

**BECAUSE WHEN
WOMEN GET STRONGER,
WE GET STRONGER.**





MUTHOOT PAPPACHAN

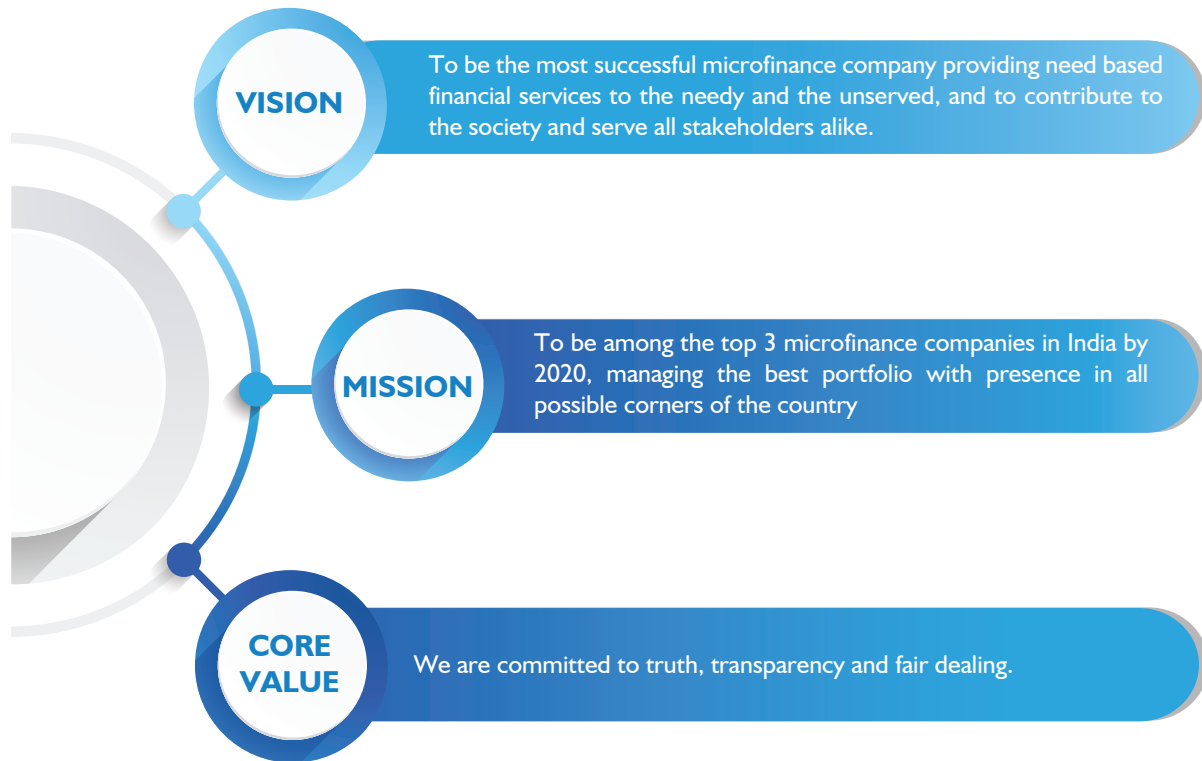
1927 - 2004

FOUNDER CHAIRMAN

His vision, enterprise, simplicity and humaneness
will forever guide us.

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INTEGRITY AND QUALITY

We provide sound advice and adopt the finest practices keeping the welfare of our customers in mind. Total customer satisfaction and growth are our objectives. Every member of the Group is responsible for upholding our principles in the workplace. We rigorously adhere to applicable laws, rules, regulations, codes and standards of good business practices.

SOCIAL RESPONSIBILITY

We promote sustainable development, responsibility towards the environment and upliftment of local communities in areas we operate. We identify and promote local talent. We believe in respecting the individual and encourage continuous learning.

OUR PEOPLE

We believe that people are our strength. Fostering teamwork, nurturing creativity, encouraging hard work, dedication, commitment and rewarding excellence are key elements of our human resource initiatives.



MANAGING DIRECTOR'S STATEMENT



Muthoot Pappachan Group's financial services vertical is envisioned to serve the lower income groups of our country. Muthoot Microfin is our touch point to the Bottom of Pyramid section of the society and I am extremely proud that the company is doing a commendable job in executing our vision.

The financial figures and ratios of the company, which you'll read more upon in the coming sections, will prove that our company is a highly sustainable and profitable enterprise. However, I get more excited when I see the impact we make in our society. As on March 31, 2018 MML has 12,09,781 women entrepreneurs as active clients and our services are rendered at the doorsteps of these customers.

In the period under review, Muthoot Microfin disbursed loans worth ₹3,036.30 crores to the low-income households of India, a 49.68 %


growth over the previous year's disbursements of ₹2028.55 crore. MML's Asset Under Management rose to ₹2,920.29 crore from ₹1,955.86 crore in the previous fiscal, a growth of 49.31 % year on year. Revenue of the company also surged from ₹243.84 crore to ₹459.41 crore from the previous fiscal, a hike of 88.41%. Subsequently, net profit (PAT) of the company for the FY 2017 - '18 surged 105.24% to hit ₹76.01 Cr from ₹37.04 crores in FY 2016 - '17.

