



ANNUAL REPORT 2016-17

What our customers say

I've learnt that utilising a loan for the purpose it's taken will give maximum benefits and peace of mind

- Gowramma

Jagruti taught me that a nutritious diet makes a healthy body and mind

- Rajamma

Grameen Koota has supported my family. I'm now taking an oath to support their sanitation campaign

- Lakshmi

I'm educating my brother's children with Grameen Koota Education Loan

- Saifunnisa

We availed cashless hospitalization through the health care card when my husband had to undergo surgery. It saved us from a big crisis

- Naseema

Our business improved when I got easy access to working capital

- Shaheena Begum

I learnt a lot about water and sanitation from Grameen Koota's social awareness events

- Shivamma

What I like about Grameen Koota is the range of their products. We can get loans from Rs. 1000 to Rs. 50,000 for various needs

- Sushma Satish

Grameen Koota is not only giving loans to its members, it also takes care of health issues; it's the best MFI!

- Gangamma

I've been with Grameen Koota for over a decade. It's like home to me

- Rahima

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Message from the Founder & Chairperson

Mrs. Vinatha M. Reddy

Though it is a pleasure to be presenting Grameen Koota's 18th Annual Report in a row, I submit it has been a challenging year, especially the last six months, not only at Grameen Koota but for the MFI sector as a whole.

It was work as normal at the company, opening new branches, recruiting and training of new employees, acquiring clients in new geographies, growing in a normal well planned manner. On 8th November 2016, demonetization happened. Across the microfinance sector which is by and large a cash intensive business, the impact of demonetization was deeply felt. There was reduced on-time repayment as also reduced disbursement.

Apart from this setback, the most damaging impact has been the role of vested interests and groups who spread loan waiver rumours and even tried to cash in on the same. The impact of this situation has been more damaging for the whole sector, than demonetization itself. Industry bodies like MFIN, Sa-Dhan and AKMI are working overtime to normalize the situation by taking up the repayment and rumour issues with the RBI and state governments for resolution.

These last six months have also tested our policies, practices and systems. Without any doubt Grameen Koota's core strengths, its responsible business practices, its culture of maintaining strong client relationships, the leadership of our well experienced field staff have enabled the company to manage, control and normalize the situation better, in all affected geographies. Our response to challenges has strengthened the organization and Grameen Koota stands strong and resilient.

This year saw the launch of our Retail Finance branches, in direct response to the demands of our long-standing customers and their needs for larger amount of credit. It continued to be a year of rating upgrades, transparency and client protection citations, and awards for promoting sanitation. The year also saw the strengthening of the Company's capital base with further infusion of equity.

Grameen Koota has been able to successfully implement its CSR mandate in partnership with Navya Disha. Under this partnership, excellent work is being carried out in the areas of water, sanitation and financial literacy, impacting Grameen Koota's working area. Yeoman service rendered in neighbourhood schools on career guidance, building awareness amongst Grama Panchayath leaders and conducting social awareness campaigns have been the great hallmarks of this partnership.

As we look forward to the new fiscal, I am sure that Grameen Koota will grow from strength to strength with every experience. I am proud of all the members of the Board and the employees of Grameen Koota who have proved time and again their commitment to our vision. As long as our customers continue to remain in the forefront of our focus, I am confident that Grameen Koota will continue to scale new heights.





Message from the Managing Director & CEO Mr. Udaya Kumar

I am extremely happy to present the 18th Annual Report of Grameen Koota, having transitioned ourselves as a major player in Microfinance now. Our continued focus on sustainability and social focus gave us a special place among our stakeholders, especially our women customers and employees. The trust that we developed with our customers and employees over the years had passed the testing time once during the MFI crisis of 2010 and once again now, in this extraordinary situation that emerged post demonetization and the subsequent impact to cash intensive industries like microfinance.

We have been successful with our philosophy of building a 'financially sustainable & socially responsible' Grameen Koota.

We have completed another successful financial year 2016-17, though there has been some growth holiday since November 2016. We completed our planned expansion with the opening of 95 new branches, expanding our operations to 96 districts in the operating five states. We have piloted a new line of business for our customers who require higher funding for their business in the form of Retail Finance. The number of customers increased by 2.67 lakhs during the year and we closed the year with portfolio of Rs 3,075 crore with annual growth rate of 21%.

We were able to achieve all our planned social programs during the year, budgeted with 5% of our annual profit. With various awareness campaigns on Sanitation, Safe Water, Financial Literacy we were able to reach to 9,88,852 households during the year; 1,28,121 customers built toilets during the year and 38,674 customers got access to safe water in their homes, while 9,829 customers enhanced the quality of their living quarters. Our flagship customer awareness program 'Jagruti' continued to create awareness on important social aspects to our customers by adding another 28 important topics.

Our work in sanitation added another feather in our cap with the "ISC-FICCI" award for "Best Financial Accessibility for Sanitation", validating our efforts.

Once again, we had an opportunity to welcome Nobel Laureate Prof Yunus to our office in February 2017. His appreciation of Team Grameen Koota's efforts was music to our ears, and his address was quite inspiring.

We received outstanding support from all our lenders and various partners during the year. We retained or improved all our ratings, which were reviewed during the year.

Our majority investor CreditAccess Asia(CAA) was positioned as single investor in the company with over 99% of equity during the year, and infused Rs 350 crore additional capital into the company. My sincere thanks to the CAA Board, particularly Mr. Paolo Brichetti, for such support and for sharing the common vision of Grameen Koota.

I thank my Board of Directors who have been a strong support and guide for the success of Grameen Koota. My heartfelt thanks to all my colleagues in Grameen Koota who have been continuously working with sincerity and dedication. Without their continuous connect with our customers, it would have been a most difficult period for Grameen Koota during this financial year.

My salute to our ever-sincere customers, who are the back bone of Grameen Koota.



Message from the Group Chief Executive Officer, CreditAccess Asia Mr. Paolo Brichetti

As the largest company in the CreditAccess group, Grameen Koota has been able to provide support and experience to all the other operating companies of the CAA group active in Indonesia, Philippines and Vietnam during FY16-17, to their benefit. The organization has also been able to handle unforeseen business adversities with strength and resilience.

The demonetization event, which occurred in November 2016, was a once-in-a-lifetime event. Its consequences, together with subsequent localised events had a significant impact on a large segment of India's cash-based economy. Naturally, its effects were felt on all unsecured & rural-lending businesses.

It is a testimony to the strength of Grameen Koota's team that they have been able to steer the business through this adverse short-term environment and gradually get it back on track. When we compare Grameen Koota with its competitors within the industry and outside (such as Small Finance Banks, BC agents, SHGs) we can see the superior ability of Grameen Koota's team in retaining customers' commitment to repay their outstanding loans.

I am greatly encouraged by Grameen Koota's social focus. Its CSR programs in water & sanitation, affordable health care and customer awareness have improved the lives of over 2.2 million people at the bottom of the pyramid. This has undoubtedly contributed to Grameen Koota's high customer retention rates. It has also won several accolades for Grameen Koota. I congratulate the Management and the workforce for their unwavering focus on customer well-being.

On behalf of CreditAccess' Board of Directors, I would like to thank all the Board members and staff of Grameen Koota, whose hard work and commitment has made possible several achievements in 2016-17. I look forward to your continued efforts every day to maintain our competitive position and to shape a successful future.



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

-Charles Malik



Our 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.



Our Mission

We exist:

To transform and uplift the lives of poor and low-income families with micro-finance and other development services.

To be a sustainable, friendly and trusted provider of affordable and need-based services.



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 overarching principles that we abide by is encapsulated in **CREATE**



CREATE stands for:

- | | |
|--------------------|---|
| COMMITTED | We shall honour all our commitments. We are committed to our mission. |
| RELIABLE | We shall not deviate from any of the policies and procedures. |
| EMPATHETIC | 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. |
| ACCOUNTABLE | We shall be accountable for all our deeds, actions and words. |
| TRANSPARENT | We shall provide full disclosures, to all our clients, in terms of the services and fees. We shall make our financial statements, reports and accounts as clear and as comprehensive as possible. |
| EFFICIENT | 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. Prabha Raveendranathan

Independent Director

Mr. Udaya Kumar

Managing Director and CEO

Mr. Anal Kumar Jain

Independent Director

Mr. Suresh K Krishna

Director

Mr. M.N. Gopinath

Independent Director

Mr. Paolo Brichetti

Investor Director

Mr. Sumit Kumar

Investor Director

Mr. George Joseph

Independent Director



*as of March 31, 2017

MANAGEMENT TEAM



UDAYA KUMAR

Managing Director & CEO



B.R. DIWAKAR

Chief Financial Officer



GURURAJ K S RAO

Senior Vice President
Internal Audit & Risk Management



ARUN KUMAR B

Head – Information Technology



ANSHUL SHARAN

Head – Strategy & Planning



SRIVATSA H N

State Business Head
Karnataka & Tamil Nadu



GOPAL REDDY

State Business Head
Maharashtra, Madhya Pradesh & Chhattisgarh



HARIDARSHINI A

Head - Human Resources



K.N. NAGANANDA KUMAR

Head - Centralised Operations



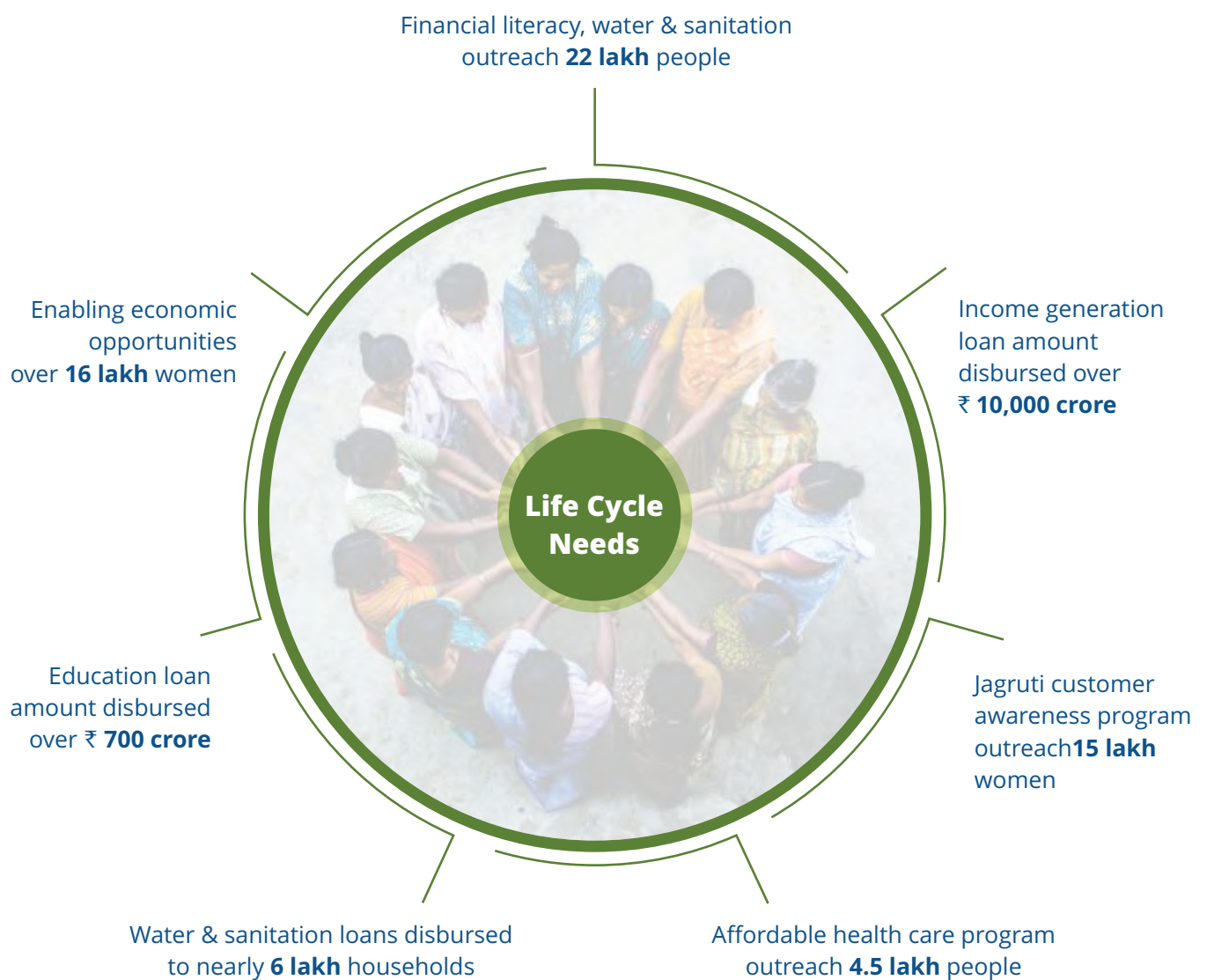
VISHWANATH K BHAT

Head - Retail Finance

CLIENT FOCUS

Enabling economic opportunity, inspiring social change

Our customers are women from low-income households. Our financial products and non-financial services are designed to meet their life cycle needs and improve their living standards.



AWARDS & RECOGNITION

Grameen Koota received the **ISC-FICCI 2017 Award for Best Financial Accessibility for Sanitation** in March 2016.

In its award citation, the India Sanitation Coalition (ISC) said: "Grameen Koota has been recognized for increasing financial accessibility in rural Karnataka and Maharashtra through their three-pronged approach - Creating awareness among people in their operational areas, Imparting training on various aspects of Sanitation and providing access to affordable credit for toilet construction to needy Grameen Koota customers."

Managing Director and CEO Udaya Kumar, said: "It is indeed a great honour and even greater encouragement to receive this Award for Best Financial Accessibility for Sanitation from ISC-FICCI. The award makes us and our program partners proud to be associated with our work and we reiterate our commitment to carry forward our mission against open defecation."



WHAT'S NEW

› Lower interest rates

Effective June 1, 2016, Grameen Koota lowered its interest rates by 200 bps on its loans. The loans include education, water & sanitation, home improvement and medical loans. The move was triggered by low operating costs and reduced borrowing costs, the benefits of which were passed on to customers. The socially focused loans will now be available to Grameen Koota borrowers at 18% interest rate, a reduction from 20% charged earlier. Grameen Koota also reduced the interest rate on income generation loans by 100 bps from 23% to 22%.

› 1.5 million customers

In August 2016, Grameen Koota achieved a new milestone: its customer base expanded to more than 1.5 million and its loan portfolio crossed the 3,000 cr mark. "This is another important accomplishment. Recently, we have crossed 15 lakh customers and also within one year of expansion, we have crossed 1 lakh customers in Madhya Pradesh and Chhattisgarh. These are very important milestones in the history of Grameen Koota and you are all the architects," said Managing Director and CEO Udaya Kumar in his message to all staff.

› Sumit Kumar joins Board of Directors

Sumit Kumar, Executive Director of Olympus Capital Asia, joined the Board of Grameen Koota in August. Mr. Kumar brings with him over 18 years of rich experience as a private equity professional and management consultant. Prior to joining Olympus Capital in 2007, he served as a management consultant with the Monitor Group, Boston Consulting Group and Oracle Financial Services. Mr. Kumar has an MBA from the Indian Institute of Management, Ahmedabad, and an Engineering degree from the Indian Institute of Technology, Delhi.

› Jagruti aired on Chandana TV

A special program on breast cancer and cervical cancer sponsored by Grameen Koota through its Jagruti initiative, was aired on the local Doordarshan channel Chandana from 3rd through 7th October, 2016. The broadcast coincided with the Breast Cancer Awareness Month observed in October throughout the world. It featured medical experts Dr. Jayanthi Tumse, Oncologist, and Dr. Hema Diwakar, Gynaecologist, who educated the audience about the causes, symptoms and treatment of breast and cervical cancer. The program was coordinated by Mahathi Media.

Jagruti, an imaginary character, delivers customer awareness programs to Grameen Koota customers through engaging stories written in the form of letters. The letters cover a wide range of social topics ranging from financial literacy, health, and education to water & sanitation issues, disease prevention and women's safety.

Managing Director and CEO Udaya Kumar said: "The television program will help bring more awareness among the general public about these diseases. It will benefit the entire community, especially our women in rural areas, who can understand how to identify symptoms and seek treatment for the disease."

› Grameen Koota MD elected to MFIN Board

Grameen Koota Managing Director and CEO Udaya Kumar was elected Director to the Board of Microfinance Institutions Network (MFIN), the industry's self-regulatory body. Mr. Kumar will serve on the Board of MFIN for three years. He will work with the MFIN team on potential advocacy efforts with the regulators, government, lenders and other stakeholders to strengthen the industry and its members. "I'm looking forward to contributing towards strengthening the mission of MFIN to serve the industry and its members," said Mr Kumar.

Grameen Koota has been associated with MFIN since the latter's formation in 2009. Mr. Kumar is also on the Board of the state self-regulatory body AKMI (Association of Karnataka Microfinance Institutions) as Secretary since September 2015.

› Retail Finance Division disburses first loan

Grameen Koota launched its Retail Finance Division to support individual customers to meet their financial needs. The first Retail Finance branch was inaugurated in Bengaluru by Grameen Koota Founder & Chairperson Vinatha M Reddy on November 9, 2016. Paolo Brichetti, Director (Grameen Koota) and CEO (CreditAccess Asia); Suresh K Krishna, Director; and Udaya Kumar Managing Director & CEO also graced the occasion.

The first individual loan of Rs. 1 lakh was disbursed on December 19, 2016, to Grameen Koota customer Mrs. Pramila B.N. who owns a coffee powder distribution unit.

› Partnership with FinTech Firm Artoo

Grameen Koota partnered with FinTech firm Artoo to develop a digital lending model to launch individual business loans. Grameen Koota's Individual Lending vertical will be the first to be provided on a digital platform, right from loan origination to collections. Using Artoo's Intelligent Digital Loan Origination System, borrowers will be informed about their loan approval status within 40 minutes by the loan officer.

Artoo leverages Aadhaar, Big Data and Analytics to enable lending to a borrower with a limited digital footprint, which is integral to Grameen Koota's entry into Individual Lending. Grameen Koota launched the product in 15 branches in the first 12 months.

› 4 new Retail Finance branches opened

Grameen Koota Retail Finance Division opened four new branches for individual lending at Tumakuru, Mysuru, Davangere and Shivamogga in March in Karnataka. This has taken the total number of branches disbursing individual loans to five including the first branch launched in Bengaluru in November 2016.

RATINGS

› M-CRIL retains top social rating for Grameen Koota

The microfinance rating agency M-CRIL has retained the top social rating Σa , with a positive outlook that was accorded to Grameen Koota last year. In its rating, M-CRIL certified that Grameen Koota has strong social commitment, effective internal systems and good adherence to social mission and values.

› SMERA retains top 'C 1' rating for Grameen Koota

The rating agency SMERA has retained the Code of Conduct Assessment (COCA) Rating of 'C1' (Very High Level of Adherence) given last year to Grameen Koota. The rating recognizes Grameen Koota's practice and commitment to the "Code of Conduct" guidelines laid down by self-regulatory bodies MFIN and Sa-Dhan as well as the 'Fair Practice Guidelines' set by Reserve Bank of India.

› ICRA upgrades Grameen Koota rating from 'A-' to 'A'

In August 2016, ICRA upgraded Grameen Koota's rating from A- (A minus) to A revising its status from 'positive' to 'stable'. The ratings take into account the organization's capitalization profile, sustained good profitability, low operating costs, strong asset quality and a strong senior management team that has been associated with the organization for a long period. In its report, ICRA stated that "the company's efficient internal control and monitoring processes, with the recently strengthened internal audit, IT and risk management systems, will support it in managing the business risks reasonably."

› CRISIL retains 'mfR1' grading for Grameen Koota

In September 2016, CRISIL retained its 'mfR1' rating for Grameen Koota. In its grading report, CRISIL states that the "MFI grading is the current opinion on the ability of an MFI to conduct its operations in a scalable and sustainable manner." 'mfR1' is the highest grading on an eight-point scale.

CAPACITY BUILDING PROGRAMS

› APMP for Operation Managers

Inner Voice Consulting conducted Advanced People Management Program (APMP) for Operations Managers in June and September. As part of the program, a series of diverse sessions explored how people management skills may be enhanced in managers.

The two broad objectives of the APMP included:

- To determine how field operation managers can provide an enabling and supportive ecosystem for field staff to execute Grameen Koota's mission on the field.
- To explore how managers can raise the bar for organizational operating standards with effective people management skills.

The sessions discussed and demonstrated how enabling leaders who lead by example, invest in people development and perform consistently can achieve the organization's goals and vision with their teams.

The experiential and interactive APMP sessions covered topics such as conflict resolution, coaching, systemic thinking and nurturing leadership. It included several outbound activities making the learning process effective as well as fun. The APMP is a year-long journey that comprises quarterly reviews with participants to evaluate their progress on their SMART goals. The platform provides ongoing coaching and mentoring to all participants.

› PPI training

Grameen Foundation conducted a special training for Grameen Koota staff on the updated version of Progress out of Poverty Index (PPI), created by Mark Schreiner of Microfinance Risk Management LLC in May 2016 using the 2011-12 Socio-Economic Survey of India. The updated PPI, rolled out in November, helps the organization track the level of progress of both new and existing customers. The training session was conducted by Ms. Devahuti Chaudhry and Ms. Priyanka Bhagat of Grameen Foundation at Grameen Koota Leadership Training Centre (GLTC) in Nelamangala.

› 'Connecting the Dots' leadership program

Senior Managers and representatives from diverse Dutch companies participated in "Connecting the Dots", a leadership training program held in Mysuru from 4-10 February 2017 by the Netherlands-based De Baak Leadership Institute. It provided participants a unique opportunity to learn about diverse working environments. "The training program was very inspiring and instructive. I received a lot of insights into inter-cultural communication and group dynamics and also on my personal strengths and weaknesses," said Mr. Rogier Wilms, Program Manager, Area Development, Flevoland Province in the Netherlands.

VISITORS

› MBA Students from IAE Paris Visit Grameen Koota

A group of Business Administration students from Institut d'Administration des Entreprises (IAE PARIS) from Sorbonne in France, visited Grameen Koota in May 2016. The objective was to understand microfinance operations and how it promotes financial inclusion. In an interactive session with senior management, the students learnt about Grameen Koota operations and the impact of its products and services on low-income households in rural India.

› Professor Alok Mishra visits Grameen Koota

Dr. Alok Mishra, Professor, Public Policy & Governance at Management Development Institute, Gurugram, and author of "Responsible Finance India Report 2015" visited Grameen Koota in July 2016. The Professor held discussions with the management team as part of his ongoing research for the 2016 report. The annual "Responsible Finance Report" captures the policy and strategy of social performance of the sector. It assesses the existing practices, products and new initiatives to present a holistic analysis of the current state of the sector.

› Sa-Dhan Executive Director visits Grameen Koota

Mr. P. Satish, Executive Director of Sa-Dhan, visited Grameen Koota in July 2016 and held discussions with the management to understand Grameen Koota products, processes, growth plans and social focus. Sa-Dhan is the industry's second self-regulatory organization (SRO) recognized by RBI after MFIN (Microfinance Institutions Network).

› Onepuhunan Chief visits Grameen Koota

Mr. Daniele Rovere, Managing Director of Philippines MicroFinance Institution Onepuhunan visited Grameen Koota to familiarize himself with the organization's operations model. The objective of the visit was to explore the possibility of replicating best practices in the Philippines. Onepuhunan is part of the CreditAccess Asia group which holds over 99% stake in Grameen Koota.

"When I visited the field, I visited several branch offices and a series of center meetings where I could ask for information directly from the clients. I believe this has been the most memorable part of the visit since it provided the chance to understand not only the operations of Grameen Koota but also the culture and social context of the villages where they operate," said Mr. Rovere on his visit.

› Indonesia's Bina Artha Team visits Grameen Koota

A team of three officials from Indonesia's Bina Artha MFI visited Grameen Koota in September 2016 for an exposure visit. The visitors from the MFI in Java, the largest province of Indonesia, interacted with the senior management team. They also visited several Branch offices to understand Grameen Koota operations first hand, including lending and recovery processes.

› Students from HEC Paris visit Grameen Koota

A team of 26 students from HEC Paris visited Grameen Koota in October. The visit was part of an exchange program with IIM-B. The team critically evaluated IIM-B's report on Grameen Koota growth strategies and market approach post the MFI crisis in 2009. The HEC team interacted with Grameen Koota staff and made a presentation of their critical analysis on "the road ahead" to the Grameen Koota team.

› MBK Ventura Team from Indonesia visits Grameen Koota

A team of 10 members from Mitra Bisnis Keluarga Ventura (MBK Ventura), Tangerang, Indonesia led by its Founder and President Dr. Shafiq Dhanani, visited Grameen Koota in November 2016. Head of Strategy and Planning, Anshul Sharan, briefed the team about Grameen Koota's micro-lending operations. The team also observed a routine center meeting in Malur during their field visit.

Keen to understand the social initiatives of Grameen Koota, the team visited Hunkur village to study the implementation of water and sanitation support program in rural areas. They also participated as Observers in the WASH (Water, Sanitation and Hygiene) awareness program organised by Grameen Koota with its CSR partner Navya Disha, at the village.

› IFMR Team visits Grameen Koota Branches

A team of three officials from Chennai-based IFMR Holdings, led by its CEO Ms. Sucharita Mukherjee, visited Grameen Koota branches of Perundurai and Dharmapuri in Tamil Nadu and interacted with Grameen Koota customers and branch staff. Grameen Koota Operations Head of Karnataka and Tamil Nadu, H.N. Srivatsa, accompanied them during the two-day visit in January 2017. IFMR Holdings is the investment vehicle for IFMR Trust which is working towards financial inclusion of low-income groups.

