operational and credit risks.

2. Executive Wellness and Success Workshop (EWS)

Grameen Koota organised a one-day workshop on August 31, 2015 at Grameen Koota Leadership Training Centre (GLTC) in Nelamangala in the suburbs of Bangalore to draw a strategic plan for personal and professional growth and success of the staff.

The event included Yoga practice to manage emotions and build Emotional Quotient (EQ) for the staff. The program has been useful to learn the simple ways to keep body healthy and understand sources of stress and how to manage stress, both personal and professional.

3. Disability Sensitization program

Grameen koota held Disbaility Sensitization program at its Leadership Training Centre (GLTC), Nelamangala on 7th and 8th November 2015. The training was aimed at training of trainers on disability sensitization. Mr. Raja from Vi-shesh, who attended the program, said the participation was useful in learning the sign language, which is helpful to work with disabled persons. Participants have learnt about dealing with emotions of disabled persons, to communicate more effectively and to spend more time with them.

The session was attended by 45 employees, who will share the knowledge with respective team members.

4. Six Sigma

Grameen Koota initiated further improvement to its operations' quality by exploring implementation of Six Sigma in selective areas. Three staff members from the middle-level management from Human Resources, Planning & Monitoring and Operations department attended the Lean Six Sigma Green Belt training organized by Benchmark Six Sigma in Bangalore from Jan. 28 to Jan. 31, 2016.

The program was a four-day class room training which focused on application of Six Sigma tools and techniques in different business situations. The training methodology included Lectures, Group Discussions, Inter-group Competition, Practice Projects, Case Studies, Simulations, Role Plays and Use of Minitab Software.

Foreign Team Visits to Grameen Koota

I. Kenyan Chai Sacco Team's Visit



A team representing Chai Sacco Society of Kenya visited our corporate office on Feb. 1, 2016. Chai Sacco Society is the national apex body for Deposit-taking Unions in Kenya and is currently undergoing major transformation as part of its Strategic Blue Print 2015-2019.

ii. Pennsylvania Students' Visit



A student delegation of the University of Pennsylvania, USA visited Grameen Koota on March 7, 2016 as part of their curriculum to get an exposure to microfinance operations and the impact on society.

iii. Sri Lankan Students' Visit



A student delegation from Berendina Microfinance Institute in Sri Lanka paid a visit to Grameen Koota on 26 October, 2015, followed by a field visit to Kaggalipura branch.

SUCCESS STORIES FROM THE FIELD

Grameen Koota seeks to empower its customers with micro-credits and also strives constantly to make their lives better by imparting social awareness, education and financial literacy. Our customers are women, mostly from rural areas, who come from a humble background with aspirations to make their lives better but face several financial and social constraints due to lack of education and exposure.

Grameen Koota tries to address such needs of the customers through a variety of loan products, specially designed keeping in mind the life-cycle needs of the customer, while the social initiatives provide them the required awareness, knowledge and confidence to fulfil their aspirations and move up in the process on the socio-economic ladder. In this section, we present some field studies of our customers who have benefitted from our efforts:

Water Tap Connection a Boon for Vasantha Now

Vasantha, 34, wife of Shivalinge Gowda, is a Grameen Koota member who resides in Hanumanhalli village near Kanakapura in Karnataka. The family of wife and husband with her parents-in-law and two children live in a small house.

Ten years ago, the government had provided a community borewell but it dried out, perhaps due to lack of rains, says Vasantha, who is an SSLC pass-out. The ordeal of getting water for the entire family fell on her as her husband goes out to work in the field while her parents-in-law take care of the cows to earn daily income.

The only source for water was a borewell in their neighbour's house but with only two hours of electricity supply daily, the neighbours were not able to provide water to others in the area.

"They have invested in their borewell so they do not let outsiders to collect water unless their needs are met first," Vasantha explained. "I used to wait till 2 O' Clock in the night to fetch water from their borewell. The problem was too much," she said recollecting her past experience when she had no water connection of her own.



Since a new community water tank with 4 borewells was built in the locality, Vasantha decided to go for a water tap connection. She came to know about the water and sanitation loan provided by Grameen Koota in one of the Kendra meetings. Grameen Koota provides Rs.10,000 towards water tap connections for its members. She decided to avail the loan from Grameen Koota and with the help of the loan, she has got her own water connection fixed at her house.

"Earlier, I was going to a neighbour's house for water, that too in the night when electricity was provided just for two hours. Now, I have it in my own house," she said showing the water tap in her house. "Taking loan from Grameen Koota has made it better for us," she added. Instead of waiting in queues for water, she spends her time now in helping her son study at home.

Water and Sanitation Loans provided by Grameen Koota helped one of its members Vasantha, 34, to avail the loan and get a water connection fixed at her house, saving her money and time.

Savitha's Tryst with Goat Farming

Savitha, 28, educated up to 8th Standard, has been a member of Grameen Koota for over eight years and her tryst with goat farming began when she bought a goat four years ago with a loan amount of Rs.7,000. She never looked back after her decision to invest in goat farming.



Next year, Savitha took another loan of Rs.10,000 from Grameen Koota and invested it in buying more goats adding up to the number of goats in her farm in front of her house. "I bought one goat four years ago and now I own 45," says Savitha with pride.

"With two pregnancies each year, goats increase in number every year, adding 2 to 3 kids every time," said Savitha, whose husband Shivaswamy is into agriculture. "If given good food, they give birth to even three kids in each pregnancy," she explained.

Savitha has three children, Rakshita, Akshita and Prasanna aged 13, 11 and 9 years respectively and all of them go to school, thanks to their livelihood income from goat farming, which comes handy to pay the school fee for three children.

"Each goat sells at Rs.7,000 to Rs.8,000 and during the emergency, selling a goat is a very reliable source of quick money," said her husband Shivaswamy. "Goat farming is the best bet for us," says Savitha sitting in the midst of her goats in front of her house.

Savitha seen with her goats in front of her house

Suma: Chasing the Dream in Sericulture

Life seemed tough for Suma a decade ago but she has regained confidence to take up a sustainable livelihood on her one-acre land near Kanakapura in Karnataka.

After the demise of her husband, Suma took upon herself the task of earning livelihood and taking care of her two sons. She was growing ragi crop in her land for few years before turning her attention to sericulture.

It was during this time that Suma came to know about Grameen Koota, which had just started its operations in the village. Soon she joined Grameen Koota along with her neighbours and took the first loan to buy sericulture equipment as she could grow mulberry in her own land.

Later during the mid-year, she took a small loan to buy a silk-worm stand. "Earlier, I was borrowing equipment from others on rent but now I own it myself and make use of it in all five seasons," she said.



Suma seen in her mulberry field

After the successful repayment of her first loan, Suma has availed several other loans. She also took Rs.5,000 for primary education for paying school fee of her second son. Now Suma is able to keep her sericulture venture going on uninterrupted throughout the year with timely loans from Grameen Koota.

Suma is confident that she can give a better future to her sons with Grameen Koota's support.

Gowamma Lives with Dignity Now

Gowamma, 65, who lives in Hanumanhalli in Kanakapura district of Karnataka, was very happy when her granddaughter has chosen Gowamma's house for giving birth to her first baby. With her great grand-daughter in cradle, Gowamma was so happy that all the four generations are together for once in her home.

Gowamma said her married daughters never used to come to her home frequently in the past. Reason: There was no toilet in her house. They were using the open ground behind their house for defecation.

Recollecting the trauma, her daughter Radha, now 37, said: "Whenever a male person passed by, we used to get up. It was such a humiliation. I told my mother to get a toilet constructed first."

She was echoing similar feeling of many women in villages who live without toilets. Gowamma, a member of Grameen Koota, participated in the awareness campaign and applied for a Sanitation loan and got the toilet constructed in her house.

Gowamma's ailing husband Linge Gowdru, 75, owns a small farm which he has leased out due to health constraints. With their two sons no more, the couple were leading a lonely life in the village and the daughters are the only relatives who visit them often in their old age. Now that they have built a toilet, her daughters are very happy and visit them without any hesitation and more frequently, said Gowamma.



"Earlier, we were using the open ground. With two daughters in home, it was really difficult but now we have built our own toilet, thanks to Grameen Koota. Our life is far more convenient now," said Gowamma. Her granddaughter Sowjanya, 21, a proud mother of new baby girl, said, "Earlier it was tough to think of visiting my grandparents. Now, I never give it a second-thought."

Gowamma

STORIES OF OUR FIELD STAFF

I feel at home in Grameen Koota -- Pradeepa, Branch Manager

Pradeepa was elated when he was asked to take charge of Kanakapura Branch of Grameen Koota about a year ago as it is one of the top performing branches with no overdues and a record of achieving the targets 100 percent. "Branch Manager is a highly revered post. It is in recognition of my work and I feel happy to have been posted here," he said.

Pradeepa, who hails from Mysuru district, finished his ITI and PUC (Pre-University) and was working in a garment factory when he heard of Grameen Koota six years ago from his cousin.

After successfully attending the interview at Tumakuru, he underwent training at Kolar and worked in Nanjangud, Hampinagara, Gundlupete before getting elevated to take charge as Branch Manager of Kanakapura, one of the old and key branches of Grameen Koota.

About his work nature, Pradeepa is confident to drive his 12-member team to take up any challenges. "I ask them not only to do the work but also enquire about their family well-being and encourage them to do well," says Pradeepa summing up his style of work as Branch Manager.

Pradeepa sees 100% growth in the company. "I feel whatever the company achieved is what I achieved myself and always feel part of it," he says. "Grameen Koota follows 5-day week and is friendly with the field staff with liberal transfer to motivate and encourage the staff. With very good inter-personal relations, I feel at home in Grameen Koota."

About his future work, he looks forward to working somewhere nearer home. Since his sister is married off, he says his parents currently stay alone. As they are getting old, Pradeepa says he would prefer to work somewhere nearby so as to balance work-home atmosphere, which is the key to success.



From Member to Field Officer, Nandini's Tryst with Grameen Koota



Three years ago, Nandini, wife of Mr. Basavaraj, joined Grameen Koota as a member when she heard about the organisation from her sister in Halagur, Karnataka. She took a loan to help her husband buy an auto and earn livelihood for the family.

"I was like any other member attending Grameen Koota meetings in the mornings enthusiastically but never thought that I would be one day becoming the field officer and hold such meetings for other members," said Nandini recalling her initial days in Grameen Koota.

When Grameen Koota opened up field officer posts for women, Nandini, who had studied up to Pre-University Course (PUC), came to know about the recruitment drive from one of the Kendra meetings. After taking prior consent from her parents and husband, she applied for it, took the test and soon became one of the trainees.

Now Nandini is confident that she can take care of her children's future. "I feel happy and privileged to be working for an organization which has been transforming so many families." Life for Nandini has changed dramatically ever since she joined Grameen Koota as field officer. Many members look upon her as a role model.

Pradeep Krishna, Branch Manager, Halagur

Pradeep Krishna, who is heading the Halagur Branch office of Grameen Koota is not new to poverty and the struggles faced by poor families in rural areas. He too comes from a poor family near Tumakuru and was the only one to finish his graduation in 2004.

Krishna's sister who happened to be a member of Grameen Koota told him to take the test for recruitment in the organisation. When he was selected, the entire family felt relieved that he was able to settle down in life. In his 11 years of service, Krishna worked in Sira, Dharwad, Mandya, Davanagere and in Halagur.

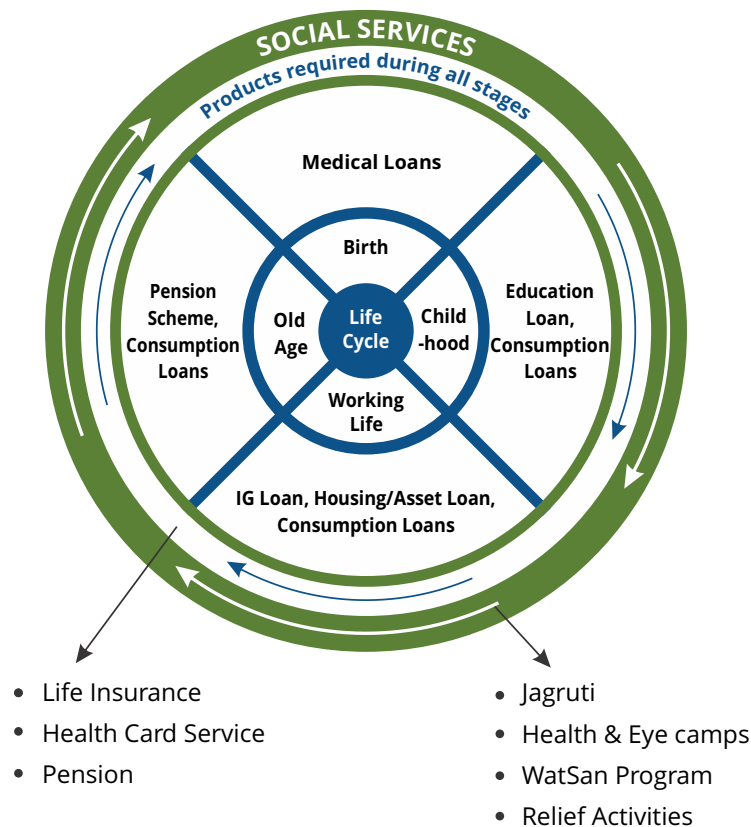


He is happy that he was in a position to help other poor people and contribute to their economic development. "You get to learn a lot from poor people," he said. When asked about his family, he said he is happy to be on his own and get his children educated. "I am on my own now without anybody's help. I am happy to educate my kids. My family feels proud of me, for which I'll always be grateful to Grameen Koota for giving me this opportunity."

About his career, he said, "We go for training twice in every year to improve our skills. Training in new product is given every time a new product is launched." He is happy that the 5-day-week work schedule implemented in Grameen Koota has helped field staff visit their families or spend valuable time with their family members.

PRODUCTS & SERVICES

Grameen Koota provides a wide range of financial products designed keeping in mind various life cycle needs of our customers as the following diagram reflects:



Our financial products are broadly classified into Credit, Insurance and Pension products as below:

Credit Products

Grameen Koota provides the following credit products:

Income Generation Loans are offered to support business enterprises and income enhancement activities of our customers such as purchasing fixed assets to install additional machinery etc. These loans also meet the additional working capital requirements of the customer's business.

Home Improvement Loans are offered to our customers to avail water connections, construct toilets and for improvement and extension of existing house, including repairing or replacing of a roof, wall, floor or door, for monsoon proofing, adding a room or kitchen, etc.

Emergency Loans are short term loans provided to our customers 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.

Family Welfare Loans support all those activities of our customers that can help them in improving the quality of life. These loans are aimed at fulfilling genuine consumption needs, such as purchasing cook stoves, LPG

connections, bicycles, water purifiers and solar lights, meet education requirements of their children, cover medical expenses and to cater specific needs that arise during festivals.

Home Construction Loan is provided by Grameen Koota in collaboration with Swarna Pragathi Housing Microfinance Private Limited (SPHMPL). The loan is mainly provided for home construction and house extension by SPHMPL, while Grameen Koota does the origination work.

Interest Rates

Grameen Koota reduced the interest rates thrice in the financial year 2015-16 as part of the company's policy to pass on the benefits of operational efficiency to its customers, from a range of 22% - 26% to 20% - 23%. Here is a glance at our interest rates for different loan products as of March 31, 2016:

Interest Rates on Loan Products as of March 31, 2016:

Product	Loan Amount	Interest Rate	Tenor
Income Generation Loans	Rs.5,000 - 35,000	23%	52 to 208 weeks
Family Welfare Loans	Rs.1,000 to 10,000	20%	24 to 52 weeks
Emergency Loans	Rs.1,000	20%	3 months
Home Improvement Loans	Rs.5,000 to 25,000	20%	24 to 208 weeks

Grameen Koota has devised socially-focused loans to meet the daily life-cycle needs of its customers such as education, health, safe water, sanitation etc. with lesser interest rate and these loans, which have benefitted 474,906 households during the financial year 2015-16.

In addition, Grameen Koota has provided loans to 47,473 households to get water connections and another 95,797 loans to build toilets at customers' homes during the year. About 292,925 children of Grameen Koota customers have benefitted this year with timely education loans and about 23,886 families received medical emergency loans as shown in the table below:

Loan Type	No. of Beneficiaries (In FY2015-16)
Water Connection to Homes	47,473
Toilet Construction	95,797
Children's Primary Education	296,925
Home Improvement Loans	10,825
Medical Emergency in Family	23,886

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. 45,000/- is provided to both member and spouse.



Pension | National Pension Scheme

Grameen Koota is an aggregator of the National Pension Scheme (NPS) of the Government of India to provide pension to its clients and collect contribution from their doorsteps. 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.

The scheme from PFRDA provides pension coverage to the weaker and economically disadvantaged sections of the 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 customers under the mainstream of this program by creating awareness among them and collecting contribution from their doorsteps, saving considerable time and money for them.

Social Services

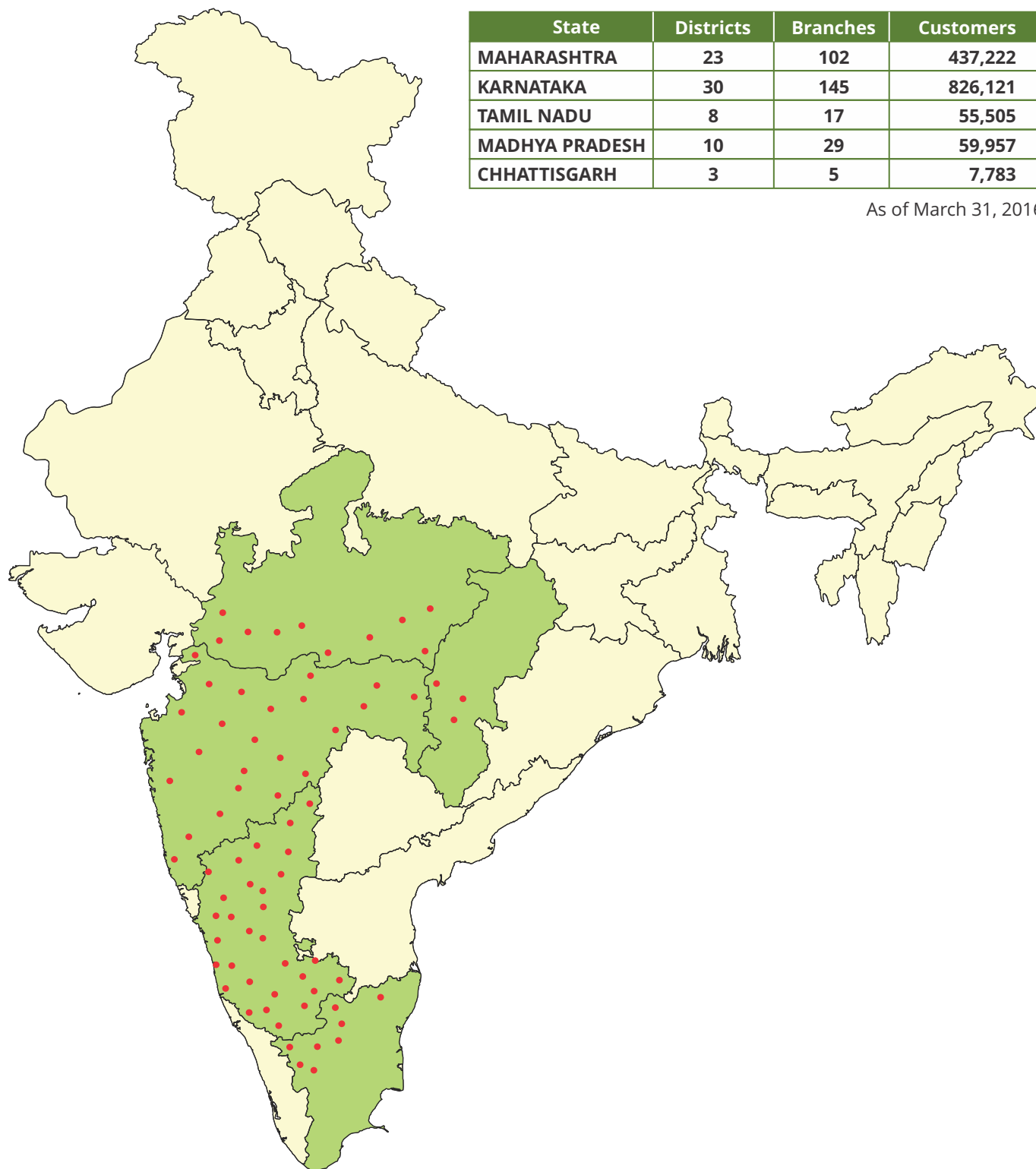
For Social Services please refer page no. 38

Outreach

Grameen Koota currently operates in 74 districts in the states of Karnataka, Maharashtra, Madhya Pradesh, Chhattisgarh and Tamil Nadu.

State	Districts	Branches	Customers
MAHARASHTRA	23	102	437,222
KARNATAKA	30	145	826,121
TAMIL NADU	8	17	55,505
MADHYA PRADESH	10	29	59,957
CHHATTISGARH	3	5	7,783

As of March 31, 2016





SOCIAL PERFORMANCE MANAGEMENT REPORT

Introduction

Grameen Koota Financial Services Pvt. Ltd. serves over 1.3 Million women customers in 298 branches spread across 5 states with over 4,000 staff members. Client protection Principles, Responsible Financing, Social Values continue to reflect in Grameen Koota's positioning in the industry with relevant products and processes. Grameen Koota aims to meet its social objective through the following measures:

- Diligently follow responsible financing practices and Client protection principles
- Ensure transparency with all stakeholders
- Design products and processes appropriate to customer's changing needs
- Conduct awareness programs on financial literacy, water, sanitation, education etc.
- Undertake customer awareness workshops to promote financial literacy among the customers through associate entities
- Track Social performance and progress out of poverty on a continuous basis.

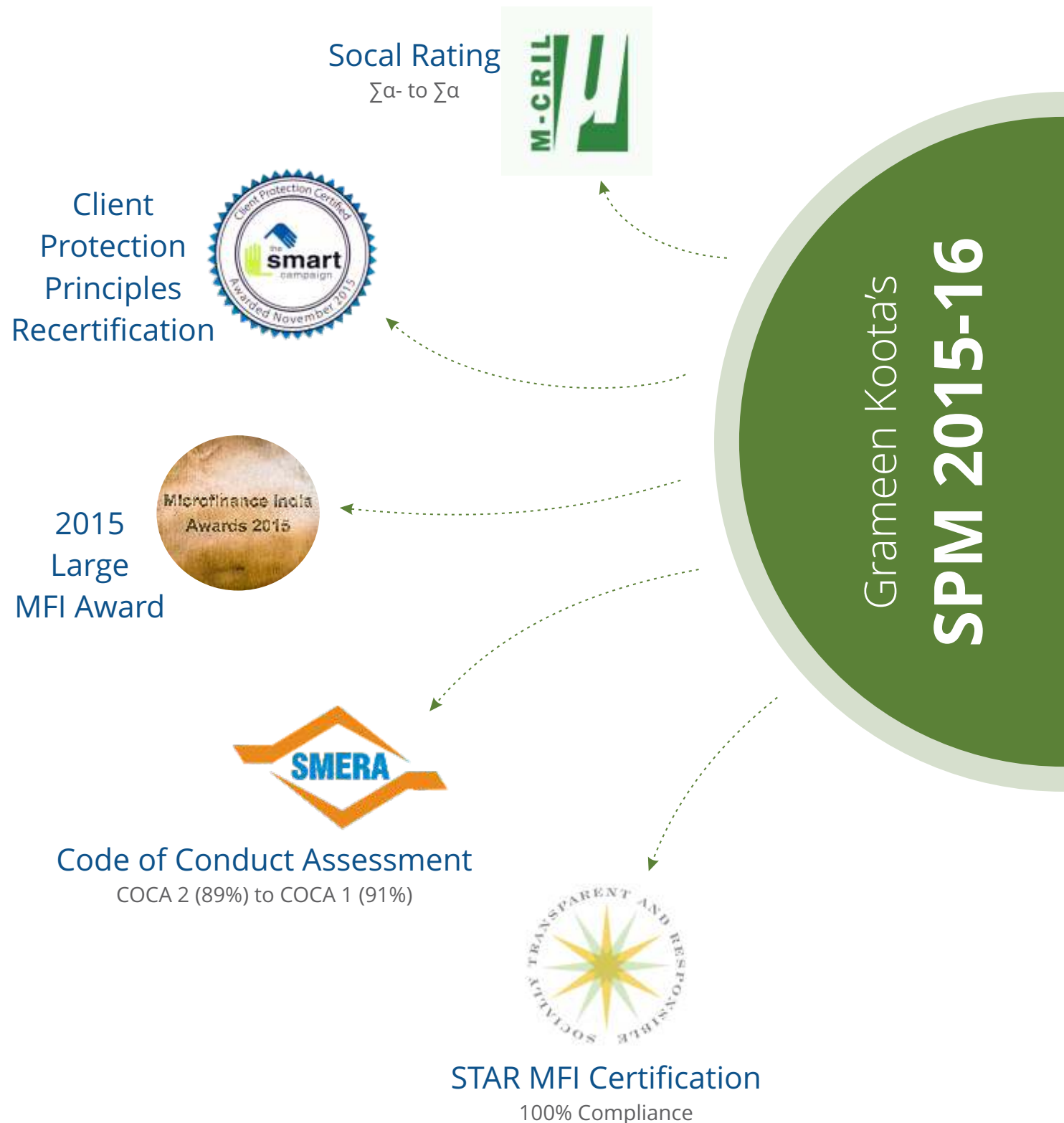
Approach

Grameen Koota has always focused on households engaged in economic activity with limited access to formal financial services. Grameen Koota provides customers with financial support for all their financial needs and for their life cycle needs. Emphasis will be given to identify all the needs of our customers and create suitable products to meet their significant requirements by designing right products and processes meeting customer expectations. Grameen Koota ensures that customers are supported by following responsible pricing for the products, appropriate process to ensure convenient delivery to customers, not to over-burden the customer with higher repayments, customer affordability to take the product and their ability to repay without stress.