We believe we have maintained a strong track record of financial performance and operating efficiency over the years through high customer retention rates, geographical expansion, improved staff productivity, increase and diversification of our loan portfolio, lower credit cost and growth in our customer base led by distribution network expansion. Furthermore, we believe that our deep penetration in rural markets, leveraging on Muthoot Fincorp's branch network, has helped us achieve lower operating expense ratios.

We believe that we have a well-diversified funding profile that underpins our strong liquidity management system, credit rating and brand equity. We have historically secured, and seek to continue to secure, cost effective funding through a variety of sources, including banks, mutual funds, insurance companies and other financial institutions, together with pass through certificates and direct assignment of loans.

The accolades we received during the Financial Year is proof that we represent the brighter side of a social business. Muthoot Microfin received the Client Protection Certification from the international agency Smart Campaign. This is a recognition of the alignment of the institution's management systems, policies and processes with the Client Protection Principles. MML also received the illustrious Golden Peacock Business Excellence Award by the Institute of Directors and Most Trusted Microfinance Brand Award by IBBA, during the period.

Apart from the financial services we provide, more than 5,000 women entrepreneurs directly benefitted from our community outreach initiatives comprising of financial literacy sessions, skill training workshops, market linkage fairs and healthcare camps. Our employees ensured seamless interaction with



the communities we operate and continuously analysed and implemented outreach activities that are beneficial for the region.

Muthoot Microfin has immense potential within the organisation. The company has been a rampant recruiter of talent, we have 5,583 employees as on March 31st of which 1547 jobs were created in the fiscal. Our company has a strong foothold in southern states of India, however, we are yet to tap the potential of business growth from the northern states of the country. We have already made strategies to enter into north India in the new Financial Year and this will help our business grow in the long term.

Muthoot Microfin has ensured the highest standards of corporate governance. The institution continues to strengthen its internal control and audit framework and has ensured total compliance with all the statutory regulations mandated by Ministry of Corporate Affairs, Reserve Bank of India and other regulators. We are very positive on the central government's measures and intervention to boost the MSME sector. Implementation of GST is expected to improve the quality of books of accounts, and therefore improving

the creditworthiness of MSMEs, easing credit appraisal and boosting MSME credit growth in the coming years.

I work very closely with my microfinance team and I am confident about their commitment and passion for excellence. They continue to surprise me with accolades, milestones and the overall growth story. Moving forward, we have big things planned for the 2018-19 Financial Year. I am sure that our company will make remarkable progress in this period and will earn many more honors and awards by accomplishing our goals for women empowerment and larger financial inclusion.

Thomas Muthoot
Managing Director

CEO'S REVIEW



Ours is a growth story!

Over the last eight years of microfinance operations - under Muthoot Pappachan Group - we have seen various challenges of life cycle growth, and your company demonstrated exceptional management skills and tact to overcome all these challenges successfully, each time propelling the company to new heights and a newer growth trajectory. The Financial year 2017-18 was no different, but this time we faced with the impact of some macroeconomic events. Due to the sudden shortage of currency, the impact was felt across the industry, however, I am happy to inform that your company managed to maintain excellent 'portfolio quality' across the country.

Not only the company was able to overcome the macro-economic challenges; but it registered a handsome growth. Muthoot Microfin also used this opportunity to propel more cash less


disbursements across the country, as a result, almost 50% of the last year disbursements were direct bank transfers into the customers bank account.

In the FY 2017-'18, the company disbursed loans worth ₹3,036.30 crore, a 49.68 % growth over the previous year's disbursements of ₹2028.55 crore. MML's Asset Under Management rose to ₹2,920.29 crore from ₹1955.86 crore in the previous fiscal, a growth of 49.31 % year on year. Revenue of the company also surged from ₹243.84 crore to ₹459.41 crore from the previous fiscal, a hike of 88.41%. Subsequently, net profit (PAT) of the company for the FY 2017 - '18 surged 105.24% to hit ₹76.01 Cr from ₹37.04 crores in the previous fiscal. We also hit the milestone of 1 million active clients during the period.

The return on assets ("RoA") of 3.86% by Muthoot Microfin was the highest among the top 10 players in the NBFC-MFI industry. The comparison of return on equity among the top ten NBFC-MFIs also shows that Muthoot Microfin has the highest RoE of 18.91%.

Though the industry was going through a difficult phase, we continued to expand our operations by entering 4 new states in India (Rajasthan, Bihar, West Bengal and Jharkhand). We opened 69 new branches during the Financial Year taking the overall branch tally to 467 as on March 31, 2018. We plan to selectively expand our business operations into regions where we expect that the individual borrowers are underserved, have lower penetration by micro-finance companies, and we believe that there will be an opportunity for us to service an increased customer base. We expect that a significant portion of our future geographic expansion will include rural areas of India and intend to grow our branches in eight key states including Uttar Pradesh, Gujarat, Bihar, Rajasthan, Jharkhand, Odisha, Punjab and West Bengal.

With a clear plan to cruise ahead, during the financial year we raised adequate funds to boost our disbursement. In the period, the promoters infused ₹250 crore capital into the company reiterating their trust and confidence in the company's operations. The company executed ₹1,276.97 crore of Direct Assignment



transactions, ₹75 crore of NCDs and raised term loans worth ₹1,000.88 crore. Our capital adequacy ratio is 34.83% of risk-weighted assets as of March 31, 2018 which is well above the requirement of 15.00% of risk-weighted assets prescribed by the RBI. We believe that these factors provide us with a competitive advantage when borrowing funds for our operations. Meanwhile, CRISIL assigned highest COCA grading and 'A-/Stable' rating to NCDs & debt instruments of MML. Employee strength of the company also grew to 5,583 from 4,329 employees in the previous fiscal.