› CAA Business Development & Communications Head visits Grameen Koota

CreditAccess Asia Business Development and Communications Head Mr. Attique Saleem visited Grameen Koota in January 2017 for an insight into microlending methodology and operations. He visited the Halaguru branch in Karnataka and attended two center meetings where he interacted with Grameen Koota customers.

› Nepal MFI Sakcham Team visits Grameen Koota

A 15-member delegation from Nepal-based MFI Sakcham Access to Finance led by Mr. Ramakrishna, Deputy Dean, Institute of Livelihood Research and Training (ILRT), Basix Social Enterprise Group, visited Grameen Koota in January 2017. Mr. Suresh K. Krishna, Director of Grameen Koota, interacted with the team and shared Grameen Koota's experience with the 'Smart Certification' process. Anshul Sharan (Head – Strategy & Planning) and Sujay C. T. from Strategy & Planning Department presented to the visitors Grameen Koota's Financial Literacy training program for its customers and Grameen Koota's flagship customer awareness program Jagruti.

› Nobel Laureate Prof. Muhammad Yunus visits Grameen Koota

Nobel laureate and Founder of Bangladesh's Grameen Bank Prof. Muhammad Yunus visited Grameen Koota in February 2017. Addressing the staff, he encouraged them to work towards finding solutions to customers' problems instead of waiting for government or others to intervene. "You just solve few people's problems and you will be amazed to know how quickly it changes our society," he said. "Working for the microfinance sector is not merely a job but a service that leaves a sense of satisfaction at the end of the day," he added. He also interacted with the senior management team and went through the progress made by Grameen Koota over the years.

Later, in a special message to the staff of Grameen Koota, he wrote: "Let's work for 3 zeros – zero poverty, zero unemployment and zero net-carbon emission." Prof. Yunus was felicitated and presented with a memento by Grameen Koota Founder and Chairperson Vinatha M. Reddy.



› Equifax Country Head visits Grameen Koota

Credit information company Equifax's Country Head for India, Manish Sinha, visited the Kanakapura branch of Grameen Koota to understand Grameen Koota's field operations and methodology. He also attended a centre meeting and interacted with Grameen Koota customers. Equifax India provides credit information, business analytics and risk management services to member clients including microfinance institutions.

STORIES ON THE JOURNEY

› For Sashi, her home pays for itself

For Sashi, construction of a proper house gave her an opportunity to grow her business too.

Shashi joined Grameen Koota five years ago and used her first loan to buy a cow. She repaid the loan and became eligible for subsequent loans, which she used to set up a sericulture unit inside her house.

"The house was too small for a family of four with a sericulture unit squeezed in," said Sashi. It was during this time that Sashi approached Grameen Koota again for a bigger loan amount to expand her house keeping in view their future business needs. Based on her regular loan repayment record, she was given Rs.1.5 lakh Grameen Niwas housing loan. Shashi used the loan to make a concrete roof and to expand the house.

"After expansion and concrete roofing, we could store more than 100 chandrikas (circular basket material for silk worms) and give them out on rent. Now, there is no issue of rodents spoiling the material," said Sashi. Chandrikas are required at least four times in a month and they are rented out at Rs.12 a piece for one week, explained Sashi's husband Siddharaj. Now, they earn an additional income of Rs.5,000 per month from the chandrikas alone, which they use to repay the housing loan, he said. "Our house pays for itself now," added Sashi.

Sashi and her husband have become an example for others in the village on making the best use of Grameen Koota loans.



› Cattle unit big boon for Mangalamma

Mangalamma, who lives in a village near Halaguru in Karnataka, had a sericulture unit initially that was barely enough to support her family. Seven years ago, she joined Grameen Koota and took her first loan to buy a cow.

With a good source of income from the cow, Mangalamma decided to expand her cattle stock using Grameen Koota's income generation loan products. Now, she also has 1 buffalo, 5 goats and 15 sheep which provide a reliable source of income for the entire household. "With Grameen Koota loans, we were able to start the unit and grow it successfully," said Mangalamma, standing amidst her cattle in the backyard.

Mangalamma also expanded her sericulture unit with support from Grameen Koota loans to buy equipment. "With Grameen Koota loans, we purchased a stand for silkworms and improved the sericulture yield. But our main focus has remained the cattle," she added.



› Grameen Koota Loan helped our new coconut venture: Savitha

Savitha lives with her husband and two children in a house adjacent to their one-acre land where they grow mulberry. Savitha wanted to enter the coconut business as the yield is higher, more consistent and the business more reliable. However, there was no space to store the coconuts. Last year, Savitha took the Grameen Niwas home construction loan and added a floor to their house. "Now we have more space to store coconuts and sell them when the price is right," she explained. Savitha is confident that their new coconut venture will do well. "Coconut business is any day more profitable," she says.

A member of Grameen Koota for over a decade, Savitha has been prompt in her repayments and is proud of it. "We are grateful to Grameen Koota for providing loans. Everybody in my family is saying that Grameen Koota is good and I should continue," she said.

Savitha said the timely loans from Grameen Koota have helped her meet several life-cycle needs -- whether to expand her business, add a floor to her house or pay her children's school fees. Her children study in a local school thanks to the education loan from Grameen Koota.

Savitha also has three milch cows that provide around 20 litres of milk daily which supplements the family income. Having used all Grameen Koota's products and services resourcefully, Savitha is confident that her ventures will grow and help her improve her income.



› Pension Card is our future hope: Shivamadamma

Shivamadamma lives with her husband and a son in a thatched house in a village near Halaguru. They grow banana on their one-acre land.

Shivamadamma took her first loan from Grameen Koota nine years ago for her sericulture unit and she added a cow later to supplement her household income. Her son works as a truck driver and is away from home most of the time, she said. Shivamadamma has subscribed to the National Pension Scheme (NPS), which she described as affordable and useful for their future needs. It has boosted her self-confidence.

"When we are old, there won't be any energy left for us to work on the farm. So, whatever pension amount we get in our old age, it will be of great help," she added.

Grameen Koota is an aggregator of the scheme under which a customer has to pay a minimum of Rs.1,000 and a maximum of Rs.12,000 in a year to avail the benefit of Rs.1,000 from the government under the Swavalamban Yojana scheme. 44,548 Grameen Koota customers are enrolled in the National Pension Scheme and will receive a monthly payout when they reach retirement age.



› I started at Grameen Koota as a Trainee. Today, I'm the Area Manager – Raju R.V.

"My mother was a daily wage worker. She pawned her jewellery so I could finish high school. I passed 10th grade with a first class but had to start working immediately because there was no money to go to college. But the people in my village convinced my mother I should study further. They funded my Pre-University Course (PUC)," says Raju softly with gratitude.

Raju joined Grameen Koota 12 years ago. "After I finished my PUC, I heard through one of my relatives, a Grameen Koota member, that the organization was looking for trainees. I applied with 150 other candidates; 30 of us were selected to be trained at Avalahalli in Bengaluru," he says with pride.

After the training, Raju was placed in Tumkur. In 2 years, he was promoted as Manager of the Vijayanagar Branch of Grameen Koota in Bengaluru. "I'm from a BPL (below poverty line) family. I know what it means to be poor. I want to help others like me. I get the opportunity to do that every day through Grameen Koota," he says.

Raju says he got a lot more than financial stability from his job. "I have social standing now. People respect me in my village," he says. As Branch Manager, Raju participated in the personal development programs that Grameen Koota offers to its people. "I was promoted as Area Manager after attending personal development programs that equipped me for the role," he says. "We are treated very well here. It's not our title or our position in the hierarchy that matters. We're all treated as equal. I've learnt so much after joining Grameen Koota...about people, professionalism, personal growth. From being a trainee, Grameen Koota enabled me to become a Manager," says Raju with pride and humility.



PRODUCTS & SERVICES

Grameen Koota's wide range of financial products are designed keeping in mind the various life-cycle needs of our customers; (see diagram). Our financial products are broadly classified into Credit, Insurance and Pension products as below.



Group Lending

Income Generation Loans: Income Generation Loans are offered to customers to establish a new enterprise or expand an existing business. For instance, loans may be disbursed to set up a grocery store, buy cattle, install new machinery or purchase raw material. The loans also meet the additional working capital requirements of a customer's business.

Emergency Loans: Emergency Loans are short-term loans provided to our customers to help them address emergencies and short-term cash flow constraints. Timely financial assistance prevents customers from resorting to other informal and expensive sources of borrowing money.

Family Welfare Loans: Family Welfare Loans support all those activities of our customers that can help them in improving their quality of life. These loans fulfil genuine consumption needs such as education needs of their children, cover medical expenses and cater to specific occasions such as festivals. They may be used to purchase LPG connections, solar lights or other products that improve living standards.

Home Improvement Loans: Home Improvement Loans enable our customers to avail water connections, construct toilets, extend and improve their existing house. The loans may be used to repair or replace a roof, wall, floor or door, for monsoon proofing or to add rooms.

Retail Finance

Retail Finance is a new lending structure which is envisaged for graduated group lending customers who have higher entrepreneurial capacity. This is Grameen Koota's attempt to develop individual credit products for loyal customers. Products currently offered under Retail Finance include:

Business Loans - Grameen Udyog Loan and Grameen Suvidha Loan are offered to customers to establish a new enterprise or expand an existing business in their individual capacity. The collateral-free loans are offered for purchase of inventory, machinery or business expansion.

Life Insurance

Grameen Koota has tied up with three insurance providers, i.e., DHFL Pramerica Life Insurance Company Ltd., Shriram Life Insurance Company Ltd. and Kotak Life Insurance Company Ltd. to cover our customers and their spouses under group term life Insurance.

Insurance coverage ranges from Rs.5,000 to Rs.100,000 based on loan amount. Policies include individual term life and joint term life (based on product policy).

Pension - National Pension Scheme

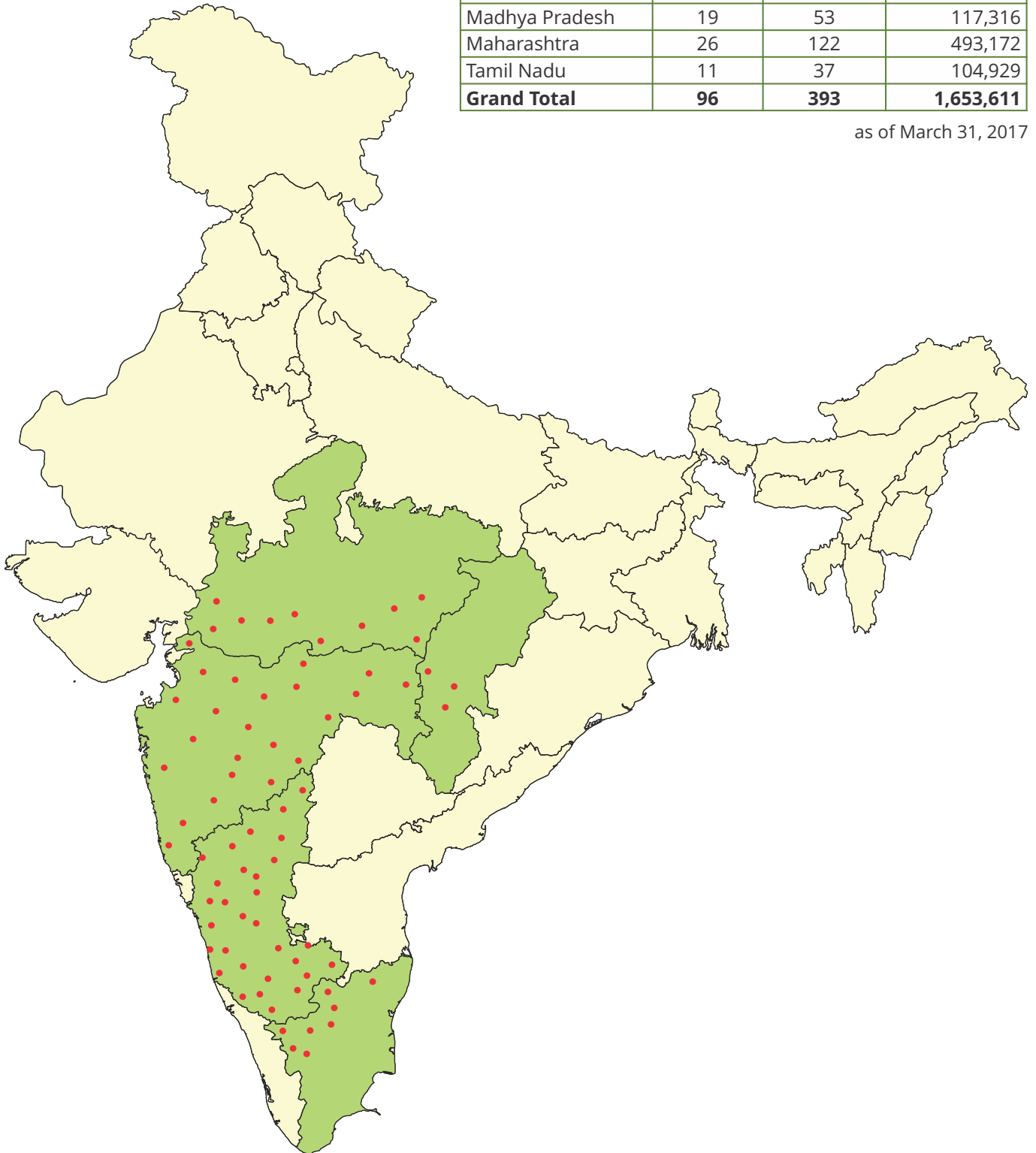
Grameen Koota is an aggregator of the National Pension Scheme (NPS) of the Government of India to provide pension to its customers and collect contribution from their doorstep. The client has to contribute a minimum of Rs.1,000 and a maximum of Rs.12,000 in a year to become eligible for the Swavalamban benefit of Rs.1,000 from the Government of India.

OUTREACH

Grameen Koota currently operates in 96 districts in the states of Karnataka, Maharashtra, Madhya Pradesh, Chhattisgarh and Tamil Nadu.

State	Districts	Branches	Customers
Chhattisgarh	10	16	24,621
Karnataka	30	165	913,573
Madhya Pradesh	19	53	117,316
Maharashtra	26	122	493,172
Tamil Nadu	11	37	104,929
Grand Total	96	393	1,653,611

as of March 31, 2017





SOCIAL PERFORMANCE MANAGEMENT REPORT

Introduction

Grameen Koota Financial Services Pvt. Ltd. serves over 16 lakh women customers in 393 branches spread across 5 states with over 4900 staff members. Grameen Koota's positioning in the industry continues to reflect our Client Protection Principles, Responsible Financing, and Social Values. Grameen Koota aims to meet its social objectives through

- Diligently following responsible financing practices and client protection principles
- Ensuring transparency with all stakeholders
- Designing products and processes appropriate to customers' changing needs
- Conducting awareness programs on financial literacy, water, sanitation and non-curriculum education
- Undertaking customer awareness workshops to promote financial literacy among customers through associate entities
- Tracking social performance and poverty progress on a continuous basis

Grameen Koota - Vision and Mission

Grameen Koota focuses on households engaged in economic activity with limited access to formal financial services. We provide customers with financial support for all their lifecycle financial needs. We give emphasis to identifying all the needs of our customers and creating suitable products and processes to meet customer expectations. Grameen Koota ensures that customers are supported by following responsible pricing of products and appropriate processes to ensure convenient delivery to customers. The repayment terms are designed so as not to overburden the customer. We consider customer affordability and their ability to repay without stress, while designing products.

Grameen Koota supports improvement in our customers' quality of life by creating awareness on savings and pension, access to health care services, education, sanitation and safe drinking water. We also facilitate customer enrolment into health/life insurance products.

Social Performance Milestones

Grameen Koota has maintained its focus on integrating social values in the designing and delivering of our products, processes and services. External rating agencies have certified Grameen Koota with various certifications to commend our socially focused approach.

Social Rating

M-CRIL, a microfinance rating agency that has been certified by the Rating Initiative, Luxembourg, has recertified Grameen Koota with the highest standard comprehensive social rating of $\Sigma\alpha$ with a positive outlook.

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.

Grameen Koota has been upgraded in the 'Monitoring social goals' segment reflecting our social orientation and focus. The assessment covers context, mission clarity and alignment of systems, performance on client protection principles, portfolio analysis, client profiling and client feedback regarding the MFIs' 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.

Code of Conduct Assessment (COCA)

The rating agency SMERA after due consideration has re-assigned MFI Code of Conduct Assessment (COCA) Rating of 'C1' to Grameen Koota. The grade is defined by SMERA as "MFIs with this grade have excellent performance on Code of Conduct dimensions."

COCA rating for a microfinance institution is conducted on indicators pertaining to Transparency, Client Protection, Governance, Recruitment, Client Education, Feedback & Grievance Redressal and Data Sharing. Some of the above indicators have been categorized as Higher Order indicators consisting of indicators on Integrity and Ethical Behaviour.

Social Performance Highlights

Serving the bottom of the pyramid

Poverty measurement and tracking by PPI

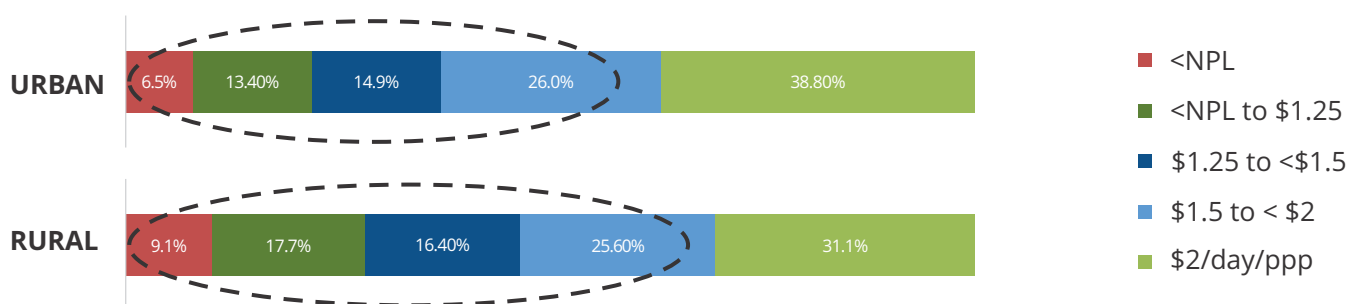
Grameen Koota has adopted the Progress out of Poverty Index tool to measure the poverty level of women who become Grameen Koota customers.

Input for a few indicators is captured at the time of induction of a new customer and during the renewal of each income generation loan. The data is collected through a checklist based on the standards defined by Grameen Foundation. Grameen Koota has updated the PPI tool from the current R.62 version to the latest R.68 version available in the industry.

An expert team from Grameen Foundation worked with the in-house Grameen Koota team to structure the new PPI version for data collection. The Grameen Foundation team has designed a sample data collection plan with the new tool. The new version of the data collection tool will be effectively implemented the coming financial year.

The PPI analysis (R.62 version) indicates that 61% of new urban customers and 68% of new rural customers fall in the $< \$2/\text{day}/\text{PPP}$ bracket. Input has been calculated as per the guidelines defined by the same version.

% Poverty Outreach - PPI Data - R62 PPI INDEX



Customers Below \$2/day/PPP

As per 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 are below poverty line.

Social Scorecard

Grameen Koota is a socially focused business organization targeting low-income households predominantly in rural areas. Grameen Koota has gradually increased its presence in rural areas over the years. It was the first organization in India to adopt Progress Out of Poverty (PPI) tool with an objective to ascertain that the low-income rural household segment has indeed benefited from our products and services. Grameen Koota has also designed a new 'Social Scorecard' to better understand the living conditions of its customers and determine their current social status. The score generated from this tool, will help Grameen Koota measure the "Social status of customers".

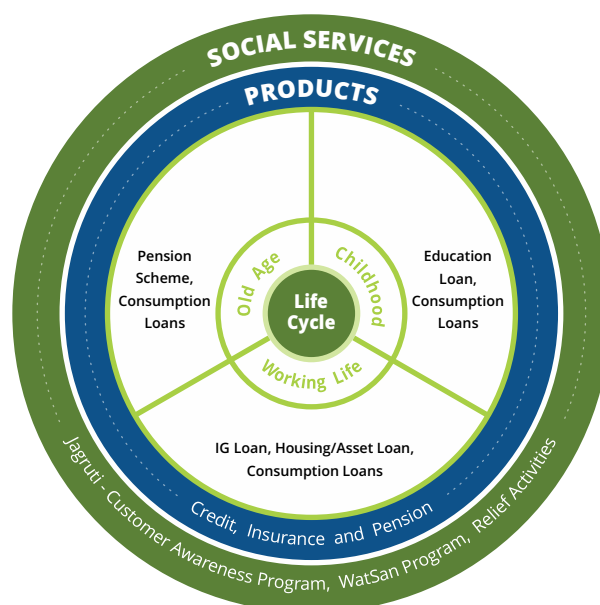
Data will be collected during the enrolment of new customers and during renewal of IG loans of customers. Branches across all geographic locations have been identified for the exercise.

Meeting customer needs and Quality of service

Life cycle needs

Grameen Koota products and services are designed to cover all the life cycle needs of our customers. Loans are provided at different intervals to customers to enable them to grow in a sustainable manner in life and in business.

Income Generation Loans (IGL) are provided to customers to establish a small enterprise or expand an existing business. IGLs may be used for trading, animal husbandry, service sector, production, transportation services and agriculture.



Non-IG loans are given only to customers who have an active IG loan. They are provided as an additional loan over and above IG loans. A customer may complete repayment of an IGL and may still have an outstanding non-IGL.

Non-IGL products include Emergency Loans, Festival Loans, Medical Loans, Education Loans, Livelihood Improvement Loans, Water Loans, Sanitation Loans and Home Improvement Loans

Number of Loans Disbursed	FY 13-14	FY 14-15	FY 15-16	FY 16-17
Income Generation Loans (IGL)	519,308	960,233	1,499,679	1,304,608
Water, Sanitation & Home Improvements	81,136	166,909	154,095	176,624
Education, Festival, Medical, Livelihood Improvement & Emergencies	1,088,832	1,716,688	2,429,713	1,644,129
Total	1,689,276	2,843,830	4,083,487	3,125,361

Social Services

WatSan Awareness

Grameen Koota works on creating awareness on various topics related to health and hygiene. Emphasis is laid on eradication of open defecation by having sanitation facility at each household and the importance of safe drinking water and hygiene. This activity is executed in association with NGO Navya Disha. Programs are conducted and executed in various districts of Karnataka and Maharashtra. Around 22 lakh beneficiaries have been reached till date through awareness programs. Among the total beneficiaries reached, 39% are Grameen Koota customers.



Health Card Services

Grameen Koota has partnered with SAS Poorna Arogya Healthcare Pvt. Ltd. to provide affordable health care to customers and their family members across various districts of Karnataka. Grameen Koota provides this option through network hospitals of SAS Poorna Arogya that are close to customers' homes. 46,339 beneficiaries were covered during FY 2016-17 with this program.

Year	FY14	FY15	FY16	FY17
Number of Beneficiaries	48,904	102,169	74,831	46,339

Jagruti

Jagruti is a customer awareness program to spread social awareness. Jagruti, a fictional character, speaks to the women through weekly letters that are engaging and informative. Jagruti shares her knowledge, experiences and information on a variety of topics including financial literacy, health & hygiene, water & sanitation, disease prevention, government schemes and women's safety among others. The letters are read out at weekly center meetings by one of the women in the group. Jagruti's message has reached 15.6 lakh and has covered 261 topics.



Customer feedback

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

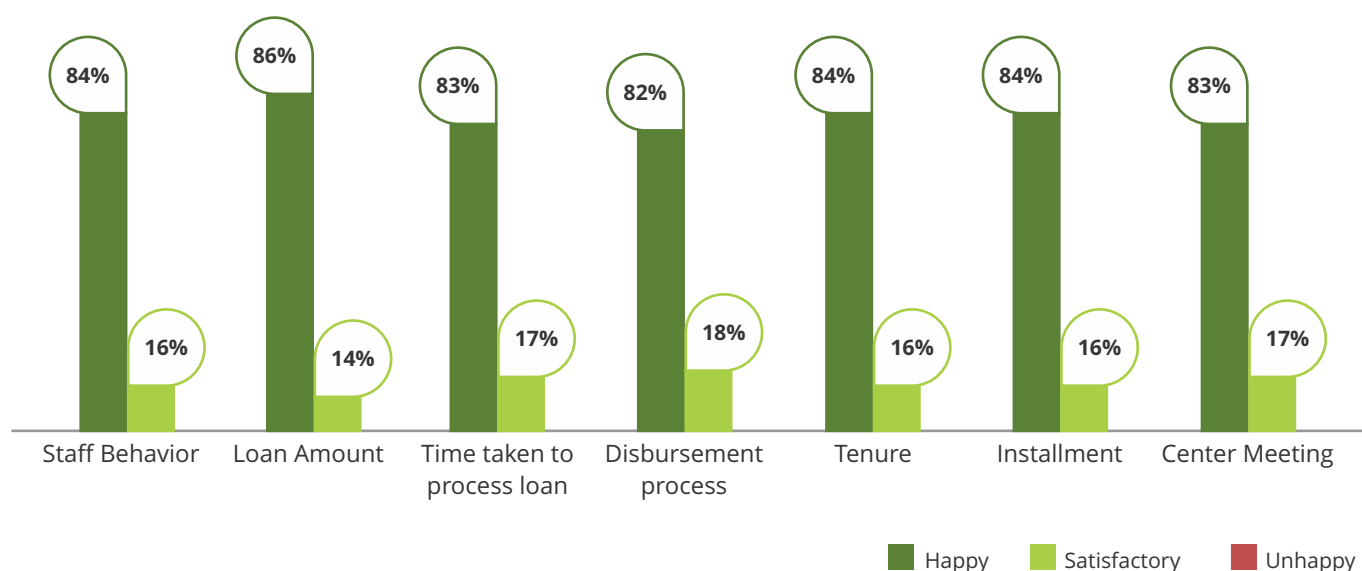
a) Level of Awareness

The Grievance Department's tele-calling team contacts customers to understand their level of awareness on various issues related to social, economic and community development. Around 1% of customers are randomly chosen by the team to participate in the exercise. The below table details the level of awareness among customers as gathered by the tele-calling team.