Increasing customer sustainability and enabling customers to meet life cycle needs and emergencies is a high priority for Grameen Koota. We also ensure customers are safe by facilitating them with health/life insurance products. Grameen Koota supports improvement in the quality of life by creating awareness on savings and pension, awareness and empowerment levels through access to health care services, education, sanitation and safe-drinking water.

Social Performance Milestones

Grameen Koota has maintained its focus on integrating the social values in the design and delivery at all stages of product, process and services. External rating agencies have accorded Grameen Koota with various certifications to commend its ability to constantly deliver under the socially-focused approach.



Social Rating

Standard Comprehensive social rating of Grameen Koota has been upgraded from $\Sigma\alpha$ - to $\Sigma\alpha$, with a positive outlook.

Grameen Koota was rated by MCRI - a microfinance rating agency that has been certified by the Rating Initiative, Luxembourg. Social Rating blends the key principles of social performance as defined by leading global level initiatives to provide an MFI with a comprehensive assessment of its social performance.

The assessment covers context, mission clarity and alignment of systems, performance on client protection principles, portfolio analysis, client profiling and client feedback regarding MFI's products and services. The process uses the MFI's internal reports, internal and external studies, as well as field level data available with the MFI.

Client Protection Certification

Grameen Koota was one among the first six institutions globally to be certified by Smart Campaign on Client Protection Principles. Certification mission entailed a streamlined desk review of institutional policies and procedures followed by an on-site due diligence visit that includes extensive staff interviews and focus group discussions with customers. Adherence to the Client Protection Principles was evidenced by meeting standards associated with each principle in institutional policies, procedures, systems, organizational culture and staff behavior.

Smart Certification status is valid for four years, but certified institutions must undergo a check-in process at the two year mark. The Client Protection Certification awarded by Smart Campaign in 2013 came up for the review in July 2015. The check-in process demonstrated that Grameen Koota had taken adequate care to implement Client Protection Principles as promoted by Smart Campaign.

The renewed certification was announced in the month of September 2015.

Code of Conduct Assessment (COCA)

Grameen Koota was awarded with a COCA Rating of 1 (Very High level of adherence) with a score of 91%.

The rating agency SMERA has, after due consideration, assigned MFI Code of Conduct Assessment (COCA) Rating of 'COCA 1' defining "Very High Level of Adherence" to Grameen Koota Financial Services Private Limited, upgrading the rating from 'COCA 2' defining "High Level of Adherence" on a six-point scale given to the MFI industry.

COCA rating for a microfinance institution (MFI) is a recognition for Grameen Koota to have Very High Level of Adherence to different code of conduct parameters as laid down by regulators and high adherence towards ethical operational practices.

S.T.A.R. (Socially Transparent & Responsible)

Grameen Koota was recognized as "Socially Transparent and Responsible" (S.T.A.R.) MFI by Microfinance Exchange (MIX). It has been accorded after Grameen Koota successfully met all the requirements set by MIX social performance desk. The MIX STAR award accords recognition for a microfinance institution (MFI) to be aligned with both the USSPM (Universal Standards for Social Performance Management) and green microfinance principles as measured by MIX's SP (Social Performance) indicators and fully documenting all SP data reported through the MIX SP desk review.

Grameen Koota shares the financial and social performance inputs with MIX on regular basis. MIX quality-check process is a desk review that corroborates the existence of policies, strategies, procedures, products and services that an MFI reports having in place.

Social Performance Highlights

SERVING THE BOTTOM OF THE PYRAMID

Enhanced Rural Focus

Grameen Koota has constantly maintained its focus in enabling the customers in rural areas. Majority of the customers are from rural areas. In recent years, it has enhanced its focus on rural areas to reach poor and low income households for financial inclusion.

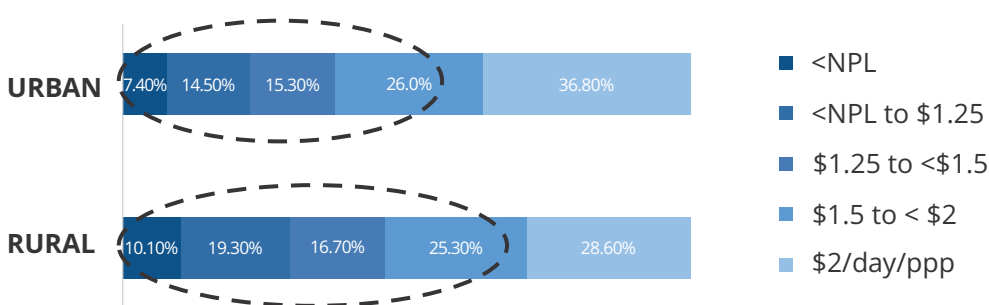
Rural / Urban	Mar'14	Mar'15	Mar'16
Total Customers	568,958	923,018	1,386,588
Rural	64%	71%	73%
Urban	36%	29%	27%

Poverty measurement and tracking by PPI

Grameen Koota has effectively adopted and is using Progress out of Poverty Index tool to measure the poverty level of the customers who become customers to avail the services.

Based on the standards defined by Grameen Foundation, USA at the time of induction of a new customer and during the renewal of each income generation loan, a few inputs are captured. The data given below is captured by using a checklist prescribed by Grameen Foundation, USA.

% Poverty Outreach - PPI Data - R62 PPI INDEX



Clients Below \$2/day/ppp

As per the latest PPI analysis, 63% of new urban customers and 71% of new rural customers fall under <\$2/day/PPP bracket. Grameen Koota is presently using R.62 version of PPI. Inputs calculated are as per the guidelines defined by the same version.

As per the Planning Commission estimates defined by Rangarajan Committee 2012-14, people earning below Rs. 32 in rural areas and people earning below Rs. 47 in urban areas are considered to be below poverty line. By comparing the PPP values (All-rural \$1.25/day 2005 PPP – Rs. 27.50 and All-urban \$1.88/day 2005 PPP – Rs. 51.27) to the values defined by Planning Commission, it is observed that around 45% of Grameen Koota customers fall under below poverty line.

Meeting Client Needs and Quality of Service

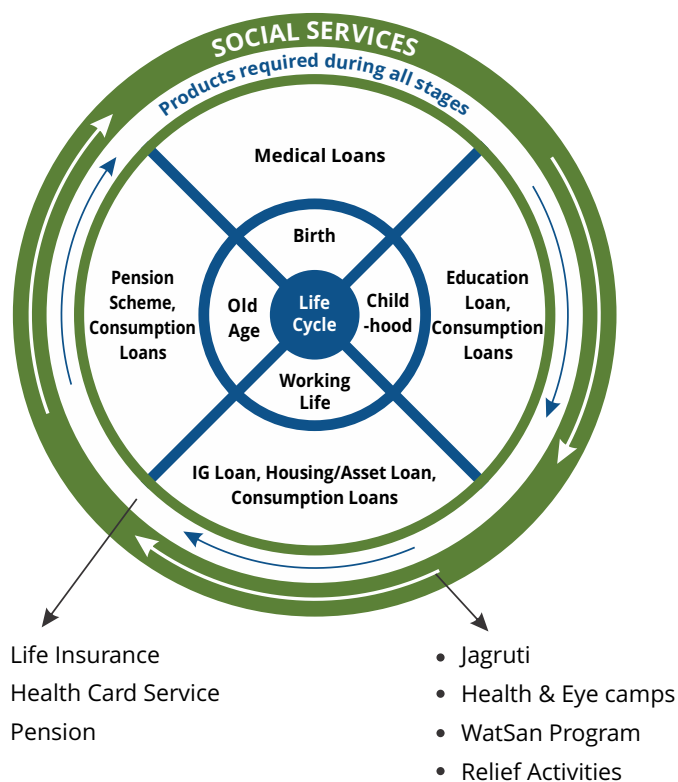
Life Cycle Needs

Products and process are designed by Grameen Koota to cover all the life cycle needs of our customers. Various loans are provided at different intervals to customers to enable them to have a sustained growth in both life and business activities.

Income Generation Loans (IGL) are provided for trading and animal husbandry. Other IGL purposes include service sector, production, transportation services and agriculture.

Non-IGL loans are given only to customers who have an active IGL loan. It is provided as an additional loan over and above IGL loans. In case IGL loan is completed, these loans may still be outstanding loans.

Non-IGL products include Emergency Loans, Festival Loans, Medical Loans, Water Loans, Sanitation Loans and Home Loans.



Number of Loans	Mar'14	Mar'15	Mar'16
Income Generation Loans	519,308	960,233	1,499,679
Water, Sanitation & Home Improvement	85,978	167,045	154,095
Education, Festival & Emergencies	1,064,677	1,683,023	2,410,774
Total	1,669,963	2,810,301	4,064,548

Watsan Awareness

Grameen Koota works towards eradication of open defecation by creating awareness on safe drinking water and sanitation to our customers and their kinfolk in association with its executing partner and NGO Navya Disha. Programs are being conducted and executed at district level in Karnataka and Maharashtra. Around 1.2 million people have benefitted till now from the program. Among the total beneficiaries reached, 52% are Grameen Koota customers.



Health Card Services

Grameen Koota customers and their family members are provided with an option to avail medical insurance facilities at an affordable amount with network hospitals nearer to customer's place. Grameen Koota has partnered with SAS Poorna Arogya Healthcare Pvt. Ltd., to provide this facility across various districts of Karnataka.

Year	Mar'14	Mar'15	Mar'16
Number of Beneficiaries	48,909	102,169	74,605

Jagruti

Jagruti is a customer education program to spread awareness among the clients by narrating the experiences through engaging stories in the form of a weekly letter. It is read out in Kendra meetings by loan officers. Topics related to Financial Literacy, Health Issues, Sanitation, Personal and Home Hygiene, Disease Prevention, Women's Safety are covered. Currently, Jagruti's message is reaching 1.24 million customers and has covered 233 topics so far.



Client Awareness

As part of continuous development process, Grameen Koota has adopted various methods to obtain feedback from customers.

Customers are contacted by Grievance Department's tele-calling team to understand the level of awareness on various areas. This survey is done on regular basis to reach the people to understand their awareness and to take feedback on various processes and services adopted by Grameen Koota. Around 1% of customers are contacted by this team to obtain their awareness. Here is the outcome of awareness calls made by Grameen Koota staff:



Number of calls made: 15,711

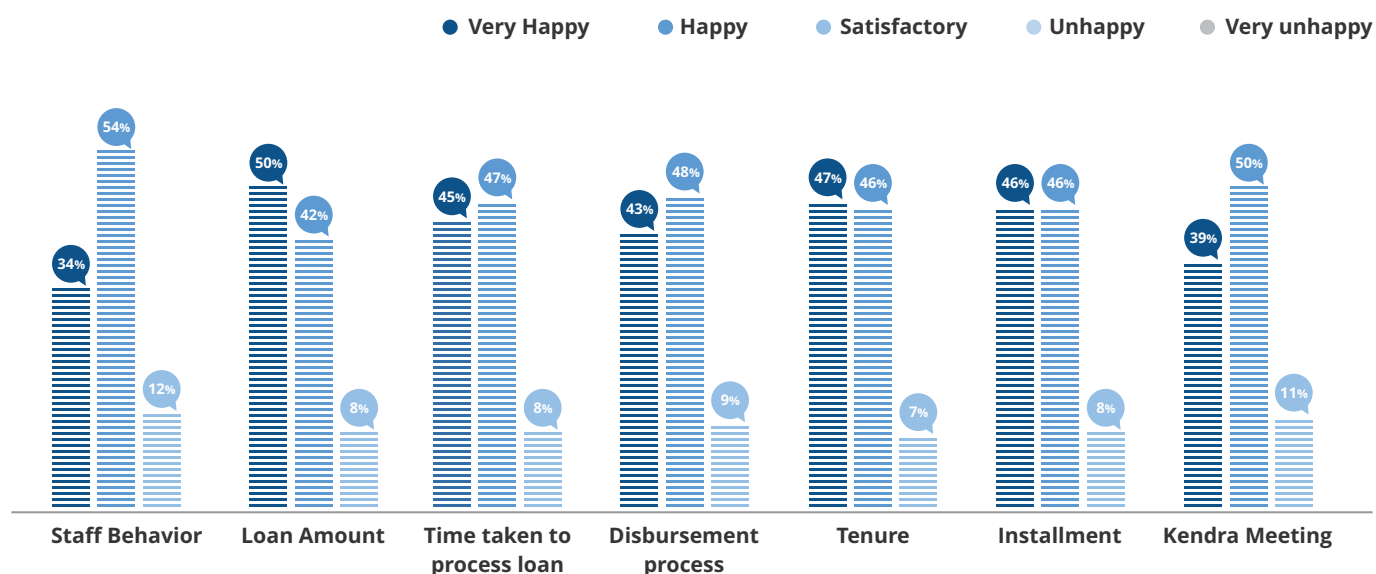
Categories	Calls made - FY-2015-16	Awareness %
Loan passbook	15,710	100
Loan products	15,476	99
Branch address & contact number	15,612	99
Insurance	15,249	97
Credit Bureau	15,077	96
Toll free Redressal	14,873	95
Interest & Fee	14,007	89
Bank account	13,082	83
Complaint box	11,831	75

Client Feedback

Tele Survey

Customers are contacted by our tele-calling team to elicit their satisfaction levels on our services and products, besides rating our staff behaviour. The survey is done on regular basis not only to reach the people and understand their awareness but also to take feedback on various services and processes provided by Grameen Koota. Around 1% of customers are contacted by this team and here is the status of feedback:

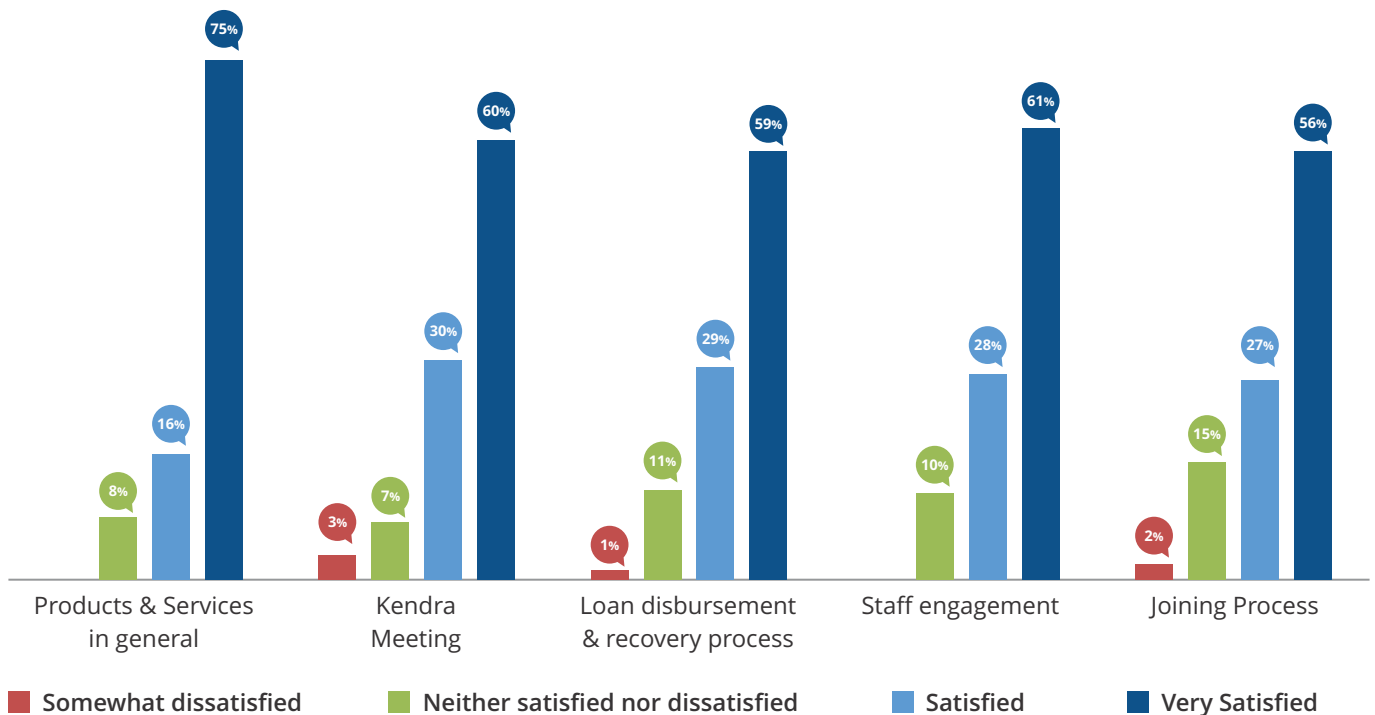
Number of calls made:
15,711



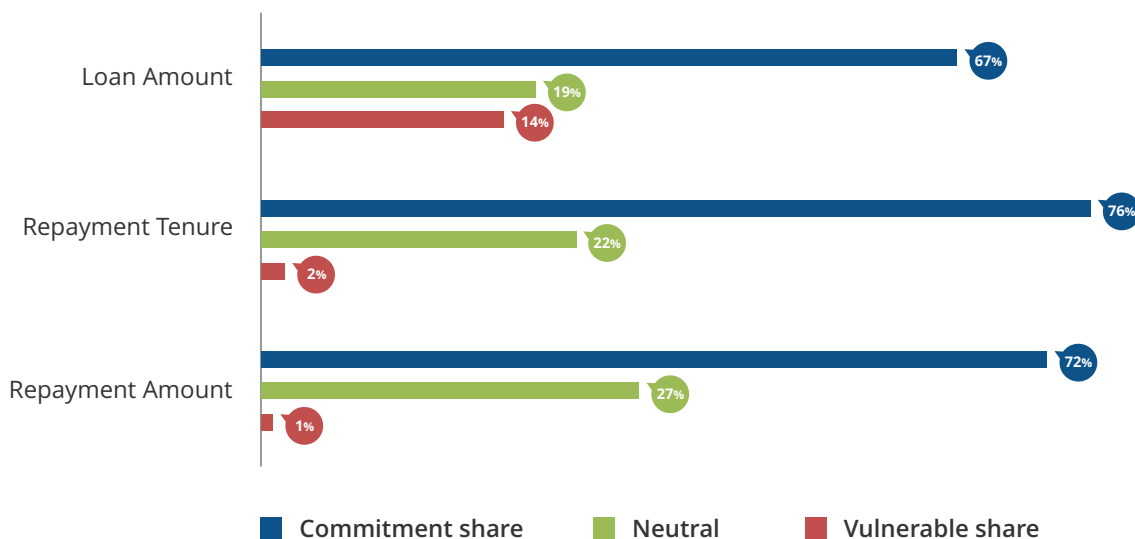
Feedback Survey by Area Managers

Feedback is also obtained by Area Managers every month. The inputs from the customers on Products and Services, Kendra Meetings, Loan disbursement and recovery process, staff engagement and Customer Joining process are collected. Also feedback about Income Generation Loan products covering Loan Amount, Repayment Tenure and Repayment Amount is gathered. In total, 599 responses were collected from customers across various states. The diagram below shows the representation of feedback obtained from the customers.

General Satisfaction



Feedback on IGL Products



Timely Grievance Resolution

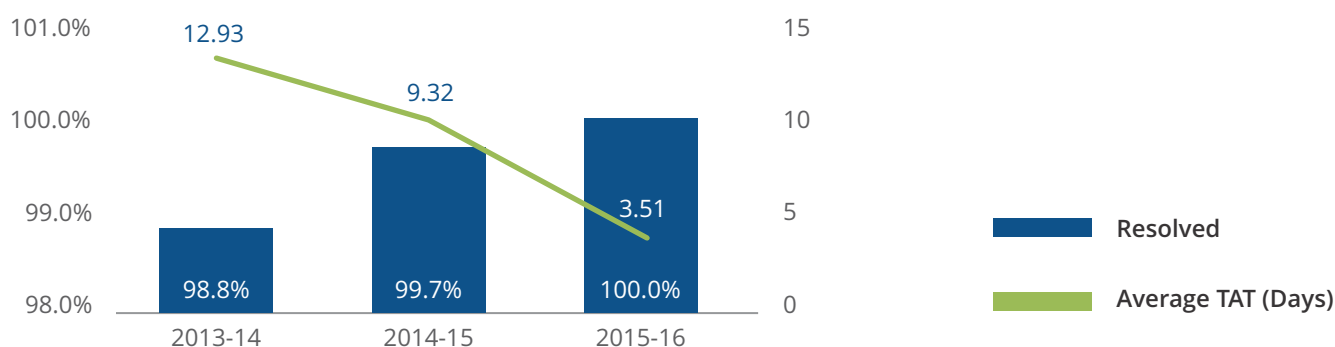
The Grameen Koota Grievance Redressal Cell addresses all the complaints and queries from the customers and also lends an ear to the grievances of its own staff members.

In FY2015-16, a total of 2,029 customer grievances were received by all branches, including anonymous calls and of them, 2,027 grievances were resolved.

Out of these 2,029 grievances, 799 (39%) were queries, 277 (14%) were requests and 953 (47%) were complaints.

Among the 953 complaints, 263 were related to insurance and 690 were general in nature. All general grievances have been resolved within TAT (Turn Around Time) of less than 10 days.

Grievance Resolution

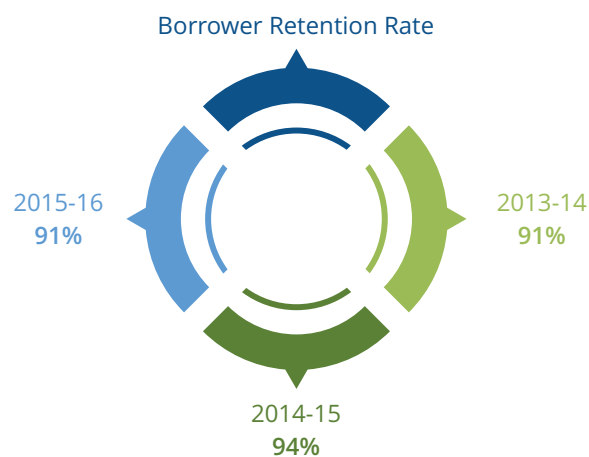


Type / Year	Number of Grievances		
	Mar'14	Mar'15	Mar'16
Grievances Received	411	302	690
Grievances Received – As % of overall borrowers	0.08%	0.04%	0.06%
Insurance related Grievances	158	122	263
Insurance related Grievances – As % of overall claims	2.9%	2.2%	3.2%

Higher Borrower Retention

Grameen Koota has a very high borrower retention rate in comparison with the industry's average rate. Major dropouts are attributed mainly to customers' inability to attend Kendra meetings, credit bureau rejections, customers' migration or some forced dropouts. The retention rate of Grameen Koota customers is as shown in the diagram here:

Borrower exit rate is calculated as per MIX Market guidelines.