A part from the financial performance, this year your company received a few remarkable accolades. Muthoot Microfin has been certified in 'Client Protection' by the international agency 'Smart Campaign'. This achievement demonstrates the strong commitment from management to promote growth and institutional development within a client protection framework. And this certification is a proof that we stick to the fundamentals of our business, which is being client centric. In the period, MML also received illustrious 'Golden Peacock Business Excellence Award' by the Institute of Directors and 'Most Trusted Microfinance Brand' by IBBA.

In Financial Year 2018-19, we are aiming to be one among the top 3 MFIs in India. MML will also introduce larger technological advancements in software and system. The industry has almost recovered from macro-economic events and it will reflect in the quality of our portfolio.

Inspired by the government's digitalisation initiatives in the financial sector and to support the initiative, we motivated our clients to open bank accounts and the microfinance loans were directly disbursed to their bank accounts. Eventually, Muthoot Microfin played a significant role in bank disbursement in the MFI industry with over 50% of the disbursement done through customer bank accounts.

As the organisation grew, we continuously and effectively redesigned and implemented the internal control and audit framework based on best practices in the industry. The company actively engaged with industry associations and Self-Regulatory Organisations (SRO) of NBFC-MFIs. We have also ensured highest level of compliance with all regulatory bodies and industry norms.

Government of India has been playing a significant role and has given exclusive focus in promoting financial inclusion in the country. The government has been carrying out multifaceted experiments with innovation for rural economic transformation. The use of technology solutions to address important social and economic issues will also empower the rural communities. These efforts are very positive and supportive for the microfinance industry which is closely aligned with the rural community.

I believe, we have set a very strong and credible platform for our future business. We have already started reaping the rewards of all the hard work of the last 8 years. The accolades have started coming in, our company transcends a unique vibe of growth and opportunities and it's evident all around.

There are bigger things planned for the Financial Year 2018-19. With the visionary promoters, efficient management and committed employees – I am sure that Muthoot Microfin will scale new heights and fulfil all its vision and mission.

Sadaf Sayeed
Chief Executive Officer

CORPORATE INFO

Board of Directors

Mr. Thomas Muthoot
 Mr. Thomas John Muthoot
 Mr. Thomas George Muthoot
 Mr. Thomas Muthoot John
 Mr. Kenneth Dan Vander Weele
 Mr. Alok Prasad
 Mr. Amitvikram Talgeri
 Mrs. Pushpy Muricken

- Managing Director
- Non-Executive Director
- Non-Executive Director
- Non-Executive Director
- Non-Executive Director
- Independent Director
- Independent Additional Director
- Independent Additional Woman Director

Key Management Personnel

Mr. SadaF Sayeed
 Mr. Praveen T
 Ms. Neethu Ajay
 Mr. Udeesh Ullas
 Mr. Subhransu Pattnayak

- Chief Executive Officer
- Chief Financial Officer
- Company Secretary
- Executive Vice President – Operations
- Vice President – HR & Products

Statutory Auditors

M/s. Walker Chandio & Co., LLP
 Arihant Nitco Park, 7th Floor,
 No. 90, Radhakrishnan Salai,
 Mylapore, Chennai – 600004

Debenture Trustees

Catalyst Trusteeship Limited
 GDA House, First Floor, Plot No. 85
 S. No. 94 & 95, Bhusari Colony (Right), Kothrud
 Pune, Maharashtra – 411038

Secretarial Auditor

PSN & Associates
 Company secretaries
 Sreevalsam, S-116, first floor
 Seevelinagar, Kaithamukku
 Thiruvananthapuram, Kerala-695024

IDBI Trusteeship Services Limited
 Asian Bldg., Ground Floor, 17, R.Kamani Marg,
 Ballard Estate, Mumbai, Maharashtra 400001

Internal Auditors

M/s. Thomas Jacob & Co.,
 TC 13/386, MRA 186, Vanchiyoore P.O
 Trivandrum - 695 035

Registrar & Transfer Agent

Karvy Computershare Private Limited
 6th Floor, Karvy Salenum, Tower B,
 Plot 31-32, Gachibowli, Financial Dist.,
 Nanakramguda, Hyderabad 500032

Our Bankers

- ✓ AXIS Bank Ltd
- ✓ Abu Dhabi Commercial Bank
- ✓ Andhra Bank
- ✓ Bandhan Bank
- ✓ Bank of Baroda
- ✓ Bank of India
- ✓ Bank of Maharashtra
- ✓ Catholic Syrian Bank
- ✓ DCB Bank Limited
- ✓ Dena Bank
- ✓ Dhanlaxmi Bank Ltd
- ✓ HDFC Bank Ltd
- ✓ ICICI Bank
- ✓ IDBI Bank Ltd
- ✓ IDFC Bank
- ✓ Indian bank
- ✓ IndusInd Bank Ltd
- ✓ Kotak Mahindra Bank
- ✓ Lakshmi Vilas Bank
- ✓ NABARD
- ✓ Oriental Bank of Commerce
- ✓ Shinhan bank
- ✓ State Bank of India
- ✓ State Bank (Mauritius) Ltd
- ✓ State Bank of Travancore
- ✓ South Indian Bank
- ✓ SIDBI
- ✓ Syndicate Bank
- ✓ Tamilnad Mercantile Bank
- ✓ The Federal Bank Ltd
- ✓ Union Bank of India