Categories	Awareness %
Loan passbook	96
Loan products	97
Branch address & contact number	85
Insurance	91
Credit Bureau	97
Toll free Redressal	98
Interest & Fee	74
Bank account	90
Complaint box	88

b) Customer feedback on Grameen Koota products and services

The Grievance Department Tele-calling Team also contacts customers to obtain feedback and Understand satisfaction levels about Grameen Koota products and services as well as staff behavior. Around 1% of customers are contacted by the team for this exercise. The below table details customer satisfaction scores.

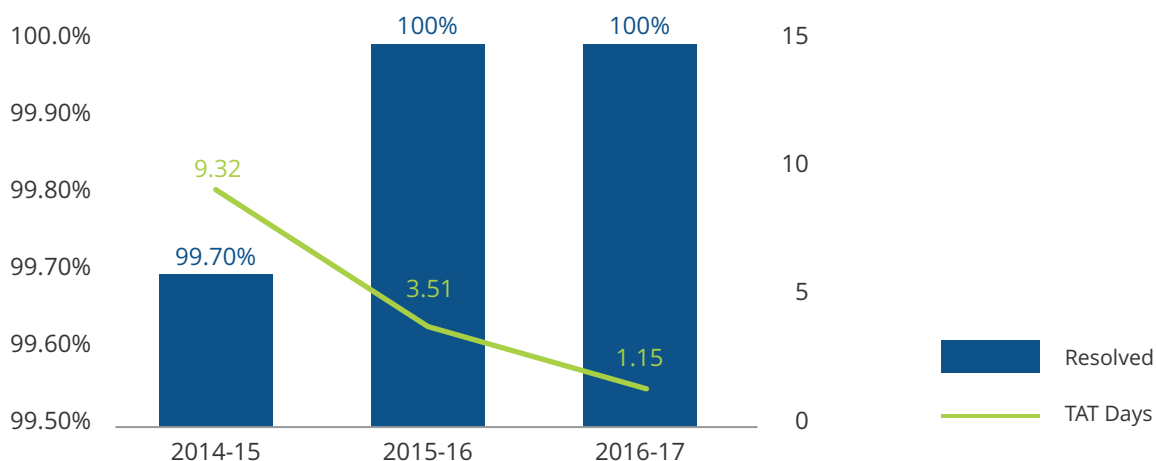


Over 80% of the customers who were contacted expressed that they are either Happy or Very Happy. The rest of the surveyed customers were satisfied with our products, processes and conduct of Grameen Koota staff.

Timely Grievance Resolution

The Grievance Redressal Cell prioritizes the redressal of customer grievances. Grievances may include queries or requests from customers, besides complaints.

Grievance Resolution



Type / Year	Number of Grievances			
	Mar'14	Mar'15	Mar'16	Mar'17
Grievances Received	411	302	690	1271
Grievances Received – As % of overall borrowers	0.08%	0.04%	0.06%	0.09%
Insurance related Grievances	158	122	263	241
Insurance related Grievances – As % of overall claims	2.9%	2.2%	3.2%	1.2%

The Cell also attends to grievances from employees.

A total of 3135 customer grievances were received during the FY 2016-17 (including grievances received through branches and Anonymous calls); 3101 customer grievances were resolved during the same period.

Of the 3135 grievances received, 1367 (44%) were queries, 256(8%) were requests and 1512(48%) were complaints.

Among the 1512 complaints received, 241 were related to insurance and 1271 were general grievances. 97% of general grievances have been resolved with TAT of less than 7 days.

Responsibility to Staff

Staff Attrition

Staff attrition has effectively remained below 20% since the financial year 2013-14. Adequate pre-hire and post-hire training activities ensure alignment with mission and vision. Minimum lateral hiring at supervisory level has provided scope for good career growth to employees.

Below are a few aspects that highlight the effective HR practices of Grameen Koota.

Grameen Koota is the first employer for more than 90% of the staff

- We give preference to relatives and friends of Grameen Koota customers during recruitment
- We give preference to candidates with rural background
- We provide furnished accommodation for all branch staff
- We are one of the few organizations in the industry to have a 5-day work week
- More than 20% of Grameen Koota's non-field staff are women
- We provide extended lunch hours for women with infants
- We provide life cover of three times annual CTC to all our employees
- We conduct frequent capacity building programs to enable professional growth of employees

Change in customers' lives

Grameen Koota Products and Services - Outreach

Our various products and services have impacted the lives of our customers and their families. The below table provides the details of the outreach of Grameen Koota products and services.

Non-financial Services	Since	Beneficiaries
Customer awareness through Jagruti	2011	1,569,493
Number of children supported with education loans	2012	908,001
Customers supported to build toilets with sanitation loans	2010	408,822
Affordable health care facility with health cards	2010	182,993
Subscribers who availed health consultation services	2011	84,926
Customers enrolled for National Pension Scheme	2013	44,548
Customers supported to renovate homes with home improvement loans	2013	26,368

CSR activities with Navya Disha

Grameen Koota works together with Navya Disha with an objective to build awareness among rural households on use of sanitation systems, safe drinking water and financial literacy. Navya Disha an NGO is the executing partner of Grameen Koota's activities. Grameen Koota has designed various social activities with focus on Water and Sanitation, educating school kids on non-curriculum topics, transforming selected villages into open defecation free with each household having access clean drinking water.

Grameen Koota spends 5% of annual profit after tax for awareness activities on Safe Water, Sanitation, Education and Social awareness activities in Grameen Koota operating areas. In 2016-17, the Grameen Koota-Navya Disha partnership delivered a host of programs to promote awareness, as detailed below.

a. Grameen Koota Branch staff training

The training program for Grameen Koota staff helps in creating awareness on hygienic sanitation and making water safe for drinking. It explains the impact of poor sanitation practices on the health of the community. It promotes better understanding of the Water, Sanitation and Hygiene (WASH) product; the procedure to apply for the product and its benefit to customers.

b. Grameen Koota customers' training

Trainee Kendra (center) Managers and Kendra Managers conduct a 5-minute WASH awareness session for Grameen Koota customers during the Kendra (center) 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

An hour-long WASH orientation session is held for Gram Panchayat elected members. 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. A proposal is made by Navya Disha to improve the Water and Sanitation status in the Panchayat Area, in partnership with Grameen Koota.

d. Gram Panchayat level workshop

This workshop is held at the Gram Panchayat headquarters. The 2-hour workshop is attended by Grameen Koota customers, village leaders, social activists, Gram Panchayat elected body representatives, youth and other associations. The workshop helps to create mass awareness about the importance of WASH. It involves the community in finding solutions to the water & sanitation challenge in their daily life.

e. Street Plays

Navya Disha organizes street plays on the importance of clean drinking water and hygienic sanitation practices. Navya Disha leverages this rural tradition to reach a wider audience and create a high impact. The audience for the street plays include the general public as well as Grameen Koota customers.

f. Wall Painting

A prominent location in the village is selected to display wall paintings. The paintings contain attractive pictorials with impactful messages about water, sanitation, health and hygiene. Walls of buildings such as Panchayat schools or offices are used for the purpose.

g. Sushikshana

Awareness Sessions for School Children – The Sushikshana program targets high school students. It is conducted for 8th, 9th and 10th grade students of Government, Private, Aided and Un-aided schools in the states of Karnataka and Maharashtra. The Sushikshana program delivers interactive sessions on non-curriculum topics such as WASH, financial literacy and career guidance.

h. Pictorial Booklet Distribution

A pictorial booklet is provided to each Grameen Koota center to encourage improvement in quality standards in toilet construction. The booklet contains step-by-step pictorial depiction of construction of a twin leach pit toilet. It highlights the quality aspects of construction as well as construction of water tap platforms. The booklet is available with each center leader. Grameen Koota customers who want to avail water or sanitation loan can refer to this booklet for low-cost technology yet robust construction.

Social Activities	Nos.	Outreach
Kendra Members Training	38,472	740,277
Street plays conducted at villages	7,122	710,121
Social Awareness Campaigns	335	122,154
Flyer Distribution	121,668	121,668
Gram Panchayat Level Workshop	1,264	101,736
WASH training session for 8th Std. students	1,341	81,013
Financial Literacy session for 9th std students	1,170	74,626
Career Guidance for 10th std students	1,178	67,331
Gram Panchayat Elected Members Workshop	1,453	16,643
Mason training on construction of toilet	206	10,001
Branch Staff Training	820	7,263
Wall painting on water and sanitation importance	2,170	2,170

i. Sugrama - Village adoption program

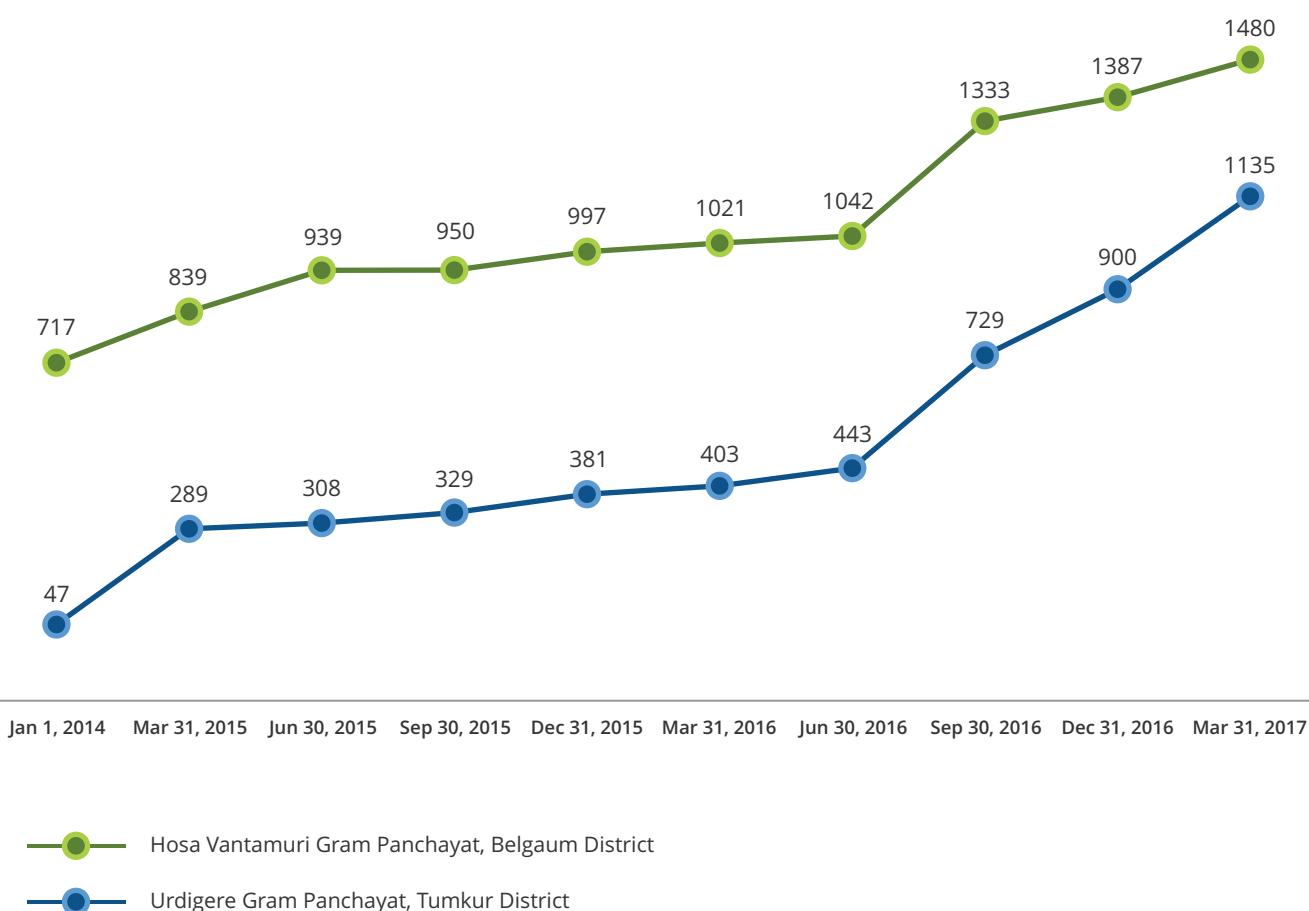
Two Gram Panchayats, Hosa Vantamuri in Belgaum and Urdigere in Tumkur district have been selected for this program. The Grameen Koota-Navya Disha partnership has adopted 25 select villages as part of the Sugrama program to make the villages open defecation-free and provide access to safe drinking water to every household in the villages. The objectives of Sugrama include

- Transforming the village into a 100% open defecation-free village
- Providing access to safe drinking water to every household
- Adopting rain water harvesting techniques in the village
- Improving solid & liquid waste management practices

As of March 31, 2017, 95% of households in Urdigere Grama Panchayat and 52% of households in Hosa Vantamuri Grama Panchayat have constructed toilets. The graph given below shows the journey since inception.

Gram Panchayat	No. of Villages	No. of Households in Village	No. of Households covered as on Mar 2017	% Covered
Hosa Vantamuri Gram Panchayat, Belgaum District	10	2,188	1,135	52
Urdigere Gram Panchayat, Tumkur District	16	1,555	1,480	95

Sanitation Status



Research studies conducted in 2016-17

I. Focus study to understand the factors contributing to Good Customer Retention at Grameen Koota

Objective

The study aims to understand and document the main factors that have led to Grameen Koota's high customer retention rate. The study was conducted to understand customer retention from the perspective of the below factors:

- Primary reasons why customers continue to associate with Grameen Koota
- Products and services that customers consider as important contributors to customer retention
- Social factors that contribute to customer retention
- Contributing parameters to customer retention in comparison with retention parameters of other industry players

Sample of Study

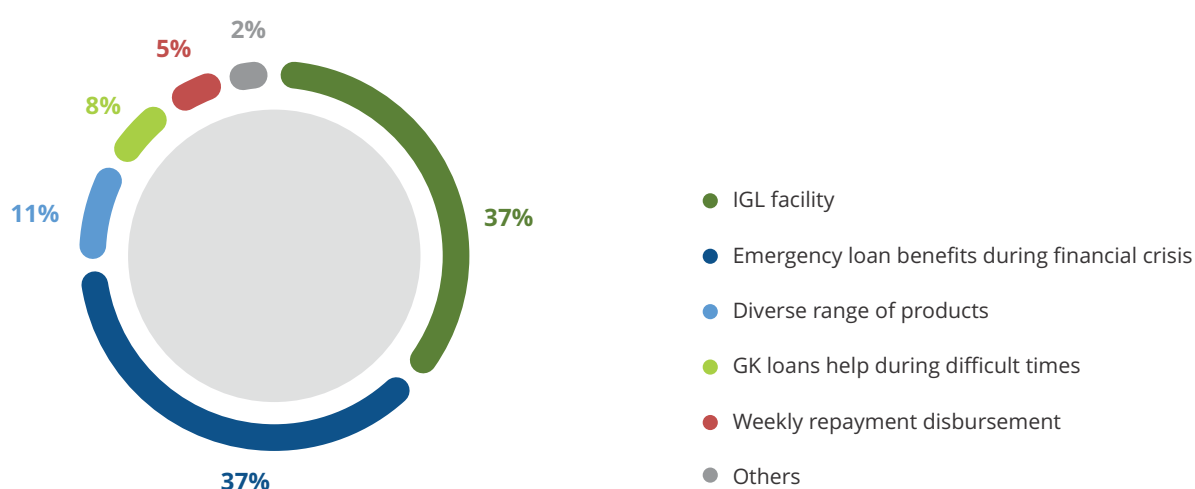
We visited four rural and four urban branches in Karnataka and Maharashtra which were more than 5 years old. We interviewed 346 customers who have been associated with Grameen Koota for over 3 years to record feedback.

Executive Summary of the Study

Highlights:

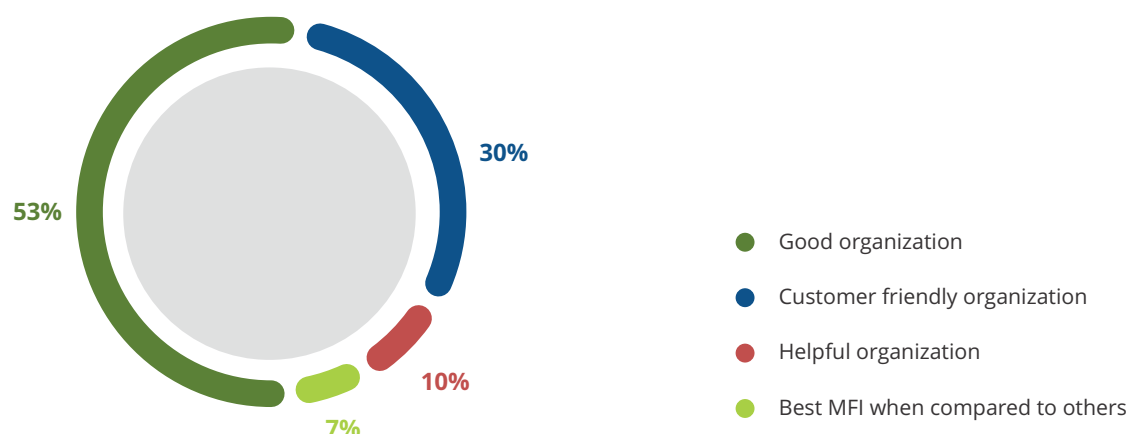
- 100% customers stated that they wished to continue their association with Grameen Koota as long as the organization is in the industry as a service provider
- 99% of the customers stated that they had never considered separating from Grameen Koota
- 69% of the customers stated that multiple-product offering from Grameen Koota has been very useful

Reasons for Association with Grameen Koota:



Top of mind recall:

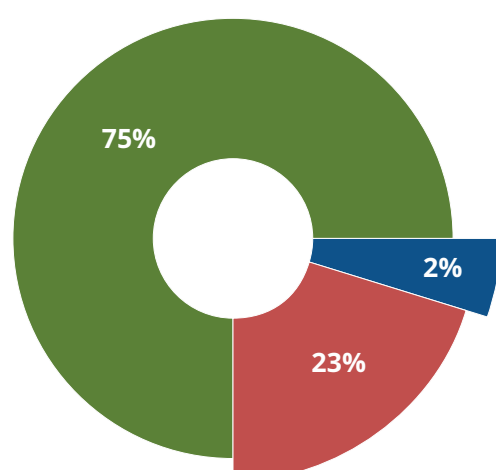
Qualities that customers associate the name Grameen Koota with

**Overview of factors contributing to good customer retention****Impact of non-IGL products**

Emergency Loan	48.3%
Education Loan	48.0%
Medical Loan	1.4%
Festival Loan	1.2%
Sanitation Loan	1.0%
Arogya Loan	0.9%

Non-Financial Services that had the greatest impact on customers

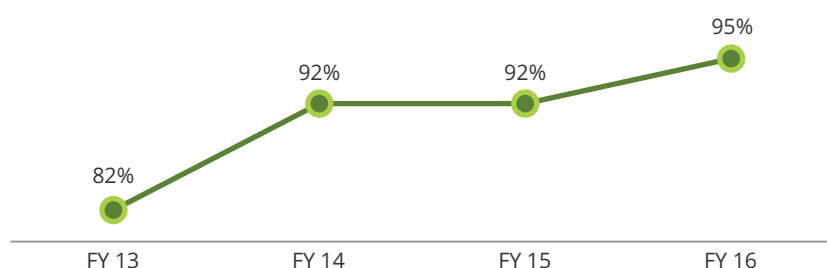
Jagruti	79.0%
Social Awareness Campaign	18.0%
WASH training	2.0%
Health Cards	1.0%

**Customer feedback for staff behaviour and service**

Meeting schedule	56.0%
Social nature of GK staff	38.0%
Professionalism of GK staff	5.0%
Diverse range of loans provided by GK	1.0%
Response of GK staff during crises	0.0%

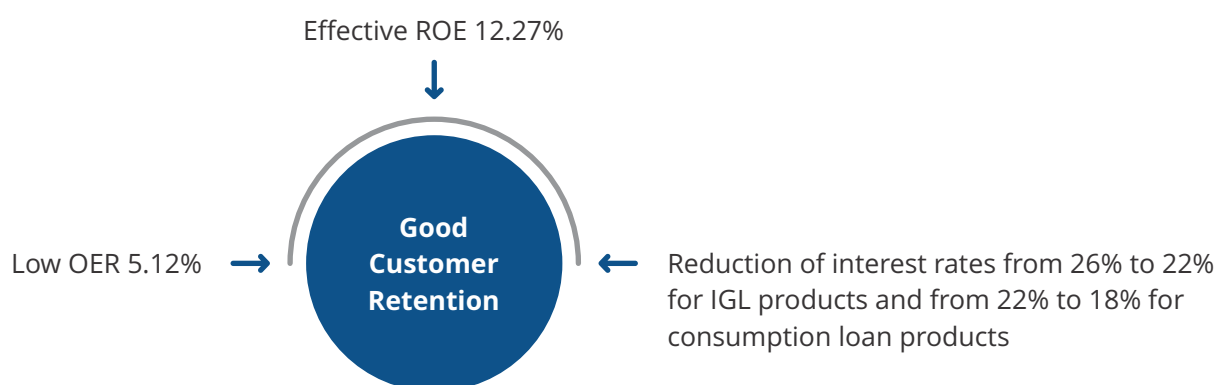
- Products & services offered
- Social benefit, support and learning provided by GK
- Best MFI when compared to others

Grameen Koota - Customer Retention Rate



Impact of factors contributing to customer retention

Grameen Koota has a very good customer retention rate. As of March 31, 2017, the customer retention rate was 95%. Even when the industry was facing challenges, Grameen Koota continued to have a very decent customer retention rate (see above graph).



II. A view on the Multi-Product Strategy adopted by Grameen Koota

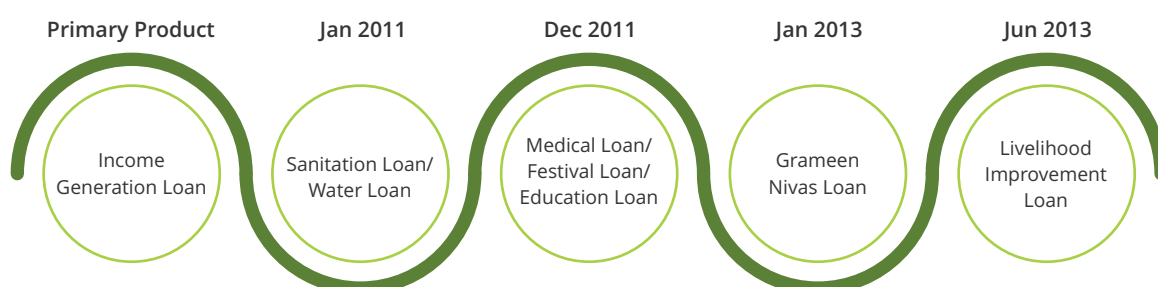
Evaluating the Multi Product Strategy (MPS)

The objective and scope of our study was to evaluate Grameen Koota's Multi-Product Strategy. The Multi Product Strategy refers to the bouquet of products that Grameen Koota offers to its customers. The study was mainly exploratory. Secondary data from Grameen Koota archives has been considered for the study. A primary survey was conducted at a few branches which included meeting customers and recording the views of loan officers.

Product Vintage

In order to understand the direct and indirect impact of the Multi Product Strategy, we need to understand how these products evolved over a period of time. Each product has been designed to address specific needs and requests from Grameen Koota customers.

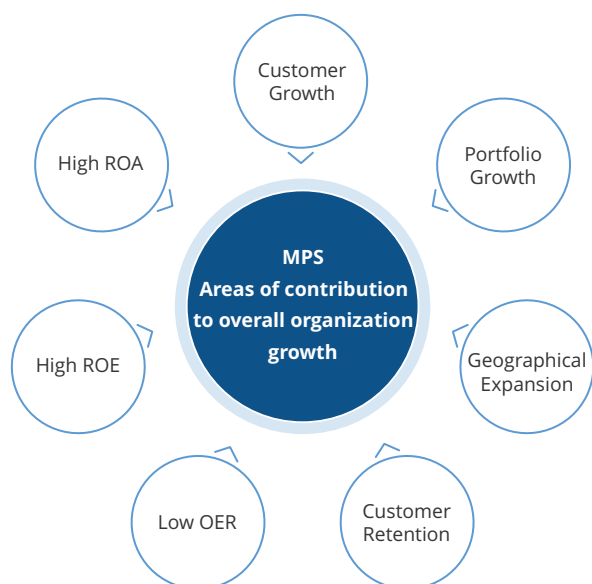
Please see below for product development vintage.



Most of the loans (about 85%) disbursed are income generation loans. However, Grameen Koota also disburses loans for multiple other reasons.