Responsibility to Staff

Staff Attrition

Staff attrition is relatively low as compared with industry average. Adequate pre-hire and post-hire training activities ensure alignment with mission and vision and career growth opportunity is provided to the staff with minimum lateral hiring at supervisory level.

Staff Turnover		
Mar'14	Mar'15	Mar'16
19.90%	19.00%	14.34%

Facilities to Staff

Various benefits and facilities are provided to staff of Grameen Koota. Here are some highlights:

- First employer for more than 90% of the staff
- Preference given to kinfolk of Grameen Koota members during recruitment
- Preference given to candidates with rural background
- Furnished accommodation for all branch staff
- Company among a few in the industry to have a 5-day work week
- More than 20% of non-field staff are Women
- Extended lunch hours facility provided for women with infants
- Life cover of three times annual CTC provided for all staff
- Frequent trainings towards capacity building to enable staff to have professional growth

Change in Client Lives

Grameen Koota Products and Services - Outreach

With various products and services Grameen Koota has impacted various lives among its customers and their family members. The table below provides the details of the extent of outreach of Grameen Koota products and services:

Non-financial Services	Since	Beneficiaries
Customer awareness through Jagruti	2011	1,254,391
Number of children supported with education loans	2012	566,337
Customers supported to build toilets with sanitation loans	2010	280,406
Affordable health care facility by health cards	2010	163,122
Subscribers who availed health consultation services	2011	81,263
Customers enrolled for National Pension Scheme	2013	51,940
Customers supported to renovate homes with home improvement loans	2013	16,539

CSR Activities with Navya Disha

Grameen Koota has been working together with Navya Disha for the last five years to build awareness among rural households on use of sanitation systems and safe drinking water. Grameen Koota would continue to work

towards creating awareness on Water & Sanitation, educating school kids on non-curriculum topics, transforming selected villages into open defecation-free, with each household having access to clean drinking water.

To achieve this, 5% of our annual profit is spent for awareness on safe water, sanitation, education and social awareness activities with focus in our operating areas. Grameen Koota along with partner NGO Navya Disha works in the following key areas and the following table shows the accomplishments in figures.

Highlights of Major Activities:

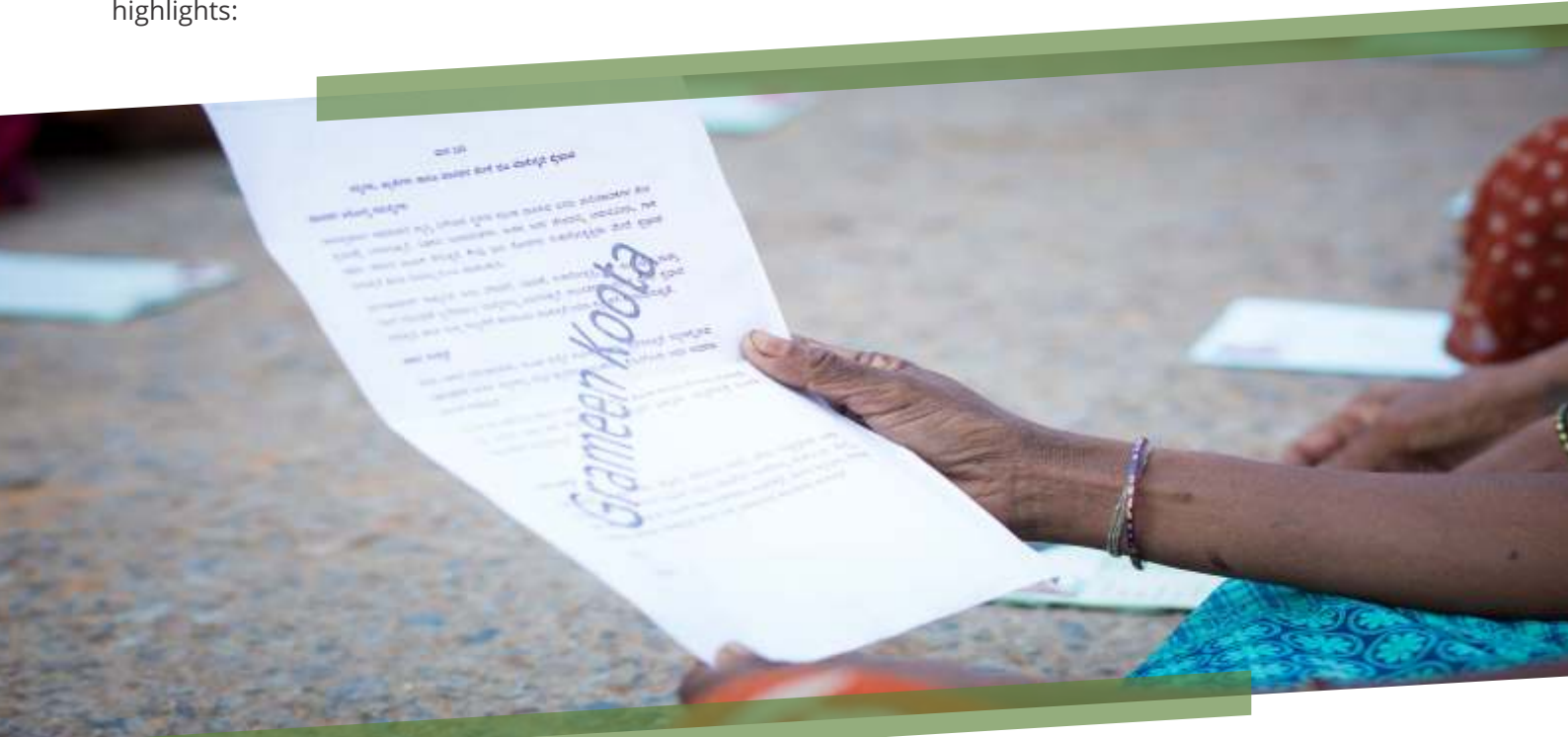
- a. **Grameen Koota Branch Staff Training** – The training helps in creating awareness, explaining the importance and helping in better understanding on Water, Sanitation and Hygiene (WASH) as a product and its processes among Grameen Koota staff.
- b. **Kendra Member Training** - Trainee Kendra Managers and Kendra Managers conduct a 5-minute WASH awareness session for Kendra Members during the Kendra Meeting. This training covers importance of clean drinking water, safe sanitation practices, personal hygiene, WASH Loan Products and the process to avail the WASH Loan Products.
- c. **Gram Panchayat Elected Members' Orientation** - The orientation program covers the importance of clean drinking water, safe sanitation practices, personal hygiene, WASH Loan Products and the process to avail the WASH Loan Products. An hour long WASH Orientation session for Gram Panchayat elected members is held. There is also a proposal to improve the Water and Sanitation status in the Panchayat Area.
- d. **Gram Panchayat Level Workshop** - This workshop helps to create mass awareness about the importance of WASH and understanding of how to solve WATSAN problem in their daily life. With the support of Gram Panchayat, this workshop will be held in the respective Gram Panchayat headquarters. The workshop duration is 2 hours and Grameen Koota members, village leaders, social activists, Gram Panchayat elected body, youth and other associations participate in it.
- e. **Street Plays** - Navya Disha organizes street plays to create high impact among general public and Grameen Koota members on the importance of access to clean drinking water and sanitation facilities.
- f. **Wall Painting** - To create awareness among villagers about the importance of safe water, sanitation, health and hygiene, a Wall Painting will be drawn in a prominent place of the panchayat like school building, panchayat building or any other prominent place of the village.
- g. **Sushikshana** - Awareness Sessions for School Children - To educate school children on non-curriculum topics like water, sanitation, hygiene, financial literacy and career guidance, these sessions are held for students of 8th, 9th and 10th Standard of Government, Private, Aided and Un-aided schools in the states of Karnataka and Maharashtra.
- h. **Mason Training** - These workshops are conducted to give exposure on toilet construction and water connections to local masons about Low-cost technology, Robust construction and Economic construction models.
- i. **Sugrama** - Village Adoption Program - Grameen Koota is working on making 25 selected villages into open defecation free villages and providing each household access to safe drinking water, by
 - a. Transforming village into 100% open defecation free
 - b. Helping each household to have access to safe drinking water
 - c. Helping village to adopt rain water harvesting techniques
 - d. Improving solid & liquid waste management system.

Social Activities	Nos.	Outreach
Kendra Members Training (Women beneficiaries)	29,217	585,251
Street plays at villages	3,478	471,305
Social Awareness Campaigns (Women beneficiaries)	161	70,220
Gram Panchayat Level Workshops	400	40,675
WASH for 8th Std. students	582	40,275
Financial Literacy for 9th std. students	416	28,263
Career Guidance for 10th std. students	331	12,371
Mason training for toilet construction	206	10,001
Gram Panchayat Elected Members Workshop	591	7,880
Grameen Koota Branch Staff Training	564	4,456
Wall Paintings on WASH - Number of paintings done		1,243

Jagruti - Research Study

Jagruti is Grameen Koota's customer education program to spread awareness among its customers by narrating the experiences through engaging stories read out by loan officers during the weekly meetings. Topics related to Financial Literacy, Health issues, Sanitation, Personal and Home Hygiene, Disease Prevention, Women's safety are covered.

We have conducted an impact assessment study of Jagruti during the year and here are some interesting highlights:



Objectives of the Study

- Understand perception of Jagruti - Who is Jagruti? What are her attributes?
- Effects of information provision - Most 'recalled' themes under Jagruti, Practical application of information provided, Perception of women post Jagruti - self & by others
- Mode and channel of delivery of information - Evaluation of the current letter format, Assessing mode of delivery
- Impact of Jagruti on the organization - Women's understanding of Jagruti as a unique feature of Grameen Koota services, motivations and perceptions of employees - loan officers, branch managers and senior staff
- Recommendations & way forward - Understand future expectations and requirements of women from Jagruti, suggesting recommendations to product design and delivery.

Sampling Methodology

- Stratified sample of 15 branches across 15 locations selected
- Larger proportion of branches where letters introduced in 2011 were chosen
- Focus group discussions with 30 groups conducted
- One on one interviews with 30 Kendra managers and 5 branch managers conducted
- One focus group discussion with some senior leaders

Data Collection Process

Given that the focus of the study is on understanding of how Jagruti has affected the lives of these women, it was decided to undertake an exploratory and qualitative approach. Therefore, Focus Group Discussions (FGDs) and one-on-one interviews were held with Grameen Koota women customers, loan officers and branch managers and senior management. The questionnaires designed to elicit information from the stakeholders covered themes contiguous to the objectives of the study.

Executive Summary

It is widely acknowledged that information provision is a critical instrument in empowering women. When women are provided with contextually relevant information on key financial, social, political and cultural issues, the positive multiplier effect on their families and communities, is significant.

The period 2008 to 2011 was a difficult and turbulent time for the MFI sector in India. Most organizations decided to stay focused on lending and customer protection. Grameen Koota, on the other hand, seized this as an opportunity to intensify customer engagement, reduce customer attrition along with focusing on the basics - lending and providing customer protection. Jagruti, an information dissemination tool and an awareness campaign was born out of this opportunity.

Grameen Koota, in collaboration with Phicus Social Solutions, (a not for-profit company that helps social organizations and programs grow and scale their social impact), designed 'Jagruti'- an awareness-building tool to provide critical messages and information to its women customers. The tool envisaged was such that "Jagruti", a fictitious character, portrayed as a knowledgeable, empathetic, fearless and an independent woman writes letters on issues affecting everyday lives of women. These letters would be written as simple and easy to understand stories, which portrayed Jagruti's life experiences and the day-to-day decisions she made based on information she received. These letters would be read out during the weekly meetings with women customers by

the loan officers. Through the letters, Jagruti was positioned as a role model, who would inspire and motivate other women to follow in her footsteps to empower themselves, their families and their communities through information.

After 4 years of initiating the program, in June 2015, Phicus Social Solutions, undertook a stock-taking study (impact assessment) to understand whether and how information provision through Jagruti has affected the quality of life of women, their families and communities and highlight future expectations from the program.

To get multiple perspectives, in-depth Focus Group Discussions (FGDs) were conducted with 30 women groups; one-on-one interviews were conducted with loan officers of each of these groups and a few branch managers. Specific areas of focus included understanding the perception of Jagruti, on the ground effects of information provision, opinions on channel of delivery of Jagruti and perceptions of Grameen Koota as an organization in the minds of the customers, post the Jagruti program.

Findings from the study show that first, women view Jagruti as an information wellspring. In over 50% of the groups, Jagruti is the sole source of information. In groups, which accessed information from multiple sources, there was a heavy dependence on Jagruti for information on certain themes (health, sanitation, financial management, entitlements). Second, women identify, trust and look up to Jagruti. Women across the groups lucidly listed out the qualities they found admirable, which was a source of hope, strength, empathy and independence to them. Third, several themes were recalled by women, largely because of the lucid, engaging, simple, instructional manner in which the letters were written.

Effectiveness of information provision largely also depends on the mode of delivery. Given that consistency in delivery had to be achieved, along with seamlessly scaling the program across geographies, without any additional use of manpower, it was decided to embed Jagruti within Grameen Koota's business operations. Therefore, the loan officer, in his weekly interactions was seen as a natural medium of delivery. An interesting modification that was seen in several groups was literate women in the group, on their own volition read the letter. Women across the board stated that loan officers explained and clarified the contents of the letter, greatly aiding in retention.

While delivery of information and its retention is key, the ultimate aim is its translation into practical action. This was highest under the themes of health and hygiene (for example, keeping surroundings clean, personal hygiene, nutrition), sanitation (construction of toilets) and financial management (for example - savings, insurance and pension schemes). This has been corroborated by literature, which highlights how women who are traditionally seen as the custodians of the home, take proactive steps to ensure the health of their children and family members. However, what is crucial to note is the 'multiplier effects of information provision'. These initiatives have been taken not merely within the confines of homes, but also around their vicinities, by rallying other members of the community and tabling needs and concerns with the local government and political authorities.

There has also been a shift in the way women respondents are perceived by others, which has resulted in a change in self-perception as well. This is of utmost importance, as a change in self-perception is one of the key indicators of empowerment. An in-depth analysis of conversations with women revealed that other women in their communities viewed them as women imbued with Jagruti like qualities, i.e., as knowledgeable, intelligent, courageous and confident. This has led to women seeing themselves as more confident, assertive, with a voice and power to take decisions.

The success of Jagruti as an empowerment platform has seen success in Grameen Koota for multiple reasons. As stated earlier, embedding the tool into the day-to-day operations of the organization has been one of the largest enablers in scaling it seamlessly. The organization's painstaking effort in ensuring the content of the letters was

reviewed and checked to eliminate all forms of bias (social, cultural and political), translated into the local language and circulated week on week over 4 years is commendable. Ensuring the content found relevance in the lives of the women and keeping it contextual and timely has been another factor of success – for example, introducing a series of letters that talked about H1N1 when the virus was fast spreading, educating the women on their right to vote and its importance during elections etc.

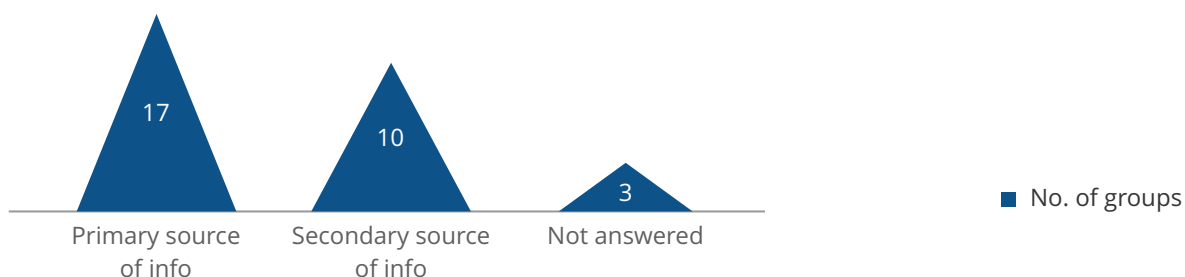
The future of Jagruti lies in making this tool accessible to every Indian rural woman. The power of information and its role in empowering them has been sufficiently validated through the impact assessment study conducted at Grameen Koota. Grameen Koota, as an organization today, has set an example for others to follow in the MFI industry and outside. In the words of Mr. Udaya Kumar, Managing Director & CEO of Grameen Koota, “Grameen Koota Management and Board of Directors are proud about this awareness campaign among the community, and we continue to expand this program to all customers wherever we expand our operations over a period of time. Such programs are very important for our customers and we wish all players in the micro finance sector take the cue from us. Jagruti is one of the important programs in our journey of being a responsible, client centric and socially focused institution.”

Findings

Jagruti has created significant shifts. The study throws light on:

1. Shifts perceived by women (customers)
 - a) Jagruti is an information wellspring
 - b) Women identify with Jagruti and her qualities and aspire to be like her
 - c) Jagruti has helped women the most in health, sanitation and financial management
 - d) Jagruti has helped change people's perception of women in their immediate surroundings
2. Jagruti – “we identify with her”: Shifts perceived by employees
3. Perceived shifts in the organization's positioning internally and externally
 - a) Jagruti as an Information Wellspring
 - Despite differences in socio-cultural profiles, occupation, place of residence and exposure time to letter Jagruti is a critical information source.
 - Sole source of information for over 50% of the sampled groups
 - Even in groups where information was obtained from a variety of sources, recall and relevance of information on key themes highlighted lucidly by women.
 - Engaging manner in which letter is written is a huge plus point.

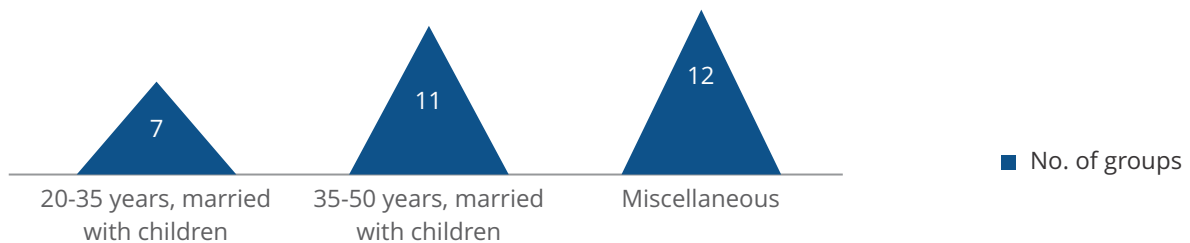
Jagruti as a source of information



b) Jagruti – “we identify with her”

- Jagruti is seen as an educated woman – “as she can read and write, and has a lot of knowledge about several issues”
- She is worldly-wise and knows a lot
- They felt Jagruti cared deeply about their welfare - “She (Jagruti) has had a lot of problems in life, and hence has all these experiences and shares these experiences, as she feels her fellow women should not face similar difficulties”
- She is self-reliant as she takes her own decisions, is very engaged in bringing her children up well and selflessly gives others knowledge

Who is Jagruti?

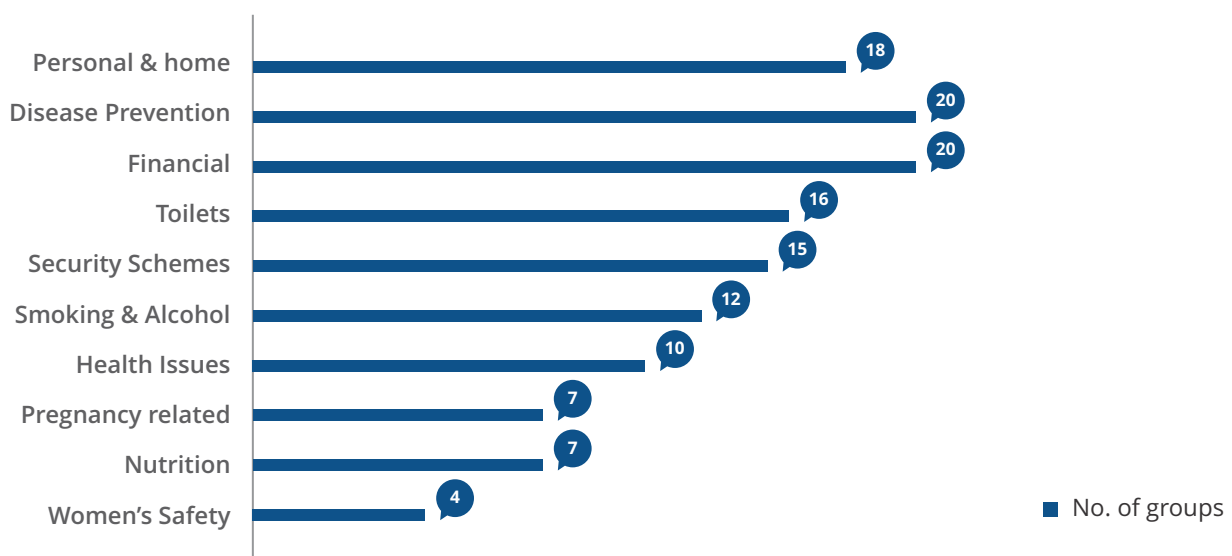


c) Jagruti's Persona has worked on the ground

- Jagruti' the persona mirrors what women want; corroborated by loan recipients & loan officers
- Women look up to Jagruti
- Women identify with Jagruti
- Jagruti provides practical instructions on how to make life better!
- Women trust Jagruti
- Women talk about Jagruti
- Jagruti has had multiplier effects on families and communities

d) Health, Sanitation, Financial Management – Front Runner Topics

Most recalled themes

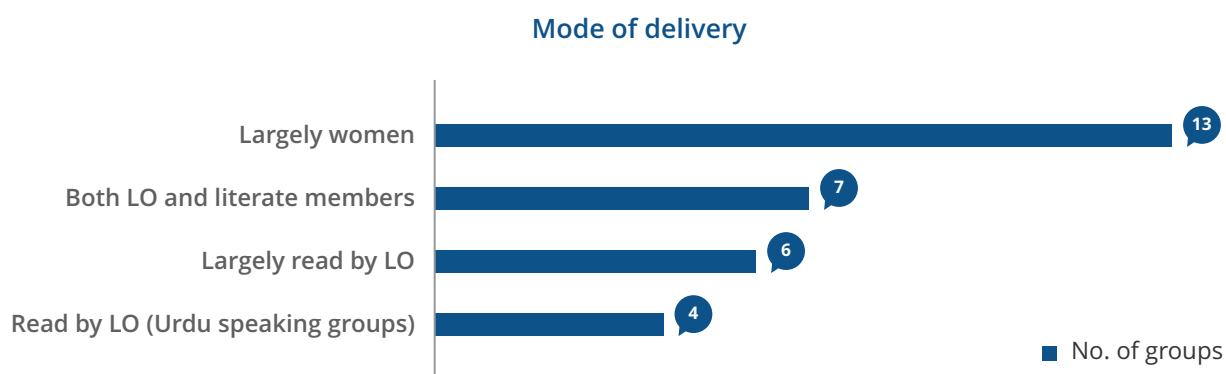


Impact of Jagruti on the organization

1. Shift in Women's Perception of Grameen Koota
 - a. Women are acutely aware of the difference between Grameen Koota and other MFIs in the region
 - b. Women clearly call out Grameen Koota's advantages, even if they are members of other organizations
 - c. Apart from multipurpose loans with reasonable interest rates, Jagruti is also a clear differentiator
 - d. None of the other institutions actually provide information, leave alone every week
 - e. Direct interaction with the staff of Grameen Koota as being a big selling point
 - f. Perception – 'Grameen Koota tells right things for us'
2. Grameen Koota Staff Perception on Jagruti
 - a. Excellent venture by Grameen Koota!
 - b. Employees believe that access to information is a key to progress
 - c. They believe the multiplier effect is a big advantage - as the information that is shared with them is then transferred by them to their families and neighbours
 - d. Jagruti has helped them personally too by providing them information and advice that they have successfully implemented in their own lives
 - e. one of them has reduced wasteful expenditure
 - f. Another has created a file of all the Jagruti letters for his home, so that his brother can read them too
 - g. The Loan Officers have also seen that Grameen Koota's image in the Micro Finance Industry (MFI) has definitely improved
 - h. The loan recovery rate in Grameen Koota is almost 100% and the Loan Officers feel that one of the reasons contributing to this is Jagruti

Mode and channel of delivery

- Jagruti as a tool is embedded in the everyday workflow of loan disbursement
- It also has the unequivocal blessing of its leaders
- The delivery channel has thus led to effective and seamless scale-up of the program across geographies
- Women customers themselves are the delivery channel in a lot of branches



Recommendations

1. Study sufficiently validates that Jagruti as a communication platform is successful!
2. Having successfully achieved scale, it must continue
3. Innovations on the platform to make it better, more engaging and meaningful can be explored
 - a. Missed call service to provide more personalized support
 - b. Television and radio as added platforms to 'celebrate' new Jagrutis'.



MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

I. Microfinance Industry: A Broader Perspective

1. Industry Overview:

MFI industry serves over 32.5 million clients. A significant increase of over 44% in total clients was spotted in the year. Gross loan portfolio of the industry is Rs. 53,233 crore. It has witnessed an increase of 84% in comparison with previous financial year. MFI industry on aggregated basis has a branch network of 9,669 branches, employing 87,402 persons. Industry has totally disbursed Rs.61,860 crore in the financial year 2015-16. About 34.7 million loans have been disbursed in the financial year, which has seen 65% increase from previous financial year.

MFIN MFI membership has 12 small MFI's (glp < Rs100Cr), 22 medium MFI's (glp btw Rs.100 -500 Cr) and 22 large MFI's (glp>500Cr). Market share within the industry is clearly concentrated in the group of large MFIs, which account for almost 90% of the industry gross loan portfolio, client base, loan amount disbursed and debt funding.

- Ten largest MFI's in terms of gross loan portfolio account for 72% of the total industry's gross loan portfolio. As of 31st March, 2016, urban/semi-urban portfolio is 60% of the industry portfolio.
- In terms of purpose, agriculture accounts for 31% of the GLP. Non agriculture (trade/services and manufacturing) accounts for 64% and household finance accounts for 5% of the gross loan portfolio.
- As per current regional distribution of portfolio, South accounts for 35%, West accounts for 25%, North accounts for 25% and East accounts for 15%
- Top five states, viz. Tamil Nadu, Karnataka, Maharashtra, Uttar Pradesh and Madhya Pradesh account to 60% of loan portfolio.

Bandhan was converted into a Bank in August 2015. The exclusion of Bandhan data from the microfinance industry has impacted industry numbers in the states where Bandhan was a significant player. Before converting into the bank, i.e., end of the Q1 FY15-16, Bandhan accounted for 24% of the industry's gross loan portfolio.

2. Industry Developments

A. Self-Regulatory Organisation:

Sa-Dhan has been recognised as an SRO by the Reserve Bank of India, giving powers to monitor MFIs and ensure the lenders are in compliance with the rules. Sa-Dhan is the second association in the business of micro-lending to be given the SRO status by the central bank. Microfinance Institutions Network (MFIN) was the first institution.

B. Small Finance Banks:

Reserve Bank of India (RBI) has awarded licenses to 10 institutions for setting up small finance banks. Of these 8 are MFIs, and 1 other is a major NBFC. Economically disadvantaged section customers will be the targeted segment for these banks. Scope of activities of these banks are as below:

- The small finance bank shall primarily undertake basic banking activities of acceptance of deposits and

lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities.

- Small banks can undertake financial services like distribution of mutual fund units, insurance products, etc.
- 75% of its Adjusted Net Bank Credit (ANBC) should be advanced to the priority sector.
- Maximum loan size to a single person cannot exceed 10% of total capital funds; cannot exceed 15% for a group.
- At least 50% of its loans should constitute loans and advances of up to 25 lakh.
- Small finance banks will be subject to all prudential norms and regulations of the RBI as applicable to existing commercial banks. Need to maintain CRR & SLR.
- The minimum paid-up equity capital for small finance banks shall be Rs. 100 crore.
- The promoter's minimum initial contribution to the paid-up equity capital of such small finance bank shall at least be 40 per cent and gradually brought down to 26 per cent within 12 years from the date of commencement of business of the bank.
- The foreign shareholding in the small finance bank would be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.

Names of Institutions awarded with small bank licenses: Au Financiers (India) Ltd., Jaipur, Capital Local Area Bank Ltd., Jalandhar, Disha Microfin Private Ltd., Ahmedabad, Equitas Holdings P. Limited, Chennai, ESAF Microfinance and Investments Private Ltd., Chennai, Janalakshmi Financial Services Private Limited, Bengaluru, GVN (North East) Microfinance Limited, Guwahati, Suryoday Micro Finance Private Ltd., Navi Mumbai, Ujjivan Financial Services Private Ltd., Bengaluru and Utkarsh Micro Finance Private Ltd., Varanasi.

C. Micro Unit Development and Refinance Agency (MUDRA)

Government of India has established Micro Unit Development and Refinance Agency (MUDRA) to fund and promote microfinance institutions (MFIs), which would in turn provide loans to small and vulnerable sections of the businesses.

Product / Offerings of MUDRA: MUDRA plans to provide two categories of products; they are Refinance product for the micro units having loan requirement in the range of Rs. 50,000 to Rs. 10 lakh and Support to MFIs for onlending etc. MUDRA will be providing refinance to micro business under the Scheme of Pradhan Mantri MUDRA Yojana.

Few highlights of Mudra Activities are:

i. Micro Credit Scheme

Financial support to MFIs for on lending to individuals/ groups of individuals/JLGs/ SHGs for creation of qualifying assets as per RBI guidelines towards setting up/running micro enterprises as per MSMED Act and non-farm income generating activities.

ii. Mahila Uddyami Scheme

Timely and adequate financial support to the MFIs, for on lending to women / group of women / JLGs/ SHGs for creation of qualifying assets as per RBI guidelines towards setting up / running micro enterprises as per MSMED Act and non-farm income generating activities.

iii. Working with Rating Agencies

Accreditation / rating of MFI entities is one of the roles earmarked for MUDRA. Further, a segment of financial intermediaries for the non-corporate small business sector is envisaged to emerge in the financing architecture. MUDRA would work in coordination with Rating Agencies so that appropriate rating framework(s) which take into account sector specific features are devised for various sector participants.

In the longer run, availability of rating for sector participants would facilitate formalization and further flow of capital to the sector.

iv. The MUDRA Pricing

Access to finance is critical and equally critical is the cost of finance to the NCSB/ultimate beneficiary. The funds mobilized by micro units from the informal sources are at high cost. There is scope for cost rationalization. However, the rationalization is intricately linked with the cost of funds for the last mile MFIs.

The NBFC-MFIs are presently regulated by Reserve Bank of India and RBI has already prescribed detailed guidelines for margin cap in respect of MFIs. The margin cap has been pegged at 10% for MFIs having loan portfolio of more than Rs. 100 crore and 12% for smaller MFIs having loan portfolio of less than Rs. 100 crore. In the backdrop of these guidelines and the fact that MFI sector has been constantly trying to reduce its costs, MUDRA would also help MFIs reduce their cost to bring down the overall cost to the end beneficiaries. Further, at the time of appraisal, MUDRA would be studying / assessing individual MFIs on this as well as other related parameters and suitably price its assistance based on such assessment.

II. Regulatory Framework

RBI announced a change in regulation in the area of qualifying assets for MFI customers in the month of October 2015. According to the new regulation,

- The household annual income limit of a loan borrower has been increased from Rs.60,000 up to Rs.100,000 for rural customers and from Rs.120,000 up to Rs.1,60,000 for urban and semi-urban customers. Total indebtedness should not be exceeding Rs.100,000 excluding education and medical expenses.
- Overall loan amount limit should not exceed Rs.60,000 in the first cycle and Rs.100,000 in subsequent cycles
- Tenure of the loan should not be less than 24 months for loan amount in excess of Rs. 30,000 with prepayment without penalty
- Aggregate amount of loans, given for income generation, should not be less than 50 per cent of the total loans given by the MFIs and loan can be repayable on weekly, fortnightly or monthly instalments at the choice of the borrower

III. Grameen Koota: Competitive Strengths and Strategies

Market Position

Grameen Koota is classified as a Large MFI. Among the 22 large MFI's, Grameen Koota stands at 6th position when classified by gross loan portfolio having 4.77% of the market share and stands 3rd in overall disbursement with 5.41% of the overall market share.

In Karnataka, among 24 MFI's, Grameen Koota stands 2nd in portfolio and stands 3rd in Maharashtra among 32 MFIs.

Higher Rural Penetration

Grameen Koota has a high rural focus. The vision of Grameen Koota is to enable the poor and low income households, mainly those who are in rural areas. Accordingly, 75% of the branches are located in rural areas and

more than 70% of the Grameen Koota customers are from rural areas. As part of its growth, Grameen Koota has opened branches which are mainly in rural areas.

Customer Interaction

Regular customer interaction through weekly meetings has created a very effective rapport with the customer. Customer interaction and awareness programs like Jagruti, has extensively helped Grameen Koota to understand the needs of customers on time to time basis. Feedback at all levels is taken from customers and adopted at all levels of the service delivery.

Product Design - Customer Centric & Sustainable

Grameen Koota has designed its products and services to cater all the needs of customers at various stages of life cycle. Products have been designed in such a way that all the needs from birth to death will be covered. Also customers have been provided with the liberty to avail loans at any time of the year, if they are meeting the prescribed regulatory requirements.

Grameen Koota is a scalable and financially viable organisation because of high customer satisfaction, lower operating cost, lower credit risk and being a preferred MFI for customers with lower customer attrition.

Employee-Friendly Organisation

Grameen Koota is one the first organisations to implement 5-day work week. It is also the first employer for more than 90% of the staff. The staff attrition is below 20%, which is less than the industry average. Employee remuneration is better than industry average and several employee welfare schemes have been implemented which have resulted in low attrition.

Efficient & Stable Management Team

The management team of Grameen Koota has very experienced and well qualified people. The team is very interactive and innovative in decision making process. Since 2012-13, there is no change in the management team, which has helped the organization's growth by quick decision making and effective implementation of the decisions.

IV. New Initiatives

Grameen Koota has implemented several new initiatives during the year as below:

A. Implementation of new Core Banking System (CBS)

Grameen Koota has successfully completed a major technology migration exercise from MIFOS to T24 MCB during the year. T24 MCB is the CBS offered by Temenos, a leading provider of MFI core banking solutions worldwide. T24 MCB has been specifically customized for Grameen Koota's business operations and implemented with the help of the technology partner, Tech Mahindra. With a modern core banking structure that affords higher levels of automation and flexibility, Grameen Koota can now achieve its mission to reach a larger client base.

B. Regional Processing Centers

Grameen Koota has successfully formed an in-house back office team called "Regional Processing Centers" wherein customer data entry takes place centrally. As on 31st March 2016, there are 7 centers located at

Bangalore, Belgaum, Davanagere, Erode, Nagpur, Kolhapur and Aurangabad, catering 269 branches of Grameen Koota (Only Madhya Pradesh branches have been excluded because of logistical issues). This has not only improved the band width of the field staff to focus more on business but also significantly improve data quality of customer information. This is in line with our continuous focus to improve operational efficiencies.

C. Corporate Office

Grameen Koota has shifted to a new corporate office keeping in view the long term needs of the company. The new office was inaugurated by Nobel Laureate Prof. Muhammad Yunus. Our association with Prof. Yunus goes back to 1998 when our founder Mrs. Vinatha Reddy visited Dhaka and took her first lessons in micro credit from the founder of the Grameen Bank. We were truly inspired by his august presence on the occasion of moving into the new premises.

The new office, set up in 24,000 sq. ft., has a seating capacity for 260 employees, equipped with a centralized air condition facility. It also has meeting rooms, spaced working bays, a large cafeteria and a small training facility to conduct small and medium scale trainings. The office has a well-equipped board room where all board meetings are conducted.

V. Grameen Koota's Operations Perspective

A. Client Profile

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

Ethnicity	FY 12	FY 13	FY 14	FY 15	FY 16
BC	19%	16%	13%	10%	7%
OBC	21%	22%	24%	27%	32%
SC	18%	19%	23%	27%	26%
ST	8%	9%	9%	9%	10%
Minorities	29%	30%	28%	25%	21%
Others	5%	4%	3%	2%	4%

Client's Age	FY12	FY13	FY 14	FY 15	FY16
18-25 years	7%	7%	8%	9%	9%
26-30 years	17%	15%	15%	16%	16%
31-35 years	20%	19%	19%	19%	19%
36-40 years	21%	20%	18%	18%	17%
41-50 years	30%	31%	30%	29%	29%
>50 years	6%	8%	9%	9%	10%

Customer Vintage with the company	FY12	FY13	FY 14	FY 15	FY16
Less than 1 years	20%	22%	39%	37%	38%
1-3 years	60%	49%	26%	37%	42%
3-6 years	17%	22%	26%	18%	10%
6 years and above	3%	7%	9%	8%	10%

B. Profitability

During FY 2015-16, our total revenues were Rs. 465.86 crore, an increase of nearly 66% over the last financial year. Our total expenses stood at Rs. 332.22 crore during FY 2015-16, an increase of 62% over the last financial year. Our profit before tax is around Rs. 133.64 crore in FY 2015-16, an increase of more than 76% over the last financial year when we had a profit before tax of Rs. 76.08 crore.

C. Outreach and branch network

During the financial year 2015-16, Grameen Koota registered 75.5% growth in loan portfolio (including managed portfolio) and 41.2% growth in active borrowers, growth in number of branches was 25.2 % and total employees' growth was 44.3%. 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.

D. Operational Trends

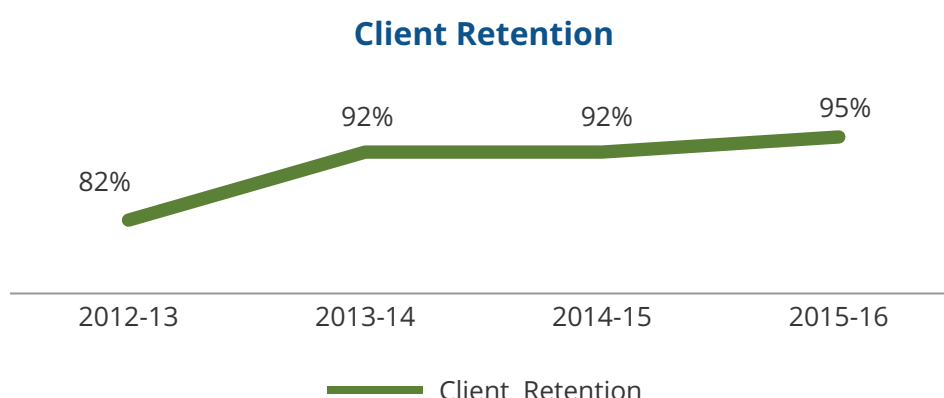
During the last four financial years, starting from 1st April 2012 and ending on 31st March 2016, the company had a Compounded Annual Growth Rate (CAGR) of around 15.2% in the number of districts, 15.4% in the number of branches and 40.0% in the number of active borrowers. Loans disbursed have witnessed a CAGR of 54.0%. Our outstanding loan portfolio, including managed portfolio has grown at 60.7% year on year. The number of our total staff has grown at a rate of 31.9% 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.

Particulars	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	4 Year CAGR (%)
Branches	82	146	215	168	161	176	238	298	15.4%
Districts	23	37	45	42	41	42	64	74	15.2%
Active Borrowers	211,562	352,648	321,161	313,610	346,519	504,688	854,188	1,205,974	40.0%
Loans disbursed (INR Cr.)	372.7	531.5	606.7	595.3	606.4	1028.1	1,893.90	3,348.8	54.0%
Portfolio on Book (INR Cr.) [A]	115.4	234.2	186.3	267.4	384.2	668.6	1,339.6	2,465.6	
Managed Portfolio (Securitized) (INR Cr.) [B]	65.9	96	64.2	113.9	139.7	141.0	107.5	73.5	
Originated Portfolio [C]						0.6	2.7	4.3	
Portfolio Outstanding (INR Cr.) [A+B]	181.3	330.2	250.5	381.3	523.9	809.5	1,447.1	2,539.1	
Portfolio Outstanding (INR Cr.) [A+B+C]	181.3	330.2	250.5	381.3	523.9	810.1	1,449.7	2,543.4	60.7%

Field Officers	440	660	770	848	800	1092	1,969	2,525	31.4%
Total Staff	769	1,380	1,748	1,267	1,189	1,560	2,658	3,835	31.9%
Repayment Rate	99.9%	98.8%	99.6%	99.6%	99.9%	99.9%	99.9%	99.9%	N/A
PAR (Rs. Cr.)			3.1	3.2	2.9	0.2	0.9	2.6	
Funds availed during the year (INR Cr.)	204.2	311.2	287.0	366.7	541.8	883.7	1,180.7	1,927.0	51.4%

E. Client Retention

Grameen Koota has a very good track record of client retention. Adaptation of life cycle approach while designing products, effective delivery of services and constant social focus approach towards clients have reduced attrition to a very large extent. With growing client base, percentage of clients who are dropping out is much lower when considered with the present industry average. Customer retention during the past few years is provided below:



F. Financial Performance

For FY 2015-16, our portfolio yield was 23.96% as against 24.55% for the last financial year. Our Operating Expense Ratio declined to 6.03% in FY 2015-16, from 6.70% in the last financial year, reflecting improvements in operating efficiencies. The client retention rate during the year stood at 95.3%. We have maintained robust portfolio quality with PAR>30 at 0.09%.

Funding Trends

The changes in the outstanding borrowings from different sources during the FY 2015-16 in comparison to last year can be seen in the table below:

All figures in Rs. Cr	O/s as on Mar-13	O/s as on Mar-14	O/s as on Mar-15	O/s as on Mar-16
Public Sector Banks	112.09	276.07	311.64	394.8
Private Banks	165.65	287.28	572.74	963.4
Securitization / Buyouts	133.68	145.89	121.28	98.6
NCD / Foreign sources	70.50	169.57	295.90	464.9
NBFCs and FIs	38.83	72.31	111.68	410.3

G. Portfolio Distribution

We have operational presence in Karnataka, Maharashtra and Tamil Nadu. While Karnataka continues to contribute a major proportion to our loan portfolio (63.4% for the year ending March 2016), we have been increasing our outreach in Maharashtra which contributed 29.6% for the year ending March 2016.

State-wise Portfolio Distribution

State	FY14		FY15		FY16	
	Portfolio (Rs.Cr)	% age	Portfolio (Rs.Cr)	% age	Portfolio (Rs.Cr)	% age
Karnataka	573.9	70.8%	1,009.4	69.6%	1,611.9	63.4%
Maharashtra	219.1	27.0%	400.8	27.6%	754.0	29.6%
Tamil Nadu	17.2	2.1%	39.5	2.7%	92.5	3.6%
Madhya Pradesh					74.0	2.9%
Chhattisgarh					10.9	0.4%

State-wise Client Distribution

State	FY14		FY15		FY16	
	No. of Clients	% age	No. of Clients	% age	No. of Clients	% age
Karnataka	398,334	69.9%	622,610	67.5%	826,121	59.57%
Maharashtra	157,990	27.7%	275,579	29.9%	437,222	31.53%
Tamil Nadu	13,507	2.4%	24,829	2.7%	55,505	4.00%
Madhya Pradesh					59,957	4.32%
Chhattisgarh					7,783	0.56%

Product-wise Portfolio Distribution

Products	FY14		FY15		FY16	
	Portfolio (Rs.Cr)	% age	Portfolio (Rs.Cr)	% age	Portfolio (Rs.Cr)	% age
Income Generation Loans	716.4	88.4%	1256.5	86.7%	2,243.2	88.2%
Emergency Loans	13.3	1.6%	21.5	1.5%	17.6	0.7%
Family Welfare Loans	16.6	2.0%	31.6	2.2%	66.4	2.6%
Home Improvement Loans	63.2	7.8%	137.6	9.5%	211.9	8.3%
Home Construction Loans	0.6	0.1%	2.7	0.2%	4.3	0.2%
Total	810.1	100.0%	1,449.7	100.0%	2,543.4	100.0%

Product-wise Loan Distribution

Products	FY14		FY15		FY16	
	Portfolio (Rs.Cr)	% age	Portfolio (Rs.Cr)	% age	Portfolio (Rs.Cr)	% age
Income Generation Loans	519,308	30.7%	960,233	33.7%	1,499,679	36.7%
Emergency Loans	868,901	51.4%	1,309,382	46.0%	1,819,119	44.5%
Family Welfare Loans	219,931	13.0%	407,306	14.3%	610,594	14.9%
Home Improvement Loans	81,136	4.8%	166,909	5.8%	154,095	3.7%
Home Construction Loans	59	0.0%	224	0.0%	155	0.0%
Total	1,689,335	100.0%	2,844,054	100.0%	4,083,642	100.0%

H. Social Performance

Grameen Koota is committed to achieve stated social objectives. We have ensured that we adopt right strategies to achieve our social objectives. A glimpse into how we put social performance management into practice is given in a separate section as SPM Report.

During FY 2015-16, Grameen Koota received institutional rating of mFR1 from CRISIL, social rating of $\Sigma\alpha$ from M-CRIL, COCA-1 Rating from SMERA Ratings, S.T.A.R. MFI recognition from MIX, renewed smart campaign Client Protection Certification, besides receiving the prestigious Microfinance Organization of the Year 2015 Award (under Large MFI Category) at the 7th edition of the Microfinance India Awards.

I. 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 and the head office as well.

Internal Audit in Grameen Koota is an independent consulting activity guided by a philosophy to add value to improve and enhance operations of the organization. It assists Grameen Koota in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of its 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 internal audit activity also has free and unrestricted access to the Board. 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. Based on extent of compliance and adherence to systems, policies and procedures, the audited branches are assigned compliance scores.

J. Risk Management

Grameen Koota is continuously making efforts to ensure integration of risk management practices into consolidated governance and implementation structure. Conscious effort is put in developing and improving strong risk culture within the organisation and having appropriate systems and tools to identify, measure and report risks for managing them. The Risk Management Department works with and across all departments within the Company. Whereas each department focuses on its specific area of activity, the Risk Management Department operates in cooperation with all other departments, utilising all significant information sourced by the other departments in order to improve the management of corporate risks following the guidelines approved by the Board.

Annual Risk Management Plan comprises of the major risks that have been identified by management as needing particular focus and close monitoring. The Annual Risk Management Plan forms the basis for implementation of risk management practices in detail. 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 oversees the implementation of the Risk Management Plan principally through the Board Risk Committee (BRC). The major risks to be focused and monitored closely by management and reported to the risk committee are identified based on the risk profile of Grameen Koota. All the strategies with respect to managing these major risks is monitored by the Head-Risk Management and reported to the Risk Committee of the Board of Directors on quarterly basis. The Risk Committee oversees working of risk management practices/strategies by approving Key Results Expected and reviewing the same on quarterly basis. The committee would also review action taken report in respect of suggestions/recommendations made in the previous meeting.

K. 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. Grameen Koota's HR team strongly abides by the organization's Vision of being Committed, Reliable, Empathetic, Accountable, Transparency and Efficiency (CREATE). The HR department at Grameen Koota 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

- Zero delay in all statutory payments and filing of returns on time.
- A & B grade employees (who are eligible for the statutory bonus) are moved to PEP (performance enhancement pay). PEP amount is far higher than the statutory bonus.
- All the employees' Health Insurance/ESI cards are uploaded to HRIS, which employees can download easily as and when required without any additional support.
- Employee attrition rate reduced from 18.99% to 14.34%.
- Compensations reviewed and revised for Grade D & below (97% of the staff covered).
- Reviewed & revised the HR policies and procedures such as recruitment, separation, confirmation, incentives etc.
- No pending concerns under labour compliances, sexual harassment and disciplinary committee.

Training

Grameen Koota has a very effective in-house training facility. It manages, develops and releases the knowledge and full potential of its people at an individual, team-based and organization wide levels by carrying out the following processes diligently. Different types of trainings provided to customers are:

- 28 Days Basic Training program conducted for trainees for field operations.
- Refresher Training as per operational requirement.
- Orientation program for promoted field staff and new joiners at head office.
- Induction training for lateral hires.
- Departmental Process trainings for all new recruits and promoted staffs.
- Leadership Training programs for employees.