- ✓ United Bank of India
- ✓ Vijaya Bank
- ✓ Yes Bank Ltd
- ✓ Woori Bank

Registered Office

13th Floor, Parinee Crescenzo,
 Bandra Kurla Complex, Bandra East
 Mumbai – 400051

Administrative Office

5th Floor, Muthoot Towers
 M.G Road, Kochi 682035
 Ph: +91 484 4277500
 Email: info@muthootmicrofn.com
 Website: www.muthootmicrofn.com

CUSTOMER SUCCESS STORIES

Magudeeswari, a 43-year-old housewife from Shanmughapuram in Pollachi, Tamil Nadu has been weaving coconut leaves for the past 25 years. The craft has been passed on through generations. She is amongst the very few in her area to continue this artisan job.

Magudeeswari availed 2 cycles of microfinance loans from Muthoot and utilised the amount to build a proper storage facility near her home to buy fresh coconut leaves in bulk. With the fresh stock of leaves, she crafted more items for everyday life including mats, hats, baskets, bags and decorative pieces.

Good stock of raw materials helped her take big orders (for marriage pandals (sheds)) which increased her revenue. She says "The dry coconut-palm leaves are used only in villages and even today it is an integral part of village marriages. I am happy that Muthoot is not only providing financial support but also is helping to survive this age old tradition."



DIRECTORS' REPORT

To the Members of Muthoot Microfin Limited,

Your directors are pleased to present the 26th Annual Report along with the Audited Financial Statements of your Company for the year ended 31st March 2018.

1. Financial Highlights

| Particulars | 31.03.2018 | 31.03.2017 |
|---|----------------------|--------------------|
| Gross Income | 4,594,153,260 | 2,438,438,876 |
| Expenses Before Finance cost and Depreciation | 1,786,328,248 | 1,038,637,522 |
| Finance Charges | 1,647,080,186 | 817,859,240 |
| Depreciation | 18,402,444 | 9,730,456 |
| Profit before tax | 1,142,342,382 | 572,211,658 |
| Provision for Tax | 382,274,180 | 201,830,262 |
| Net Profit After Tax | 760,068,203 | 370,381,396 |
| Dividend to Preference Shareholders | 1,129 | 432 |
| Dividend Distribution Tax | 226 | 86 |
| Transfer to Statutory Reserve | 152,013,641 | 74,076,279 |
| Surplus carried to Balance Sheet | 608,053,207 | 296,304,599 |

2. Change in Nature of Business, If any:

There is no change in the nature of the business of the company during the previous year under review.

3. State of Company's Affairs:

As of March 31, 2018, the Company had 1.3 million active customers spread across 467 branches in 15 states of India, with a gross loan portfolio of Rs.2691.63 crore as compared to Rs.1,774.58 crore in FY17.

The net worth of the Company as on March 31, 2018 was Rs.614.80 crore and capital adequacy as on March 31, 2018 was 34.83%, well in excess of the mandated 15%.

During the year, the Company's Revenue from Operations and other income was Rs. 4,594,153,260 with a net profit of Rs.760,068,203. The funding source for the Company was through private placement of Non-Convertible Debentures ("NCDs") and borrowings from banks/ financial institutions by way of term loans as summarized below.

| Financial Year | Privately Placed NCDs | Term Loans | Others | Total (In Crores) |
|----------------|-----------------------|------------|--------|-------------------|
| 2017-18 | 75.00 | 1000.88 | - | 1075.88 |

The business of your Company increased during the year in spite of a challenging environment. In order to further its diversification efforts, the Company is expanding into new geographical territories during the current financial year. The Company is hopeful of achieving better performance during the current year on the back of its efforts to diversify its geographic presence along with diversification of its product portfolio to other growth segments.

Your Company's Operational Highlights for the financial year ended 31.03.2018 are as follows:

| Particulars | March 2018 | March 2017 |
|---|------------|------------|
| Number of Branches | 467 | 399 |
| Amount disbursed (Rs. in Crores) | 3,036.30 | 2,028.55 |
| Number of active loan | 1209781 | 765541 |
| Total Assets under management including securitized and assigned portfolio (Gross Loan Portfolio) (Rs. In Crores) | 2691.63 | 1774.58 |
| BC Portfolio (Managed for Yes Bank & MFL) | 228.66 | 181.28 |

4. Credit Rating

The Company has obtained credit ratings from CRISIL for its borrowings and Non-Convertible Debentures. The prevailing ratings are as under:

| Credit Rating Agency | Instrument | Rating as on 31.03.2018 |
|----------------------|----------------------------|-------------------------|
| CRISIL | Bank Facilities | CRISIL A- / Stable |
| CRISIL | Non-Convertible Debentures | CRISIL A- / Stable |
| India Ratings | Bank Facilities | IND A- |
| India Ratings | Non-Convertible Debentures | IND A- |

5. Capital Adequacy

The Capital Adequacy Ratio was 34.83% as on 31st March 2018. The Net Owned Funds (NOF) as on that date was Rs.6,148,049,576. The minimum capital adequacy requirement stipulated for Your Company by Reserve Bank of India is 15%.

6. Dividend

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

7. Transfer of Unclaimed Dividend to Investor Education and Protection Fund

The provisions of Section 125(2) of the Companies Act, 2013 do not apply as there was no dividend declared during last seven years.