Multi-Product Offerings - Areas of Impact

MPS – Contribution to overall organization growth



MPS impact on Customer

Effective loan utilisation IGL loan amount must be utilized for designated purpose only

Family welfare loans enable customers to address the needs of a growing household

Customer protection Customers are protected from the vicious cycle of over indebtedness and money lenders

Emergency loans reduce customers' dependence on money lenders for immediate cash

Availability at one source Customers are offered the convenience of taking loans from only one source

Customers can avoid visiting different FIs, NBFCs to get financial support

Transfer of benefits Option to provide lower interest rate for all consumption loans

Customers pay 18% for all these loans in comparisons with IGL being offered at 22%

Small Ticket Loans Customers have access to small loans

Timely availability of money for immediate cash requirements

The main benefit of MPS is that it helps borrowers by fulfilling their other credit requirements apart from Income Generation Loans (IGL). This in turn is expected to aid better utilization of IGL into income generating activities and help in better repayment. Therefore, the primary benefit of MPS should be in better repayment rates and thus better assets with Grameen Koota. Below table provides the representation of organizational growth parameters.

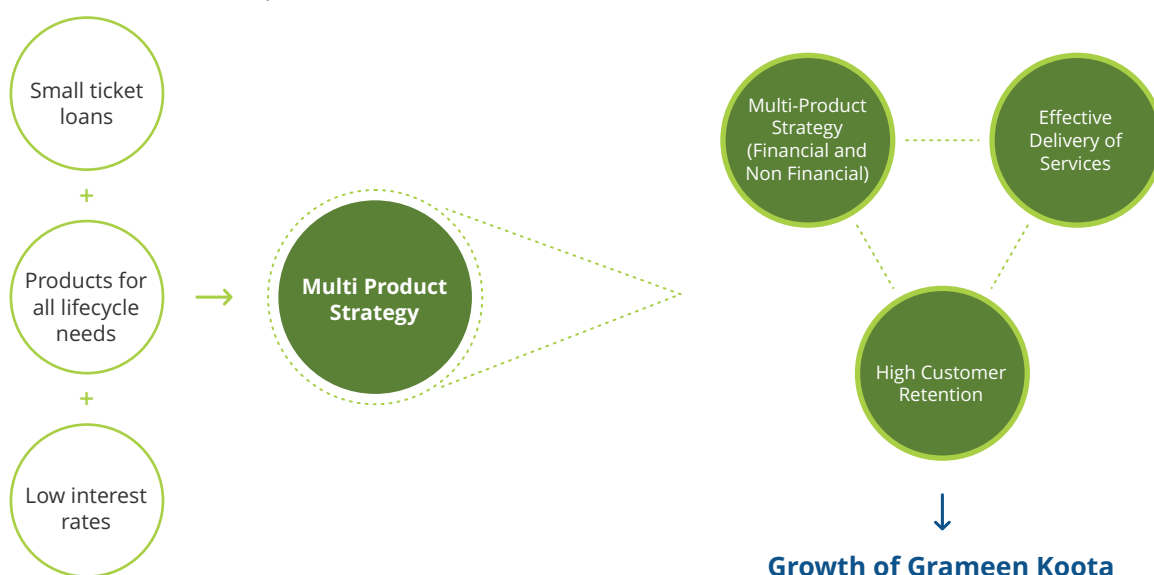
	FY13	FY14	FY15	FY16	FY17	CAGR (%)
Portfolio (Rs.cr)	523.89	809.52	1447.08	2539.06	3,075.4	55.66
Customers (Lakhs)	3.81	5.68	9.23	13.86	16.54	44.35
Employees	1189	1560	2658	3835	4,952	42.86
Branches	161	176	238	298	393	24.99
PAT (Rs.cr)	8.46	18.51	49.46	83.78	75.26	72.70
OER	9.44%	7.74%	6.70%	6.23%	5.12%	-
ROA	1.80%	2.54%	3.88%	4.09%	2.30%	-
ROE	13.26%	14.49%	20.33%	19.84%	12.27%	-
Repayment Rates	99.9%	99.9%	99.9%	99.9%	96.6%	-

Competitor Comparison

Interest Rates	GK	MFI 1	MFI 2	MFI 3	MFI 4
Income Generating Loans	22%	19.75%	22%	22%	23%
Emergency Loan	18%			22%	
Home Improvement Loan	18%		26%	22%	22%
Education Loan	18%		24%	22%	
Family Welfare Loans (Festival/Medical/Gas)	18%			22%	
Asset specific loans		19.75%			22%
Farmer Loan			22%	22%	

Study summary

The bouquet of products offered by Grameen Koota has contributed in a large way to rapid growth in business. Products that cater to customers' entire life cycle needs have led to higher customer retention. With effective customer loyalty, Grameen Koota has been able to transfer the benefits to customers with reduction of interest rates. It has also helped Grameen Koota design products to cater to the changing needs of customers. There is an assumed indirect correlation between the Multi-Product Strategy and growth of Grameen Koota as represented below.



III. An investigation into the social orientation of Grameen Koota Financial Services by Francesca Hine from Oxford University

Grameen Koota and the Microfinance industry

India has one of the largest and fastest growing microfinance industries in the world. Indian MFIs serve over 32.4 million clients with a branch network of 9,669, an increase of 44% compared with the previous year. Grameen Koota is the third largest MFI in India in terms of total loan disbursement and was awarded Microfinance organization of the Year in 2015. Grameen Koota's vision is to enable economic and social change in poor and low-income households through financial products and development services in all geographical areas of operation. Grameen Koota was founded by Mrs. Vinatha M. Reddy in 1996 and is now a fully regulated NBFC-MFI providing services to 1,555,501 customers in 5 states. The organization has 289 branches and 4812 employees (FY17). It offers a range of income generation and consumption loans, insurance and pension services, and non-financial development services. It focuses on provision of microfinance in rural areas and exclusively serves women customers. Grameen Koota now has a 99.9% repayment rate, and has been growing the GLP at 53% (FY2009-2016), to a total of INR 83.78 Cr (FY2016).

Social orientation of Grameen Koota

Grameen Koota is recognised for its commitment to its vision and mission and performance as a strong socially orientated organization. Social orientation is defined as the extent to which an organization takes society's wellbeing into account, in addition to basic customer satisfaction. Grameen Koota's social orientation is evident in all operations and activities, aided by strong adherence to its guiding principles. It is best illustrated through 5 key areas of the business.

Guiding principles

CREATE:

Commitment
Reliability
Empathy
Accountability
Transparency
Efficiency

Vision:

'To enable economic and social change in poor and low income households through financial products and development services'

Mission: 'To be a sustainable, friendly and trusted provider of affordable and need-based services.'



◆ Customer-focused products and services

Grameen Koota's key strengths are the provision of full lifecycle needs of customers, flexible and convenient services, and strong outreach. Navya Disha and non-financial activities add unique support to customers that goes beyond provision of microfinance, and illustrates Grameen Koota's commitment to the welfare of every customer.

◆ Socially focused systems and processes

A strong design and adherence to systems and processes is evident. Operations are transparent, efficient, in-tune with the customer, rigorous, and have a strong in-built social orientation.

◆ Employment provision

Grameen Koota operates in a fully employee centric way, with comprehensive and thorough training and provision of secure and convenient employment, particularly to rural areas.

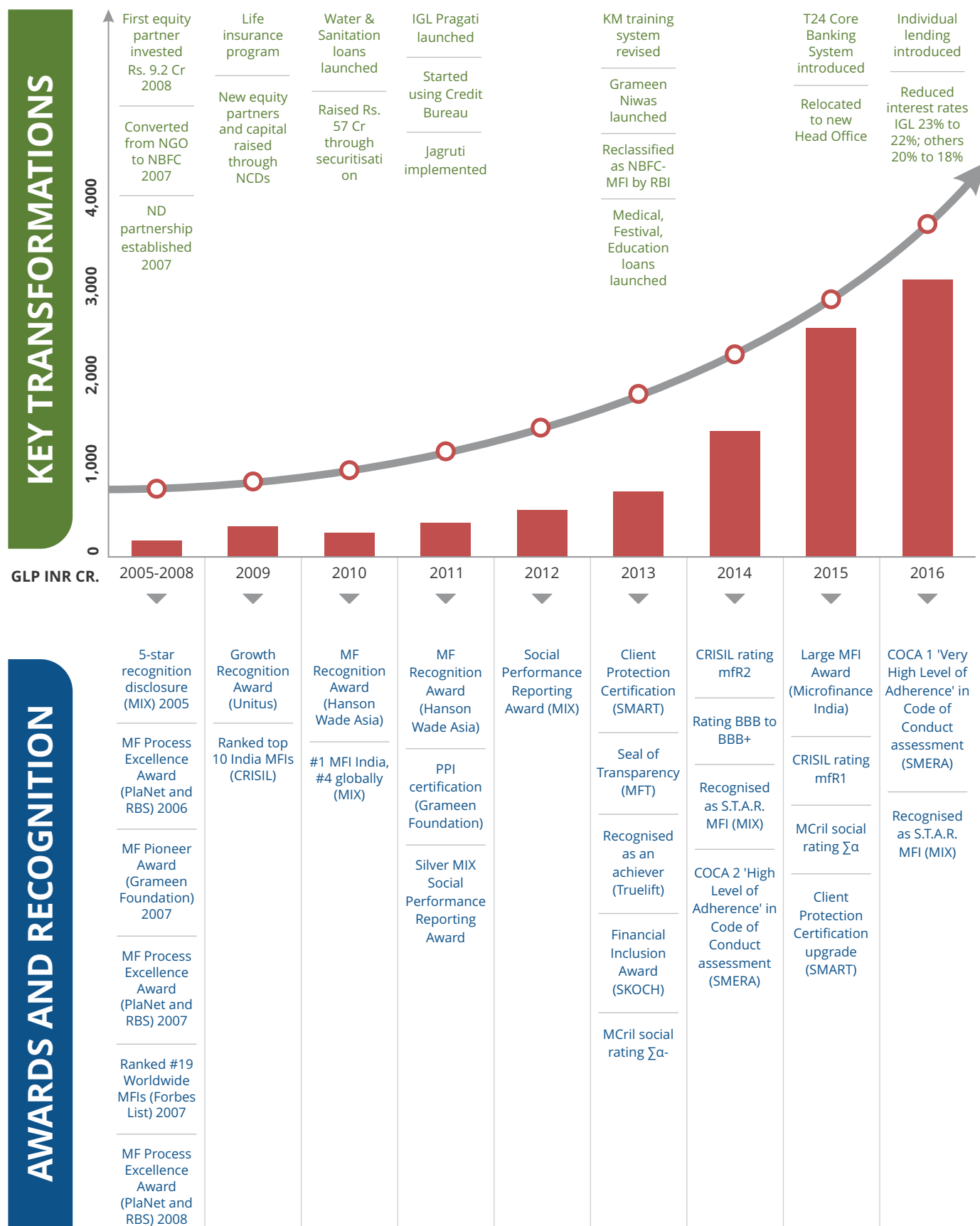
◆ Industry role model

Grameen Koota exemplifies to the industry how a strongly social approach can also be financially successful.

◆ Enabling lenders

Grameen Koota supports and encourages social spending by providing an attractive investment opportunity from its genuine, well-executed social focus, and stable financial performance.

Evolution of Grameen Koota's social orientation



Grameen Koota's social orientation has strengthened and become more prominent and institutionalised in activities since the organization's inception in 1999. As its Gross Loan Portfolio (GLP) has grown, more products and services which are better adjusted to customer needs have been implemented. Systems and processes have become increasingly structured, and are imbued with a strong sense of Grameen Koota's vision and mission. Employees describe the organization and its operations as being more transparent and professional in recent years, creating a better working environment and retaining a social focus into operations. Funding has become more diverse and stable, meaning the organization is more sustainable and able to provide a trusted partnership to lenders who want to support a social cause. As a result, Grameen Koota has received many awards and greater recognition with these trends, demonstrated above.

Case Studies

Customer

'GK products have been there for what I need when I need them for the past 10 years, I am a proud mother ow my daughter is studying in the US thanks to this! It feels like GK actually cares about our lives personally, learnt a lot at the Social Awareness Campaign today.'



Field staff

'GK makes it easy for us. As a Kendra Manager I get a comfortable place to live convenient for work, and the weekends off. I really like this branch, all the guys in this branch live together like a family. We all work hard together to provide loans to our customers'



Office staff

'GK is advancing, becoming much more professional, keeping pace with the external environment. Our systems and processes are comprehensive, customised to focus on employees and the customer, allowing our social objectives to flow through.'



Social orientation figures

Metric	As of 30 Sept 2016
Customers (INR Cr.)	1,555,501
Repayment rate	99.9%
Borrower retention	91%
Sanitation Loans	350,159
Water Connection Loans	167,368
Primary Education Loans	908,001
Family members under Health Insurance	110,165
Customers covered by Life Insurance	2,526,816
Customers covered under 'Jagruti'	1,524,055
Members attended SACs	101,118
Students attended WASH training session	66,635
Kendra Members Training	681,944
Number of field officers employed	3,517

III. Study to understand the use of Digital Financial Services by Grameen Koota customers

Objective

The objective of this study was to understand the extent of digital usage by Grameen Koota customers. This was done by mapping usage of customers in daily activities. The study also aimed to understand how customers perceive the digital services provided by various stakeholders (service providers, banks, FIs).

Sampling Methodology

- 932 customers were contacted for the survey
- Data was collected through focused group discussions
- 63% of customers were from rural branches
- 37% of customers were from urban branches

Executive Summary

Bank Account Status

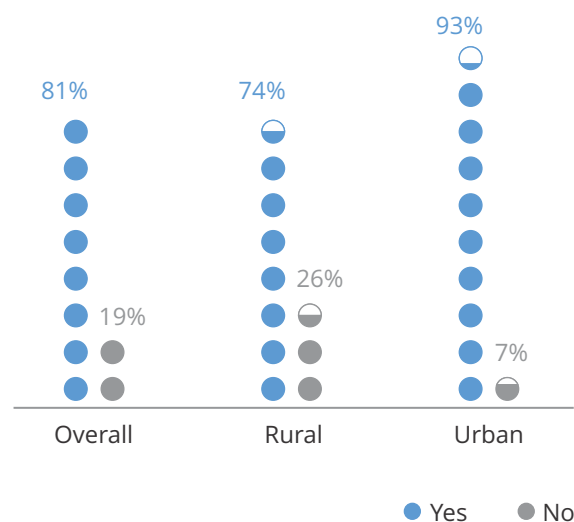
- 91% of overall customers had bank accounts
- 91% of the customers at rural branches have bank accounts
- 90% of the customers in urban branches have bank accounts

State	Yes	No
Tamil Nadu	200	8
Karnataka	180	27
Chhattisgarh	173	5
Maharashtra	165	19
Madhya Pradesh	133	22
Grand Total	851	81

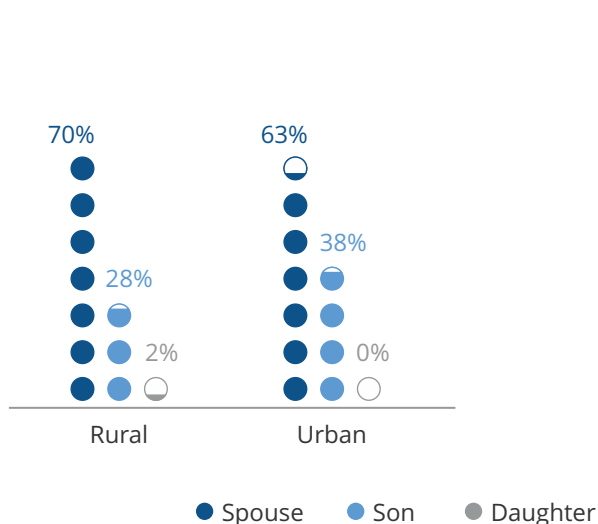
Bank Account Usage

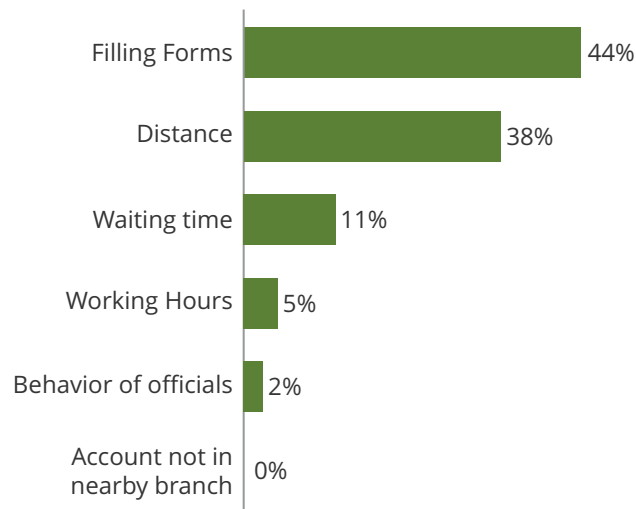
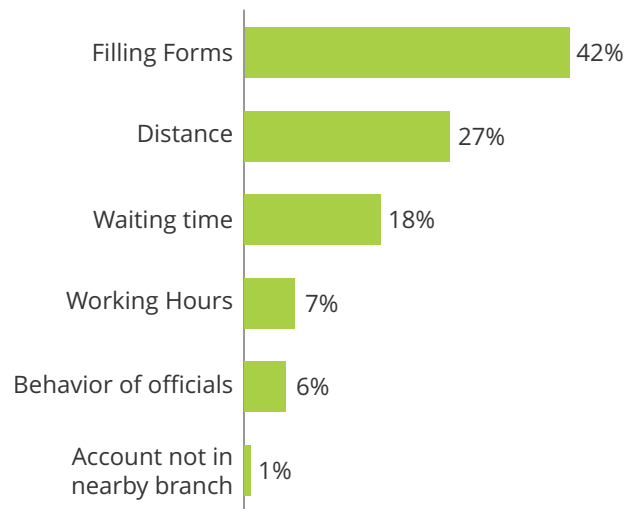
- 85% of overall customers interviewed had bank accounts linked with Aadhaar card

Do customers Operate Bank Accounts?

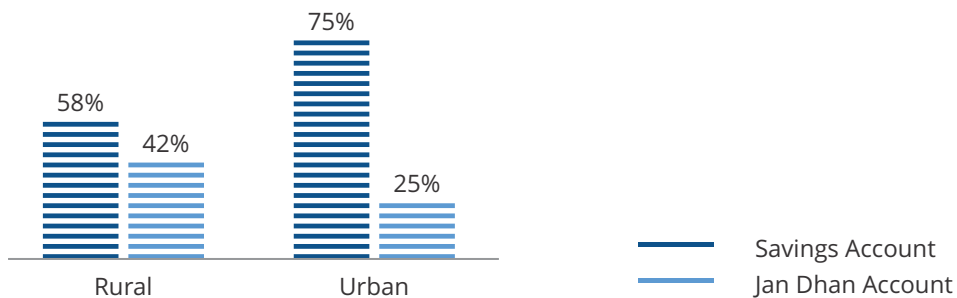


If No, who operates?

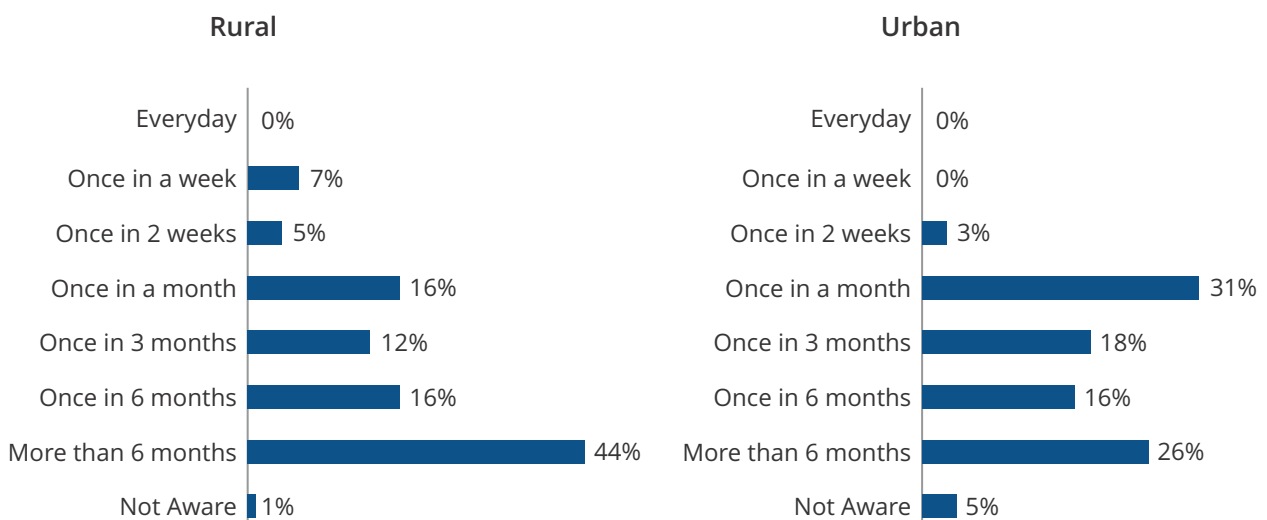


Challenges faced by rural customers**Challenges faced by urban customers****Bank Accounts – Type of Account**

Most of the customers and their family members had Savings Account followed by Jan dhan Account.

Customer Account Split by Rural and Urban**Bank Accounts – Frequency of usage**

Most of the customers and their family members operated bank account once in six months. Only customers' spouses operated accounts once in a month.



Banking Services & Mobile Phone Status

Among the customers who were asked about the services

- 90% of customers were able to specify the services they use in the bank
- 10% had operated their account once or twice, mainly during the opening of the account

Phone availability with customers

- 58% of customers said they have a smart phone
- 50% of customers said they have a feature phone
- A household may have multiple phones

Purchase behaviour of Grameen Koota customers

60% of customers said that they are aware of cashless/less cash transactions but none of the customers had made cashless/less cash transactions

Daily purchases	High Value purchases
Products: Food items & toiletry	Products: Electronics goods, motor vehicles
Type of cashless service: Debit card, credit card	Type of cashless service: Debit card, ECS option for loans

Challenges faced by customers during cashless loan disbursement

- Bank account not linked to Aadhar
- Bank will adjust loan payments against the amount in the account
- Fear of disbursement of amount to wrong account
- Challenge in visiting the bank due to impact on daily wages
- Waiting time at the bank for cash withdrawal
- Will be unable to take another loan from that particular bank
- Inability to determine whether cash has been deposited in the account or not
- No bank in the village
- Chances of missing information because of not tracking SMS regularly
- Unaware of cash withdrawal process using cheque or pay slip



MANAGEMENT DISCUSSION AND ANALYSIS

I. Microfinance Industry: A Broader Perspective

Industry Overview

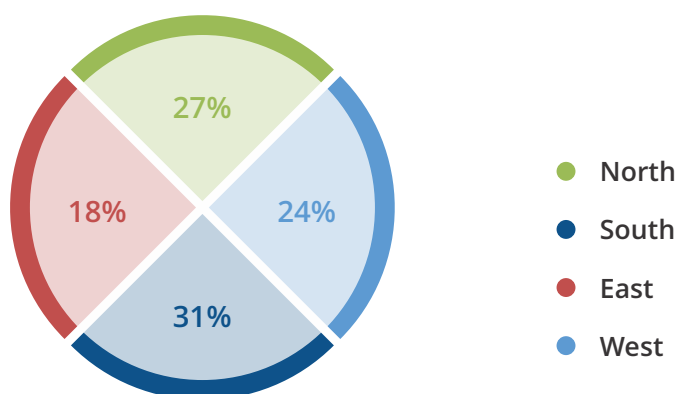
Indian microfinance industry consists of NBFC-MFIs (MFIN members) and other key lenders under the category of Banks, SFBs, NBFCs, non-profit MFIs and SHGs. As at March 31, 2017, total gross loan portfolio (i.e. loan amount outstanding) of the industry was Rs. 106,916 Cr. Industry has witnessed a growth of around 26%. It is estimated that this gross loan portfolio (GLP) roughly represented over 90% of the total industry portfolio excluding SHGs. As at March 31, 2017, NBFC-MFI segment represents 42% of the microfinance lending, followed by Banks at 38% and SFBs at 14%. [Source: Micrometer report – March 2017]

NBFC- MFI

As at March 31, 2017, NBFC - MFI segment served over 27.5 million clients. The client base increased by 30%. GLP of NBFC-MFI segment was Rs. 46,847 crore as against Rs. 37,469 crore in the previous year representing an increase of 25%. NBFC- MFI segment had 9,012 branches across the country which provided employment to 86,440 people. Rs. 50,266 crore was disbursed through 28.3 million loans representing a growth of 13% from previous year.

NBFC-MFI segment is governed by two self-regulatory organizations (MFIN and Sa-Dhan). As per MFIN, NBFC MFI segment has 56 players. The players have been classified as Large, Medium and Small based on the GLP of each company. Companies having GLP more than Rs. 500 crore are classified as Large players. Companies having GLP between Rs. 100 crore to Rs. 500 crore are classified as Medium players and Companies having GLP less than Rs. 100 crore are classified as Small players. As per the classification, there are 18 Large players, 20 medium players and 8 Small players. Large players account to 90% of the NBFC-MFI segment GLP. A small snapshot is provided below,

- Top Ten Large MFIs added to 75% of NBFC-MFI segment GLP. As at March 31, 2017, urban/semi-urban portfolio contribution stood at 57%
- 66% of the customers were supported for trade/services and manufacturing. 30% of the customers have taken loans to support agriculture and 4% for household finance
- Region wise distribution of portfolio is as provided below



- Tamil Nadu, Karnataka, Uttar Pradesh, Maharashtra and Madhya Pradesh account to 54% of loan portfolio. It is worth noting that along with 5 SFBs (ESAF, Equitas, Suryoday, Ujjivan and Utkrash), another 3 NBFC-MFIs (Disha, JFS and RGVN) who will be converting into SFB in the next few months, account for 31% NBFC-MFI portfolio. As they transition into SFBs, share of NBFC-MFIs will get reduced to 28% while share of SFBs will increase to 27%.