The above trainings are designed based on objectives, target section of employees, skills and capabilities required for field operations. Below are details of number of employees trained in the financial year with various types of training sessions:

Staff Training Programs	No of staff trained
a. Field Officers Basic Training (1 month Duration)	3,476
b. Various Functional/Refresher trainings/Parivarthan	7,313
c. Online trainings (CoC, FPC)	2,676
d. Training on Various products (New Product/ Regulation, Soft Skills/Pilot Projects)	2,650

L. Information Technology

The information technology team in Grameen Koota has focused on implementing a centralized and consolidated Information System to enable smooth and swift flow of information and data across the system. This will enable Grameen Koota to control the cost of operations and provide improved services to clients. Grameen Koota has been working on embracing state of the art technology solutions to support the company's growth and enable more efficient operations.

Implementation of new Core Banking System (CBS)

Grameen Koota has successfully completed a major technology migration exercise from MIFOS to T24 MCB. T24 MCB is the CBS offered by Temenos, which is a leading provider of MFI core banking solutions worldwide. T24 MCB has been specifically customized for Grameen Koota's business operations and implemented with the help of the technology partner, Tech Mahindra. With a modern core banking structure that affords higher levels of automation and flexibility, Grameen Koota can now achieve its mission to reach a larger client base.

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 also 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.

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 Grameen Koota 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

Particulars	FY12	FY13	FY14	FY 15	FY16
Applications sent	372,722	712,620	22,45,921	4,040,310	5,125,652
Applications rejected	20,970	57,966	1,65,536	462,373	541,309
Applications approved	351,752	654,654	20,80,385	3,577,937	4,584,343

Infrastructure Outsourcing

Grameen Koota has been continuously working in partnership with IBM on outsourced infrastructure management services, so that the entire data centre and disaster recovery server infrastructure management is managed by them. Last year, a major upgrade in the infrastructure was completed successfully to support the smooth functioning of the new core banking system. Grameen Koota has been partnering with Bharti Airtel for network connectivity across all critical locations. Grameen Koota has added Tata Teleservices to provide a robust network backup in case of any major network failures in 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.

M. 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 and also assign portfolio for securitization deals.
- Issue a non-convertible debenture directly with a Foreign Institutional Investor, listing it in Bombay Stock Exchange (BSE).
- Raise long term sub-debt through multiple domestic lender.



DIRECTORS' REPORT

DIRECTORS' 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, 2016

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

Particulars (Rs. Lakhs)	2015-2016	2014-2015
Gross Income	46,671.86	28,142.81
Profit Before Interest and Depreciation	34,039.45	20,589.51
Finance Charges	20,742.78	12,789.28
Gross Profit	13,296.67	7,800.23
Provision for Depreciation	260.57	192.28
Net Profit Before Tax	13,036.10	7,607.95
Provision for Tax	4,658.49	2,662.37
Net Profit After Tax	8,377.61	4,945.58
Balance of Profit brought forward	6,243.25	2,286.78
Balance available for appropriation	8,377.61	4,945.58
Proposed Dividend on Equity Shares	-	-
Tax on proposed Dividend	-	-
Transfer to General Reserve	1,675.52	989.12
Surplus carried to Balance Sheet	12,945.34	6,243.25

The Company witnessed all-round growth during the year, opened more branches, acquired significant number of customers to its base, serving them through 298 branches across 74 districts in the states of Karnataka, Maharashtra, Tamil Nadu, Madhya Pradesh and Chhattisgarh. The Company was able to raise the necessary funding resources throughout the year to match the business and operational needs, leveraging on its existing relationship with banks and financial institutions, and also forming relationship with new lenders.

Your Company's organizational highlights for FY 2015-2016 are as follows:

Year Ended	2016	2015
Branches	298	238
States	5	5
Districts	74	64
Kendras	69,709	42,739
Customers	1,386,588	923,018
Loans Disbursed (Rs.Cr.)	3,348.84	1,893.91
Portfolio Outstanding (Rs.Cr.)	2,539.06	1,447.08

The Company's overall performance during the year was quite robust resulting in improvement in all operational and financial parameters. The regulatory landscape which was ushered in, during the previous

years, was further stabilized during the financial year. Regulators have opened the preliminary licenses for differentiated set of banking institutions like Payment Banks and Small Finance Banks during the year. Whereas, performance of NBFC-MFIs in specific was in line with the microfinance industry.

The Company would continue to focus on being an NBFC-MFI and leverage on its strength of offering its bouquet of products to more clients in newer geographies. The Company, which started serving the new States of Madhya Pradesh and Chhattisgarh in the previous year, consolidated its operations in the new branches in these two States.

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 finalization 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 during the year.

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: May 05, 2015, June 26, 2015, September 30, 2015, November 4, 2015, November 27, 2015, February 04, 2016, and March 22, 2016.

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

Name of the Director	Designation	Eligible Meetings	Meetings Attended
Mrs. Vinatha M Reddy	Founder and Chairperson	7	6
Mr. Suresh K Krishna	Director	7	7
Mr. Paolo Brichetti	Investor Director	7	7
Mr. Kenneth Dan Vander Weele	Investor Director	7	4
Mr. R. Prabha	Independent Director	7	6
Mr. Anal Jain	Independent Director	7	5
Mrs. Amita Narain*	Independent Director	1	1
Mr. M.N. Gopinath**	Independent Director	5	5
Mr. George Joseph**	Independent Director	5	5
Mr. Udaya Kumar**	Managing Director & CEO	5	5

*Mrs. Amita Narain was on the Board of the Company till May 29, 2015.

** Mr Udaya Kumar joined the board as Managing Director effective from July 15, 2015. Mr M. N. Gopinath & Mr George Joseph joined the board as Independent directors since September 09, 2015.

BOARD COMMITTEES

Your Company's Board has eight Committees which govern and oversee different areas of the Company's operations ensuring regular guidance and monitoring. These Committees are:

Audit Committee

Mr. R. Prabha
Mr. George Joseph
Mr. M.N. Gopinath
Mr. Paolo Brichetti
Mr. Suresh K. Krishna

ALM Committee

Mr. Suresh K. Krishna
Mr. Paolo Brichetti
Mr. George Joseph
Mr. Udaya Kumar

Nomination and Remuneration Committee

Mr. Anal Jain
Mr. M.N. Gopinath
Mr. Paolo Brichetti
Mr. R. Prabha
Mrs. Vinatha M. Reddy
Mr. Udaya Kumar

Shareholders' and Grievance Committee

Mr. R. Prabha
Mr. George Joseph
Mrs. Vinatha M. Reddy
Mr. Suresh K. Krishna
Mr. Udaya Kumar

Risk Management Committee

Mr. George Joseph
Mr. Suresh K. Krishna
Mr. Ken Vander Weele
Mr. Paolo Brichetti
Mr. Udaya Kumar

Executive, Borrowings and Investment Committee

Mrs. Vinatha M. Reddy
Mr. Suresh K. Krishna
Mr. Paolo Brichetti
Mr. Udaya Kumar

Shares and Debentures Allotment Committee

Mrs. Vinatha M. Reddy
Mr. Suresh K. Krishna
Mr. Udaya Kumar

Corporate Social Responsibility (CSR) Committee

Mr. M.N. Gopinath
Mr. R. Prabha
Mr. Anal Jain
Mr. Udaya Kumar

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	5
Asset Liability Management Committee	4
Nomination and Remuneration Committee	4
Shareholders' and Grievance Committee	4
Shares & Debenture Allotment Committee	3
Executive, Borrowings & Investments Committee	28
Risk Mitigation Committee	2

6. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mrs. Amita Narain resigned from the directorship of the Company during the year. Mr Udaya Kumar, CEO of the Company has been appointed as Managing Director & CEO effective from July 15, 2015 and subsequent to the resignation of Mr. Suresh K. Krishna from the position of Managing Director. Mr. Suresh K. Krishna continued as Director of the Company. Mr. M.N.Gopinath and Mr. George Joseph were inducted into the Company as Additional and Independent Directors during the year. Mr. Sumit Kumar, of Olympus Capital Asia has also been appointed on the Board of the Company during the year as Director and his appointment is subject to receiving confirmation from the RBI, which is awaited. There have not been any changes in the key managerial personnel during the year. Detailed Corporate Governance Report as a part of this Annual Report is enclosed as a chapter.

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

a. Formal Evaluation of Board, Committees and Individual Directors

The Company has developed an annual performance evaluation metrics for the Members of the Board and various Committees. Every director will evaluate and give a score on 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.

b. 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 any Director/s for specific assignments then the company would compensate the Director/s specifically for such particular service/s and such compensation would be determined by the Board.

c. Code of Conduct for senior management

All the employees including senior management have to sign confidentiality and non-disclosure agreement at the time of their appointment, that all the trade secrets, business procedures, marketing plan, customer information, and 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 whistle blower mechanism for employees to report any genuine concerns through 'yourvoice@gfspl.in' 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@gfspl.in. The cases reported are investigated and resolved within strict timelines and the identity of the person who has reported such an occurrence is kept confidential. 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:

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- c. 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;
- d. the directors had prepared the annual accounts on an on-going concern basis;
- e. 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
- f. 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 – I.

12. AUDITORS

The Auditors, S.R. Batliboi & Co LLP being eligible for reappointment are appointed Auditors for this ensuing FY16-17 and shall continue to remain the Auditors for four years from conclusion of this AGM till the conclusion of next fifth AGM.

Practising Company Secretary: Mrs. Chenthamarai V, Practising Company Secretary is appointed as Secretarial Auditor for FY 2016-17.

13. SECRETARIAL AUDIT

Secretarial audit report as provided by Practicing Company Secretary is annexed to this Report as ANNEXURE – II.

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

a. 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.

b. Foreign Exchange Earnings and Outgo

During the year, the foreign exchange inflow and outflow for the Company is Rs.7,242,617/- & Rs.30,891,730/- 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: Nil

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 authorized, recorded and reported correctly. The independent internal audit system is in place to conduct audits of all branches, regional offices and as well as the head office. 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.

After enactment of the new Companies Act 2013 and the emphasis on Internal Financial Control Framework (IFC), there have been significant changes in financial reporting requirements, which are closer to established international practices. As part of this requirement, Section 134 pertaining to Directors' Responsibility statement, Section 177 pertaining to Audit Committee calling for auditors' comments on internal control systems, Section 143, wherein the auditor's report should specifically comment whether the company has adequate IFC system in place and the Schedule IV wherein the independent directors should satisfy themselves about the integrity of financial information and ensure that financial controls and systems of risk management are robust, have to be specifically tested and verified. The Company undertook this exercise of testing its internal control framework by an accredited third party, during the year and has accordingly been formally assessed on the adequacy of the existing framework in place.

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.500 to Rs.45,000/-. 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

Grameen Koota is continuously making efforts to ensure integration of risk management practices into consolidated governance and implementation structure. Conscious effort is put in developing and improving strong risk culture within the organisation and having appropriate systems and tools to identify, measure and report risks for managing them. The Risk Management Department works with and across all departments within the Company. Whereas each department focuses on its specific area of activity, the Risk Management Department operates in cooperation with all other departments, utilising all significant information sourced by the other departments in order to improve the management of corporate risks following the guidelines approved by the Board. Annual Risk Management Plan comprises of the major risks that have been identified by management as needing particular focus and close monitoring. The Risk Management Plan forms the basis for implementation of risk management practices in detail. 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 oversees the implementation of the risk management plan principally through the Board Risk Committee (BRC). The major risks to be focused and monitored closely by management and reported to the risk committee are identified based on the risk profile of Grameen Koota. All the strategies with respect to managing these major risks is monitored by the Head-Risk, Management Level Risk Committee and reported to the Risk Committee of the Board of Directors on quarterly basis. The Risk Committee oversees working of risk management practices/strategies by approving Key Results Expected and reviewing the same on quarterly basis. The committee would also review action taken report in respect of suggestions/recommendations made in the previous meeting.

20. CORPORATE SOCIAL RESPONSIBILITY POLICY

In pursuance of the provisions of Section 135 and schedule VII of the Companies Act, 2013, a CSR Committee of the Board of Directors has been 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 has contributed Rs. 7,518,593/- during the year 2015-16, as part of its CSR contribution. Apart from this statutory contribution, the Company has additionally contributed Rs 17,209,312 by way of donation for CSR activities and the total forms 5% of PAT for the year 2015-16. The Annual Report on CSR has been enclosed herewith as ANNEXURE – III.

21. RELATED PARTY TRANSACTIONS

Details of related party transactions are provided in ANNEXURE – IV.

22. FORMAL ANNUAL EVALUATION OF THE BOARD

The performance of each director individually, Board as a whole, Committee evaluation and evaluation of the Chairperson were evaluated on the basis of criteria as approved by the Board.

23. RATIO OF REMUNERATION TO EACH DIRECTOR

Directors are paid Sitting Fees as approved by the Board and remuneration is given only to one whole-time Director, who is the Managing Director & CEO. The disclosure pertaining to Ratio of Remuneration to Director/s to the median employee's remuneration is enclosed herewith as ANNEXURE – V.

24. LISTING WITH STOCK EXCHANGES

The Company's shares are not listed on any stock exchange. 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 pays the Annual Listing Fees every year 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 a stock option plan for its employees. The plan which is in vogue and operative has ESOPs issued to employees in the Company in three tranches. As at the end of the period ending March 31, 2016, 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)	4.01	5.51	6.18
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

Particulars	March 31, 2016	March 31, 2015
Tranche I		
Options outstanding at the beginning of the year	635,926	641,176
Granted during the year	-	-
Forfeited during the year	8,750	5,250
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	627,176	635,926
Exercisable at the end of the year (refer note below)	627,176	546,926
Tranche II		
Options outstanding at the beginning of the year	604,339	631,339
Granted during the year	-	-
Forfeited during the year	12,000	27,000
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	592,339	604,339
Exercisable at the end of the year (refer note below)	367,339	256,339
Tranche III		
Options outstanding at the beginning of the year	437,000	-
Granted during the year	-	443,000
Forfeited during the year	1,500	6,000
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	435,500	437,000
Exercisable at the end of the year	109,250	-

TOTAL NUMBER OF SHARES ARISING AS A RESULT OF EXERCISE OF OPTION: Nil

DETAILS OF STOCK OPTIONS GRANTED DURING THE YEAR: Nil. The Company did not grant any ESOPs during the FY 2015-16

FOLLOWING ARE THE SENIOR MANAGEMENT PERSONNEL WHO WERE GRANTED MORE THAN 5% OF THE OPTIONS GRANTED DURING THE YEAR: Nil

ANNEXURE – I

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
as of the financial year ended on March 31, 2016

[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:

1. CIN: U51216KA1991PTC053425
2. Registration Date: June 12, 1991
3. Name of the Company: Grameen Koota Financial Services Private Limited
4. Category / Sub-Category of the Company: NBFC – MFI
5. Address of the Registered Office and Contact details: #49, 46th Cross, 8th Block, Jayanagar, Bangalore - 560071 | +91.80.30418100
6. Whether listed Company: No
7. Name, Address and Contact details of Registrar and Transfer Agent : Karvy Computershare Pvt Ltd; Plot no. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad - 500081.

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

Sl. 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)

(i) Share Holding pattern

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	1,724,280	0	1,724,280	2.36	1,116,280	0	1,116,280	1.54	-0.83
b. Central Govt	0	0	0	0	0	0	0	0	0
c. State Govt(s)	0	0	0	0	0	0	0	0	0
d. Bodies Corp	0	0	0	0	0	0	0	0	0
e. Banks / Fis	0	0	0	0	0	0	0	0	0
f. Any other	0	4,500,000	4,500,000	6.17	4,500,000	0	4,500,000	6.17	0
Sub Total (A)(1)	1,724,280	4,500,000	6,224,280	9.00	5,616,280	0	5,616,280	7.70	-0.83
(2) Foreign									
a. NRIs – Individuals	0	0	0	0	0	0	0	0	0
b. Other – Individuals	0	0	0	0	0	0	0	0	0
c. Bodies Corp	0	0	0	0	0	0	0	0	0
d. Banks / Fis	0	0	0	0	0	0	0	0	0
e. Any other	0	0	0	0	0	0	0	0	0
Sub Total (A)(2)	0	0	0	0	0	0	0	0	0
Total Shareholding of Promoter (A) = (A)(1) + (A)(2)	1,724,280	4,500,000	6,224,280	9.00	5,616,280	0	5,616,280	7.70	-0.83
B. Public Shareholding									
(1) Institutions									
a. Mutual Funds	0	0	0	0	0	0	0	0	0
b. Banks/Fis	0	0	0	0	0	0	0	0	0
c. Central Govt	0	0	0	0	0	0	0	0	0
d. State Govt(s)	0	0	0	0	0	0	0	0	0
e. Venture Capital Funds	0	0	0	0	0	0	0	0	0
f. Insurance Companies	0	0	0	0	0	0	0	0	0
g. FIs	0	0	0	0	0	0	0	0	0
h. Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i. Others (Pls specify) – Employees	0	0	0	0	0	0	0	0	0
Sub Total (B)(1)	0	0	0	0.00	0	0	0	0.00	0.00
(2) Non-Institutions									
a. Bodies Corp									
i) Individual		0	0	0	0	0	0	0	0
ii) Overseas	42,204,121	23,889,214	66,093,335	90.60	42,812,121	23,889,214	66,701,335	91.43	0.83
b. Individuals									
i) Individual shareholders holding nominal share capital up to 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)		635,818	635,818	0.87		635,818	635,818	0.87	0
Sub Total (B)(2)	42,204,121	24,525,032	66,729,153	91.47	42,812,121	24,525,032	67,337,153	92.30	0.83
Total Shareholding of non-Promoter (B) = (B)(1) + (B)(2)	42,204,121	24,525,032	66,729,153	91.47	42,812,121	24,525,032	67,337,153	92.30	0.83
C. Shares held by Custodian for GDRs & ADRs		0	0	0	0	0	0	0	0
Grand Total (A+B+C)	43,928,401	29,025,032	72,953,433	100.00	48,428,401	24,525,032	72,953,433	100.00	0.00

(ii) Shareholding of Promoters

Sl. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change 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	
1	Suresh K Krishna	200,680	0.28	Nil	200,680	0.28	Nil	0
2	Vinatha M Reddy	615,600	0.84	Nil	615,600	0.84	Nil	0
3	Vijitha Subbaiah	200,000	0.27	Nil	200,000	0.27	Nil	0
4	Venkataram Reddy	236,000	0.32	Nil	Nil	0.00	Nil	(0.32)
5	Pratap Reddy	236,000	0.32	Nil	Nil	0.00	Nil	(0.32)
6	Jayaram Reddy	236,000	0.32	Nil	100,000	0.14	Nil	(0.18)
7	TMTCT	4,500,000	6.17	Nil	4,500,000	6.17	Nil	0

(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'
1	At the Beginning of the year	6,224,280	8.53		
2	Date wise increase / decrease in Promoters shareholding during the year specifying the reasons for increase or decrease (eg: allotment / transfer / bonus / sweat equity etc.)	April 1, 2015 – 372,000 shares transferred to Credit Access Asia NV (CAA)	7.70	608,000	0.83
3	At the end of the year	April 16, 2015 - 236,000 shares transferred to CAA		5,616,280	7.70

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

SI No	For Each of the Top 10 Shareholders	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'
1	At the Beginning of the year	66,445,894	91.08		
2	Date wise increase / decrease in shareholding during the year specifying the reasons for increase or decrease (eg: allotment / transfer / bonus / sweat equity etc.)			608,000	0.83
3	At the end of the year			67,053,894	91.91

(v) Shareholding of Directors and Key Managerial Personnel

SI No	For Each of the Directors and KMP	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'
1	At the Beginning of the year	816,280	1.12		
2	Date wise increase / decrease in shareholding during the year specifying the reasons for increase or decrease (eg: allotment / transfer / bonus / sweat equity etc.)	There has not been any change in the shareholding of directors during the FY 2015-16			
3	At the end of the year			816,280	1.12

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

V. 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/WT/ Manager (Mr. Suresh K Krishna, Managing Director)	Name of MD/WT/ Manager (Mr. Udaya Kumar, Managing Director & CEO)	Total Amount
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	Rs.1,684,495 (April'15 – June'15)	Rs.7,904,387	Rs.9,588,882

2	Stock Option			
3	Sweat Equity			
4	Commission -as % of profit -others, specify...			
5	Others, please specify (Bonus & Ex-gratia)	Rs.6,235,254	Rs.1,552,647	Rs.7,787,901
	Total (A)	Rs.7,919,749	Rs.9,457,034	Rs.17,376,783
	Ceiling as per the Act			Not more than 5% of Net profit

B.Remuneration to other directors

Particulars	Physical Board	Physical Committee	Non-Physical Board/Special purpose Board meeting	Non-Physical Committee /Special purpose Committee meeting
Chairperson	Rs 40,000/day	Rs 30,000/day Rs 20,000 if performed the same Board date	Rs. 25,000/day	Rs. 15,000/day
Promoter Director	Rs 30,000/day	Rs 30,000/ day Rs 20,000 if performed the same Board date	Rs. 20,000/day	Rs. 15,000/day
Independent Directors	Rs 30,000/day	Rs 30,000/day Rs 20,000 if performed the same Board date	Rs. 20,000/day	Rs. 15,000/day
Audit Committee Chairperson	Rs 30,000/day	Rs 35,000/day Rs 25,000 if performed the same Board date	Rs. 25,000/day	Rs. 17,500/day
Investor Directors (per investor)	Rs 200,000/p.a	NA		NA

C.Remuneration to Key Managerial Personnel Other than MD/Manager/WT

Sl No	Particulars of Remuneration	Key Managerial Personnel		
		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 (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	Rs.4,540,274	Rs.744,000	Rs.5,284,274
2	Stock Option	Nil	Nil	Nil
3	Sweat Equity			

4	Commission -as % of profit -others, specify...			
5	Others, please specify (Bonus)	Rs.930,384	Rs.90,000	Rs.1,020,384
	Total (A)	Rs.5,470,658	Rs.834,000	Rs.6,304,658

VI. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				0
i) Principal Amount	126,863.17	2,190.00	0	129,053.17
ii) Interest due but not paid	0.00	0.00	0	0.00
iii) Interest accrued but not due	371.89	131.6	0	503.49
Total (i+ii+iii)	127,235.06	2,321.60	0.00	129,556.66
Change in Indebtedness during the financial year(FY 15-16)				
Addition	173,600.00	9,500.00		183,100.00
Reduction	88,446.69	375.00		88,821.69
Net Change	262,046.69	9,875.00	0.00	94,278.31
Indebtedness at the end of the financial year(FY 15-16)				
i) Principal Amount	212,016.48	11,315.00	0.00	223,331.48
ii) Interest due but not paid	0.00	0.00	0	0.00
iii) Interest accrued but not due	0	0	0	0.00
	2276.148777	170.97917	0	2,447.13
Total (i+ii+iii)	389,281.75	12,196.60	0.00	223,834.97

VI. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

ANNEXURE – II

FORM NO. MR-3 **DRAFT SECRETARIAL AUDIT REPORT** **as on the financial year ended on March 31, 2016**

[Pursuant to section 204(1) of the Companies Act, 2013]

To,
The Members,
Grameen Koota Financial Services Private Limited
Bangalore

1. I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Grameen Koota Financial Services Private Limited (formerly known as Grameen Financial Services Private Limited; and hereinafter called "the Company"). The Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts and statutory compliances and expressing my opinion thereon.
2. Based on my verification of the Company's books, papers, minutes of meetings of the Board, Board Committees and Shareholders' Meetings, forms, reports and returns filed with statutory authorities; other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31/03/2016 complied with the statutory provisions listed hereunder to the extent applicable to the company and the Company has proper Board-processes and compliance-mechanism in place in the manner and subject to the reporting made hereinafter:
3. I have examined the books, papers, minute books, policies, forms and returns filed and other records maintained by the Company for the financial year ended on 31/03/2016 in accordance with the applicable provisions of the following:
 - i. The Companies Act, 2013 (the Act) and the rules made thereunder;
 - ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
 - iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
 - iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment;
 - v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable to the company in respect of the listing of debt securities.
 - a) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - b) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

- c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - d) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - f) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
 - vi. RBI Act 1934 and Regulations thereunder as applicable to a Non-Banking Financial Company – Micro Finance Institution.
 - vii. Secretarial Standards issued by The Institute of Company Secretaries of India.
 - viii. The Listing Agreements (Debt Listing) entered into by the Company with Bombay Stock Exchange.
4. In respect of the above mentioned Regulations, I Report that during the period under review the Company has complied with the provisions of the Act, Rules, Regulations and Guidelines prescribed by the applicable legislations mentioned above except
- a) that the company has not formalized a vigilance mechanism as prescribed by Section 177 (9) of the Companies Act 2013.
 - b) That the company has not formalized the Board Policy for the Remuneration of Directors and Key Managerial Personnel and other employees.
5. I further report that:
- i. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors and Non-Executive Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
 - ii. Adequate notice was given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

6. I further report that:

There are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

7. I further report that:

During the audit period the company has carried out the following major corporate activities:

- Increased the Authorised share capital of the Company.
- Amended the Articles of Association of the Company.
- Issued Non-Convertible Debentures on a private placement basis
- Listed / Delisted debt securities (non-convertible debentures) issued by the company.
- Appointed Key Managerial Personnel

8. This Report is to be read with my letter of even date which is annexed as Annexure A and forms part of integral part of this Report.