8. Amount transferred to Reserves:

The Company proposes to transfer Rs.152,013,641 to the statutory reserve out of the amount available for appropriation and an amount of Rs.608,053,207 is proposed to be retained in the profit and loss account.

9. Changes in Share Capital

I. Paid up Capital

During the year under review, the paid-up share capital of the Company has been increased from Rs. 88,16,79,440 to Rs. 1,141,705,020 through following means:-

- Preferential allotment of 1307987 Equity Shares Rs. 10 each at a premium of Rs. 104.68 per share and 1307987 preference shares Rs. 10 each at a premium of Rs. 104.68 per share on 31.08.2017.
- Preferential allotment of 3051971 Equity Shares Rs. 10 each at a premium of Rs. 104.68 per share and 3051971 preference shares Rs. 10 each at a premium of Rs. 104.68 per share on 19.12.2017.

- c. Preferential allotment of 2615975 preference shares Rs. 10 each at a premium of Rs. 104.68 per share on 24.03.2018
- d. Issue of 14666667 Equity Shares of face value of Rs.10 each at a premium of Rs. 140 per Equity Share to the existing shareholders of the Company on Right Basis on 31.03.2018

II. Employees Stock Option:

Pursuant to resolution passed by the Shareholders and Board Resolution dated December 05, 2016, the Company approved the ESOP 2016 and granted 665000 Options. Further pursuant to resolution passed by Board on February 22, 2017 additional grants were approved under the ESOP 2016 amounting to 299000. Accordingly, the total options granted under ESOP 2016 were increased to 964000 options.

In accordance with the ESOP 2016 each option on exercise would be eligible for one Equity Share on payment of exercise price.

As on March 31, 2018, out of the 964000 options granted under ESOP-2016, 166250 options has been exercised

The vesting period for the options granted under ESOP 2016 is for a period of four years as under:

| Year | Options Granted | Year 1 | Year 2 | Year 3 | Year 4 |
|-----------------------|-----------------|--------|--------|--------|--------|
| ESOP 2016 (Tranche 1) | 665000 | 25% | 25% | 25% | 25% |
| ESOP 2016 (Tranche 2) | 299000 | 25% | 25% | 25% | 25% |

Disclosures as required under Section 62 of the Companies Act, 2013 (to be read with Rule 12 of the Companies (Share Capital and Debenture) Rules, 2014

| Sl. No | Particulars | 31.03.2018 |
|--------|---|---|
| | Number of options granted and outstanding at the beginning of the year | 6,65,000 |
| | No of Options granted during the year | 2,99,000 |
| | Number of Options vested during the year | 1,66,250 |
| | Number of options exercised during the year | 1,66,250 |
| | Number of shares arising as a result of exercise of options | 1,66,250 |
| | Money realized by exercise of options; | Rs. 23,27,500 |
| | Maximum term of Options granted | 4 years |
| | Number of Options lapsed | NIL |
| | Variation of terms of options; | None |
| | Total number of options in force at the end of the year. | 7,97,750 |
| | Employee wise details of options granted | |
| | i. Key Managerial Personnel | The Options were granted to CEO, CFO and CS |
| | i. Any employee who received a grant in any one year of Options amounting to 5% or more of the Options granted during that year | Table Provided below |
| | ii. Identified employees who were granted Options during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant. | None |

Senior Management Personnel who were granted more than 5% of the options granted during the year:



| Sl. No | Name of Employees | No. of Option |
|--------|-------------------|---------------|
| 1 | Sadaf Sayeed | 25000 |

III. Disclosure regarding issue of Equity Shares with Differential Rights

Company has not issued shares with differential voting rights during the year under review.

10. Extract of the Annual Return

The extract of the Annual Return in Form No. MGT - 9 forms part of the Board's Report and is annexed herewith as ANNEXURE - 1

11. Directors' Responsibility Statement

In terms of Section 134 (5) of the Companies Act 2013, the Directors would like to state that:

- i) In the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- ii) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2018 and of the profit of the Company for the year under review.
- (iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The Directors had prepared the annual accounts on a going concern basis.
- (v) The directors had devised proper system to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

12. Related Party Transaction

The particular of Contracts or Arrangements made with related parties pursuant to Section 188 of the Companies Act, 2013 in the prescribed Form AOC-2 is appended as ANNEXURE II which forms part of this report.

13. Explanation or Comments on Qualifications, Reservations or Adverse Remarks or Disclaimers made by the Statutory Auditors in their Reports

The observation made in the Auditors' Report read together with relevant notes thereon are self-explanatory and hence, do not call for any further comments under Section 134 of the Companies Act, 2013.

14. Secretarial Audit Report


In terms of Section 204 of the Companies Act, 2013 and Rules made thereunder, M/s. PSN & Associates, Company Secretaries, Trivandrum have been appointed as Secretarial Auditors of the Company for the financial year 2017-18. The report of the Secretarial Auditors is enclosed as ANNEXURE III to this report. The qualifications made in the report are self-explanatory and do not call for any further comments.

15. Particulars of Loans, Guarantees or Investments

The Company has duly complied with the provision of Section 186 of the Companies Act, 2013 and Rules made thereunder. Details on loans or investment are mentioned in financial statements of this Annual Report. The Company has not given any guarantees to any body corporate on behalf of a third party.

16. Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report.