II. Demonetization

Event

On November 8, 2016, Govt. of India announced that all 500 and 1,000 rupee banknotes would be immediately void, withdrawn from circulation and replaced by new 500 and 2,000 rupee denomination notes. This decision was taken with the objective of curbing black money, counterfeit notes corruption and the financing of terrorism – all of which is heavily leveraged on cash currency.

Industry Impact

Due to Demonetization, visible impact on business activities which are cash based was temporarily impacted. Impact on microfinance industry was quite substantial as microfinance entities traditionally used cash in their lending and recovery operations. The instalments on microfinance loans have weekly / fortnightly / monthly collections of small denominations. As majority of Grameen Koota customers are dependent of cash business, they experienced a phase of reduced income and limited cash flow.

Grameen Koota Initiatives

Grameen Koota initiated a range of steps to connect with its customers to manage operations. Grameen Koota employees were continuously in direct contact with customers, community and responded to the needs very quickly with guidance on managing the situation, giving sufficient time for repayment of loan dues wherever needed. Our employees supported customers by helping and guiding them on how to exchange cash through banks, educating on importance of having bank account and its operating procedures. Employees listened to the challenges of customers, respected their concerns and continued to be in touch. These were a few immediate strategies adopted to respond to the situation. In the meantime, Grameen Koota kept guiding customers on the need of maintaining good credit history.

A few steps adopted by Grameen Koota during this critical and extraordinary phase are worth mentioning

- Maintained cordial relationship with customers – constant connectivity with customers
- Kept communication lines open with customers
- Built confidence with customers
- Kendra meetings were conducted to discuss problems faced by customers, even if collection transactions were postponed
- Motivated customers to start making small / part payments – to avoid higher overdue later
- Loan disbursements remained uninterrupted to the eligible customers by not allowing the liquidity to get dried up
- Created awareness to customers about the importance of maintaining good credit history
- Created time to time awareness to customers against rumours about loan waivers
- Employees adhered strictly to code of conduct at all times, with zero tolerance for any breach

III. Competitive Strengths and Strategies

Market Position

As at March 31, 2017, Grameen Koota stood at 4th position among the 19 large MFIs (6th Position during the previous financial year). Grameen Koota held 6.56% share of total GLP of the NBFC-MFI segment (4.77% as at March 31, 2016) and occupied 3rd position in overall disbursement with 7.26% share (5.41% share during previous year).

Higher rural penetration

82% of the branches are located in rural areas. Each branch is planned to cover maximum number villages which are located at a radius upto 25 Kms from the branch offices. Grameen Koota has consistently increased its share in rural areas in last five years. As at March 31, 2017, customers reached in villages was more than 77% as against 63% as at March 31, 2013.

Customer Interaction

Employees interact with customers on weekly basis. Kendra meetings are conducted on weekly and bi-weekly basis. Customers are provided with information on various topics through programs like Jagruti, Social Awareness campaigns and other programs at regular intervals. Effective mechanism has been designed to constantly take feedback from customers which is used to make improvements in the existing system and also to design new products and services.

Product Design - Customer Centric and Sustainable

Grameen Koota has adopted a Life Cycle approach for design of products and services. Products are designed to cater to all the needs from birth to death. Grameen Koota is a scalable and financially viable organization because of high customer satisfaction, lower operating cost, lower credit risk, preferred MFI for customers and lower customer attrition.

Employee Friendly organization

Grameen Koota is one among the few MFIs which works only for 5-days in a week. It is first employer for more than 90% of the employees. Staff attrition is below 20%. Several employee welfare schemes have been implemented to make it an employee friendly organization.

Efficient and Stable Management Team

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

IV. New Initiatives

Launch of Retail Finance

Retail Finance Branch for Individual Lending was launched in the month of November 2016. Retail Finance division is established to cater to the evolving needs of existing customers of Grameen Koota, while enhancing their business. The first branch was inaugurated by Founder and Chairperson, Mrs. Vinatha Reddy along with the presence of CAA group CEO (Mr. Paolo Brichetti), management team, employees, and some of the first customers of Grameen Koota.

As at March 31, 2017, a total of 5 branches have been opened across Karnataka. Branches are located at Bangalore, Davanagere, Shimoga, Mysore and Tumkur districts.

V. Grameen Koota's Operations Perspective

A. Client Profile

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

Customers' Age	FY13	FY 14	FY 15	FY16	FY 17
18-25 years	7%	8%	9%	9%	7%
26-30 years	15%	15%	16%	16%	16%
31-35 years	19%	19%	19%	19%	19%
36-40 years	20%	18%	18%	17%	17%
41-50 years	31%	30%	29%	29%	30%
>50 years	8%	9%	9%	10%	11%

Customer Vintage with the company	FY13	FY 14	FY 15	FY16	FY 17
Less than 1 years	22%	39%	37%	38%	26%
1-3 years	49%	26%	37%	42%	49%
3-6 years	22%	26%	18%	10%	16%
6 years and above	7%	9%	8%	10%	9%

B. Profitability

For the year ended March 31, 2017, Grameen Koota's profit after tax stood at Rs. 75.26 crore as against Rs. 83.78 crore in the previous year, representing a decrease of 9%. For the year ended March 31, 2017, profit before tax was Rs.117.18 crore as against Rs.130.36 crore in the previous year, representing a decrease of 10%

Total revenue for the year ended March 31, 2017 was Rs. 708.89 crore as against Rs. 465.86 crore in the previous year, representing a growth of 52%. Total expenses including additional provisioning stood at Rs. 591.71 crore as compared to Rs. 332.22 crore in previous year representing an increase of 76%

Considering the present industry situation, Grameen Koota has taken a very pro-active approach towards making provisions for overdue loans. The Company has considered the dispensation given by RBI for classification of portfolio, also made an additional floating provisioning Rs. 102.25 Cr

C. Outreach and branch network

As at March 31, 2017, loan portfolio (including managed portfolio) amounted to Rs. 3,075 as against Rs. 2,539 in the previous year representing a growth of 21%. As at March 31, 2017, the total borrowers were 1,450,298 as against 1,205,974 in the previous year, representing a growth of 20%. Grameen Koota opened 95 branches in the financial year and the employee base increased to 4,952 as compared to 3,835 in the previous year representing a growth of 29%.

D. Operational Trends

During the last five financial years, starting from April 1, 2011 and ending on March 31, 2017, the company expanded its reach to 96 districts from 42 districts. The total branches increased to 393 from 168. Branches were opened in Madhya Pradesh and Chhattisgarh states. The loans disbursed during the year 2016-17 was

Rs. 3,402.6 crore as against Rs. 595.3 crore during the year 2011-12 representing a CAGR of 41.7% Employee strength of the organization increased from 1,267 as at March 31, 2012 to 4,952 as at March 31, 2017 resulting in a CAGR of 31.3%

Operational Trends

Particulars	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	CAGR (%)
Branches	168	161	176	238	298	393	18.5%
Districts	42	41	42	64	74	96	17.9%
Active Borrowers	313,610	346,519	504,688	854,188	1,205,974	1,450,298	35.8.0%
Loans disbursed (INR Cr.)	595.3	606.4	1028.1	1,893.90	3,348.8	3,402.6	41.7%
Portfolio on Book (INR Cr.) [A]	267.4	384.2	668.6	1,339.6	2,465.6	3,075.4	51.8%
Managed Portfolio (Securitized) (INR Cr.) [B]	113.9	139.7	141.0	107.5	73.5	-	
Portfolio Outstanding (INR Cr.) [A+B]	381.3	523.9	809.5	1,447.1	2,539.1	3,075.4	
Field Officers	848	800	1092	1,969	2,525	3,411	32.1%
Total Staff	1,267	1,189	1,560	2,658	3,835	4,952	31.3%
Repayment Rate	99.6%	99.9%	99.9%	99.9%	99.9%	96.6%	N/A
PAR (Rs. Cr.)	3.2	2.9	0.2	0.9	2.6	452.0	N/A
Funds availed during the year (INR Cr.)	366.7	541.8	883.7	1,180.7	1,927.0	1,481.2	32.2%

E. Credit Bureau

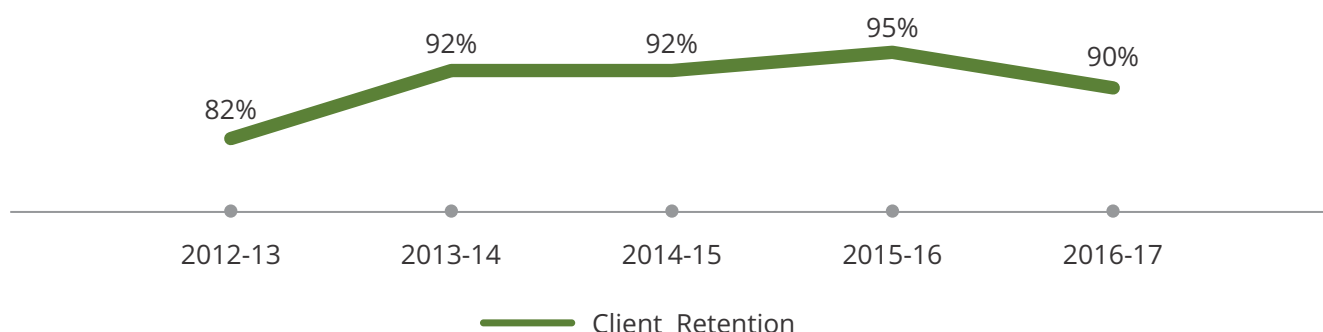
Grameen Koota is working with Credit Bureaus like Highmark, Equifax and CIBIL. Credit Bureaus help to identify overlapping microfinance borrowers, their overall loan exposure and incidents of default. Every single loan given by Grameen Koota undergoes a credit check with the Credit Bureaus. The Credit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

F. Client Retention

Grameen Koota has consistently maintained client retention rate of above 90% for the past 4 years. The retention rate has never reduced to less than 90% since March 31, 2014. Adaptation of life cycle approach while designing products, effective delivery of services and constant social focus approach towards clients has reduced attrition to a very large extent.

Slight decrease in client retention percentage has been seen as on March 31, 2017, primarily due to higher Credit Bureau rejections and special situation arising out of demonetization. However, due to the customer centric approach adopted by Grameen Koota, client retention rate has stood better than all the other players of the NBFC - MFI segment. Customer retention for past 5 years is provided below,

Client Retention



G. Financial Performance

As at March 31, 2017, portfolio yield was 22.32% as against 24.04% in the previous financial year. Operating Expense Ratio as at March 31, 2017 was 5.10% as against 6.23% in the previous financial year representing a significant improvement.

Funding Trends

The changes in the outstanding borrowings from different sources during the FY 2016-17 in comparison to last year can be seen in the below table

Figures in Rs. Cr	O/s as on March 31, 2013	O/s as on March 31, 2014	O/s as on March 31, 2015	O/s as on March 31, 2016	O/s as on March 31, 2017
Public Sector Banks	112.09	276.07	311.64	394.8	248.2
Private Banks	165.65	287.28	572.74	963.4	845.0
Securitization / Buyouts	133.68	145.89	121.28	98.6	-
NCD / Foreign sources	70.50	169.57	295.90	464.9	566.9
NBFCs and FIs	38.83	72.31	111.68	410.3	808.1

H. Portfolio and Client Distribution

Grameen Koota has operational presence in Karnataka, Maharashtra, Tamil Nadu, Chhattisgarh and Madhya Pradesh. Grameen Koota has adopted a contiguous district expansion strategy to expand the operations in new geographies. Below table gives us the details of district wise portfolio and client penetration for past 4 years.

District Level Portfolio Distribution

% of Overall Portfolio Distribution	No. of Districts			
	FY 14	FY 15	FY 16	FY 17
<=0.5%	8	22	27	42
0.5% to <1%	7	10	12	19
1% to <3%	12	19	29	29
3% to <5%	11	8	3	4
More than 5%	4	5	3	2

% of Overall Portfolio Distribution		Karnataka	Maharashtra	Tamilnadu	Madhya Pradesh	Chhattisgarh	Grand Total
FY 13-14	<=0.5%	3	3	2			8
	0.5% to <1%	5	2				7
	1% to <3%	6	5	1			12
	3% to <5%	9	2				11
	More than 5%	3	1				4
% of Overall Portfolio Distribution		Karnataka	Maharashtra	Tamilnadu	Madhya Pradesh	Chhattisgarh	Grand Total
FY 14-15	<=0.5%	3	9	2	6	2	22
	0.5% to <1%	5	3	2			10
	1% to <3%	11	7	1			19
	3% to <5%	6	2				8
	More than 5%	4	1				5
% of Overall Portfolio Distribution		Karnataka	Maharashtra	Tamilnadu	Madhya Pradesh	Chhattisgarh	Grand Total
FY 15-16	<=0.5%	2	6	6	10	3	27
	0.5% to <1%	7	4	1			12
	1% to <3%	16	12	1			29
	3% to <5%	2	1				3
	More than 5%	3					3
% of Overall Portfolio Distribution		Karnataka	Maharashtra	Tamilnadu	Madhya Pradesh	Chhattisgarh	Grand Total
FY 16-17	<=0.5%	3	8	5	16	10	42
	0.5% to <1%	6	5	5	3		19
	1% to <3%	16	12	1			29
	3% to <5%	3	1				4
	More than 5%	2					2

% of Overall Client Distribution	No. of Districts			
	FY 14	FY 15	FY 16	FY 17
<=0.5%	6	19	20	36
0.5% to <1%	7	9	19	21
1% to <3%	15	26	29	33
3% to <5%	9	5	5	6
More than 5%	5	5	1	0

% of Overall Client Distribution		Karnataka	Maharashtra	Tamilnadu	Madhya Pradesh	Chhattisgarh	Grand Total
FY 13-14	<0.5%	3	2	1			6
	0.5% to <1%	5	1	1			7
	1% to <3%	7	7	1			15
	3% to <5%	7	2				9
	More than 5%	4	1				5
% of Overall Client Distribution		Karnataka	Maharashtra	Tamilnadu	Madhya Pradesh	Chhattisgarh	Grand Total
FY 14-15	<0.5%	3	6	2	6	2	19
	0.5% to <1%	3	4	2			9
	1% to <3%	16	9	1			26
	3% to <5%	3	2				5
	More than 5%	4	1				5
% of Overall Client Distribution		Karnataka	Maharashtra	Tamilnadu	Madhya Pradesh	Chhattisgarh	Grand Total
FY 15-16	<0.5%	2	4	6	5	3	20
	0.5% to <1%	7	6	1	5		19
	1% to <3%	1					1
	3% to <5%	16	12	1			29
	More than 5%	4	1				5
% of Overall Client Distribution		Karnataka	Maharashtra	Tamilnadu	Madhya Pradesh	Chhattisgarh	Grand Total
FY 16-17	<0.5%	2	7	5	12	10	36
	0.5% to <1%	6	5	4	6		21
	1% to <3%	17	13	2	1		33
	3% to <5%	5	1				6
	More than 5%						

Product-wise Portfolio Distribution

Products	FY 14		FY 15		FY 16		FY 17	
	Portfolio (Rs. Cr)	%	Portfolio (Rs. Cr)	%	Portfolio (Rs. Cr)	%	Portfolio (Rs. Cr)	%
Income Generation Loans	716.4	88.5%	1256.5	86.8%	2,243.2	88.3%	2,697.1	87.7%
Emergency Loans	13.3	1.6%	21.5	1.5%	17.6	0.7%	11.6	0.4%
Family Welfare Loans	16.6	2.1%	31.6	2.2%	66.4	2.6%	119.0	3.9%
Home Improvement Loans	63.2	7.8%	137.6	9.5%	211.9	8.3%	247.1	8.0%
Total	809.5	100.0%	1,447.1	100.0%	2,539.1	100.0%	3,074.8	100.0%

Product-wise Loans Disbursed

Products	FY 14		FY 15		FY 16		FY 17	
	Loans Disbursed	%	Loans Disbursed	%	Loans Disbursed	%	Loans Disbursed	%
Income Generation Loans	519,308	30.7%	960,233	33.8%	1,499,679	36.7%	1,304,608	41.7%
Emergency Loans	868,901	51.4%	1,309,382	46.0%	1,819,119	44.5%	1,002,159	32.1%
Family Welfare Loans	219,931	13.0%	407,306	14.3%	610,594	15.0%	641,970	20.5%
Home Improvement Loans	81,136	4.8%	166,909	5.9%	154,095	3.8%	176,624	5.7%
Total	1,689,276	100.0%	2,843,830	100.0%	4,083,487	100.0%	3,125,361	100.0%

I. 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 of social performance management for the financial year 2016-17 has been provided in SPM report.

Company's long term BASEL, NCD and Sub-debt given by CRISIL rating has been upgraded to "A" from "A-" and Institutional rating 'mfR1' by CRISIL has been retained.

The Social Rating "Σα" awarded by Mciril and the Code of Conduct Assessment "COCA1(C1)" ascertained by SMERA has been reaffirmed.

J. Internal Audit and Internal Controls

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

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

The internal audit activity is conducted with strict accountability for confidentiality and safeguarding records and information. It has full authorized, free and unrestricted access to any and all of Grameen Koota's records, physical properties and personnel pertinent to carrying out any engagement. The 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 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.

K. 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 organization 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, utilizing 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 focussed 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.

L. Human Resources

HR team of Grameen Koota strongly abides by the organization's Vision of being Committed, Reliable, Empathetic, Accountable, Transparency and Efficiency (CREATE). HR department ensures that the above-mentioned values are genuinely met for all internal resources. With the present scenario, there exists a challenge in acquiring resources with the right skills and aptitude in the Industry. But the HR team has adopted various innovative methods and approaches to meet the expectations. Along with the statutory benefits provided to employees such as ESI, Insurance, SAF and Gratuity, the HR department has always worked towards providing different employee welfare benefits which includes motivating employees by providing birthday, wedding, sibling wedding and child gifts,

HR Highlights

- Employee attrition rate as at March 31, 2017 was 17.34%
- Increased trainees' retention rate from 73% (as at March 31, 2016) to 81% (as at March 31, 2017)
- No pending concerns under labour compliances, sexual harassment and disciplinary committee
- Covered all eligible employees in ESIC as per the wage amendment.

Training

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

- 28 Days Basic Training program conducted for trainees for field operations
- Refresher Training as per operational requirement
- Induction training for lateral hires
- Departmental Process trainings and orientation program for all new recruits and promoted staff
- Leadership Training programs for all Manager level employees
- 1 day Process workshops for the employees as per the requirement

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)	3,036
b. Refresher /Process workshops	5,801
c. Orientation to leadership and Induction (Newly recruited and promoted staff)	232
d. Parivarthan (Motivational Training for new Joiners in the field)	1,077
e. Advanced people management training, TOT, Gender sensitization and etc.	402

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.

M. Information Technology

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

Core Banking System (CBS)

After the major technology migration exercise to T24 MCB in the previous year, all branches of Grameen Koota are working efficiently to complete the daily business operations. T24 MCB is the CBS offered by Temenos, which is a leading provider of core banking solutions worldwide. T24 MCB has been specifically customized for Grameen Koota's business operations. The higher levels of automation, controls and flexibility provided by the system shall enable Grameen Koota to achieve its vision to reach a larger client base.

Reporting

Grameen Koota generates 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.

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. Grameen Koota has been periodically upgrading the IT infrastructure to ensure uninterrupted support for the business growth plans. Grameen Koota has partnered with Bharti Airtel, Sify and Tata Teleservices for network connectivity across all critical locations.

Technology initiatives

Grameen Koota is actively working on upgrading its technology architecture and applications to keep pace with the changing environment in the industry. There is a lot of focus on increasing operational efficiency through 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.

N. 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.



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, 2017.

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

(Rs. crore)

Particulars	2016-2017	2015-2016
Gross Income	709.26	466.72
Profit Before Interest and Depreciation	445.27	340.39
Finance Charges	324.25	207.43
Gross Profit	121.02	132.97
Provision for Depreciation	4.43	2.61
Net Profit Before Tax	116.59	130.36
Provision for Tax	41.33	46.58
Net Profit After Tax	75.26	83.78
Balance of Profit brought forward	129.45	62.43
Balance available for appropriation	75.26	83.78
Proposed Dividend on Equity Shares	-	-
Tax on proposed Dividend	-	-
Transfer to General Reserve	15.05	16.76
Surplus carried to Balance Sheet	189.66	129.45

During the financial year, the Company completed its planned expansion well before September 2016 by opening 91 new branches and expanded its operations into 96 districts in the operating 5 states. It has also recruited the required number of new employees for the expected growth of 2016-17 and was on course in executing its plans. Consequent to the decision of demonetization of Specified Bank Notes by Government of India on November 8, 2016, and the subsequent events in the field operations, there has been substantial impact on the operations of different cash intensive businesses in the country and the microfinance industry which, by and large, is almost wholly cash-dependent, was also affected by way of reduced disbursements and reduced on-time repayments. The regulator provided a special dispensation of 90 days for provisioning against borrowal accounts which have become NPAs due to non-payment of instalments during November/December 2016. Loan waiver rumours were created by people with vested interests across several places in the country which impacted the collections for the entire sector. The Industry Bodies like MFIN, SA-Dhan and AKMI took up the issue with RBI and respective State Governments seeking support. The Company's core strengths and its responsible business practices along with existing risk mitigation strategies, weekly and fortnightly collection practices, well experienced field staff have all enabled the Company to manage the situation better in the affected geographies. The situation is expected to further improve and stabilize by the middle of the financial year 2017-18.

Due to the impact on growth for almost five months, the company's portfolio remained around the same level as that of September 2016, which was around 20% more than the portfolio as at the end of March 2016. With new branch offices and the required number of employees in place, growth is expected to return during financial year 2017-18.

During the financial year, the Company initiated merger of M V Microfin Pvt Ltd., into Grameen Koota, which will enable the Company to enhance its capital base further. The Company has completed all the required formalities and has finalized application to NCLT for the merger.

To cater to customers who have been growing their business activities and require higher credit facilities, the Company initiated a pilot project to evaluate a new business line which will be referred to as 'Retail Finance'. This business line will enable the Company to retain the long-standing women borrowers and support them to further grow as entrepreneurs.

Your Company's organizational highlights for FY 2016-2017 are as follows:

Year Ended	2017	2016
Branches	393	298
States	5	5
Districts	96	74
Kendras	91,312	69,709
Customers	1,653,611	1,386,588
Loans Disbursed (Rs.Cr.)	3,402.63	3,348.84
Portfolio Outstanding (Rs.Cr.)	3075.44	2,539.06

The regulatory landscape which was ushered in, during the previous years, was further stabilized during the financial year. Final licenses were handed over to a majority of Small Finance Bank and Payment Bank applicants and the remaining were in the final stage of approval.

2. CHANGE IN THE NATURE OF BUSINESS, IF ANY

There has not been any change in the nature of business of the Company during the year. However, the Company initiated individual loans to vintage customers of Grameen Koota under a new business line called Retail Finance.

3. DIVIDEND

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

4. BOARD MEETINGS

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

May 11, 2016; May 21, 2016; June 16, 2016; June 23, 2016; August 16, 2016; November 9, 2016; January 25, 2017; February 28, 2017 and March 25, 2017

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	9	9
Mr. Suresh K Krishna	Director	9	8
Mr. Paolo Brichetti	Investor Director	9	7
Mr. Kenneth Dan Vender Weele*	Investor Director	1	1
Mr. Sumit Kumar**	Investor Director	4	3
Mr. R. Prabha	Independent Director	9	8
Mr. Anal Jain	Independent Director	9	6
Mr. M.N. Gopinath	Independent Director	9	7
Mr. George Joseph	Independent Director	9	9
Mr. Udaya Kumar	Managing Director & CEO	9	9

*Mr. Kenneth Dan Vender Weele was on the Board of the Company till May 11, 2016.

** Mr. Sumit Kumar joined the Board as Additional Director effective August 16, 2016.

5. BOARD COMMITTEES

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

Name & Members of Committee	Name & Members of the Committee
Audit Committee <ul style="list-style-type: none"> Mr. R Prabha Mr. George Joseph Mr. M.N. Gopinath Mr. Paolo Brichetti Mr. Suresh K Krishna 	ALM Committee <ul style="list-style-type: none"> Mr. Suresh K Krishna Mr. Paolo Brichetti Mr. George Joseph Mr. Udaya Kumar Mr. Sumit Kumar
Nomination and Remuneration Committee <ul style="list-style-type: none"> Mr. Anal Jain Mr. M.N. Gopinath Mr. Paolo Brichetti Mr. R. Prabha Mrs. Vinatha M. Reddy Mr. Udaya Kumar 	Shareholders' and Grievance Committee <ul style="list-style-type: none"> Mr. R Prabha Mr. George Joseph Mrs. Vinatha M Reddy Mr. Suresh K Krishna Mr. Udaya Kumar
Risk Management Committee <ul style="list-style-type: none"> Mr. George Joseph Mr. Suresh K Krishna Mr. Sumit Kumar Mr. Paolo Brichetti Mr. Udaya Kumar 	Executive, Borrowings and Investment Committee <ul style="list-style-type: none"> Mrs. Vinatha M Reddy Mr. Suresh K Krishna Mr. Paolo Brichetti Mr. Udaya Kumar
Shares and Debentures Allotment Committee <ul style="list-style-type: none"> Mrs. Vinatha M. Reddy Mr. Suresh K Krishna Mr. Udaya Kumar 	Corporate Social Responsibility (CSR) Committee <ul style="list-style-type: none"> 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	6
Asset Liability Management Committee	4
Nomination and Remuneration Committee	3
Shareholders' and Grievance Committee	3
Shares & Debenture Allotment Committee	10
Executive, Borrowings & Investments Committee	33
Risk Mitigation Committee	3

6. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Kenneth Dan Vender Weele resigned from the directorship of the Company during the year. Mr. Sumit Kumar of Olympus Capital Asia was appointed on August 16, 2016, to the Board of the Company as Additional Director. 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.