Bangalore
20/05/2016

Sd/-

Chenthamarai V
FCS 4928
PCS 2822

ANNEXURE A

To
The Members
Grameen Koota Financial Services Private Limited
Bangalore

My Report of even date is to be read along with this letter:

1. Maintenance of Secretarial Record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices that I have followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of the financial records and books of accounts of the company.
4. Where required, management representation about the compliance of laws, rules and regulations, happening of corporate actions and activities have been obtained
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards, is the responsibility of the management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the company nor the efficacy or effectiveness with which the management has conducted the affairs of the company.

Bangalore
20/05/2016

Sd/-

Chenthamarai V
FCS 4928
PCS 2822

ANNEXURE – III

ANNUAL REPORT ON CSR ACTIVITIES A BRIEF OUTLINE OF THE COMPANY'S CSR POLICY:

INTRODUCTION

Grameen Koota, in compliance with Section 135 of the Companies Act, 2013, is incorporating in its structure Corporate Social Responsibility projects through this Corporate Social Responsibility (CSR) Policy. This Policy covers all the internal dimensions of the CSR structure and further captures and sets out the process of implementation of the CSR related activities.

APPLICABILITY

This Policy shall apply to all the CSR projects undertaken in any branch or office of Grameen Koota, whether such project is executed in collaboration with any other company or on its own. It shall also apply to all the employees of Grameen Koota, whether directly or indirectly involved with any of the below mentioned CSR projects.

OBJECTIVE

- To ensure implementation of a policy framework that stimulates, fosters, recognizes, supports and facilitates continuing growth and application of the best practice in CSR.
- To bring sustainable development in the identified areas (as specified below) selected by the CSR committee as the focal point of the Grameen Koota CSR Policy.

IDENTIFIED AREAS FOR GRAMEEN KOOTA CSR PROJECT

In consonance with the activities specified in the Schedule VII of the Companies Act, 2013, the Grameen Koota CSR Committee has identified the below areas, for the accomplishment of which Grameen Koota will structure its CSR Policy:

- Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water
- Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

GRAMEEN KOOTA CSR COMMITTEE

The members of the Grameen Koota CSR Committee are as below:

Mr. M.N Gopinath	Chairperson
Mr. R Prabha	Member
Mr. Anal Jain	Member
Mr. Udaya Kumar	Member

PROJECTS SUGGESTED BY THE CSR COMMITTEE

- Awareness to customers & community on importance of Safe Water & Sanitation
- Financial literacy & WASH training to the Customers & Students
- Sugrama Project to make two GPs open defecation free.

IMPLEMENTATION AGENCY

Grameen Koota has chosen Navya Disha Trust to implement its CSR activities. Navya Disha Trust is registered in Nov. 2005 (Registration No. BNG (U)-JNR-IV/422/2005-2006) as nonprofit organization having tax exemption status under 80G & 12A of Income Tax department.

Navya Disha since 2007 has been successfully working with Grameen Koota in implementing various non-financial activities in the areas of health care, special education to children, water, sanitation, Indoor air pollution, training women on financial literacy, entrepreneurship, vocational training for rural youth etc., across the operational areas of Grameen Koota. Navya Disha has raised grants from various national & international donor agencies apart from receiving financial contributions from Grameen Koota.

AVERAGE NET PROFIT OF THE COMPANY FOR LAST THREE FINANCIAL YEARS

Particulars	Amount (Rs.)
Net profit as per Section 198 (as per calculation below)	
For financial year 2014-15	760,794,785
For financial year 2013-14	276,522,300
For financial year 2012-13	90,471,843
Average profit of 3 preceding financial years	375,929,643

PRESCRIBED CSR EXPENDITURE (TWO PER CENT OF THE AMOUNT AS IN ITEM 3 ABOVE)

2% of the Avg. Net Profits of three preceding financial years is Rs.7,518,593/-

DETAILS OF CSR SPENT DURING THE FINANCIAL YEAR

Total amount to be spent for the financial year: **Rs.7,518,593/-**

Amount unspent, if any: **NIL**

Over and above this, Grameen Koota has **donated Rs.17,209,312 to Navya Disha** as donation to carry out CSR activities in FY15-16.

MANNER IN WHICH THE AMOUNT SPENT DURING THE FINANCIAL YEAR IS DETAILED BELOW

Sl. No. (1)	CSR project or activity identified (2)	Sector in which the Project is Covered (3)	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken (4)	Amount outlay (budget) project or programs wise (5)	Amount spent on the projects or Programs Sub-heads: (1) Direct expenditure on Projects or Programs (2) Overheads (6)	Cumulative expenditure up to the reporting period (7)	Amount spent: Direct or through implementing agency* (8)
1	Project details Navya Disha Trust	Education, healthcare, water, sanitation	In the operational areas of the Company in the States of Karnataka and Maharashtra	7,518,593	NA		Through an implementing agency
TOTAL			7,518,593				TOTAL

PERFORMANCE OF FY 2015-16

Navya Disha works closely with Grameen Koota with an aim to empower people belonging to poor households to help them secure respectable livelihoods while ensuring environmental sustainability and gender equality. Navya Disha's head office is located in Bangalore and has four project offices at Tumakuru, Belgaum, Solapur & Nagpur. It has a dedicated specialized team of 40 members who are experts in water, sanitation, education, rural development and environment.

With the funding support from Grameen Koota and Water.org, Navya Disha conducted the following programs in 80 branches of Grameen Koota.

- **Water & Sanitation**
Awareness and promotion of access to safe drinking water, safe sanitation practices & Hygiene
- **Sushikshana**
Educating school children on non-curriculum topics like Water, Sanitation, Hygiene, Financial Literacy and Career Guidance
- **Sugrama**
Transforming selected villages into 100% open defecation free, each household having access clean drinking water, villages adopting rain water harvesting techniques and improved solid & liquid waste management
- **Branch Development Activities**
Identifying and implementing activities which are of public interest in each Grameen Koota branch.

2015-16 ACTIVITIES

Together with CSR and Donation, overall activities accomplished during the year 2015-16 are as below:

Sl. No.	Awareness Activity	No. of Activities as on 31 Mar 2016	No. of participants
1	GK Branch Staff Training	232	1,877
2	Kendra Member Training	6,773	143,169
3	Gram Panchayat Elected Members' Orientation	400	4,967
4	Gram Panchayat Level Workshop	400	40,765
5	Street Plays	1,439	149,926
6	Mason Training	83	2,960
7	Wall Painting	1,073	1,073
8	WASH training session for 8th Std. students	489	30,791
9	Financial Literacy session for 9th Std. students	416	28,263
10	Career Guidance for 10th Std. students	424	21,855
11	Taluka Level Social Awareness Campaign	88	39,114

Also under Sugrama project, improved sanitation status in selected villages:

Gram Panchayat	No. of Villages	No. of Households	Sanitation Status as on Jan 1, 2014	Sanitation status as on 31-Mar-16
Hosa Vantamuri Gram Panchayat, Belgaum District	9	2,188	47	403
Urdigere Gram Panchayat, Tumakuru District	16	1,555	717	1,021

A RESPONSIBILITY STATEMENT OF THE CSR COMMITTEE

Implementation and monitoring of CSR Policy is being closely done and the same is in compliance with CSR objectives and Policy of the company.

Sd/-

(MD&CEO)

Sd/-

(Chairman CSR Committee)

ANNEXURE – IV

FORM NO. AOC.2

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

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

- (a) Name(s) of the related party and nature of relationship: Mr. Suresh K Krishna
- (b) Nature of contracts/arrangements/transactions: Transfer of utility items being used by him in the capacity of Managing Director.
- (c) Duration of the contracts/arrangements/transactions: NA
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any: Written Down Value of Fixed Assets: Rs 425,031/-
- (e) Justification for entering into such contracts or arrangements or transactions: Resignation from the post of Managing Director.
- (f) Date(s) of approval by the Board: June 26, 2015
- (g) Amount paid as advances, if any: Nil
- (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188: _____

ANNEXURE – V

(i) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;	52.70x - (Managing Director & CEO)
(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;	Managing Director & CEO – 12% CFO – 22% Company Secretary – 12%
(iii) the percentage increase in the median remuneration of employees in the financial year;	10.00%
(iv) the number of permanent employees on the rolls of company;	3,835
(v) 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
(vi) 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;	Not applicable

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

(i) designation of the employee;	Managing Director & CEO
(ii) remuneration received;	Rs. 7,904,387
(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, with 25 years of experience in banking prior to joining Grameen Koota. He has been exposed to Operations, Credit Management, Product development, Technology and Business Development in banking. In the course of career, he has successfully imbibed technical, qualitative and managerial skills and been part of a team implementing process initiatives like Centralizing Operations, Process re-engineering, Six Sigma Quality Initiatives, Five-S principles for workplace management and implementation of ISO Standard in banking operations.

(v) date of commencement of employment;	8th Sep-2010
(vi) the age of such employee;	56 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



CORPORATE GOVERNANCE

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 nine Directors as on 31st March 2016, comprising of two promoter Directors, two investor Directors, four independent Directors and one whole-time Executive Director.

b. Board Meetings

The Board met seven times during the financial year 2015-2016. The Board of Directors of the Company had met not exceeding with a maximum time gap of one hundred and twenty days.

c. Change in Board

Mrs. Amita Narain resigned from the directorship of the Company during the year. Mr. Udaya Kumar, CEO of the Company has been appointed as Managing Director & CEO effective from July 15, 2015, subsequent to the resignation of Mr. Suresh K. Krishna from the position of Managing Director. Mr. Suresh K. Krishna continued as Director of the Company. Mr. M.N.Gopinath and Mr. George Joseph were inducted into the Company as Additional and Independent Directors during the year. Mr. Sumit Kumar, of Olympus Capital Asia has also been appointed on the Board of the Company during the year as Director and his appointment is subject to receiving confirmation from the RBI, which is awaited. There have not been any changes in the key managerial personnel during the year.

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

Name of the Director	Eligible Meetings	Meetings Attended	Attendance at the last AGM
Mrs. Vinatha M Reddy	7	6	Present
Mr. Suresh K. Krishna	7	7	Present
Mr. Paolo Brichetti	7	7	Absent
Mr. Kenneth Dan Vander Weele	7	4	Absent
Mr. R. Prabha	7	6	Present
Mr. Anal Jain	7	5	Absent
Mrs. Amita Narain*	1	1	Absent
Mr. M.N. Gopinath#	5	5	Absent
Mr. George Joseph#	5	5	Absent
Mr. Udaya Kumar**	5	5	Present

*Mrs. Amita Narain was on the Board of the Company till May 29, 2015

** Mr. Udaya Kumar joined the board as Managing Director effective from July 15, 2015.

#Mr M.N. Gopinath & Mr. George Joseph joined board as Independent directors since September 09, 2015.

COMMITTEES OF THE BOARD – COMPOSITION AS ON MARCH 31, 2016

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 2016:

- Mr. R. Prabha – Chairman
- Mr. George Joseph
- Mr. M.N. Gopinath
- Mr. Paolo Brichetti
- Mr. Suresh K. Krishna

As on 31st March 2016 the committee comprised of three independent directors, one investor director and one promoter director, all of whom are financially literate and have relevant finance / audit exposure. The Managing Director & CEO 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 five times during the year on May 05, 2015, September 29, 2015, November 04, 2015, November 27, 2015 and February 03, 2016.

Attendance of each Director at Audit Committee Meetings

Name of the Director	Number of audit committee meetings attended
Mr. R. Prabha - Chairman	5
Mr. Paolo Brichetti	5
Mr. George Joseph	4
Mr. M.N. Gopinath	4
Mr. Suresh K. Krishna	5

2. SHAREHOLDERS' AND GRIEVANCE COMMITTEE

Mr. R. Prabha, Independent Director is the Chairman of the Committee. Mr. George Joseph, Mrs. Vinatha M. Reddy, Mr. Suresh K. Krishna and Mr. Udaya Kumar 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 2015-16.

3. NOMINATION AND REMUNERATION COMMITTEE

Brief description of terms of reference is for:

a. Appointment of the directors, and key managerial personnel of the Company

The board would set up 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.

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

DIRECTORS would be paid a sitting fee 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.

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 and Mr. Suresh K. Krishna. The Committee was re-constituted on September 30, 2015 comprising Mr. Anal Jain, Mr. M.N. Gopinath, Mr. R. Prabha, Mr. Paolo Brichetti and Mr. Udaya Kumar. Mrs. Vinatha M Reddy joined the committee as a member on November 04, 2015.

Attendance of Meeting is as under:

Sl. No.	Name of Director and position	Meeting/ Attendance			
		May 06, 2015	Sept 03, 2015	Nov 04, 2015	Feb 03, 2016
1	Mr. Anal Kumar Jain, Chairperson	Present	Present	Present	Present
2	Mr. Suresh K. Krishna	Present	Present	--	--
3	Mr. R. Prabha, Member	Present	Present	Present	Present
4	Mr. M.N. Gopinath	--	--	Present	Present
5	Mr. Paolo Brichetti, Member	Present	Present	Present	Present
6	Mrs. Vinatha M Reddy, Member	--	--	--	Absent
7	Mr. Udaya Kumar	Present	Present	Present	Present

4. RISK MANAGEMENT COMMITTEE

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.

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

- Mr. George Joseph – Chairperson
- Mr. Suresh K. Krishna
- Mr. Paolo Brichetti
- Mr. Kenneth Dan Vander Wheele
- Mr. Udaya Kumar

5. ALM Committee

The ALM committee looks after Funding and Capital Planning, ALM reporting Compliance, Liquidity and interest rate risk management.

Mr. Suresh K. Krishna is the chairman of the committee, Mr. George Joseph, Mr. Paolo Brichetti, Mr. Udaya Kumar are the members of the committee.

6. EXECUTIVE, BORROWINGS AND INVESTMENT COMMITTEE

The main objective of the committee is to assist the management team to borrow money up to the amount approved by shareholders, invest funds of the Company, lend money, Open/ Operate/closing of the bank accounts of the company.

Mrs. Vinatha M. Reddy is the chairman of the committee. Other members of the committee are Mr. Paolo Brichetti, Mr. Suresh K. Krishna and Mr. Udaya Kumar.

7. SHARES AND DEBENTURES ALLOTMENT COMMITTEE

The Share and Debenture allotment committee is specifically authorised to allot all kinds of equity, equity linked debt and / or hybrid instruments such as common stock, debentures, bonds, preference shares, etc. in physical form and in dematerialized form to such investors as identified by the Investment and Borrowing Committee.

Mrs. Vinatha M. Reddy is the chairman of the committee. Other members of the committee are Mr. Suresh K. Krishna and Mr. Udaya Kumar.

8. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Corporate Social Responsibility committee monitors the overall CSR Activities of the Company. It provides guidance on various areas where CSR activities can be carried out.

Mr. M.N. Gopinath is the chairman of the committee. Other members of the committee are Mr. R. Prabha, Mr. Anal Jain and Mr. Udaya Kumar.

9. REMUNERATION PAID TO DIRECTORS

Of the total nine directors, one is executive director. The remuneration payable to this director is determined by the Board on the recommendation of the Nomination and Remuneration Committee. This is subject to the approval of the Board. 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, 2016.

10. 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	2013-2014	Jun 28, 2013
Registered Office of the Company	2014-2015	Jun 25, 2014
Registered Office of the Company	2015-2016	Jun 22, 2015

Extraordinary General Meetings of the Company

Venue	Financial Year	Date & Time
Registered Office of the Company	2013-2014	Feb 20, 2014
		Mar 24, 2014
		Mar 28, 2014
Registered Office of the Company	2014-2015	Jul 08, 2014
		Oct 14, 2014
		Mar 06, 2015
Registered Office of the Company	2015-2016	Mar 23, 2016

11. 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 'yourvoice@gfspl.in'. The key directions/actions will be informed to the Managing Director of the Company.

12. 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.

13.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.grameenkoota.org

14.DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013.

The Company has in place an Anti-SexualHarassment 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.

Policy Statement

Grameen Koota Financial Services Private Limited is an "Equal Opportunity Employer". The organization is committed in all areas to providing a work environment that is free from harassment, in which the people are motivated to achieve their full potential and contribute to the excellence of the organization. The Company will provide opportunities to all irrespective of the gender, caste, creed, religion etc.

The policy has been designed to provide;

- An environment where it is clear that harassment is unacceptable, thereby reducing the chance that harassment will occur in the first instance; and
- A mechanism to resolve complaints where it is felt that harassment has occurred.

Objective

The company firmly believes that every employee has a right to work in an environment free from harassing, intimidating or offensive behaviour and in which issues of harassment will be resolved without fear of reprisal.

Scope of the Policy

The scope of the policy applies to all the employees of GKFSPL. It also includes all employees who are engaged through contractors or vendors as consultants with GKFSPL. It refers to their behaviour in the workplace or at any location or any event related to work, including while:

- On travel status related to work,
- At a conference where the attendance is sponsored by the employer,
- At employer sponsored training activities/sessions, and
- At employer sponsored events, including social events.

Coverage of the Policy

Section A: Sexual harassment of women at workplace.

Section B: Harassment by Employee against Employee at all levels (including Harassment by Senior Employee against subordinate or vice versa)

The policy is designed to take effective measures in accordance with the applicable law to avoid and to eliminate and if necessary to impose punishment for any type of harassment.

Applicability

This policy is known as policy for prevention, prohibition and redressal of harassment at work place & the Rules (hereinafter referred to as 'Policy') and is applicable to all employees of **Grameen Koota Financial Services Private Limited**, with registered office at #49, 46th cross, 8th block, Jayanagar, Bangalore-560071 and having various branch offices across the country, deployed at the workplace who are either

- (a) On the rolls of the establishment or
- (b) Engaged as consultants directly or through Contractor(s) having service agreement with the establishment.

Procedure of Filing a Complaint against Harassment of any nature other than Sexual harassment:

- Harassment at work place in any form shall not be permitted or tolerated or condoned by the company whether it is based on a person's race, colour, ethnic or national origin, gender, real or suspected sexual orientation, religion or perceived religious affiliation, disability or other personal characteristics. The use of company property including email, notice board or document as a vehicle for harassment is prohibited.
- All such type of harassments as specified above and misconduct as specified in detail in the standing orders, will be referred to the Disciplinary committee. The Disciplinary process has been explained in the Standing orders certified by the labour department.
- The management would report to the Grievance Redressal committee of the board all the complaints received and actions taken by the management on the same periodically.

Confidentiality and Non-Disclosure:

1. The identity and address of the aggrieved woman, respondent and witnesses, any information relating to conciliation and inquiry proceedings, recommendations of the internal committee, the action taken by the employer shall be treated as confidential and shall not be disclosed to anyone who is not authorized to receive the said information.
2. The above restrictions shall be applicable to all the members of the internal committee and those who appear before the internal committee as witnesses and all those persons who are entrusted with the duty to handle or deal with the complaint, inquiry or any recommendations. Any breach of confidentiality by the person concerned shall be liable for the consequences as stipulated under section 17 of the Act, read with rule 12 of the rules.
3. The provisions of the Right to Information Act are not applicable to the proceedings initiated under the Act in accordance with section 16 of the Act. Accordingly, no disclosure shall be made even if an application under RTI Act is made seeking any information with respect to the complaint or the proceedings or the action taken on the recommendation of the internal committee.



AUDITOR'S REPORT

INDEPENDENT AUDITOR'S 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 ("the Company"), which comprise the Balance Sheet as at March 31, 2016, 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. 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, 2016, its profit, and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid 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, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164(2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 2 to this report;
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 34 to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. BATLIBOI & CO. LLP

ICAI Firm's Registration Number: 301003E/E300005

Chartered Accountants

Sd/-

per Jayesh Gandhi

Partner

Membership Number: 037924

Mumbai

May 21, 2016

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.
 - (c) According to the information and explanations given by the management, there are no immovable properties included in fixed assets of the Company and accordingly the requirements under clause 3(i)(c) of the Order are not applicable to the Company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company and hence not commented upon.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) 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 are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (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 section 148(1) of the Act, for the products/services of the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, 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.

 - (b) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to a financial institution, bank, debenture holders or government.
- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer or further public offer, hence not commented upon.

Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.

- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the provisions of section 197, read with Schedule V of the Act, are not applicable to the Company and hence reporting requirement under clause 3(xi) of the Order is not applicable and, not commented upon.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable, and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year and hence, reporting requirements under clause 3(xiv) of the Order are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, we report that the Company has complied with requirements of section 192 for the non-cash transactions with a director in respect of transfer of assets.
- (xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

For S. R. BATLIBOI & CO. LLP
ICAI Firm's Registration Number: 301003E/E300005
Chartered Accountants

Sd/-
per Jayesh Gandhi
 Partner
 Membership Number: 037924
 Mumbai

May 21, 2016

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

Report on Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

To the Members of Grameen Koota Financial Services Private Limited

We have audited the internal financial controls over financial reporting of Grameen Koota Financial Services Private Limited (“the Company”) as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S. R. BATLIBOI & CO. LLP

ICAI Firm's Registration Number: 301003E/E300005

Chartered Accountants

Sd/-

per Jayesh Gandhi

Partner

Membership Number: 037924

Mumbai

May 21, 2016

FINANCIAL STATEMENTS

BALANCE SHEET AS AT MARCH 31, 2016

(Amount in Rupees unless otherwise stated)

Particulars	Notes	31-Mar-16	31-Mar-15
Equity and liabilities Shareholders' funds			
Share capital	3	729,534,330	729,534,330
Reserves and surplus	4	3,919,662,709	3,079,504,836
		4,649,197,039	3,809,039,166
Non-current Liabilities			
Long-term borrowings	5A	11,221,463,729	5,849,797,757
Long-term provisions	6	107,518,591	29,842,370
		11,328,982,320	5,879,640,127
Current liabilities			
Short-term borrowings	5B	200,000,000	-
Other current liabilities	7	11,744,562,951	7,503,999,153
Short-term provisions	6	207,442,293	120,488,704
		12,152,005,244	7,624,487,857
TOTAL		28,130,184,603	17,313,167,150
Assets			
Non-current assets			
Fixed assets			
Tangible assets	8	53,178,764	25,671,805
Intangible assets	9	60,183,775	11,506,308
Intangible assets under development		-	24,943,743
Non-current investments	10	2,000,000	2,000,000
Deferred tax asset (net)	11	83,618,817	35,612,469
Long-term loans and advances	12	7,712,254,026	2,703,018,391
Other non-current assets	13	420,296,365	760,875,115
		8,331,531,747	3,563,627,831
Current assets			
Cash and bank balances	14	2,549,147,454	2,797,744,826
Short-term loan and advances	12	17,041,635,241	10,827,491,035
Other current assets	13	207,870,161	124,303,457
		19,798,652,856	13,749,539,318
TOTAL		28,130,184,603	17,313,167,150

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/E300005

Sd/-
 per Jayesh Gandhi
 Partner
 Membership No.037924

Place: Mumbai
 Date: May 21, 2016

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

Sd/-
 Udaya Kumar
 Managing Director

Sd/-
 Diwakar B R
 Chief Financial Officer
 Date:

Sd/-
 Vinatha M Reddy
 Chairman

Sd/-
 Darshana Kothari
 Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016*(Amount in Rupees unless otherwise stated)*

Particulars	Notes	31-Mar-16	31-Mar-15
Income			
Revenue from operations	15	4,569,500,670	2,681,603,367
Other income	16	97,685,413	132,677,401
Total revenue (I)		4,667,186,083	2,814,280,768
Expenses			
Employee benefits expenses	17	706,715,897	436,375,544
Finance costs	18	2,074,278,377	1,278,927,632
Other expenses	19	416,351,902	250,571,826
Depreciation and amortisation expenses	20	26,056,847	19,228,099
Provision and write-offs	21	140,173,149	68,382,882
Total expenses (II)		3,363,576,172	2,053,485,983
Profit before tax (III)=(I)-(II)		1,303,609,911	760,794,785
Tax expense			
Current tax		513,814,248	285,952,432
Deferred tax		(48,006,347)	(22,933,861)
Short provision of tax relating to earlier years		40,800	3,218,119
Total tax expense (IV)		465,848,701	266,236,690
Profit for the year (III)-(IV)		837,761,210	494,558,095
Earnings per equity share [Nominal value of share Rs.10 (March 31, 2016: Rs.10)]			
Basic (Computed on the basis of total Profit for the year)		11.48	9.28
Diluted (Computed on the basis of total Profit for the year)		11.30	9.14

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/E300005**

Sd/-

per Jayesh Gandhi

Partner

Membership No.037924

Place: Mumbai

Date: May 21, 2016

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

Sd/-

Udaya Kumar

Managing Director

Sd/-

Diwakar B R

Chief Financial Officer

Date:

Sd/-

Vinatha M Reddy

Chairman

Sd/-

Darshana Kothari

Company Secretary

CASHFLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

(Amount in Rupees unless otherwise stated)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
A. Cash flow from operating activities		
Profit before tax	1,303,609,911	760,794,785
Adjustments for :		
Depreciation and amortization	26,056,847	19,228,099
Provision for gratuity	11,288,314	3,597,152
Provision for leave benefits	10,334,152	5,168,185
Bad debts written off	7,969,075	1,282,801
Loss on sale of fixed assets	497,614	25,876
Provision for standard assets	117,349,750	62,936,337
Provision for non-performing assets	14,854,324	4,163,744
Stock option expenditure	2,396,664	3,899,726
Amortisation of ancillary borrowing costs	74,768,060	65,687,149
Amortisation of discount on issue of debentures	333,486	332,575
Amortisation of share issue expenses	2,643,619	4,058,974
Profit on sale of investments	(38,332,121)	(44,053,348)
Other provisions and write offs	24,732,012	3,957,568
Operating profit before working capital changes	1,558,501,707	891,079,622
Movements in working capital :		
Increase/ (decrease) in other liabilities	376,917,482	67,134,744
Decrease / (increase) in loans and advances	(11,292,062,287)	(6,755,932,092)
Decrease / (increase) in other assets	(66,526,685)	(60,078,736)
Cash used in operations	(9,423,169,784)	(5,857,796,460)
Direct taxes paid (net of refunds)	(459,590,247)	(302,568,390)
Net cash used in operating activities (A)	(9,882,760,032)	(6,160,364,849)
B. Cash flow from investing activities :		
Purchase of fixed assets	(78,099,857)	(53,247,920)
Proceeds from sale of fixed assets	304,733	464,453
Purchase of non-current investments	-	-
Sale / redemption of non-current investments	-	24,204
Purchase of current investments	(22,174,900,000)	(15,654,100,000)
Sale of current investments	22,213,232,121	15,698,153,348
Margin money deposits (net)	570,577,132	(823,845,261)
Net cash used in investing activities (B)	531,114,129	(832,551,175)

C. Cash flow from financing activities :

Long-term borrowings (net)	9,227,832,098	4,853,078,333
Short-term borrowings (net)	200,000,000	-
Proceeds from issuance of equity share capital including securities premium	-	1,198,309,000
Payment of processing fee towards borrowings	(82,952,046)	(77,303,348)
Net cash from financing activities (C)	9,344,880,052	5,974,083,985
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C)	(6,765,852)	(1,018,832,040)
Cash and cash equivalents as at the beginning of the year	1,833,600,399	2,852,432,439
Cash and cash equivalents as at end of the year (refer note 17)	1,826,834,547	1,833,600,399
Components of cash & cash equivalents at the year end		
Cash on hand	161,962,446	109,478,824
Balance with banks - on current account	1,114,872,101	724,121,575
Deposits with original maturity of less than 3 months*	550,000,000	1,000,000,000
	1,826,834,547	1,833,600,399

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/E300005

Sd/-
per Jayesh Gandhi
Partner
Membership No.037924

Place: Mumbai
Date: May 21, 2016

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

Sd/-
Udaya Kumar
Managing Director

Sd/-
Diwakar B R
Chief Financial Officer
Date:

Sd/-
Vinatha M Reddy
Chairman

Sd/-
Darshana Kothari
Company Secretary

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

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 is 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 a 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 as detailed in note 2.1 (b).

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

Computer software are stated at the cost of acquisition and are amortized over a period of five years, 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)

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.

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.

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 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. The provisioning policy followed for the current financial year is as given below:

Asset classification	Rate of provisioning
Standard assets	1%
Substandard assets	100%
Loss assets	Written off

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

During the current year, the Company has revised its estimates of provisioning for loan portfolio. As a result, the provision for loan portfolio as at March 31, 2016 is higher by Rs.19,601,086.

3. Share Capital

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-16	31-Mar-15
Authorised shares		
91,000,000 (March 31, 2015: 73,000,000) equity shares Rs. 10 each	910,000,000	730,000,000
Issued, subscribed and fully paid up shares:		
72,953,433 (March 31, 2015: 72,953,433) Equity shares of Rs.10 each fully paid	729,534,330	729,534,330
Total issued, subscribed and fully paid-up share capital	729,534,330	729,534,330

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Equity Shares	31-Mar-16		31-Mar-15	
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the year	72,953,433	729,534,330	52,953,433	529,534,330
Issued during the year	-	-	20,000,000	200,000,000
Outstanding at the end of the year	72,953,433	729,534,330	72,953,433	729,534,330

(b) Terms/Rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. Any dividends proposed by the Board of directors is subject to the approval of shareholders in the ensuing Annual General Meeting. In the event of liquidation of Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

Equity shares of Rs.10 each fully paid-up	31-Mar-16		31-Mar-15	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
CreditAccess Asia NV (erstwhile MicroVentures Asia BV)	59,238,844	81.20%	58,630,844	80.37%
Creation Investments Social Venture Fund II, L.P	7,462,491	10.23%	7,462,491	10.23%
TMT Community Trust	4,500,000	6.17%	4,500,000	6.17%

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

(d) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, refer Note 33.

4. Reserves and Surplus

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-16	31-Mar-15
Securities premium account		
Balance as per last financial statements	2,287,075,357	1,287,075,357
Add : Premium on shares issued during the year		1,000,000,000
Closing balance	2,287,075,357	2,287,075,357
Statutory reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)		
Balance as per last financial statements	163,618,239	64,706,62
Add : Amount transferred from the surplus balance of profit and loss	167,552,242	98,911,619
Closing balance	331,170,481	163,618,239
Stock options outstanding		
Balance as per last financial statements	4,486,706	586,980
Add : Compensation for options granted during the year	2,396,664	3,899,726
Closing balance	6,883,370	4,486,706
Surplus balance in the statement of profit and loss		
Balance as per last financial statements	624,324,533	228,678,057
Add: Profit for the year	837,761,210	494,558,095
Less: Transfer to statutory reserve as required by Sec 45-IC of Reserve Bank of India Act, 1934	(167,552,242)	(98,911,619)
Net surplus in the statement of profit or loss	1,294,533,501	624,324,533
Total reserves and surplus	3,919,662,709	3,079,504,836

5A. Long-term Borrowings

(Amount in Rupees unless otherwise stated)

Particulars	Non-current portion		Current maturities	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
Non convertible debentures				
Secured				
250 (March 31, 2015: 250, 14.14%) 14.14% Secured Redeemable Non-Convertible Debentures of face value of Rs.1,000,000 each redeemable at par at the end of six years (subject to exercise of option at the end of three years) from the date of allotment November 18, 2013.	-	250,000,000	250,000,000	-
250 (March 31, 2015: 250, 14.20%) 14.20% Secured Redeemable Non-Convertible Debentures of face value of Rs.1,000,000 each redeemable at par at the end of six years (subject to exercise of option at the end of three years) from the date of allotment November 18, 2013.	-	250,000,000	250,000,000	
310 (March 31, 2015: 310, 14.02%) 14.02% Secured Redeemable Non-Convertible Debentures of face value of Rs.1,000,000 each redeemable at par at the end of two years from the date of allotment February 25, 2014.	-	-	-	310,000,000

300 (March 31, 2015: 300, 14.70%) 14.70% Secured Redeemable Non-Convertible Debentures of face value of Rs.1,000,000 each redeemable at par at the end of six years (subject to exercise of option at the end of three years) from the date of allotment February 26, 2014.	-	300,000,000	300,000,000	-
580 (March 31, 2015 : 580, 14.16%) 14.16% Secured Redeemable Non-Convertible Debentures of face value of Rs.1,000,000 each redeemable at par at the end of six years (subject to exercise of option at the end of three years) from the date of allotment July 17, 2014.	580,000,000	580,000,000	-	-
300 (March 31, 2015: 300, 14.7%) 14.70% Secured Redeemable Non-Convertible Debentures of face value of Rs.1,000,000 each redeemable at par at the end of six years (subject to exercise of option at the end of three years) from the date of allotment July 25, 2014.	300,000,000	300,000,000	-	-
450 (March 31, 2015: 450, 15%) 15% Secured Redeemable Non-Convertible Debentures of face value of Rs.1,000,000 each, Rs. 150,000,000 is redeemable after 2 years and balance at the end of three years from the date of allotment October 22, 2014.	300,000,000	450,000,000	150,000,000	-
300 (March 31, 2015: 300, 14.50%) 14.50% Secured Redeemable Non-Convertible Debentures of face value of Rs.1,000,000 each redeemable at par at the end of six years (subject to exercise of option at the end of three years) from the date of allotment March 31, 2015.	300,000,000	300,000,000	-	-
630 (March 31, 2015: Nil) 14.50% Secured Redeemable Non-Convertible Debentures of face value of Rs.1,000,000 each redeemable after six years (subject to exercise of option at the end of three years) from the date of allotment June 30, 2015.	630,000,000	-	-	-
370 (March 31, 2015: Nil) 14.09% Secured Redeemable Non-Convertible Debentures of face value of Rs.1,000,000 each redeemable after three years from the date of allotment August 19, 2015.	370,000,000	-	-	-
1000 (March 31, 2015: Nil) 13.15% Secured Redeemable Non-Convertible Debentures of face value of Rs.1,000,000 each redeemable after six years (subject to exercise of option at the end of three years) from the date of allotment Oct 29, 2015.	1,000,000,000			
Nature of security				
The above debentures are secured by way of first and exclusive charge over eligible book debts of the Company.				
Unsecured				

21 (March 31, 2015: 21, 16.78%) 16.78% Unsecured Redeemable Non-Convertible Debentures of face value of Rs.5,000,000 each redeemable at par in four equal installments on May 5, 2017, November 5, 2017, May 5, 2018 and November 5, 2018 respectively.

1140 (March 31, 2015: 1140, 14.95%) 14.95% (net of withholding tax as applicable) Unsecured Redeemable Non-Convertible Debentures of face value of Rs.100,000 each redeemable at par on May 5, 2019.

Secured

Indian rupee loan from banks

Indian rupee loan from financial institutions

Indian rupee loan from non banking finance companies

Unsecured

Indian rupee loan from financial institutions

Indian rupee loan from non banking finance companies

The above amount includes

Secured borrowings*

Unsecured borrowings**

Amount disclosed under the head "other current liabilities" (Note 7)

Net amount

105,000,000	105,000,000	-	-
114,000,000	114,000,000	-	-
4,977,107,926	2,635,736,505	8,404,515,974	6,193,803,797
1,420,392,601	331,279,667	1,071,961,105	398,830,423
474,963,202	233,781,585	485,208,413	152,885,146
400,000,000		-	
250,000,000		-	
11,221,463,729	5,849,797,757	10,911,685,492	7,055,519,366
10,352,463,729	5,630,797,757	10,911,685,492	7,055,519,366
869,000,000	219,000,000	-	-
		(10,911,685,492)	(7,055,519,366)
11,221,463,729	5,849,797,757	-	-

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

** Unsecured borrowings are in the nature of subordinated debts

5B. Short-term Borrowings

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-16	31-Mar-15
Loans repayable on demand from banks*	200,000,000	-
Total	200,000,000	-

5A. Long-term Borrowings

Terms of repayment of long term borrowings as on March 31, 2016

(Amount in Rupees unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 yr.		Due between 1 to 2 yrs.		Due between 2 to 3 yrs.		Due between 3 to 4 yrs.		Due between 4 to 5 yrs.		Due between 5 to 6 yrs.		Total
		No. of install-ments	Amount (in Rupees)	No. of install-ments	Amount (in Rupees)	No. of install-ments	Amount (in Rupees)	No. of install-ments	Amount (in Rupees)	No. of install-ments	Amount (in Rupees)	No. of install-ments	Amount (in Rupees)	
Monthly														
1-3 years	9.5%-10%	10	208,400,000	2	250,080,000	2	41,520,000	-	-	-	-	-	-	500,000,000
	10%-10.5%	9	107,142,857	12	142,857,143	-	-	-	-	-	-	-	-	250,000,000
	10.5%-11%	12	175,000,000	12	175,000,000	-	-	-	-	-	-	-	-	350,000,000
	11%-11.5%	23	532,424,242	11	415,151,517	1	166,666,665	-	-	-	-	-	-	1,114,242,424
	11.5%-12%	134	1,456,470,311	105	1,172,597,688	16	83,432,000	-	-	-	-	-	-	2,712,499,998
	12%-12.5%	180	1,866,429,214	156	1,583,134,809	58	380,578,832	-	-	-	-	-	-	3,830,142,855
	12.5%-13%	108	1,147,519,550	34	214,557,726	-	-	-	-	-	-	-	-	1,362,077,276
	13%-13.5%	98	875,384,787	36	184,122,031	3	9,091,000	-	-	-	-	-	-	1,068,597,818
	13.5%-14%	3	33,850,000	-	-	-	-	-	-	-	-	-	-	33,850,000
	14%-14.5%	12	125,000,000	4	41,666,665	-	-	-	-	-	-	-	-	166,666,665
Above 3 years	11.5%-12%	11	83,333,338	12	90,909,096	10	75,757,566	-	-	-	-	-	-	250,000,000
	12%-12.5%	12	88,888,889	3	22,222,222	-	-	-	-	-	-	-	-	111,111,111
	13%-13.5%	12	7,619,839	12	8,714,616	1	780,400	-	-	-	-	-	-	17,114,855
	13.5%-14%	4	16,666,668	4	16,666,668	2	8,333,330	-	-	-	-	-	-	41,666,666
	14%-14.5%	1	8,333,333	-	-	-	-	-	-	-	-	-	-	8,333,333
Quarterly														
1-3 years	11%-11.5%	12	925,000,000	2	37,500,000	-	-	-	-	-	-	-	-	962,500,000
	11.5%-12%	12	564,292,911	10	235,707,089	-	-	-	-	-	-	-	-	800,000,000
	12%-12.5%	25	845,535,714	9	475,000,000	1	31,250,000	-	-	-	-	-	-	1,351,785,714
	12.5%-13%	3	56,250,000	-	-	-	-	-	-	-	-	-	-	56,250,000
Above 3 years	14.5%-15%	3	50,000,001	-	-	-	-	-	-	-	-	-	-	50,000,001
	11.5%-12%	4	100,000,000	4	100,000,000	3	75,000,000	-	-	-	-	-	-	275,000,000
	12.5%-13%	8	66,666,667	2	16,666,665	-	-	-	-	-	-	-	-	83,333,331
	13.5%-14%	8	83,333,332	8	83,333,332	5	54,166,670	-	-	-	-	-	-	220,833,334
Half Yearly														
1-3 years	11%-11.5%	4	333,333,332	4	333,333,332	2	166,666,670	-	-	-	-	-	-	833,333,334
	15%-15.5%	4	1,685,506	-	-	-	-	-	-	-	-	-	-	1,685,506
Above 3 years	16.5%-17%	-	-	2	52,500,000	2	52,500,000	-	-	-	-	-	-	105,000,000
Annually														
1-3 years	11%-11.5%	1	100,000,000	-	-	-	-	-	-	-	-	-	-	100,000,000
	11.5%-12%	-	-	1	180,000,000	-	-	-	-	-	-	-	-	180,000,000
	12.5%-13%	1	3,125,000	-	-	-	-	-	-	-	-	-	-	3,125,000
	13%-13.5%	1	100,000,000	-	-	-	-	-	-	-	-	-	-	100,000,000
Above 3 years	14.5%-15%	1	150,000,000	1	300,000,000	-	-	-	-	-	-	-	-	450,000,000
Bullet														
Above 3 years	13%-13.5%	-	-	-	-	1	1,000,000,000	-	-	-	-	-	-	1,000,000,000
	14%-14.5%	2	500,000,000	-	-	3	1,300,000,000	1	580,000,000	-	-	-	-	2,380,000,000
	14.5%-15%	1	300,000,000	1	300,000,000	-	-	-	-	-	-	1	250,000,000	850,000,000
	15%-15.5%	-	-	-	-	-	-	-	-	-	-	1	400,000,000	400,000,000
	16.5%-17%	-	-	-	-	-	-	1	114,000,000	-	-	-	-	114,000,000
Grand Total		719	10,911,685,492	457	6,431,720,596	110	3,445,743,133	2	694,000,000	-	-	2	650,000,000	22,133,149,221

Terms of repayment of long term borrowings as on March 31, 2015

(Amount in Rupees unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 yrs.		Due between 2 to 3 yrs.		Due between 3 to 4 yrs.		Due between 4 to 5 yrs.		Due between 5 to 6 yrs.		Total
		No. of install-ments	Amount (in Rupees)	No. of install-ments	Amount (in Rupees)	No. of install-ments	Amount (in Rupees)	No. of install-ments	Amount (in Rupees)	No. of install-ments	Amount (in Rupees)	No. of install-ments	Amount (in Rupees)	
Monthly repayment schedule														
1- 3 Years	11.50% - 12.00%	12	368,750,000	12	75,000,000	1	6,250,000	-	-	-	-	-	-	450,000,000
	12.01% - 12.50%	16	157,037,061	9	90,000,000	-	-	-	-	-	-	-	-	247,037,061
	12.51% - 13.00%	111	1,125,233,643	59	667,092,846	6	44,800,000	-	-	-	-	-	-	1,837,126,489
	13.01% - 13.50%	205	2,836,326,501	117	1,416,779,405	17	58,726,260	1	780,400	-	-	-	-	4,312,612,566
	13.51% - 14.00%	77	832,883,341	3	33,850,000	-	-	-	-	-	-	-	-	866,733,341
	14.01% - 14.50%	10	87,500,011	12	125,000,000	4	41,666,667	-	-	-	-	-	-	254,166,678
	15.01% - 15.50%	12	4,574,523	4	1,685,506	-	-	-	-	-	-	-	-	6,260,029
Quarterly repayment schedule														
1- 3 Years	12.51% - 13.00%	21	428,571,429	13	271,428,571	-	-	-	-	-	-	-	-	700,000,000
	13.01% - 13.50%	22	443,809,522	14	255,238,095	2	16,666,667	-	-	-	-	-	-	715,714,284
	13.51% - 14.00%	11	362,500,000	3	37,500,000	-	-	-	-	-	-	-	-	400,000,000
	14.51% - 15.00%	9	376,666,668	3	50,000,001	-	-	-	-	-	-	-	-	426,666,669
	15.01% - 15.50%	4	15,000,000	-	-	-	-	-	-	-	-	-	-	15,000,000
Half Yearly repayment schedule														
1- 3 Years	15.01% - 15.50%	2	16,666,667	1	8,333,333	-	-	-	-	-	-	-	-	25,000,000
Above 3 years	16.51% - 17.00%	-	-	-	-	2	52,500,000	2	52,500,000	-	-	-	-	105,000,000
Yearly repayment schedule														
1- 3 Years	15.01% - 15.50%	-	-	1	150,000,000	1	300,000,000	-	-	-	-	-	-	450,000,000
Bullet repayment schedule														
Above 3 years	14.01% - 14.50%	-	-	-	-	-	-	-	-	3	1,080,000,000	1	300,000,000	1,380,000,000
	14.51% - 15.00%	-	-	-	-	-	-	-	-	1	300,000,000	1	300,000,000	600,000,000
	16.51% - 17.00%	-	-	-	-	-	-	-	-	1	114,000,000	-	-	114,000,000
Grand Total		512	7,055,519,366	251	3,181,907,757	33	520,609,594	3	53,280,400	5	1,494,000,000	2	600,000,000	12,905,317,117

6. Provisions

(Amount in Rupees unless otherwise stated)

Particulars	Long term		Short term	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
Provision for employee benefits				
Provision for gratuity	11,288,314	3,592,873	-	-
Provision for leave encashment	-	-	19,228,377	12,781,522
	11,288,314	3,592,873	19,228,377	12,781,522
Others provisions				
Contingent provision against standard assets (refer note 29)	76,431,202	21,304,745	169,930,475	107,707,182
Provision for non-performing assets (refer note 29)	19,799,076	4,944,752	-	-
Provision for taxation			18,283,441	
	96,230,277	26,249,497	188,213,916	107,707,182
Total	107,518,591	29,842,370	207,442,293	120,488,704

7. Other Current Liabilities

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-16	31-Mar-15
Expenses and other payables	197,493,224	58,359,939
Employee benefit payables	82,541,417	52,534,515
Payable towards securitisation	278,746,013	164,407,277
Other liabilities		
Current maturities of long-term borrowings (refer note 5A)	10,911,685,492	7,055,519,366
Interest accrued but not due:		
- On term loans	68,464,037	19,859,667
- On debentures	176,248,758	103,430,641
- Statutory dues payable	26,758,467	20,116,223
Unamortized income		
Unamortised gain on securitisation	-	25,756,176
Unamortised interest income	2,625,543	4,015,349
Total	11,744,562,951	7,503,999,153

8. Tangible Assets

(Amount in Rupees unless otherwise stated)

Particulars	Computer	Electrical Equipment	Furniture & Fixtures	Leasehold Improvement	Office equipments	Vehicle	Total
As at April 1, 2014	17,037,796	1,213,320	11,327,554	1,619,407	11,401,324	5,247,667	47,847,068
Additions	9,426,106	161,024	3,221,496	-	3,939,187	2,014,637	18,762,450
Disposals	859,155	-	8,669	-	1,086,088	390,375	2,344,287
As at March 31, 2015	25,604,747	1,374,344	14,540,381	1,619,407	14,254,423	6,871,929	64,265,231
Additions	10,869,864	630,810	7,564,639	19,337,208	5,630,948	1,687,104	45,720,572
Disposals	773,502	-	5,588	-	879,798	2,700,878	4,359,766
As at March 31, 2016	35,701,109	2,005,154	22,099,432	20,956,615	19,005,573	5,858,155	105,626,037
Depreciation							
As at April 1, 2014	10,377,340	723,261	6,641,478	911,179	2,333,038	2,082,839	23,069,135
Depreciation charge for the year	7,040,436	258,828	2,186,698	28,473	6,792,810	1,071,003	17,378,248
Disposals	697,420	-	8,669	-	862,726	285,143	1,853,958
As at March 31, 2015	16,720,356	982,089	8,819,507	939,652	8,263,122	2,868,699	38,593,425
Depreciation charge for the year	6,112,447	728,883	4,477,582	2,575,343	2,679,899	860,866	17,435,021
Disposals	675,560	-	5,588	-	706,745	2,193,281	3,581,173
As at March 31, 2016	22,157,243	1,710,972	13,291,501	3,514,995	10,236,276	1,536,284	52,447,273
Net Block							
As at March 31, 2015	8,884,391	392,255	5,720,874	679,755	5,991,301	4,003,229	25,671,805
As at March 31, 2016	13,543,866	294,182	8,807,931	17,441,620	8,769,297	4,321,871	53,178,764

9. Intangible Assets

(Amount in Rupees unless otherwise stated)