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which this financial



statements relate and the date of this report

17. Technology Absorption, Conservation of Energy, Foreign Exchange Earnings and Outgo:

The provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are not applicable to your company. However, the company has been taking steps at all times for conservation of energy.

Foreign Exchange earnings & Outgo

Foreign Exchange Earnings - Nil

Foreign Exchange Outgo - Rs. 0.11 crore

18. Directors and Key Managerial Personnel

As on 31st day of March 2018, the Board of your Company consist of eight (8) Directors consisting of three (3) Independent Directors, Four (4) Non-Executive Directors and One (1) Managing Director.:

| Name of Director | Designation | Category |
|------------------------------|---------------------------------------|---------------|
| Mr. Thomas Muthoot | Managing Director | Executive |
| Mr. Thomas John Muthoot | Director | Non-Executive |
| Mr. Thomas George Muthoot | Director | Non-Executive |
| Mr. Thomas Muthoot John | Director | Non-Executive |
| Mr. Kenneth Dan Wander Weele | Director | Non-Executive |
| Mr. Alok Prasad | Independent Director | Non-Executive |
| Mr. Amitvikram Talgeri | Independent Additional Director | Non-Executive |
| Mrs. Pushpy Muricken | Independent Additional Woman Director | Non-Executive |

Following changes made in the composition of board of directors during the year under review.

Appointments

| Sl.No | Name | Designation at the time of Appointment | Date |
|-------|--------------------------|--|------------|
| 1. | Mr.Thomas George Muthoot | Additional Director | 08.05.2017 |
| 2. | Mr.Thomas John Muthoot | Additional Director | 08.05.2017 |
| 3. | Mr.Thomas Muthoot | Additional Director | 08.05.2017 |
| 4. | Mr. Alok Prasad | Independent Director | 10.05.2017 |
| 5. | Mrs.Pushpy Muricken | Independent Additional Woman Director | 31.03.2018 |
| 6. | Mr. Amitvikram Talgeri | Independent Additional Director | 31.03.2018 |

Change in Designation

| Sl.No | Name | Nature of change in designation | Date |
|-------|--------------------------|---------------------------------|------------|
| 1. | Mr.Thomas George Muthoot | Additional Director to Director | 10.05.2017 |
| 2. | Mr.Thomas John Muthoot | Additional Director to Director | 10.05.2017 |
| 3. | Mr.Thomas Muthoot | Additional Director to Director | 10.05.2017 |
| 4. | Mr. Thomas Muthoot John | Additional Director to Director | 10.05.2017 |
| 5. | Mr.Thomas Muthoot | Director to Managing Director | 10.11.2017 |



Resignations

| Sl.No | Name | Designation | Date |
|-------|----------------------------|----------------------|------------|
| 1. | Mr. George Lamannil | Director | 08.05.2017 |
| 2. | Mr. Sabu Zacharia K | Independent Director | 08.05.2017 |
| 3. | Mr. Keyur Chandrakant Shah | Additional Director | 08.05.2017 |

As on date Mr. Thomas Muthoot, Managing Director, Mr. Sadaf Sayeed, Chief Executive Office, Mr. Praveen T, Chief Financial Officer and Ms. Neethu Ajay, Company Secretary of the Company are the Key Managerial Personnel (“KMP”) of the Company. 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.

19. Directors Retire by Rotation

To comply with the provisions of Section 152 of the Companies Act, 2013 Mr. Thomas Muthoot John, Director (DIN 07557585) shall retire by rotation at the ensuing AGM, being eligible, offered for reappointment.

20. Declaration of Independent Directors

The Independent Directors have submitted their disclosures as per Section 149(7) to the Board that they fulfill all the requirements as stipulated in Section 149(6) of the Companies Act, 2013 so as to qualify themselves to be appointed as Independent Directors under the provisions of the Companies Act, 2013 and the relevant rules.

21. Annual Evaluation of Board and its Committees

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit and Nomination & Remuneration Committees. The Board of Directors has expressed their satisfaction with the evaluation process.

22. Board Meeting

During the Financial Year 2017-18, our Board has met 6 times and the meetings of our Board of Directors were held on 08.05.2017, 24.08.2017, 10.11.2017, 11.12.2017, 22.02.2018 and 24.03.2018. The details of the meetings have been enclosed in the Corporate Governance Report, which forms part of this report.

23. Committees of Board

Currently, the Board has six committees: the audit committee, the nomination and remuneration committee, the corporate social responsibility committee, the borrowing committee, the asset liability management committee, and the risk management committee. A detailed note on the composition of the Board and its committees is provided in the Corporate Governance report which is forming part of this Report.

24. Nomination and Remuneration Policy


The Company pursuant to the provisions of Section 178 of the Companies Act, 2013 has formulated and adopted a nomination and remuneration policy which is disclosed on our website.

25. Subsidiary Company, Joint Ventures and Associate Companies

The Company does not have any subsidiary, Joint venture or Associate Company.