7. POLICY LAID DOWN BY THE NOMINATION AND REMUNERATION COMMITTEE

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 at for each indicator. The scores are presented to the Board for further evaluation.

b. Fixation of remuneration of Directors

Directors will be paid sitting fees which will be determined by the Board in line with the regulations. In case the Company desires to use the services of any Director/s for specific assignments, then the Company will compensate the Director/s specifically for such particular service/s and such compensation will be determined by the Board.

c. Code of Conduct for Senior Management

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

8. VIGILANCE MECHANISM

The Company has established whistle blower mechanism for the Directors and employees to report any genuine concerns through 'vigil@grameenkoota.org'. The Directors or employees can raise their concerns directly to the Chairman of the Audit Committee. Employees are also encouraged to report any unethical behavior, actual or suspected fraud or violation of the Codes of Conduct or policy or illegal activity occurring in the Company. They can report such activity to the Chairman of the Audit Committee by sending a mail to 'vigil@grameenkoota.org' with a copy to the Managing Director & CEO and Company Secretary. The cases reported are investigated and resolved within strict timelines and the identity of the person who reports such an occurrence will be kept confidential. The quarterly reports are reviewed by the Audit Committee.

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 have been followed along with proper explanation relating to material departures;
- b. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent 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 have 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 have prepared the annual accounts on an on-going concern basis;
- e. the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f. the Directors have 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 subsidiary or associate, nor has it entered into any joint venture with any organization.

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 were appointed Auditors till FY 19-20 and the Board has reviewed the renewal of appointment of the auditors. They shall continue to remain the Auditors for three years from conclusion of this AGM till the conclusion of next fourth AGM.

13. SECRETARIAL AUDIT

Mrs. Chenthamarai V, Practicing Company Secretary is appointed as Secretarial Auditor for FY 2017-18

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.

b. Foreign Exchange Earnings and Outgo

During the year, the foreign exchange inflow and outflow for the Company has been Rs. 3,402,664 /- & Rs. 28,719,277 /- 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. An independent internal audit system is in place to conduct audits of all branches, regional offices 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 Committee. 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. 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 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 microfinance 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

The company is continuously making efforts to ensure integration of risk management practices into consolidated governance and implementation structure. Conscious efforts are made to develop and improve risk mitigation culture within the Organization with appropriate systems and tools to identify, measure and report risks and manage 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, utilizing 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 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 governance, supporting the risk management framework. The Board comprises professional Directors with relevant experience and who are well placed to understand risks specific to Grameen Koota and the microfinance sector in general. The Board oversees the implementation of the risk management plan principally through the Risk Mitigation Committee. 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 are monitored by the Management Level Risk Committee (MLRC) and reported to the Risk Management Committee of the Board of Directors on a quarterly basis. The Risk Management Committee oversees working of risk management practices/strategies by approving Key Results expected and reviewing the same on a quarterly basis. The Committee will 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.156,06,180/- during the year 2016-17, as part of its CSR contribution. Apart from this statutory contribution, the Company has additionally contributed Rs. 262,81,881/- by way of donation for CSR activities and the total forms 5% of PAT for the year 2016-17. 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, the Board as a whole, Committee evaluation and evaluation of the Chairperson were performed 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 debtraising 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 four tranches. As at the end of the period ending March 31, 2017, the following stock option grants were in operation.

Particulars	Tranche I	Tranche II	Tranche III	Tranche IV
Date of grant	Apr 1, 2012	Oct 1, 2013	Jun 1, 2014	Jul 01, 2016
Date of Board / Compensation Committee approval	Oct 15, 2011	Aug 22, 2012	Jul 30, 2014	Nov 08, 2016
Number of Options granted	716,676	631,339	443,000	431,000
Method of settlement	Equity	Equity	Equity	Equity
Graded vesting period:				
Day following the expiry of 12 months from grant	25%	25%	25%	25%
Day following the expiry of 24 months from grant	25%	25%	25%	25%
Day following the expiry of 36 months from grant	25%	25%	25%	25%
Day following the expiry of 48 months from grant	25%	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	7.26
Weighted average exercise price per option (Rs.)	27.00	27.00	39.86	76.85
Weighted average fair value of options (Rs.)	14.32	16.97	36.21	74.23

RECONCILIATION OF OPTIONS

Particulars	March 31, 2017	March 31, 2016
Tranche I		
Options outstanding at the beginning of the year	627,176	635,926
Granted during the year		
Forfeited during the year	279,176	8,750
Exercised during the year		-
Expired during the year		-
Outstanding at the end of the year	348,000	627,176
Exercisable at the end of the year (refer note below)	348,000	627,176
Tranche II		
Options outstanding at the beginning of the year	5,92,339	604,339
Granted during the year		-
Forfeited during the year	149,839	12,000
Exercised during the year		-
Expired during the year		-
Outstanding at the end of the year	442,500	592,339
Exercisable at the end of the year (refer note below)	442,500	367,339
Tranche III		
Options outstanding at the beginning of the year	435,500	437,000
Granted during the year		-
Forfeited during the year	10,500	1,500
Exercised during the year		-
Expired during the year		-
Outstanding at the end of the year	425,000	435,500
Exercisable at the end of the year	212,500	109,250

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

DETAILS OF STOCK OPTIONS GRANTED DURING THE YEAR:

431,000 stock options were granted during the FY 2016-17.

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

Sl No.	Name of Employee	No. of Options
1	SRIVATSA H N	25,000
2	UDAYA KUMAR HEBBAR	140,000
3	ARUN KUMAR B	25,000
4	DIWAKAR RAM BODDUPALLI	60,000
5	GOPAL REDDY A R	25,000
6	ANSHUL SHARAN	25,000
7	GURURAJ KUMAR K S RAO	30,000

Udaya Kumar
Managing Director & CEO
DIN: 07235226

Vinatha M Reddy
Chairperson
DIN: 01181691

ANNEXURE – I

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
as on 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 | +91.80.22637300
6. Whether listed Company: No
7. Name, Address and Contact details of Registrar and Transfer Agent:
Karvy Computer share 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

Sl. No.	Name and address of the Company	Cin/gln	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1	CreditAccess Asia NV	NA	Holding Company	99.44	2(46)

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	0	0	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0	0
Sub Total (A)(1)	0	0	0	0	0	0	0	0	0
(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	35,349,630	23,889,214	59,238,844	81.20	85,203,532	0	85,203,532	99.44	18.24
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)	35,349,630	23,889,214	59,238,844	81.20	85,203,532	0	85,203,532	0	18.24
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. FIIs	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)	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
ii) Overseas	7,462,491	0	7,462,491	10.23	0	0	0	0	-10.23
b. Individuals									
i) Individual shareholders holding nominal share capital up to Rs. 1 Lakh	0	505,818	505,818	0.69	300,000	72,811	372,811	0.44	-0.25
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	5,616,280	130,000	5,746,280	7.88	0	105,000	105,000	0.12	-7.76
c. Others	0	0	0	0	0	0	0	0	0
Sub Total (B)(2)	13,078,771	635,818	13,714,589	18.80	300,000	177,811	477,811	100.00	-18.24
Total Shareholding of non-Promoter (B) = (B)(1) + (B)(2)	13,078,771	635,818	13,714,589	18.80	300,000	177,811	477,811	100.00	-18.24
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	48,428,401	24,525,032	72,953,433	100.00	85,503,532	177,811	85,681,343	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	Credit Access Asia NV	59238844	81.20	Nil	85203532	99.44	Nil	(18.24)

(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	59,238,844	81.20		
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.)	CAA purchased shares from: April 07, 2016: 45,00,000 shares from Vimala Reddy (TMTCT) April 08, 2016: 515,600 shares from Vinatha M Reddy April 11, 2016: 100,000 shares from Vijitha Subbiah April 20, 2016: 200,680 shares from Suresh K Krishna 21.07.2016: 2045824 shares Creation Investments Social Venture Fune II LP 09.09.2016: 458,007 shares from certain employees Allotment 12.05.2016: 4,347,826 17.06.2016: 2,173,913 27.06.2016: 2,173,913 27.03.2017: 4,032,258	18.24	25,964,688	
3	At the end of the year			85,203,532	99.44

(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	72,529,255	99.52		
2	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc)				
3	At the End of the year (or on the date of separation, if separated during the year)			85,660,172	99.45

(v) Shareholding of Directors and Key Managerial Personnel

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	816,280	1.12		
2	Date-wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.	<p>April 08, 2016 515600 shares were transferred from Mrs. Vinatha M Reddy to Credit Access Asia NV</p> <p>April 20, 2016 200680 shares were transferred from Mr. Suresh K Krishna to Credit Access Asia NV</p>	0.98		
3	At the end of the year (or on the date of separation, if separated during the year)	100000	0.14	100000	0.14

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

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

SI No	Particulars of Remuneration	Name of MD/WTD/ Manager (Mr. Udaya Kumar, Managing Director & CEO)
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.8,852,913
2	Stock Options	140,000
3	Sweat Equity	
4	Commission -as % of profit -others, specify...	
5	Others, please specify (Bonus & Ex-gratia)	Rs.1,738,965
	Total (A)	Rs.10,591,878
	Ceiling as per the Act	Not more than 5% of Net profit

B. Remuneration to other directors (Sitting Fees)

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 on same date of Board	Rs.25,000/ day	Rs.15,000/ day
Promoter Director	Rs.30,000/day	Rs.30,000/ day Rs.20,000 if performed on same date of Board	Rs.20,000/ day	Rs.15,000/ day
Independent Directors	Rs.30,000/day	Rs.30,000/day Rs.20,000 if performed on same date of Board	Rs.20,000/ day	Rs.15,000/ day
Audit Committee Chairperson	Rs.30,000/day	Rs.35,000/day Rs.25,000 if performed on same date of Board	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/WTD

SI 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.5,448,329	Rs.937,440	Rs.6,385,769
2	Stock Options	60,000		60,000
3	Sweat Equity			
4	Commission -as % of profit -others, specify...			
5	Others, please specify (Bonus)	Rs.1,135,069	Rs.1,26,480	Rs.1,261,549
	Total (A)	Rs.6,583,397	Rs.1,063,920	Rs.7,647,317

(vii) INDEBTEDNESS

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

(Rupees in Lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				0
i) Principal Amount	2,12,016.49	11,315		2,23,331.49
ii) Interest due but not paid	0.00			
iii) Interest accrued but not due	2,276.15	170.98		2,447.13
Total (i+ii+iii)	2,14,292.64	11,485.98		2,25,778.62
Change in Indebtedness during the financial year (FY 16-17)				
Addition	1,48,124.00	20,000		1,68,124.00
Reduction	1,23,632.02	1,000		1,24,632.02
Net Change	2,71,756.02	21,000		43,491.98
Indebtedness at the end of the financial year (FY 16-17)				
i) Principal Amount	2,36,508.48	30,315		2,66,823.48
ii) Interest due but not paid	0.00	0.00		
iii) Interest accrued but not due	2,954.98	210.75		3,165.73
Total (i+ii+iii)	4,83,772.51	32,315		2,66,823.48

(viii) PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: NIL

ANNEXURE – II

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
for the financial year ended 31/03/2017

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

To,

The Members,
 Grameen Koota Financial Services Private Limited
 (Formerly Grameen Financial Services Private Limited)
 New No.49, 46th Cross, 8th Block, Jayanagar
 Bangalore - 560 071

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 (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, minute 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 31/03/2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:
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 31/03/2017 in accordance with the applicable provisions of the following regulations:
 - a) The Companies Act, 2013 (the Act) and the rules made thereunder;
 - b) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
 - c) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
 - d) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment;
 - e) 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.
 - i) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - ii) 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;
 - iii) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

- iv) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - v) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - vi) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - vii) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - viii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
 - ix) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements 2015)
 - f) RBI Act 1934 and Regulations there under as applicable to a Non-Banking Financial Company – Micro Finance Institution.
 - g) Secretarial Standards issued by The Institute of Company Secretaries of India.
 - h) 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
- I further report that:
- i) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
 - ii) Adequate notice is 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.
5. 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.
6. I further report that:
- During the audit period the company has carried out the following major corporate activities:
- Issued Non-Convertible Debentures, Convertible Debentures and Equity Shares on a private placement basis
 - Listed the non-convertible debentures issued by the company.
 - Approved merger with MV Microfin Private Limited
7. 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
15/05/2017

Chenthamarai V
FCS 4928
PCS 2822

Annexure A

To
The Members,
Grameen Koota Financial Services Private Limited
(Formerly Grameen Financial Services Private Limited)
New No.49, 46th Cross, 8th Block, Jayanagar
Bangalore - 560071

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
15/05/2017

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, has incorporated its 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 KOOKA CSR PROJECT

In consonance with the activities specified in 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 KOOKA 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 and community on importance of Safe Water and Sanitation
- Financial literacy and WASH training to customers & students
- Sugrama Project to make two Gram Panchayats open defecation-free.

IMPLEMENTATION AGENCY

Grameen Koota has chosen Navya Disha Trust to implement its CSR activities. Navya Disha Trust was registered in November 2005 (Registration No. BNG (U)-JNR-IV/422/2005-2006) as a 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 contribution 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 2015-16	1,303,609,911
For financial year 2014-15	760,794,785
For financial year 2013-14	276,522,300
Average profit of 3 preceding financial year	780,308,999

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.1,56,06,180 /-**

DETAILS OF CSR SPENT DURING THE FINANCIAL YEAR

Total amount to be spent for the financial year:

Rs. 1,56,06,180 /-

Amount unspent, if any: **NIL**

Over and above this, Grameen Koota has **donated Rs. 26,281,881/- to Navya Disha** as donation to carry out CSR activities in FY16-17.

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

Over and above this, Grameen Koota has donated Rs. 26,281,881/- to Navya Disha as donation to carry out CSR activities in FY16-17.

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	15,606,180	NA		Through an implementing agency
2	Project details Navya Disha Trust	Education, healthcare, water, sanitation	In the operational areas of the Company in the states of Karnataka and Maharashtra	22,021,333	NA		Through an implementing agency
TOTAL				37,627,513			

PERFORMANCE OF FY 2016-17

22 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 with four project offices at Tumkur, Belgaum, Sholapur & Nagpur. It has a dedicated specialized team of 40 members who are experts in water, sanitation, education, rural development and environment.

With 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 kids on non-curriculum topics like Water, Sanitation, Hygiene, Financial Literacy and Career Guidance.

Sugrama

Transforming selected villages into 100% open defecation-free villages, with each household having access to 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 every Grameen Koota branch.

2016-17 ACTIVITIES

As part of CSR and with Donations, the overall activities accomplished during the year 2016-17 are as below

Sl. No.	Awareness Activity	No. of Activities as on 31 Mar 2017	No. of participants
1	GK Branch Staff Training	257	2,817
2	GK Customer Training	10,830	179,765
3	Gram Panchayat Elected Members Orientation	1,014	9,952
4	Gram Panchayat Level Workshop	1,009	72,518
5	Street Plays	4,168	273,957
6	Mason Training	143,034	143,034
7	Wall Painting	1,090	1,090
8	WASH training session for 8th Std. students	1,439	76,352
9	Financial Literacy session for 9th Std. Students	1,436	85,988
10	Career Guidance for 10th Std. students	1,434	83,905
11	Taluka Level Social Awareness Campaign	199	60,564

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-17
Hosa Vantamuri Gram Panchayat, Belgaum District	10	2,188	47	1135
Urdigere Gram Panchayat, Tumkur District	16	1,555	717	1480

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.

Udaya Kumar

Managing Director & CEO

DIN: 07235226

ANNEXURE – IV

FORM NO. AOC.2

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 arm's length transactions under third proviso thereto -

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

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 and Mrs. Vinatha M Reddy

b) Nature of contracts/arrangements/transactions:

Payment of ex-gratia as reward to Mrs. Vinatha M Reddy and Mr. Suresh K Krishna

c) Duration of the contracts/arrangements/transactions: NA

d) Salient terms of the contracts or arrangements or transactions including the value, if any:

Suresh K Krishna	Co-founder & Director, Managing Director till July 11, 2015	3.33 Cr
Vinatha M Reddy	Founder & Chairperson of The Company.	1.11 Cr
Total		4.44 Cr

e) Justification for entering into such contracts or arrangements or transactions:

payment of ex-gratia as reward to Mrs. Vinatha M Reddy and Mr. Suresh K Krishna for their unique contribution as Promoters and employees of the Company in building and nurturing the Organization for over 16 years.

f) Date(s) of approval by the Board: April 02, 2016

g) Amount paid as advances, if any: NA

h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188: June 29, 2016

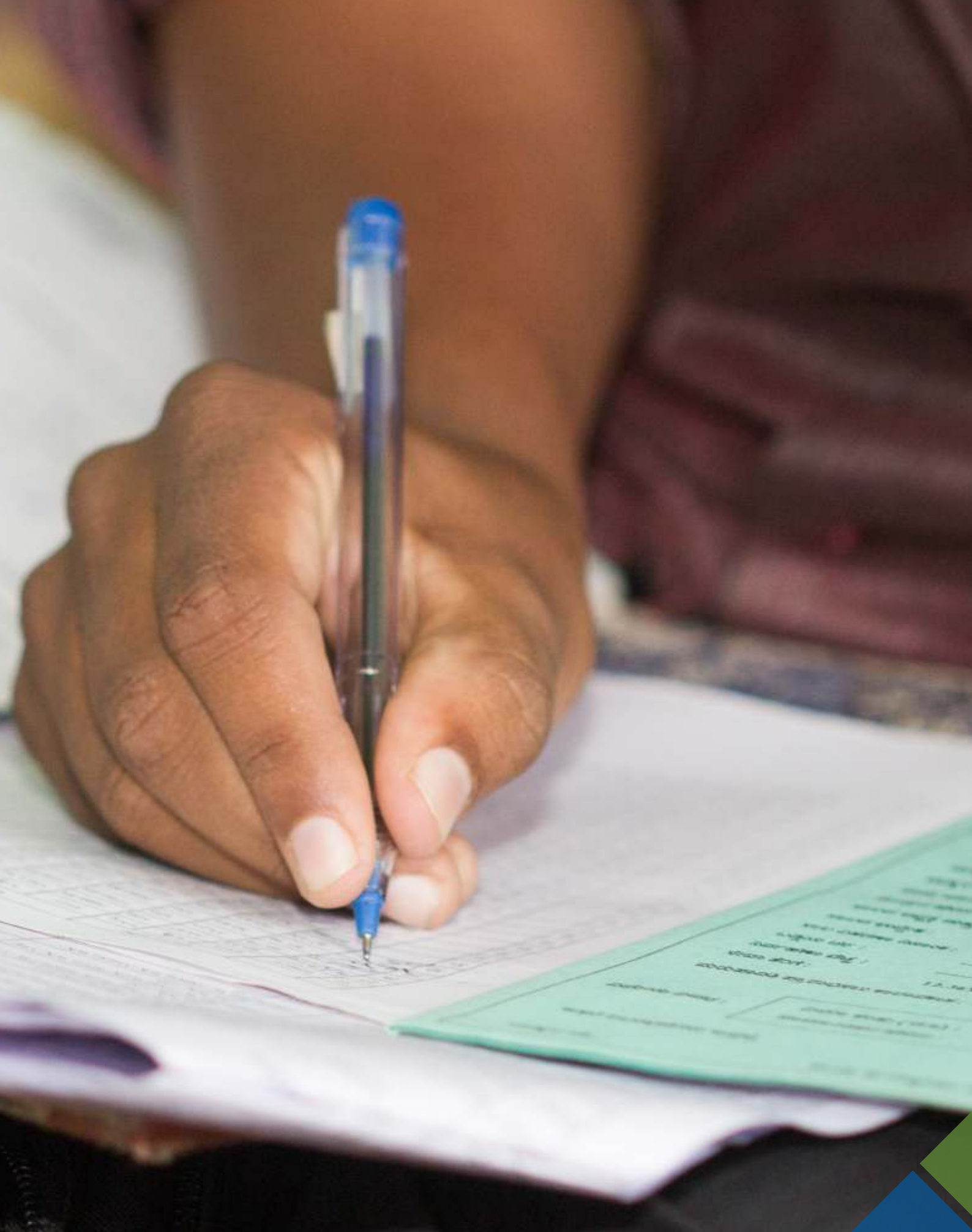
(i) the ratio of the remuneration of each Director to the median remuneration of the employees of the company for the financial year;	61.48% (Managing Director & CEO)
(ii) the percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	Managing Director & CEO – 12% CFO – 20% Company Secretary – 26%
(iii) the percentage increase in the median remuneration of employees in the financial year;	12.00%
(iv) the number of permanent employees on the rolls of company;	4,952
(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.8,852,913
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	8 Sep-2010
(vi) The age of such employee	57 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

Udaya Kumar
Managing Director & CEO
DIN: 07235226

Vinatha M Reddy
Chairperson
DIN: 01181691



CORPORATE GOVERNANCE REPORT

I. 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 stakeholders. The company follows all the principles of corporate governance in its true spirit and at all times.

II. BOARD OF DIRECTORS

a. Composition

The Board consists of nine Directors as on 31st March 2017, comprising two Promoter Directors, two Investor Directors, four independent Directors and one whole-time Executive Director.

b. Board Meetings

The Board met nine times during the financial year 2016-2017. The Board of Directors of the Company had met not exceeding a maximum time gap of one hundred and twenty days.

c. Change in Board

Mr. Kenneth Dan Vender Weele resigned from the directorship of the Company during the year. Mr. Sumit Kumar, of Olympus Capital Asia was appointed on August 16, 2016, to the Board of the Company during the year as Additional Director. 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	Designation	Eligible Meetings	Meetings Attended
Mrs. Vinatha M Reddy	Founder and Chairperson	9	9
Mr. Suresh K Krishna	Director	9	8
Mr. Paolo Brichetti	Investor Director	9	7
Mr. Kenneth Dan Vender Weele*	Investor Director	1	1
Mr. Sumit Kumar**	Investor Director	4	3
Mr. R. Prabha	Independent Director	9	8
Mr. Anal Jain	Independent Director	9	6
Mr. M.N. Gopinath	Independent Director	9	7
Mr. George Joseph	Independent Director	9	9
Mr. Udaya Kumar	Managing Director & CEO	9	9

* Mr. Kenneth Dan Vender Weele was on the Board of the Company till May 11, 2016

** Mr Sumit Kumar joined the Board as Additional Director effective from August 16, 2016.

III. COMMITTEES OF THE BOARD – COMPOSITIONS AS ON MARCH 31, 2017

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 the following directors for the year ended 31st March 2017:

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

As on 31st March 2017 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 six times during the year on May 10, 2016, May 21, 2016, August 16, 2016, November 9, 2016, January 25, 2016 and Mar 25, 2017.

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 – Member	5
Mr. George Joseph	5
Mr. M.N. Gopinath	5
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 2016-17.

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 will set up a nomination & remuneration committee which will be responsible for ensuring that the Directors appointed have appropriate skills to support the functioning of the Company. The NRC will review the candidature of the Directors and ensure they are fit and proper as per the guidelines of RBI and Companies Act. The NRC will 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 will be paid a sitting fees which will 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 will compensate the Directors additionally for their professional services and such compensation will be determined by the Board.

Composition of committee and attendance of members

The Committee at the beginning of the financial year consists of, Mr. Paolo Brichetti. The Mr. Anal Jain, Mr. M.N. Gopinath, Mr. R. Prabha, Mr. Paolo Brichetti and Mr. Udaya Kumar. Mrs. Vinatha M Reddy.

Attendance of Meeting is as under

Sl. No.	Name of Director and position	Meeting/ Attendance		
		May 10, 2016	May 21, 2016	Nov 09, 2016
1	Mr. Anal Kumar Jain, Chairperson	Present	Present	Present
2	Mr. R Prabha, Member	Present	Present	Present
3	Mr. M.N. Gopinath	--	--	Present
4	Mr Paolo Brichetti, Member	Present	Present	Present
5	Mrs. Vinatha M Reddy, Member	--	--	--
6	Mr. Udaya Kumar	Present	Present	Present

4. RISK MANAGEMENT COMMITTEE

Periodic assessments to identify 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. Sumit Kumar
- 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 Krishna is the Chairman of the Committee, Mr. George Joseph, Mr. Paolo Brichetti, Mr. Udaya Kumar and Mr. Sumit 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/close bank accounts of the company.

Mrs. Vinatha M Reddy is the Chairperson 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 Chairperson 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

Out 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, 2017.

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	2014-2015	Jun 25, 2014
Registered Office of the Company	2015-2016	Jun 22, 2015
Registered Office of the Company	2016-2017	Jun 29, 2016

Extraordinary General Meetings of the Company

Venue	Financial Year	Date & Time
Registered Office of the Company	2014-2015	Jul 08, 2014 Oct 14, 2014 Mar 06, 2015
Registered Office of the Company	2015-2016	Mar 16, 2016 Mar 23, 2016
Registered Office of the Company	2016-2017	23.06.2016 16.06.2016 25.03.2017

11. WHISTLE BLOWER POLICY

The company has an established mechanism for Directors/employees to report concerns about unethical behavior, 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 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 'vigil@grameenkoota.org'. 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-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. An 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 Workplace" and the rules (hereinafter referred to as 'Policy') are 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 workplace 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 will report to the Grievance Redressal Committee of the Board all complaints received and actions taken by the management on the same periodically.