Particulars	Computer Software	Goodwill	Total
As at March 31, 2014	9,939,284	76,000,000	85,939,284
Additions	11,852,528	-	11,852,528
As at March 31, 2015	21,791,812	76,000,000	97,791,812
Purchase	57,323,028		57,323,028
Internal Development	41,371		41,371
As at March 31, 2016	79,073,469	76,000,000	155,073,469
Amortization			
As at April 1, 2014	8,435,654	76,000,000	84,435,654
Depreciation charge for the year	1,849,850		1,849,850
As at March 31, 2015	10,285,504	76,000,000	86,285,504
Depreciation charge for the year	8,621,826	-	8,621,826
Disposal	17,635	-	17,635
As at March 31, 2016	18,889,694	76,000,000	94,889,694
Net Block			
As at March 31, 2015	11,506,308	-	11,506,308
As at March 31, 2016	60,183,775	-	60,183,775

10. Non-current Investments

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-16	31-Mar-15
Non trade investments (valued at cost unless stated otherwise)		
Investment in equity shares (Unquoted) 200,000 (March 31, 2015: 200,000) equity shares of Rs 10 each of Alpha Microfinance Consultants Private Limited	2,000,000	2,000,000
Total	2,000,000	2,000,000

11. Deferred Tax Asset (NET)

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-16	31-Mar-15
Deferred tax liabilities		
Impact of amortisation of ancilliary borrowing cost	26,690,585	23,858,108
Gross deferred tax liabilities	26,690,585	23,858,108
Deferred tax assets		
Impact of difference between tax depreciation and depreciation/amortisation charged to profit and loss	2,370,824	3,978,313
Impact of expenditure charged to profit and loss in the current year but allowed for tax purpose on payment basis	6,654,941	4,423,685
Impact of provision against other assets	9,165,400	4,706,171
Impact of provision against standard assets and non-performing assets	92,118,237	46,362,407
Gross deferred tax assets	110,309,402	59,470,577
Net deferred tax assets	83,618,817	35,612,469
Deferred tax assets recognised	83,618,817	35,612,469

12. Loans and Advances

(Amount in Rupees unless otherwise stated)

Particulars	Non-current		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
A. Portfolio Loans				
Unsecured considered good*				
Joint liability group loans	7,640,515,871	2,620,004,965	16,993,047,468	10,770,718,178
Unsecured considered doubtful**				
Joint liability group loans	19,799,076	4,944,752	-	-
(A)	7,660,314,947	2,624,949,717	16,993,047,468	10,770,718,178
* Represents standard assets in accordance with Company's asset classification policy (refer note 2.1.(r) & 29)				
** Represents non-performing assets in accordance with Company's asset classification policy (refer note 2.1.(r) & 29)				
B. Security Deposits				
Unsecured, considered good	38,147,593	24,214,478	-	-
(B)	38,147,593	24,214,478	-	-
C. Advances recoverable in cash or kind				
Unsecured, considered good	-	2,772,913	27,396,741	43,487,005
Unsecured, considered doubtful	22,966,275	5,502,460	-	-
	22,966,275	8,275,373	27,396,741	43,487,005
Less: Provision for doubtful advances	(22,966,275)	(5,502,460)	-	-
(C)	-	2,772,913	27,396,741	43,487,005
D. Other loans and advances (Unsecured, considered good)				
Advance income tax (net of provision for taxation)	10,887,154	46,868,513	-	-
Prepaid expenses	59,126	209,383	14,672,870	6,578,314
Loans and advances to employees	2,845,206	4,003,387	6,518,163	6,707,538
(D)	13,791,486	51,081,282	21,191,032	13,285,852
Total (A+B+C+D)	7,712,254,026	2,703,018,391	17,041,635,241	10,827,491,035

13. Other Assets

(Amount in Rupees unless otherwise stated)

Particulars	Non-current		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
Non-current bank balances (refer note 14)	357,254,390	686,000,002	-	-
Unamortized expenditure				
- Share issue expenses	3,777,589	6,456,475	2,593,618	2,558,352
- Ancillary borrowing costs	28,763,320	24,786,014	49,570,299	45,697,105
Interest accrued but not due on deposits placed with banks	18,842,553	24,861,312	56,678,852	37,363,436
Interest accrued but not due on deposits placed with financial institution	158,513	1,271,312	2,721,625	-
Interest accrued but not due on portfolio loans	-	-	76,482,839	34,644,312
Interest accrued and due on portfolio loans	-	-	1,276	78,327
Other current assets	11,500,000	17,500,000	19,821,652	3,961,925
Total	420,296,365	760,875,115	207,870,161	124,303,457

14. Cash and Bank Balances

(Amount in Rupees unless otherwise stated)

Particulars	Non-current		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
Cash and bank balances				
Balance with banks				
- On current accounts	-	-	1,114,872,101	724,121,575
- Deposits with original maturity of less than 3 months	-	-	550,000,000	1,000,000,000
- Cash in hand	-	-	161,962,446	109,478,824
	-	-	1,826,834,547	1,833,600,399
Other bank balances				
Margin money deposits*	357,254,390	686,000,002	722,312,907	570,142,882
Other than margin money deposits	-	-	-	394,001,545
	357,254,390	686,000,002	722,312,907	964,144,427
Amounts disclosed under non-current assets (note 13)	(357,254,390)	(686,000,002)	-	-
Total	-	-	2,549,147,454	2,797,744,826

* Represents margin money deposits placed to avail tem loans from banks, financial institutions, non banking financial companies and as cash collateral in connection with securitisation transactions.

15. Revenue from operations

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-16	31-Mar-15
Interest on portfolio loans	4,064,852,832	2,238,733,495
Income from securitization and asset assignment (refer note 35 (d))	60,029,623	156,302,461
Other operating revenue		
Loan processing fees	335,194,918	189,317,658
Interest on margin money deposits*	104,375,895	85,847,548
Recovery against loans written offs	5,047,402	11,402,205
Total	4,569,500,670	2,681,603,367

* Represents interest on margin money deposits placed to avail tem loans from banks, financial institutions, non banking financial companies and as cash collateral in connection with securitisation transactions.

16. Other Income

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-16	31-Mar-15
Interest on fixed deposits	36,757,956	56,159,110
Income recognised towards amount received for technical assistance	5,631,196	11,289,571
Profit from sale of investments	38,332,121	44,053,348
Miscellaneous Income	16,964,140	21,175,372
Total	97,685,413	132,677,401

17. Employee Benefits Expense*(Amount in Rupees unless otherwise stated)*

Particulars	31-Mar-16	31-Mar-15
Salaries and bonus	615,599,007	377,958,674
Contribution to provident fund and other funds	53,883,524	34,039,033
Leave encashment and availment	10,334,152	5,168,185
Leave travel allowance	11,243,848	10,461,634
Gratuity	11,288,314	3,597,152
Staff welfare expenses	1,970,388	1,251,140
Stock option expenditure	2,396,664	3,899,726
Total	706,715,897	436,375,544

18. Finance Costs*(Amount in Rupees unless otherwise stated)*

Particulars	31-Mar-16	31-Mar-15
Interest expense		
- On debenture	572,906,728	322,901,414
- On term loans from banks	1,118,831,554	786,072,595
- On term loans from financial institution	161,839,343	38,788,505
- On term loans from non banking finance companies	105,920,689	44,200,554
- On loans payable on demand from banks	2,073,336	-
Other borrowing costs	111,011,129	86,007,839
Bank charges	1,695,598	956,725
Total	2,074,278,377	1,278,927,632

19. Other Expenses*(Amount in Rupees unless otherwise stated)*

19. Other expenses	31-Mar-16	31-Mar-15
Rent	50,551,705	29,026,776
Rates and taxes	794,358	598,881
Insurance	1,683,448	1,507,126
Repairs and maintenance		
- Repairs to building	26,516,313	12,957,760
- Repairs to machinery	760,705	619,894
Others	24,562	55,818
Electricity	7,047,273	4,229,640
Travelling and conveyance	120,723,768	76,036,775
Postage and telecommunication	36,326,806	22,717,100
Printing and stationery	28,456,667	23,679,699
Professional and consultancy charges	14,366,973	10,663,132
Credit bureau expenses	10,940,281	9,907,280
Directors sitting fees	1,242,500	570,000
Auditors remuneration		
- Audit fees	5,800,000	2,225,000

- Out of pocket fees	460,862	315,274
Training expenses	24,465,472	20,611,812
Donations	34,369,467	14,836,743
Corporate social responsibility expenses	7,518,593	-
Other administrative expenses	19,570,137	16,055,548
Provision for other assets	24,732,012	3,957,568
Total	416,351,902	250,571,826

Particulars	31-Mar-16	31-Mar-15
As auditor:		
Audit fee	2,000,000	1,350,000
Limited review	850,000	700,000
Others	2,800,000	-
In other capacity		
Certification services	150,000	175,000
Reimbursement of expenses	460,862	315,274
Total	6,260,862	2,540,274

20. Depreciation and Amortisation Expense

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-16	31-Mar-15
Depreciation of tangible assets	17,435,021	17,378,249
Amortisation of intangible assets	8,621,826	1,849,850
Total	26,056,847	19,228,099

21. Provision and write-offs

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-16	31-Mar-15
Contingent provision against standard assets (refer note 2.1 (s) & 29)	117,349,750	62,936,337
Provision for non-performing assets (refer note 2.1 (s) & 29)	14,854,324	4,163,744
Portfolio loans and other balances written off	7,969,075	1,282,801
Total	140,173,149	68,382,882

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

Key management personnel	Ms. Vinatha M. Reddy, Non-executive Chairperson Mr. Suresh K. Krishna, Director (Managing Director up to July 15, 2015) Mr. Udaya Kumar, Managing Director & CEO (Managing Director with effect from July 15, 2015)
Holding Company*	CreditAccess Asia NV (erstwhile MicroVentures Asia BV)

*By virtue of shareholding of Credit Access Asia NV in the Company.

Particulars	Key management personnel	
	March 31, 2016	March 31, 2015
Transactions during the year		
Ms. Vinatha M. Reddy		
Ex-gratia payment	-	2,099,242
Sitting fee	180,000	90,000
Rent	334,476	321,984
Mr. Suresh K. Krishna		
Salary, perquisites and ex-gratia payment	8,771,956	13,339,320
Transfer of assets	425,031	-
Sitting fee	175,000	-
Mr. Udaya Kumar		
Salary and perquisites	7,165,638	-

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, 2016	March 31, 2015
For purchase/development of computer software	-	13,794,824

25. Contingent liabilities

Particulars	March 31, 2016	March 31, 2015
Credit enhancements provided by the Company towards securitization transactions	82,240,662	172,828,413
Performance security provided by the Company pursuant to service provider agreement	2,587,850	1,413,655

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, 2016	For the year ended March 31, 2015
Current service cost	8,904,879	4,838,201
Interest cost on benefit obligation	1,471,756	1,308,670
Expected return on plan assets	(1,384,190)	(1,902,045)
Net actuarial (gain) / loss recognised	2,295,868	(647,674)
Past service cost	-	-
Net employee benefit expense	11,288,314	3,597,152
Actual return on plan assets	1,533,456	1,156,312

Balance sheet

Details of provision for gratuity:

Particulars	March 31, 2016	March 31, 2015
Defined benefit obligation	30,688,974	20,310,655
Plan assets	(19,400,660)	(16,717,752)
Plan liability	11,288,314	3,592,903

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

Particulars	Gratuity	
	March 31, 2016	March 31, 2015
Opening defined benefit obligation	20,310,655	18,041,523
Interest cost	14,71,756	13,08,670
Past service cost	-	-
Current service cost	8,904,879	4,838,201
Benefits paid	(2,443,451)	(2,484,333)
Actuarial (gains) / losses on obligation	2,445,134	(1,393,407)
Closing defined benefit obligation	30,688,973	20,310,654

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

Particulars	Gratuity	
	March 31, 2016	March 31, 2015
Opening fair value of plan assets	16,717,782	4,324,362
Expected return	1,384,190	1,902,045
Contributions by employer	3,592,873	13,721,411
Benefits paid	(2,443,451)	(2,484,333)
Actuarial gains / (losses)	149,266	(745,733)
Closing fair value of plan assets	19,400,660	16,717,752

The Company expects to contribute Rs.11,288,314 (March 31, 2015:Rs.7,036,098) 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, 2016	March 31, 2015
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, 2016	March 31, 2015
Discount rate	7.71%	7.79%
Expected rate of return on assets	8.00%	9.00%
Salary escalation rate per annum	10%	10% for the first five years and 7% thereafter
Rates of leaving service	14.34%	18.97%

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				
	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12
Defined benefit obligation	30,688,974	20,310,655	18,041,524	9,239,218	5,797,813
Plan assets	19,400,660	16,717,752	4,324,392	5,395,979	3,633,569
Surplus / (deficit)	11,288,314	(3,592,902)	(13,717,132)	(3,843,239)	(2,164,244)
Experience adjustments on plan liabilities	2,445,134	(1,393,407)	(5,016,023)	(2,117,859)	(491,242)
Experience adjustments on plan assets	(149,266)	745,733	335,598	1,090	(16,970)

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

a. Earnings in foreign currency:

Particulars	March 31, 2016	March 31, 2015
Amount received towards technical assistance	5,631,196	9,848,043

b. Expenditure in foreign currency:

Particulars	March 31, 2016	March 31, 2015
Travelling expenses	490,539	1,434,529
Training expenses	278,827	526,516
Professional charges	-	486,699
Purchase of software product	23,971,503	16,784,250
Annual software maintenance cost	8,668,039	-
Total	33,408,908	19,231,994

28. Earnings per share (EPS)

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

Particulars	March 31, 2016	March 31, 2015
Net profit for calculation of EPS	837,761,210	494,558,095
Weighted average number of equity shares – basic EPS	72,953,433	53,282,200
Effect of dilution: Stock options granted under ESOP *	1,198,824	803,787
Weighted average number of equity shares – diluted EPS	74,352,129	54,085,987
Basic EPS (Rs.)	11.48	9.28
Diluted EPS (Rs.)	11.30	9.14
Nominal value of shares (Rs.)	10.00	10.00

29. Loan portfolio and provision for standard and non-performing assets as at March 31, 2016:

(Rupees in Crores)

Asset Classification	Portfolio loans outstanding (Gross)		Provision for standard and substandard assets			Portfolio loans outstanding (Net)	
	March 31, 2016	March 31, 2015	March 31, 2015	Additions in 2015-16	March 31, 2016	March 31, 2016	March 31, 2015
Standard	2,463.28	1,339.08	12.90	11.73	24.63	2438.65	1,326.18
Non-performing	1.98	0.49	0.49	1.49	1.98	-	-
Total	2465.26	1,339.57	13.39	13.22	26.61	2438.65	1,326.18

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

(Rupees in Crores)

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

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, 2016	March 31, 2015
Operating lease payments recognised during the year	50,551,705	29,026,776
Minimum lease obligations		
Not later than one year	12,350,000	-
Later than 1 year but not later than 5 years	46,957,575	-
Later than 5 years	-	-

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, 2016, 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, 2016	March 31, 2015
Amounts received as technical assistance	5,631,196	11,289,571

33. Stock Options

During the year ended March 31, 2016, 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)	4.01	5.51	6.18
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, 2016	March 31, 2015
Tranche I		
Options outstanding at the beginning of the year	635,926	641,176
Granted during the year	-	-
Forfeited during the year	8,750	5,250
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	627,176	635,926
Exercisable at the end of the year (refer note below)	627,176	546,926
Tranche II		
Options outstanding at the beginning of the year	604,339	631,339
Granted during the year	-	-
Forfeited during the year	12,000	27,000
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	592,339	604,339
Exercisable at the end of the year (refer note below)	367,339	256,339
Tranche III		
Options outstanding at the beginning of the year	437,000	-
Granted during the year	-	443,000
Forfeited during the year	1,500	6,000
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	435,500	437,000
Exercisable at the end of the year	109,250	-

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.

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, 2016	Year ended March 31, 2015
Profit after tax as reported	837,761,209	494,558,095
Add: ESOP cost using intrinsic value method	2,396,664	3,899,726
Less: ESOP cost using fair value method	5,563,449	14,500,836
Profit after tax (adjusted)	834,594,425	483,946,985
Earnings Per Share		
Basic		
- As reported	11.48	9.28
- Adjusted for ESOP cost using fair value method	11.44	9.08
Diluted		
- As reported	11.30	9.14
- Adjusted for ESOP cost using fair value method	11.22	8.95

Particulars	As at March 31, 2016	As at March 31, 2015
Stock options outstanding (gross)	8,775,014	9,029,234
Deferred compensation cost outstanding	1,891,644	4,542,528
Stock options outstanding (net)	6,883,370	4,486,706

Figures in the above table are computed based on original vesting schedule of options

34. Provision for fraud and misappropriation

An amount of Rs.5,215,846 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, 2016.

35. Disclosures required by the RBI

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

(Rupees in crore)

Particulars	March 31, 2016	March 31, 2015
CRAR (%)	21.47%	28.14%
CRAR-Tier I Capital (%)	17.59%	26.56%
CRAR-Tier II Capital (%)	3.88%	1.58%
Amount of subordinated debt raised as Tier II capital	65.00	-
Amount raised by issue of Perpetual Debt Instruments	-	-

b. Investments*(Rupees in crore)*

Particulars	March 31, 2016	March 31, 2015
1 Value of Investments		
(i) Gross Value of Investments		
(a) in India	0.20	0.20
(b) outside India	-	-
(ii) Provisions for Depreciation		
(a) in India	-	-
(b) outside India	-	-
(iii) Net Value of Investments		
(a) in India	0.20	0.20
(b) 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.

The Company has no unhedged foreign currency exposure as on March 31, 2016 (March 31, 2015: Nil).

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	As at March 31, 2016	As at March 31, 2015
Number of loans securitized	161,856	231,730
Book value of loans securitized (refer note 1)	963,516,336	1,641,353,236
Sale consideration received (refer note 1)	960,292,141	1,678,670,478
Income recognised in statement of profit and loss	59,835,235	156,302,461

Particulars	As at March 31, 2016	As at March 31, 2015
Principal outstanding of loans securitized	734,396,449	1,074,976,661
Credit enhancements provided and outstanding:		
Cash collateral	100,425,116	233,741,182

Note 1: For the year ended March 31, 2016, the amount includes Rs.3,224,194 (Previous year: Rs. 16,532,996) 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)

Particulars	As at March 31, 2016	As at March 31, 2015
No of SPVs sponsored by the NBFC for securitization transactions	4	14
Amount of securitized assets as per books of SPV sponsored by NBFC	740,300,748	1,220,301,000
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	100,425,116	233,742,000
• 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		
i. Exposure to own securitizations		
• Others	-	-
ii. 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, 2016:

(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	73.97	55.78	104.58	281.54	595.30	987.75	69.40	65.00	2,233.31
Advances*	191.87	190.50	174.88	460.08	687.16	768..89	-	-	2473.38
Investments	-	-	-	-	-	-	-	0.20	0.20
Foreign currency assets	-	-	-	-	-	-	-	-	-
Foreigncurrency liabilities	-	-	-	-	-	-	-	-	-

* Net of provision for non-performing assets

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

(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	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	-	-	-	-	-	-	-	-	-
Foreigncurrency 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

(Rupees in crore)

Particulars	Name of rating agency	Date of rating	Rating / (Previous year rating)	Borrowing limit / conditions imposed by rating agency	Valid up to
Long term debt	ICRA	Jun-15	A- / BBB+	1013.27	11-Jun-16
Non-convertible debentures	ICRA	Jun-15	A- / BBB+	318	11-Jun-16
Non-convertible debentures	ICRA	Jun-15	A- / NA	200	11-Jun-16
Subordinated debt	ICRA	Jun-15	A- / BBB+	22	11-Jun-16
Commercial paper	ICRA	Jun-15	A2+ / NA	200	11-Jun-16
Organization rating	CRISIL	Sep-15	mfR1 / mfR2	NA	1-Sep-16

Securitisation	ICRA	Oct-14	BBB / NA	30.11	Aug-17
Securitisation	ICRA	Oct-14	B- / NA	1.59	Aug-17
Securitisation	India Rating	Feb-15	A- / NA	25.11	Sep-16
Securitisation	India Rating	Feb-15	BB- / NA	2.51	Sep-16
Securitisation	ICRA	Feb-16	A-(SO) / NA	63.9	Oct-16
Securitisation	ICRA	Feb-16	BB-(SO) / NA	7.12	Apr-17
Securitisation	India Rating	Feb-16	A-(SO) / NA	25.00	Apr-17
Securitisation	India Rating	Feb-16	NA	0.32	Apr-17

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

(Rupees in crore)

Particulars	March 31, 2016	March 31, 2015
Provision for standard assets	11.73	6.29
Provision for non-performing assets	1.49	0.42
Provision for income tax	51.39	28.91
Provision for gratuity	1.13	0.36
Provision for leave encashment	1.03	0.52
Provision fraud and misappropriation (net of recoveries)	-	(0.16)
Provision for other assets (net)	1.74	0.05
Total	68.51	36.39

o. Drawdown from reserves:

There has been no draw down from reserves during the year ended March 31, 2016 (previous year: Nil)

p. Concentration of advances, exposures and NPAs

Particulars	March 31, 2016	March 31, 2015
Concentration of advances		
Total advances to twenty largest borrowers	0.12	0.10
(%) of advances to twenty largest borrowers to total advances	0.01%	0.01%
Concentration of exposures		
Total exposure to twenty largest borrowers / customers	0.12	0.12
(%) of exposures to twenty largest borrowers / customers to total exposure	0.01%	0.01%
Concentration of NPAs		
Total Exposure to top four NPA accounts	0.01	0.04

q. Sector-wise NPAs*(Rupees in crore)*

Sr. No.	Sector	Percentage of NPAs to Total Advances in that sector as at March 31, 2016	Percentage of NPAs to Total Advances in that sector as at March 31, 2015
1	Agriculture and allied activities	0.05%	0.01%
2	MSME	-	-
3	Corporate borrowers	-	-
4	Services	0.09%	0.02%
5	Unsecured personal loans	0.15%	0.01%
6	Auto loans	-	-
7	Other personal loans	-	-

r. Movement of NPAs*(Rupees in crore)*

Particulars	March 31, 2016	March 31, 2015
(i) Net NPAs to Net Advances (%)	-	-
(ii) Movement of NPAs (Gross)		
(a) Opening balance	0.49	0.08
(b) Additions during the year	2.28	0.55
(c) Reductions during the year (loans written off)	0.80	0.12
(d) Closing balance	1.98	0.49
(iii) Movement of Net NPAs		
(a) Opening balance	-	-
(b) Additions during the year	-	-
(c) Reductions during the year	-	-
(d) Closing balance	-	-
(iv) Movement of provisions for NPAs		
(a) Opening balance	0.49	0.08
(b) Provisions made during the year	2.28	0.55
(c) Write-off / write-back of excess provisions	0.80	0.12
(d) Closing balance	1.98	0.49

s. Disclosure of customer complaints

Sr. No	Particulars	No. of complaints
a.	No. of complaints pending at the beginning of the year	8
b.	No. of complaints received during the year	953
c.	No. of complaints redressed during the year	959
d.	No. of complaints pending at the end of the year	2

t. Information on instances of fraud

Instances of fraud reported during the year ended March 31, 2016: Nil

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

(Rupees)

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount provided
Cash Embezzlement	1	50,528	1,198	24,665

u. The net interest margin (NIM)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Average interest (a)	24.04%	24.54%
Average effective cost of borrowing (b)*	14.11%	14.99%
Net interest margin (a-b)	9.93%	9.56%

* "Average effective cost of borrowing" above includes an amount of Rs.4,966,831 (Previous year: Rs.11,726,571) incurred towards processing of securitisation transactions.

v. The Company has not disbursed any loans against the security of gold**36. Corporate social responsibility**

a. Gross amount required to be spent during the year is Rs. 7,518,593.

b. Details of amounts spent during the year:

Particulars	Amount spent in cash	Yet to be paid in cash	Total
i) Construction/acquisition of any asset	-	-	-
ii) On purpose other than (i) above	7,518,593		7,518,593

37. 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.

38. Previous year's figures have been regrouped where necessary to conform to this year's classification.

For S.R. BATLIBOI & CO. LLP
Chartered Accountants
ICAI Firm's Registration Number: 301003E/E300005

Sd/-
per Jayesh Gandhi
Partner
Membership No.037924

Place: Mumbai
Date: May 21, 2016

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

Sd/-
Udaya Kumar
Managing Director

Sd/-
Vinatha M Reddy
Chairman

Sd/-
Diwakar B R
Chief Financial Officer
Date:

Sd/-
Darshana Kothari
Company Secretary