26. Remuneration Details of Directors, KMPs and Employees:

Details of managerial remuneration pursuant to Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is mentioned below:



| Sl. No. | Particulars | Details |
|---------|--|--|
| 1 | The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year | NA. Other than sitting fees to Independent Director, No remuneration was paid to the Directors of the Company. |
| 2 | The percentage increase in remuneration of: a) Managing Director b) Chief Financial Officer c) Chief Executive Officer d) Company Secretary | Nil 66.67% 15% 41.4% |
| 3 | Percentage increase in the median remuneration of employees in the financial year | 3.51% |
| 4 | Number of permanent employees on the rolls of the Company | 5679 |
| 5 | Average percentage increase in the salaries of employees of the Company in the last financial year | 6.89% |
| 6 | The Company has a remuneration policy and the remuneration is as per the remuneration policy of the company | Yes |
| 7 | 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; | NA |
| 8 | No. of the employee draws salary prescribed in Rule 2 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. | NA |

A statement showing the name of every employee of the company, who

- if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees; -
None
- if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;
- None
- if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.
- None

27. Adequacy of Internal Audit and Financial Controls

The Company has adequate internal controls and processes in place with respect to its operations, which provide reasonable assurance regarding the reliability of the preparation of financial statements and financial reporting as also functioning of other operations. These controls and processes are driven through various policies and procedures.



28. Fair Practices Code

RBI had been issuing revised Fair Practices code guidelines from time to time and Your Company has adhered to all of them without any compromise. The Fair Practices Code, Code of Conduct, and Grievance Redressal Mechanism have been displayed prominently in all the branches of the Company.

29. Auditors

In accordance with Section 139 of the Companies Act, 2013, M/s. Walker Chandiok & Co LLP., Chartered Accountants, (FRN 001076N), were appointed by the shareholders of the Company at the Annual General Meeting held on 07th July 2016, as Statutory Auditors for a period of 5 years to hold office until the conclusion of the 29th Annual General Meeting of the Company. In terms of the first proviso to section 139 of the Companies Act, 2013, the appointment of the auditors shall be placed for ratification at every AGM. Accordingly, the appointment of M/s. Walker Chandiok & Co LLP., Chartered Accountants, as statutory auditors of the Company, is placed for ratification by the shareholders in the ensuing AGM.

In this regard, the Company has obtained a written consent under Section 139 of the Companies Act, 2013 from the Auditors to such continued appointment and also a certificate from them to the effect that their appointment, if ratified, would be in accordance with the conditions prescribed under the Companies Act, 2013 and the rules made thereunder, as may be applicable.

30. Deposits


During the year, your Company has not accepted any deposits from the public within the meaning of the provisions of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 or any deposits within the meaning of Section 73 of the Companies Act 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

31. Risk Management

As part of our governance philosophy and in order to ensure a robust risk management system and also in line with the applicable laws, the Board of Directors of the Company has formed a Risk Management Committee. The details of Committee and its terms of reference are set out in the Corporate Governance Report, which is part of the Board's Report. Our management systems, organisational structures, processes, standards, and code of conduct together form the system of internal controls that govern how we conduct the business and manage associated risks. There are no risks which in the opinion of the Board threaten the existence of your Company.

32. Details of Policy Developed and Implemented by the Company on its Corporate Social Responsibility Initiatives

In compliance with Section 135 of the Companies Act 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has established the Corporate Social Responsibility Committee (CSR Committee) in the year 2015 and the composition and function thereof are mentioned in the Corporate Governance Report. The Board adopted the CSR Policy, formulated and recommended by the CSR Committee, and the same is available on the Company's website.



During FY 2018, the Company spent Rs. 4,788,178 on Corporate Social Responsibility (CSR). Detailed information report on the CSR policy and the CSR initiatives taken during FY2018 is given in the annexed 'Annual Report on CSR activities'.

33. Vigil Mechanism

Your Company is committed to highest standards of ethical, moral and legal business conduct. Accordingly, the Board of Directors have formulated a Whistle Blower Policy which is in compliance with the provisions of Section 177 (10) of the Companies Act, 2013. All employees and stakeholders can raise concerns regarding any discrimination, harassment, victimization, any other unfair practice being adopted against them or any instances of fraud by or against your Company.

Any incidents that are reported are investigated and suitable action taken in line with the whistle blower policy. The Whistle Blower Policy is also available on your Company's website (www.muthootmicrofin.com).

34. Details of significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and Company's operations in future

There was no significant and material order passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

35. Disclosure as per The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company is committed to providing and promoting a safe and healthy work environment for all its employees.

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a Prevention of Sexual Harassment Policy that is in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules framed thereunder for prevention and redressal of complaints of sexual harassment at workplace, along with a structured reporting and redressal mechanism. The Company has also constituted an Internal Complaint Committee, known as the Prevention of Sexual Harassment Committee, to inquire into complaints of sexual harassment and recommend appropriate action.

There is only one complaint received on sexual harassment during the financial year 2017-18.

36. Compliance

The Company is registered with RBI as a NBFC-MFI. The Company has complied with and continues to comply with all applicable Laws, Rules, Circulars, Regulations, etc. including Directions of RBI for a NBFC-MFI and it doesn't carry on any activities other than those specifically permitted by RBI for NBFC-MFIs.

37. Acknowledgment

Your Directors wish to place on record their appreciation for the assistance, co-operation and guidance received by the Company from the Central Government, the State Government, the Reserve Bank of India, the Registrar of Companies, Mumbai and other Regulatory Authorities and Bankers during the year under review and look



forward to their continued support. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the Employees of the Company.