Confidentiality and Non-Disclosure

- a) 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.
- b) The above restrictions shall be applicable to all 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 of handling or dealing with the complaint, inquiry or any recommendations. Any person who breaches confidentiality shall be liable for the consequences as stipulated under section 17 of the Act read with Rule 12 of the rules.

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.



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, 2017, 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 and the Companies (Accounting Standards) Amendment Rules, 2016. 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, 2017, 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 and the Companies (Accounting Standards) Amendment Rules, 2016;
- (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, 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, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – 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.
 - iv. The Company has provided disclosures in Note 35 to the financial statements as to the holding of Specified Bank Notes (SBNs) on November 8, 2016 and December 30, 2016 as well as dealings in SBNs during the period from November 9, 2016 to December 30, 2016. Based on audit procedures and relying on management representations, except for segregation of transactions between SBNs and

other denominations, as more fully described in Note 35(1) to the financial statements, on which we are unable to comment in the absence of sufficient appropriate audit evidence, we report that the amounts disclosed in the said note are in accordance with the books of account maintained by the Company and produced before us for verification. Further, as stated in Note 35(3), read with Note 35(1) to the financial statements and as represented to us by the management, the Company has received an amount aggregating Rs. 126,420,000 as repayments from its borrowers in SBNs which were not permitted.

For S. R. BATLIBOI & CO. LLP

ICAI Firm Registration Number: 301003E/E300005

Chartered Accountants

per Jayesh Gandhi

Partner

Membership No. 037924

Mumbai

May 17, 2017

Annexure 1 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 property, plant and equipment 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 within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the services of the Company.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues have been regularly deposited with the appropriate authorities though there has been a delay in payment of service tax of Rs. 6,110,911, which has been discharged during the year along with appropriate interest.

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 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 loans or borrowings to a financial institution or bank or dues to debenture holders.

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

Further, monies raised by the Company by way of term loans 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 material 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 therefore 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 complied with provisions of section 42 of the Act in respect of the preferential allotment or private placement of equity shares and fully convertible debentures during the year. According to the information and explanations given by the management, we report that the amount raised have been used for the purposes 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.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.
- (xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

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

per Jayesh Gandhi
 Partner
 Membership No. 037924

Mumbai
 May 17, 2017

Annexure 2 Referred to in Paragraph 2 (f) - Under the heading “Report on other legal and regulatory requirements” of our report of even date

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

We have audited the internal financial controls over financial reporting of Grameen Koota Financial Services Private Limited (the “Company”) as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 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, 2017, 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 Registration Number: 301003E/E300005
Chartered Accountants

per Jayesh Gandhi
 Partner
 Membership No. 037924

Mumbai
 May 17, 2017

FINANCIAL STATEMENTS

BALANCE SHEET AS AT MARCH 31, 2017

(Amount in Rupees unless otherwise stated)

Particulars	Notes	31-Mar-17	31-Mar-16
Equity and liabilities Shareholders' funds			
Share capital	3	856,813,430	729,534,330
Reserves and surplus	4	6,051,154,034	3,919,662,709
		6,907,967,464	4,649,197,039
Non-current Liabilities			
Long-term borrowings	5A	11,758,818,397	11,221,463,729
Long-term provisions	6	307,232,507	107,518,591
		12,066,050,904	11,328,982,320
Current liabilities			
Short-term borrowings	5B	-	200,000,000
Other current liabilities	7	15,494,160,852	11,744,562,951
Short-term provisions	6	1,172,540,313	207,442,293
		16,666,701,165	12,152,005,244
TOTAL		35,640,719,533	28,130,184,603
Assets			
Non-current assets			
Fixed assets			
Property, plant and equipment	8	59,802,184	53,178,764
Intangible assets	9	62,819,642	60,183,775
Capital work-in-progress		7,036,220	-
Intangible assets under development		23,273,932	-
Non-current investments	10	2,000,000	2,000,000
Deferred tax asset (net)	11	484,944,596	83,618,817
Long-term loans and advances	12	6,376,146,360	7,712,254,026
Other non-current assets	13	119,575,979	420,296,365
		7,135,598,913	8,331,531,747
Current assets			
Cash and bank balances	14	3,636,880,860	2,549,147,454
Short-term loan and advances	12	24,514,534,368	17,041,635,241
Other current assets	13	353,705,392	207,870,161
		28,505,120,620	19,798,652,856
TOTAL		35,640,719,533	28,130,184,603

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:

Date:

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

Sd/-

Udaya Kumar

Managing Director & CEO

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, 2017*(Amount in Rupees unless otherwise stated)*

Particulars	Notes	31-Mar-17	31-Mar-16
Income			
Revenue from operations	15	7,017,450,203	4,569,500,670
Other income	16	75,161,699	97,685,413
Total revenue (I)		7,092,611,903	4,667,186,083
Expenses			
Employee benefits expenses	17	1,046,846,826	706,715,897
Finance costs	18	3,242,532,733	2,074,278,377
Other expenses	19	507,021,388	416,351,902
Depreciation and amortisation expenses	20	44,326,457	26,056,847
Provision and write-offs	21	1,086,019,140	140,173,149
Total expenses (II)		5,926,746,544	3,363,576,172
Profit before tax (III)=(I)-(II)		1,165,865,359	1,303,609,911
Tax expense			
Current tax		813,334,620	513,814,248
Deferred tax		(401,325,779)	(48,006,347)
Short provision of tax relating to earlier years		1,306,248	40,800
Total tax expense (IV)		413,315,089	465,848,701
Profit for the year (III)-(IV)		752,550,269	837,761,210
Earnings per equity share [Nominal value of share Rs.10 (March 31, 2017: Rs.10)]			
Basic(Computed on the basis of total Profit for the year)		9.38	11.48
Diluted(Computed on the basis of total Profit for the year)		9.26	11.30

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:
Date:

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

Sd/-
Udaya Kumar
Managing Director & CEO

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, 2017

(Amount in Rupees unless otherwise stated)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
A. Cash flow from operating activities		
Profit before tax	1,165,865,359	1,303,609,911
Adjustments for :		
Depreciation and amortization	44,326,457	26,056,847
Provision for gratuity	14,384,403	11,288,314
Provision for leave benefits	21,404,737	10,334,152
Bad debts written off	22,181,493	7,969,075
Loss on sale of fixed assets	666,338	497,614
Provision for standard assets	1,057,817,251	117,349,750
Provision for non-performing assets	6,020,397	14,854,324
Stock option expenditure	6,220,156	2,396,664
Amortisation of share issue expenses	2,516,725	2,643,619
Profit on sale of investments	(35,641,674)	(38,332,121)
Other provisions and write offs	(3,883,130)	17,934,297
Operating profit before working capital changes	2,438,239,046	1,551,703,992
Movements in working capital :		
Increase/ (decrease) in other liabilities	(280,156,883)	376,917,482
Decrease / (increase) in loans and advances	(6,155,391,571)	(11,285,264,572)
Sale of current investments	676,286,994	570,577,132
Decrease / (increase) in other assets	(195,740,403)	(66,526,685)
Cash used in operations	(3,516,762,817)	(8,852,592,652)
Direct taxes paid (net of refunds)	(731,243,002)	(459,590,247)
Net cash used in operating activities (A)	(4,248,005,819)	(9,312,182,900)
B. Cash flow from investing activities :		
Purchase of fixed assets	(84,960,325)	(78,099,857)
Proceeds from sale of fixed assets	398,081	304,733
Purchase of current investments	(23,249,000,000)	(22,174,900,000)
Sale of current investments	23,284,641,674	22,213,232,121
Net cash used in investing activities (B)	(48,920,569)	(39,463,003)

C. Cash flow from financing activities :

Long-term borrowings (net)	4,549,198,490	9,227,832,098
Short-term borrowings (net)	(200,000,000)	200,000,000
Proceeds from issuance of equity share capital including securities premium	1,500,000,000	-
Payment of processing fee towards borrowings	(58,026,915)	(82,952,046)
Net cash from financing activities (C)	5,791,171,575	9,344,880,052
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C)	1,494,245,186	(6,765,852)
Cash and cash equivalents as at the beginning of the year	1,826,834,547	1,833,600,399
Cash and cash equivalents as at end of the year (refer note 17)	3,321,079,733	1,826,834,547
Components of cash & cash equivalents at the year end		
Cash on hand	83,572,677	161,962,446
Balance with banks - on current account	737,507,056	1,114,872,101
Deposits with original maturity of less than 3 months*	2,500,000,000	550,000,000
	3,321,079,733	1,826,834,547

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:
Date:

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

Sd/-
Udaya Kumar
Managing Director & CEO

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, 2017

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 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 Rule 7 of the Companies (Accounts) Rules, the Companies (Accounting Standards) Amendment Rules, 2016 and the provisions of the RBI as applicable to a NBFC-MFI and a systemically important NBFC-ND (NBFC-ND-SI) and NBFC-MFI ('the NBFC Directions'). 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, except for the change in accounting policy explained below.

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.

The Reserve Bank of India vide circular No. DBR.No.BP.BC.37/21.04.048/2016-17 dated November 21, 2016 and DBR.No.BP.BC.49/21.04.048/2016-17 dated December 28, 2016 has provided a dispensation on prudential norms in the form of short-term deferment of classification of loan accounts as sub-standard. Accordingly, the Company has availed the said dispensation whereby loan accounts aggregating Rs. 24,450.60 lakh continue to be classified as standard assets as at March 31, 2017. However, the Company has performed a qualitative assessment of such loan accounts and accordingly, revised its estimates of provisioning for standard assets. Had the Company applied the estimates followed in the previous year, the profit before tax for the year would have been lower by Rs. 15,748.30 Lakh.

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 are 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

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 recognised in the in the period in which they are incurred.

During the year, the Company has changed its accounting policy for recognising the ancillary other borrowing costs in the period in which they are incurred against recognising these over the tenure of the borrowings. Accordingly, finance costs for the year are higher and profit before tax for the year is lower by Rs. 57,104,571.

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.

l. 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 Chapter IX of Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('Master Directions').

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.

3. Share Capital

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-17	31-Mar-16
Authorised shares		
91,000,000 (March 31, 2016: 91,000,000) equity shares Rs. 10 each	910,000,000	910,000,000
Issued, subscribed and fully paid up shares:		
85,681,343 (March 31, 2016: 72,953,433) Equity shares of Rs.10 each fully paid	856,813,430	729,534,330
Total issued, subscribed and fully paid-up share capital	856,813,430	729,534,330

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

Equity Shares	31-Mar-17		31-Mar-16	
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the year	72,953,433	729,534,330	72,953,433	729,534,330
Issued during the year	12,727,910	127,279,100	-	-
Outstanding at the end of the year	85,681,343	856,813,430	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-17		31-Mar-16	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
CreditAccess Asia NV (erstwhile MicroVentures Asia BV)	85,203,532	99.44%	59,238,844	81.20%
Creation Investments Social Venture Fund II, L.P	-	-	7,462,491	10.23%
TMT Community Trust	-	-	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-17	31-Mar-16
Securities premium account		
Balance as per last financial statements	2,287,075,357	2,287,075,357
Add : Premium on shares issued during the year	1,372,720,900	
Closing balance	3,659,796,257	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	331,170,481	163,618,239
Add : Amount transferred from the surplus balance of profit and loss	150,510,054	167,552,242
Closing balance	481,680,535	331,170,481
Stock options outstanding		
Balance as per last financial statements	6,883,370	4,486,706
Add : Employee stock option compensation for the year	6,220,156	2,396,664
Closing balance	13,103,526	6,883,370
Surplus balance in the statement of profit and loss		
Balance as per last financial statements	1,294,533,501	624,324,533
Add: Profit for the year	752,550,269	837,761,210
Less: Transfer to statutory reserve as required by Sec 45-IC of Reserve Bank of India Act, 1934	(150,510,054)	(167,552,242)
Net surplus in the statement of profit or loss	1,896,573,716	1,294,533,501
Total reserves and surplus	6,051,154,034	3,919,662,709

5A. Long-term Borrowings*(Amount in Rupees unless otherwise stated)*

Particulars	Non-current portion		Current maturities	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Non convertible debentures				
Secured				
250 (March 31, 2016: 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 put option by the lender at the end of three years) from the date of allotment November 18, 2013. Redeemable on maturity if option not exercised or communication for roll-over received from lender.	250,000,000	-	-	250,000,000
250 (March 31, 2016: 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 put option by the lender at the end of three years) from the date of allotment November 18, 2013. Redeemable on maturity if option not exercised or communication for roll-over received from lender.	250,000,000	-	-	250,000,000
310 (March 31, 2016: 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.	-	-	-	-
300 (March 31, 2016: 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 put option by the lender at the end of three years) from the date of allotment February 26, 2014. Redeemable on maturity if option not exercised or communication for roll-over received from lender.	300,000,000	-	-	300,000,000
580 (March 31, 2016 : 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 put option by the lender at the end of three years) from the date of allotment July 17, 2014. Redeemable on maturity if option not exercised or communication for roll-over received from lender.	580,000,000	580,000,000	-	-
300 (March 31, 2016: 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 put option by the lender at the end of three years) from the date of allotment July 25, 2014. Redeemable on maturity if option not exercised or communication for roll-over received from lender.	-	300,000,000	300,000,000	-

450 (March 31, 2016: 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	300,000,000	150,000,000
300 (March 31, 2016: 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 put option by the lender at the end of three years) from the date of allotment March 31, 2015. Redeemable on maturity if option not exercised or communication for roll-over received from lender.	300,000,000	300,000,000	-	-
630 (March 31, 2016: 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 put option by the lender at the end of three years) from the date of allotment June 30, 2015. Redeemable on maturity if option not exercised or communication for roll-over received from lender.	630,000,000	630,000,000	-	-
370 (March 31, 2016: 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	370,000,000	-	-
1000 (March 31, 2016: 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 put option by the lender at the end of three years) from the date of allotment Oct 29, 2015. Redeemable on maturity if option not exercised or communication for roll-over received from lender.	1,000,000,000	1,000,000,000	-	-
1000 (March 31, 2016: Nil) 12.30% Secured Redeemable Non-Convertible Debentures of face value of Rs.1,000,000 each redeemable after six years (subject to exercise of put option by the lender at the end of three years) from the date of allotment Sept 15, 2016. Redeemable on maturity if option not exercised or communication for roll-over received from lender.	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.				

21 (March 31, 2016: 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.	52,500,000	105,000,000	52,500,000	-
1140 (March 31, 2016: 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.	114,000,000	114,000,000	-	-
Compulsorily convertible debentures				
Unsecured				
2000 (March 31, 2016: Nil) 13.50% (net of withholding tax as applicable) Unsecured Compulsorily convertible debentures of face value of Rs.1,00,00,000 each convertible into equity shares with an option to exercise at Rs 140, Rs 158, Rs. 180 and Rs. 204 per share at the end of financial years 2017-18, 2018-19 2019-20 and 2020-21 respectively issued to related party. (Refer Note 23)	-	-	2,000,000,000	-
Secured				
Indian rupee loan from banks	2,237,347,639	4,977,107,926	8,694,793,973	8,404,515,974
Indian rupee loan from financial institutions	3,662,290,331	1,420,392,601	2,644,768,936	1,071,961,105
Indian rupee loan from non banking finance companies	300,180,426	312,463,202	831,466,405	385,208,413
Unsecured				
Indian rupee loan from financial institutions	400,000,000	400,000,000	-	-
Indian rupee loan from non banking finance companies	312,500,000	412,500,000	100,000,000	100,000,000
	11,758,818,397	11,221,463,729	14,923,529,314	10,911,685,492
The above amount includes				
Secured borrowings*	10,879,818,397	10,303,963,729	14,923,529,314	10,911,685,492
Unsecured borrowings**	879,000,000	917,500,000	2,152,500,000	100,000,000
Amount disclosed under the head "other current liabilities" (Note 7)			(14,923,529,314)	(10,911,685,492)
Net amount	11,758,818,397	11,221,463,729	-	-

* 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 and compulsorily convertible debentures.

5B. Short-term Borrowings

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-17	31-Mar-16
Loans repayable on demand from banks*	-	200,000,000
Total	-	200,000,000

Terms of repayment of long term borrowings as on March 31, 2017

(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	10%-10.5%	3	534,090,906	3	-	3	-	3	-	3	-	3	-	534,090,906
	11%-11.5%	3	680,000,006	3	-	3	-	3	-	3	-	3	-	680,000,006
	11.5%-12%	8	932,954,526	8	-	8	-	8	-	8	-	8	-	932,954,526
	12%-12.5%	8	697,936,532	8	-	8	-	8	-	8	-	8	-	697,936,532
	12.5%-13%	6	193,533,813	6	-	6	-	6	-	6	-	6	-	193,533,813
	13%-13.5%	6	199,932,339	6	-	6	-	6	-	6	-	6	-	199,932,339
	14%-14.5%	1	41,666,661	1	-	1	-	1	-	1	-	1	-	41,666,661
	9.0%-10%	1	142,857,143	1	-	1	-	1	-	1	-	1	-	142,857,143
Above 3 years	10%-10.5%	14	1,071,489,912	14	511,161,607	14	39,015,141	14	12,500,000	14	-	14	-	1,634,166,666
	10.5%-11%	5	507,100,005	5	208,333,328	5	-	5	-	5	-	5	-	715,433,333
	11%-11.5%	7	645,949,946	7	273,148,925	7	-	7	-	7	-	7	-	919,098,871
	11.5%-12%	3	260,909,099	3	49,393,925	3	-	3	-	3	-	3	-	310,303,024
	12%-12.5%	11	1,369,166,936	11	637,474,830	11	-	11	-	11	-	11	-	2,006,641,765
	12.5%-13%	1	65,628,000	1	54,682,000	1	-	1	-	1	-	1	-	120,310,000
	13%-13.5%	5	297,621,640	5	77,648,169	5	-	5	-	5	-	5	-	375,269,809
	14%-14.5%	3	100,000,000	3	62,500,000	3	-	3	-	3	-	3	-	162,500,000
9.0%-10%	3	465,199,051	3	170,567,623	3	9,166,659	3	-	3	-	3	-	644,933,333	
Quarterly														
1-3 years	10%-10.5%	3	235,707,089	3	-	3	-	3	-	3	-	3	-	235,707,089
	11.5%-12%	1	37,500,000	1	-	1	-	1	-	1	-	1	-	37,500,000
	12.5%-13%	2	16,666,665	2	-	2	-	2	-	2	-	2	-	16,666,665
Above 3 years	10%-10.5%	1	300,000,000	1	75,000,000	1	-	1	-	1	-	1	-	375,000,000
	10.5%-11%	1	154,285,712	1	47,142,860	1	-	1	-	1	-	1	-	201,428,572
	11.5%-12%	1	100,000,000	1	75,000,000	1	-	1	-	1	-	1	-	175,000,000
12%-12.5%	1	125,000,000	1	31,250,000	1	-	1	-	1	-	1	-	156,250,000	
Half Yearly														
Above 3 years	10.5%-11%	3	825,000,002	3	825,000,002	3	110,000,000	3	110,000,000	3	54,999,994	3	2,750,000,000	
	11%-11.5%	1	333,333,334	1	166,666,665	1	-	1	-	1	-	1	-	499,999,999
	11.5%-12%	4	1,000,000,000	4	833,333,336	4	333,333,332	4	-	4	-	4	-	2,166,666,668
16.5%-17%	1	52,500,000	1	52,500,000	1	-	1	-	1	-	1	-	105,000,000	
Annually														
1-3 years	15%-15.5%	1	300,000,000	1	-	1	-	1	-	1	-	1	-	300,000,000
Bullet														
1-3 years	10%-10.5%	2	312,500,000	2	-	2	-	2	-	2	-	2	-	312,500,000
	10.5%-11%	2	232,500,000	2	-	2	-	2	-	2	-	2	-	232,500,000
	11%-11.5%	2	212,500,000	2	-	2	-	2	-	2	-	2	-	212,500,000
	11.5%-12%	1	180,000,000	1	-	1	-	1	-	1	-	1	-	180,000,000
	14%-14.5%	1	-	1	580,000,000	1	-	1	-	1	-	1	-	580,000,000
	14.5%-15%	1	300,000,000	1	-	1	-	1	-	1	-	1	-	300,000,000
Above 3 years	10%-10.5%	1	-	1	170,000,000	1	-	1	-	1	-	1	-	170,000,000
	12%-12.5%	2	-	2	-	2	1,300,000,000	2	-	2	-	2	-	1,300,000,000
	13%-13.5%	1	-	1	1,000,000,000	1	-	1	-	1	-	1	-	1,000,000,000
	14%-14.5%	2	-	2	370,000,000	2	-	2	-	2	-	2	-	870,000,000
	14.5%-15%	3	-	3	930,000,000	3	-	3	2,000,000,000	3	250,000,000	3	-	1,180,000,000
	15%-15.5%	1	-	1	-	1	-	1	-	1	-	1	-	2,000,000,000
	15.5%-16%	1	-	1	-	1	-	1	-	1	-	1	-	400,000,000
	16.5%-17%	1	-	1	-	1	114,000,000	1	-	1	-	1	-	114,000,000
Grand Total	9.0%-10%	131	12,923,529,314	131	7,120,803,270	131	3,700,515,134	131	2,122,500,000	131	760,000,000	131	54,999,994	26,682,347,712

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
	14.5%-15%	3	50,000,001	-	-	-	-	-	-	-	-	-	-	50,000,001
Above 3 years	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
Above 3 years	15%-15.5%	4	1,685,506	-	-	-	-	-	-	-	-	-	-	1,685,506
	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

6. Provisions

(Amount in Rupees unless otherwise stated)

Particulars	Long term		Short term	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Provision for employee benefits				
Provision for gratuity	14,384,403	11,288,314	-	-
Provision for leave encashment	-	-	34,010,455	19,228,377
	14,384,403	11,288,314	34,010,455	19,228,377
Others provisions				
Contingent provision against standard assets (refer note 29)	267,028,631	76,431,202	1,037,150,296	169,930,475
Provision for non-performing assets (refer note 29)	25,819,473	19,799,076	-	-
Provision for taxation	-	-	101,379,562	18,283,441
	292,848,104	96,230,277	1,138,529,858	188,213,916
Total	307,232,507	107,518,591	1,172,540,313	207,442,293

7. Other Current Liabilities

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-17	31-Mar-16
Expenses and other payables	113,127,422	197,493,224
Employee benefit payables	105,580,936	82,541,417
Payable towards securitisation	-	278,746,013
Other liabilities		
Current maturities of long-term borrowings (refer note 5A)	14,923,529,314	10,911,685,492
Interest accrued but not due:		
On term loans	146,601,833	68,464,037
On debentures	169,970,789	176,248,758
Statutory dues payable	33,876,204	26,758,467
Unamortized income		
Unamortised interest income	1,474,352	2,625,543
Total	15,494,160,851	11,744,562,951

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, 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
Additions	11,939,859	923,160	11,561,810	3,537,870	5,924,312	1,020,155	34,907,166
Disposals	1,412,735	235,395	1,045,072	-	2,299,430	665,463	5,658,095
As at March 31, 2017	46,228,232	2,692,920	32,616,170	24,494,485	22,630,455	6,212,847	134,875,108
Depreciation							
As at April 1, 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
Depreciation charge for the year	9,510,800	900,177	8,942,126	3,976,662	3,125,531	764,029	27,219,327
Disposals	1,257,707	186,931	745,207	-	1,738,368	665,463	4,593,675
As at March 31, 2017	30,410,337	2,424,218	21,488,421	7,491,657	11,623,439	1,634,850	75,072,924
Net Block							
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
As at March 31, 2017	15,817,895	268,701	11,127,749	17,002,828	11,007,016	4,577,996	59,802,184

9. Intangible Assets

(Amount in Rupees unless otherwise stated)

Particulars	Computer Software	Goodwill	Total
Additions	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
Purchase	19,743,007	-	19,743,007
Internal Development	-	-	-
As at March 31, 2017	98,816,476	76,000,000	174,816,476
Amortization			
As at April 1, 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
Depreciation charge for the year	17,107,131	-	17,107,131
Disposal	-	-	-
As at March 31, 2017	35,996,825	76,000,000	111,996,825
Net Block			
As at March 31, 2016	60,183,775	-	60,183,775
As at March 31, 2017	62,819,652	-	62,819,642

10. Non-current Investments

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-17	31-Mar-16
Non trade investments (valued at cost unless stated otherwise)		
Investment in equity shares (Unquoted) 200,000 (March 31, 2016: 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-17	31-Mar-16
Deferred tax liabilities		
Impact of amortisation of ancilliary borrowing cost	-	26,690,585
Gross deferred tax liabilities	-	26,690,585
Deferred tax assets		
Impact of difference between tax depreciation and depreciation/amortisation charged to profit and loss	4,840,513	2,370,824
Impact of expenditure charged to profit and loss in the current year but allowed for tax purpose on payment basis	11,771,018	6,654,941
Impact of provision against other assets	10,104,277	9,165,400
Impact of provision against standard assets and non-performing assets	458,228,787	92,118,237
Gross deferred tax assets	484,944,596	110,309,402
Net deferred tax assets	484,944,596	83,618,817
Deferred tax assets recognised	484,944,596	83,618,817

*Impact of amortisation of ancilliary borrowing cost (refer note 2.1)

12. Loans and Advances

(Amount in Rupees unless otherwise stated)

Particulars	Non-current		Current	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
A. Portfolio Loans				
Unsecured considered good*				
Joint liability group loans	6,291,635,317	7,640,515,871	24,436,972,974	16,993,047,468
Unsecured considered doubtful**				
Joint liability group loans	25,819,473	19,799,076	-	-
(A)	6,317,454,790	7,660,314,947	24,436,972,974	16,993,047,468
* 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	42,556,007	38,147,593	-	-
(B)	42,556,007	38,147,593	-	-
C. Advances recoverable in cash or kind				
Unsecured, considered good	-	-	48,999,769	27,396,741
Unsecured, considered doubtful	17,513,696	22,966,275	-	-
	17,513,696	22,966,275	48,999,769	27,396,741
Less: Provision for doubtful advances	(17,513,696)	(22,966,275)	-	-
(C)	-	-	48,999,769	27,396,741
D. Other loans and advances				
(Unsecured, considered good)				
Advance income tax (net of provision for taxation)	10,585,407	10,887,154	-	-
Prepaid expenses	389,598	59,126	21,136,765	14,672,870
Loans and advances to employees	5,160,558	2,845,206	7,424,860	6,518,163
(D)	16,135,563	13,791,486	28,561,625	21,191,032
Total (A+B+C+D)	6,376,146,360	7,712,254,026	24,514,534,368	17,041,635,241

13. Other Assets

(Amount in Rupees unless otherwise stated)

Particulars	Non-current		Current	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Non-current bank balances (refer note 14)	87,479,176	357,254,390	-	-
Unamortized expenditure				
- Share issue expenses	1,376,659	3,777,589	2,477,824	2,593,618
- Ancillary borrowing costs	-	28,763,320	-	49,570,299
Interest accrued but not due on deposits placed with banks	6,502,267	18,842,553	38,409,472	56,678,852
Interest accrued but not due on deposits placed with financial institution	1,467,877	158,513	-	2,721,625
Interest accrued but not due on portfolio loans	-	-	110,940,076	76,482,839
Interest accrued and due on portfolio loans	-	-	200,419,152	1,276
Other current assets	22,750,000	11,500,000	1,458,869	19,821,652
Total	119,575,979	420,296,365	353,705,392	207,870,161

14. Cash and Bank Balances*(Amount in Rupees unless otherwise stated)*

Particulars	Non-current		Current	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Cash and bank balances				
Balance with banks				
On current accounts	-	-	737,507,056	1,114,872,101
Deposits with original maturity of less than 3 months	-	-	2,500,000,000	550,000,000
Cash in hand	-	-	83,572,677	161,962,446
	-	-	3,321,079,733	1,826,834,547
Other bank balances				
Margin money deposits*	87,479,176	357,254,390	315,801,127	722,312,907
	87,479,176	357,254,390	315,801,127	722,312,907
Amounts disclosed under non-current assets (note 13)	(87,479,176)	(357,254,390)	-	-
Total	-	-	3,636,880,860	2,549,147,454

* 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-17	31-Mar-16
Interest on portfolio loans	6,566,880,109	4,064,852,832
Income from securitization and asset assignment (refer note 35 (d))	43,144,390	60,029,623
Other operating revenue		
Loan processing fees	340,238,038	335,194,918
Interest on margin money deposits*	62,895,154	104,375,895
Recovery against loans written offs	4,292,511	5,047,402
Total	7,017,450,203	4,569,500,670

* 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-17	31-Mar-16
Interest on fixed deposits	28,728,794	36,757,956
Income recognised towards amount received for technical assistance	3,402,664	5,631,196
Profit from sale of investments	35,641,674	38,332,121
Miscellaneous Income	7,388,569	16,964,140
Total	75,161,699	97,685,413

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

Particulars	31-Mar-17	31-Mar-16
Salaries and bonus	905,675,453	615,599,007
Contribution to provident fund and other funds	78,645,269	53,883,524
Leave encashment and availment	21,404,737	10,334,152
Leave travel allowance	18,694,195	11,243,848
Gratuity	14,384,403	11,288,314
Staff welfare expenses	1,822,613	1,970,388
Stock option expenditure	6,220,156	2,396,664
Total	1,046,846,826	706,715,897

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

Particulars	31-Mar-17	31-Mar-16
Interest expense		
On debenture	818,361,978	572,906,728
On term loans from banks	1,532,029,201	1,118,831,554
On term loans from financial institution	519,672,511	161,839,343
On term loans from non banking finance companies	183,783,401	105,920,689
On loans payable on demand from banks	3,533,179	2,073,336
Other borrowing costs	178,820,376	111,011,129
Bank charges	6,332,087	1,695,598
Total	3,242,532,733	2,074,278,377

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

Particulars	31-Mar-17	31-Mar-16
Rent	70,645,226	50,551,705
Rates and taxes	3,092,592	794,358
Insurance	1,212,774	1,683,448
Repairs and maintenance		
- Repairs to building	36,558,453	26,516,313
- Repairs to machinery	1,563,871	760,705
Others	-	24,562
Electricity	10,437,863	7,047,273
Travelling and conveyance	170,291,871	120,723,768
Postage and telecommunication	44,975,733	36,326,806
Printing and stationery	28,060,447	28,456,667
Professional and consultancy charges	24,916,744	14,366,973
Credit bureau expenses	15,279,756	10,940,281
Directors sitting fees	1,925,000	1,242,500

Auditors remuneration		
- Audit fees	4,764,952	5,800,000
- Out of pocket fees	272,024	460,862
Training expenses	24,936,161	24,465,472
Donations	22,021,333	34,369,467
Corporate social responsibility expenses	15,606,180	7,518,593
Other administrative expenses	34,343,537	26,367,852
Provision for other assets	(3,883,130)	17,934,297
Total	507,021,388	416,351,902

Particulars	31-Mar-17	31-Mar-16
As auditor:		
Audit fee	2,700,000	2,000,000
Limited review	850,000	850,000
Others	1,000,000	2,800,000
In other capacity		
Certification services	214,952	150,000
Reimbursement of expenses	272,024	460,862
Total	5,036,976	6,260,862

20. Depreciation and Amortisation Expense

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-17	31-Mar-16
Depreciation of tangible assets	27,219,327	17,435,021
Amortisation of intangible assets	17,107,131	8,621,826
Total	44,326,458	26,056,847

21. Provision and write-offs

(Amount in Rupees unless otherwise stated)

Particulars	31-Mar-17	31-Mar-16
Contingent provision against standard assets (refer note 2.1 (s) & 29)	1,057,817,251	117,349,750
Provision for non-performing assets (refer note 2.1 (s) & 29)	6,020,397	14,854,324
Portfolio loans and other balances written off	22,181,493	7,969,075
Total	1,086,019,140	140,173,149

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 and the Companies (Accounting Standards) Amendment Rules,. The Company operates in a single geographical segment i.e. domestic.

23. Related party transaction

Names of the related parties

Key management personnel	Mr. Udaya Kumar, Managing Director & CEO
Holding Company*	CreditAccess Asia NV (erstwhile MicroVentures Asia BV)

Particulars	Key management personnel	
	March 31, 2017	March 31, 2016
Transactions during the year		
Mr. Udaya Kumar		
- Salary and perquisites	10,130,419	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.

Particulars	Key management personnel	
	March 31, 2017	March 31, 2016
Transaction during the year		
CreditAccess Asia NV (erstwhile MicroVentures Asia BV)		
Issue of share capital	1,500,000,000	-
Issue of compulsorily convertible debentures	2,000,000,000	-
Interest expense on compulsorily convertible debentures	4,109,589	

Particulars	Key management personnel	
	March 31, 2017	March 31, 2016
Balances at the end of the year		
CreditAccess Asia NV (erstwhile MicroVentures Asia BV)		
Issue of compulsorily convertible debentures	2,000,000,000	-
Interest payable on compulsorily convertible debentures outstanding	4,109,589	

24. Capital commitments

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

Particulars	March 31, 2017	March 31, 2016
For purchase/development of computer software	2,182,275	-

25. Contingent liabilities

Particulars	March 31, 2017	March 31, 2016
Credit enhancements provided by the Company towards securitization transactions	-	82,240,662
Performance security provided by the Company pursuant to service provider agreement	2,493,050	2,587,850

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, 2017	For the year ended March 31, 2016
Current service cost	9,437,722	8,904,879
Interest cost on benefit obligation	9,889,400	1,471,756
Expected return on plan assets	(1,630,764)	(1,384,190)
Net actuarial (gain) / loss recognised	(3,311,955)	2,295,868
Past service cost	-	-
Net employee benefit expense	(14,384,403)	11,288,314
Actual return on plan assets	1,961,801	1,533,456

Balance sheet

Details of provision for gratuity:

Particulars	March 31, 2017	March 31, 2016
Defined benefit obligation	44,483,697	30,688,974
Plan assets	(30,099,294)	(19,400,660)
Plan liability	14,384,403	11,288,314

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

Particulars	Gratuity	
	March 31, 2017	March 31, 2016
Opening defined benefit obligation	30,688,974	20,310,655
Interest cost	9,889,400	14,71,756
Past service cost	-	-
Current service cost	9,437,722	8,904,879
Benefits paid	(2,551,481)	(2,443,451)
Actuarial (gains) / losses on obligation	(2,980,918)	2,445,134
Closing defined benefit obligation	44,483,697	30,688,973

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

Particulars	Gratuity	
	March 31, 2017	March 31, 2016
Opening fair value of plan assets	19,400,660	16,717,782
Expected return	1,630,764	1,384,190
Contributions by employer	11,288,314	3,592,873
Benefits paid	(2,551,481)	(2,443,451)
Actuarial gains / (losses)	331,037	149,266
Closing fair value of plan assets	30,099,294	19,400,660

The Company expects to contribute Rs. 19,424,030 (March 31, 2016:Rs.11,288,314) 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, 2017	March 31, 2016
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, 2017	March 31, 2016
Discount rate	6.86%	7.71%
Expected rate of return on assets	6.86%	8.00%
Salary escalation rate per annum	8%	10%
Rates of leaving service	17.43%	14.34%

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-17	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13
Defined benefit obligation	44,483,697	30,688,974	20,310,655	18,041,524	9,239,218
Plan assets	30,099,294	19,400,660	16,717,752	4,324,392	5,395,979
Surplus / (deficit)	14,384,403	11,288,314	(3,592,902)	(13,717,132)	(3,843,239)
Experience adjustments on plan liabilities	2,294,390	(10,907,11)	(1,393,407)	(5,016,023)	(2,117,859)
Experience adjustments on plan assets	(331,037)	(149,266)	745,733	335,598	1,090

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

a. Earnings in foreign currency:

Particulars	March 31, 2017	March 31, 2016
Amount received towards technical assistance	3,402,664	5,631,196

b. Expenditure in foreign currency:

Particulars	March 31, 2017	March 31, 2016
Travelling expenses	88,075	490,539
Training expenses	-	278,827
Purchase of software	13,733,996	23,971,503
Annual software maintenance cost	9,935,661	8,668,039
Software Implementation charges	3,443,137	-
Processing fee on borrowings	1,367,600	-
Recruitment Expenses	150,808	-
Total	28,719,277	33,408,908

28. Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

Particulars	March 31, 2017	March 31, 2016
Net profit/ (loss) after tax as per Statement of Profit and Loss for calculation of basic EPS	752,550,269	837,761,210
Net profit/(loss) as above	752,550,269	837,761,210
Add: interest on bonds convertible into equity shares (net of tax)	2,687,342	-
Net profit/ (loss) for calculation of diluted earnings per share	755,237,611	837,761,210
Weighted average number of equity shares in calculating basic earnings	80,239,164	72,953,433
Effect of dilution		
Stock options granted under ESOP	1,030,127	1,198,824
Compulsorily Convertible Debentures	195,695	-
Weighted average number of equity shares in calculating diluted earnings per share	81,461,445	74,152,257
Basic earnings per share	9.38	11.48
Diluted earnings per share*	9.26	11.30
(Nominal value of Rs. 10 each (Previous year Rs. 10 each))		

*For the year ended March 31, 2017, since the impact of conversion of potential equity shares on account of Compulsorily Convertible Debentures is anti-dilutive in nature, the same has not been considered in calculation of diluted EPS.

29. Loan portfolio and provision for standard and non-performing assets as at March 31, 2017:

(Rupees in Crores)

Asset Classification	Portfolio loans outstanding (Gross)		Provision for standard and substandard assets			Portfolio loans outstanding (Net)	
	March 31, 2017	March 31, 2016	March 31, 2016	Additions in 2016-17	March 31, 2017	March 31, 2017	March 31, 2016
Standard	3,072.86	2,463.28	24.63	105.78	130.41	2,942.45	2,438.65
Non-performing	2.58	1.98	1.98	0.60	2.58	-	-
Total	3,075.44	2,465.26	26.61	106.38	132.99	2,942.45	2,438.65

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	2,438.65	1,326.18
Non-performing	1.98	0.49	0.49	1.49	1.98	-	-
Total	2,465.26	1,339.57	13.39	13.22	26.61	2,438.65	1,326.18

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, 2017	March 31, 2016
Operating lease payments recognised during the year	70,645,226	50,551,705
Minimum lease obligations		
Not later than one year	15,151,585	12,350,000
Later than 1 year but not later than 5 years	37,211,986	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, 2017, 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, 2017	March 31, 2016
Amounts received as technical assistance	3,402,664	5,631,196

33. Stock options

During the year ended March 31, 2017, the following stock option grants were in operation:

Particulars	Tranche I*	Tranche II	Tranche III	Tranche IV
Date of grant	Apr 1, 2012	Oct 1, 2013	Jun 1, 2014	Jul 1, 2016
Date of Board / Compensation Committee approval	Oct 15, 2011	Aug 22, 2012	Jul 30, 2014	June 29, 2016
Number of Options granted	716,676	631,339	443,000	431,000
Method of settlement	Equity	Equity	Equity	Equity
Graded vesting period:				
Day following the expiry of 12 months from grant	25%	25%	25%	25%
Day following the expiry of 24 months from grant	25%	25%	25%	25%
Day following the expiry of 36 months from grant	25%	25%	25%	25%
Day following the expiry of 48 months from grant	25%	25%	25%	25%
Exercise period	48 months from date of vesting			
Vesting conditions	Continuous service			
Weighted average remaining contractual life (years)	3.01	4.51	5.17	7.26
Weighted average exercise price per option (Rs.)	27.00	27.00	39.86	76.85
Weighted average fair value of options (Rs.)	14.32	16.97	36.21	74.23

*includes 87,500 options outstanding as on March 31, 2017 for which exercise period has been extended by 12 months.

Reconciliation of options:

Particulars	March 31, 2017	March 31, 2016
Tranche I		
Options outstanding at the beginning of the year	627,176	635,926
Granted during the year	-	-
Forfeited during the year	279,176	8,750
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	348,000	627,176
Exercisable at the end of the year *	348,000	627,176
Tranche II		
Options outstanding at the beginning of the year	5,92,339	604,339
Granted during the year	-	-
Forfeited during the year	149,839	12,000
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	442,500	592,339
Exercisable at the end of the year *	334,000	367,339
Tranche III		
Options outstanding at the beginning of the year	4,35,500	437,000
Granted during the year	-	-
Forfeited during the year	10,500	1,500
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	425,000	435,500
Exercisable at the end of the year	217,500	109,250
Tranche IV		
Options outstanding at the beginning of the year	-	-
Granted during the year	431,000	-
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	431,000	-
Exercisable at the end of the year	-	-

*Includes 87,500 options outstanding as on March 31, 2017 for which exercise period has been extended by 12 months

Details of stock options granted during the year:

Tranche IV: The weighted average fair value of stock options granted during the year was Rs.74.23. The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Vesting in FY 2016-17	Vesting in FY 2017-18	Vesting in FY 2018-19	Vesting in FY 2019-20
Share price on the date of grant (Rs.)	110.23	110.23	110.23	110.23
Exercise price (Rs.)	65.26	65.26	65.26	65.26
Expected volatility (%)	40.521%	40.521%	40.521%	40.521%
Life of the options granted (years)	5	6	7	8
Risk-free interest rate (%)	6.84%	6.84%	6.84%	6.84%
Expected dividend rate (%)	-	-	-	-
Fair value of the option (Rs.)	69.37	72.84	75.96	78.76

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, 2017	Year ended March 31, 2016
Profit after tax as reported	752,550,269	837,761,209
Add: ESOP cost using intrinsic value method	6,220,156	2,396,664
Less: ESOP cost using fair value method	8,222,301	5,563,449
Profit after tax (adjusted)	750,548,125	834,594,425
Earnings Per Share		
Basic		
- As reported	9.38	11.48
- Adjusted for ESOP cost using fair value method	9.35	11.44
Diluted		
- As reported	9.26	11.30
- Adjusted for ESOP cost using fair value method	9.25	11.22

Particulars	As at March 31, 2017	As at March 31, 2016
Stock options outstanding (gross)	22,464,930	8,775,014
Deferred compensation cost outstanding	9,361,404	1,891,644
Stock options outstanding (net)	13,103,526	6,883,370

34. Provision for fraud and misappropriation

An amount of Rs. 4,266,922 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, 2017.

35. Disclosure on SBNs

Particulars	SBNs	Other denomination Notes	Total
Closing cash in hand as on 8-11-2016	18,722,500	369,839	19,092,339
(+) Non-permitted receipts (refer Note 1 & 3 below)	126,420,000	-	126,420,000
(+) Permitted receipts (refer Note 2 below)	-	5,385,832,371	5,385,832,371
(-) Permitted payments (refer Note 4 below)		3,268,407,640	3,268,407,640
(-) Amount Deposited in Bank	145,142,500	2,078,897,503	2,224,039,503
Closing cash in hand as on 30-12-2016	-	38,897,567	38,897,567

- Under the system and processes currently operated by the Company, details of denomination of notes for loan collections and disbursements are available only in non-digitized form (physical records maintained in respect of each center). However, the Company has established a process to monitor the denomination of the notes for the end of day cash balance through daily cash reports submitted by the branches.

Given the unfeasibility of collating transaction wise data from individual collection and disbursement sheets maintained physically, the amounts received in SBNs, indicated in the above table have been compiled based on the incremental movement in the closing balance of SBNs at each branch. Given the inherent limitation of this approach, any amount if received by the Company at any of its centers / branches and deposited in the bank account on the same day, would not have been reported.

- Permitted receipts in other denomination notes include collections made by the Company from its loan borrowers and withdrawals from bank accounts during the period from November 9, 2016 to December 30, 2016 in the ordinary course of business.
- Represent collections in Specified Bank Notes made by the Company from its loan borrowers from November 9, 2016 to November 30, 2016 (Rs.911.58 lakh was received on November 9, 2016) and adjusted against the borrowers' regular loan obligations which had fallen due in the ordinary course of business in respect of loans disbursed on or before November 8, 2016.

Permitted payments in other denomination notes include disbursement of loans to its borrowers and other cash payments in the ordinary course of business.

36. Disclosures required by the RBI

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

(Rupees in crore)

Particulars	March 31, 2017	March 31, 2016
CRAR (%)	29.71%	21.47%
CRAR-Tier I Capital (%)	20.21%	17.59%
CRAR-Tier II Capital (%)	9.50%	3.88%
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, 2017	March 31, 2016
1 Value of Investments		
(i) Gross Value of Investments		
(a) in India	0.20	0.20
(a) outside India	-	-
(ii) Provisions for Depreciation		
(a) in India	-	-
(a) outside India	-	-
(iii) Net Value of Investments		
(a) in India	0.20	0.20
(a) outside India	-	-
2 Movement of provision held towards depreciation		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less: Write-off / write-back of excess provision	-	-
(iv) Closing balance	-	-

c. Derivatives

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

The Company has no unhedged foreign currency exposure as on March 31, 2017 (March 31, 2016: 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:

(Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Number of loans securitized	-	161,856
Book value of loans securitized (refer note 1)	-	963,516,336
Sale consideration received (refer note 1)	-	960,292,141
Income recognised in statement of profit and loss	43,144,390	59,835,235

Particulars	As at March 31, 2017	As at March 31, 2016
Principal outstanding of loans securitized	-	734,396,449
Credit enhancements provided and outstanding:		
Cash collateral	-	100,425,116

Note 1: For the year ended March 31, 2016, the amount includes Rs.3,224,194 representing portfolio loans de-recognised on account of loans sold under securitization and held as "Subordinated contribution".

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

(Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
No of SPVs sponsored by the NBFC for securitization transactions	-	4
Amount of securitized assets as per books of SPV sponsored by NBFC	-	740,300,748
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
• 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, 2017:

(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	78.63	83.24	117.61	436.04	776.84	1,082.13	88.25	5.50	2,668.23
Advances*	341.16	261.04	232.05	630.56	986.64	633.97	-	1.06	3086.49
Investments	-	-	-	-	-	-	-	0.20	0.20
Foreign currency assets	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-

* Net of provision for non-performing assets

Maturity pattern of assets and liabilities as on March 31, 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	-	-	2,473.38
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	17-Aug-16	A / A -	2013.27	31-May-17
Non-convertible debentures	ICRA	17-Aug-16	A / A -	487	31-Mar-17
Non-convertible debentures	ICRA	17-Aug-16	A / A -	400	31-Jul-17
Subordinated debt	ICRA	17-Aug-16	A / A -	22	31-Mar-17
Commercial paper	ICRA	17-Aug-16	A1 / A2+	200	31-Mar-17
Organization grading	CRISIL	01-Sep-16	mfR1 / mfR1	NA	01-Sep-17

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

Particulars	March 31, 2017	March 31, 2016
Provision for standard assets	105.78	11.73
Provision for non-performing assets	0.60	1.49
Provision for income tax	81.46	51.39
Provision for gratuity	1.44	1.13
Provision for leave encashment	2.14	1.03
Provision fraud and misappropriation (net of recoveries)	(0.04)	-
Provision for other assets (net)	(0.50)	1.74
Total	190.88	68.51

o. Drawdown from reserves:

There has been no draw down from reserves during the year ended March 31, 2017 (previous year: Nil).

p. Concentration of advances, exposures and NPAs (Rupees in crore)

Particulars	March 31, 2017	March 31, 2016
Concentration of advances		
Total advances to twenty largest borrowers	0.18	0.12
(%) of advances to twenty largest borrowers to total advances	0.006%	0.01%
Concentration of exposures		
Total exposure to twenty largest borrowers / customers	0.18	0.12
(%) of exposures to twenty largest borrowers / customers to total exposure	0.006%	0.01%
Concentration of NPAs		
Total Exposure to top four NPA accounts	0.02	0.01

q. Sector-wise NPAs

Sr. No.	Sector	Percentage of NPAs to Total Advances in that sector as at March 31, 2017	Percentage of NPAs to Total Advances in that sector as at March 31, 2016
1	Agriculture and allied activities	0.05%	0.05%
2	MSME	-	-
3	Corporate borrowers	-	-
4	Services	0.16%	0.09%
5	Unsecured personal loans	0.13%	0.15%
6	Auto loans	-	-
7	Other personal loans	-	-

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

Particulars	March 31, 2017	March 31, 2016
(i) Net NPAs to Net Advances (%)	-	-
(ii) Movement of NPAs (Gross):		
(a) Opening balance	1.98	0.49
(b) Additions during the year	2.82	2.28
(c) Reductions during the year (loans written off)	2.22	0.80
(b) Closing balance	2.58	1.98
(iii) Movement of Net NPAs		
(a) Opening balance	-	-
(b) Additions during the year	-	-
(c) Reductions during the year	-	-
(b) Closing balance	-	-
(iv) Movement of provisions for NPAs		
(a) Opening balance	1.98	0.49
(b) Provisions made during the year	2.82	2.28
(c) Write-off / write-back of excess provisions	2.22	0.80
(b) Closing balance	2.58	1.98

s. Disclosure of customer complaints

Sr. No.	Particulars	No. of complaints
a.	No. of complaints pending at the beginning of the year	2
b.	No. of complaints received during the year	1512
c.	No. of complaints redressed during the year	1478
d.	No. of complaints pending at the end of the year	36

t. Information on instances of fraud

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

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount provided
Cash Embezzlement	2	54,905	-	54,905

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

u. The net interest margin (NIM)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Average interest (a)	22.32%	24.04%
Average effective cost of borrowing (b)*	12.63%	14.11%
Net interest margin (a-b)	9.69%	9.93%

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

37. Corporate social responsibility

a. Gross amount required to be spent during the year is Rs. 15,606,180.

b. Details of amounts spent during the year:

(Rupees)

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	15,606,180		15,606,180

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:
 Date:

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

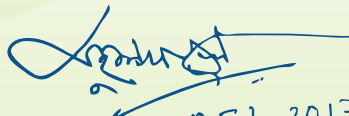
Sd/-
 Udaya Kumar
 Managing Director & CEO

Sd/-
 Diwakar B R
 Chief Financial Officer
 Date:

Sd/-
 Vinatha M Reddy
 Chairman

Sd/-
 Darshana Kothari
 Company Secretary

Let's work for
three zeros :
Zero Poverty,
Zero Unemployment,
Zero Net Carbon Emission.



8 Feb, 2017

Nobel Laureate Prof Muhammad Yunus

ABBREVIATIONS:

- AKMI : Association of Karnataka Microfinance Institutions
- CoC : Code of Conduct
- FI : Financial Institutions
- GFSPL : Grameen Financial Services Pvt Ltd
- GK : Grameen Koota
- HUL : Hindustan Unilever Limited
- ICRA : Investment Information and Credit Rating Agency
- IFC: International Finance Corporation
- IMaCs : ICRA Management Consulting Services Limited
- M-CRIL : Micro-Credit Ratings International Limited
- MFI : Micro Finance Institution
- MFIN : Micro Finance Institutions Network
- MIX : Microfinance Information Exchange
- MV : MicroVentures
- NBFC-MFI : Non-Banking Financial Company Micro Finance Institutions
- NCD : Non-Convertible Debentures
- ND-NBFC : Non Deposit - Non-Banking Financial Company
- NGO : Non-Governmental Organization
- NPS : National Pension Scheme
- PAR : Portfolio At Risk
- PPI : Progress Out of Poverty Index
- PPP : Purchasing Power Parity
- RBI : Reserve Bank of India

ACKNOWLEDGMENTS:

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