Kochi
03.05.2018

For and on behalf of the Board

Sd/-
Thomas George Muthoot
Director
(DIN 00011552)

Sd/-
Thomas Muthoot
Managing Director
(DIN 00082099)

ANNEXURE 1

Form No. MGT-9 EXTRACT OF ANNUAL RETURN as on the financial year ended on 31.03.2018

[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 | U65190MH1992PLC066228 |
| 2 | Registration Date | 06.04.1992 |
| 3 | Name of the Company | MUTHOOT MICROFIN LIMITED |
| 4 | Category/Sub-Category of the Company | Public Limited Company/Limited by Shares |
| 5 | Address of the Registered office and contact details | 13th Floor, Parinee Crescenzo, Bandra Kurla, Complex, Bandra East, Mumbai - 400 051 |
| 6 | Address of the Administrative office and contact details | 5th Floor, Muthoot Towers, M.G Road, Kochi 682035 |
| 7 | Whether listed company (Yes / No): | No. The Non-Convertible Debentures of the Company are listed in Bombay Stock Exchange (BSE) |
| 8 | Name, Address and Contact details of Registrar and Transfer Agent, if any | For Non-Convertible Debenture (NCDs): Karvy Computershare Pvt. Ltd. 7th floor, 701, Hallmark Business Plaza, Sant Dnyaneshwar Marg, Opp Guru Nanak Hospital, Off Bandra Kurla Complex Bandra East, Mumbai - 400 051 P: (022) 6149 1635 |

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 | Microfinance Lending | 64990 | 100 |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES: -

| S No. | NAME AND ADDRESS OF THE COMPANY | CIN/GLN | HOLDING/ SUBSIDIARY / ASSOCIATE | % of shares held | Applicable Section |
|-------|---|-------------------------|---------------------------------|------------------|--------------------|
| 1 | Muthoot Fincorp Limited, Muthoot Center, Punnen Road, Trivandrum - 695034 | U65929 KL1997 PLC011518 | Holding | 63.61 | 2(46) |

IV. SHARE HOLDING PATTERN (Equity/Preference Share Capital Breakup as percent age of Total Capital)

i. Category-wise Share Holding

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|--|---|----------|----------|------|---|----------|----------|-------------------|--------------------------|
| | Demat | Physical | Total | | Demat | Physical | Total | % of total shares | |
| A. Promoters | | | | | | | | | |
| 1. Indian | | | | | | | | | |
| a) Individual/ HUF | 13781454 | 0 | 13781454 | 15.7 | 27095019 | 0 | 27095019 | 23.73 | 8.03 |
| 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 Corporate | 70,026,532 | 0 | 70026532 | 79.4 | 72625449 | 0 | 72625449 | 63.61 | (15.79) |
| e) Banks/ FI | 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) | 83807986 | 0 | 83807986 | 95.1 | 99720468 | 0 | 99720468 | 87.34 | (7.76) |
| 2. Foreign | | 0 | | | | 0 | | | |
| a) NRIs Individual | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b) Other Individual | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c) Bodies Corporate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d) Banks/ FI | 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) | 83807986 | 0 | 83807986 | 95.1 | 99720468 | 0 | 99720468 | 87.34 | (7.76) |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| a) Mutual Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b) Banks/ FI | 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 (specify) | | | | | | | | | |
| Sub-total B (1) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Non- Institutions | | | | | | | | | |
| a) Bodies Corporate | | | | | | | | | |
| i. Indian | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ii. Overseas* | 4359958 | | 4359958 | 4.9 | 13006778 | | 13006778 | 11.39 | 6.49 |
| b) Individuals | | | | | | | | | |
| i. Individual | 0 | 0 | 0 | 0 | 0 | 0 | 8747 | 0.01 | 0.01 |
| shareholders holding nominal share capital upto Rs. 1 lakh | | | | | 8747 | 0 | 8747 | 0.01 | 0.01 |

| | | | | | | | | | |
|--|-----------------|----------|-----------------|------------|------------------|----------|------------------|--------------|-------------|
| i. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh | 0 | 0 | 0 | 0 | 185145 | 0 | 185145 | 0.16 | 0.16 |
| c) Others (specify) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Employee Welfare Trust | 0 | 0 | 0 | 0 | 1249364 | 0 | 1249364 | 1.09 | 1.09 |
| Sub-total B (2) | 4359958* | 0 | 4359958* | 4.9 | 14450034 | | 14450034 | 12.66 | 7.76 |
| Total Public Shareholding B = B (1) + B (2) | 4359958* | 0 | 4359958* | 4.9 | 14450034 | | 14450034 | 12.66 | 7.76 |
| C. Shares held by custodian for GDRs & ADRs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grand Total (A+B+C) | 88167944 | 0 | 88167944 | 100 | 114170502 | 0 | 114170502 | 100 | 0 |

* Previous Year : 43,600 equity shares of Rs. 10 each and 4,316,358 compulsorily convertible preference shares of Rs. 10 each.

Current Year : 17,14,487 equity shares of Rs. 10 each and 1,12,92,291 compulsorily convertible preference shares of Rs. 10 each.

ii. Shareholding of Promoters

| Sl. No. | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in the shareholding during the year |
|---------|-------------------------|---|-------------------|--|-------------------------------------|-------------------|--|--|
| | | No. of shares | % of total Shares | % of shares pledged/encumbered to total shares | No. of shares | % of total shares | % of shares pledged/encumbered to total shares | |
| 1. | Muthoot Fincorp Limited | 70,026,532 | 79.4 | 0 | 7,26,25,449 | 63.61 | 0 | (15.79) |
| 2. | Thomas Muthoot | 4,491,496 | 5.1 | 0 | 63,50,459 | 5.56 | 0 | 0.46 |
| 3. | Thomas George Muthoot | 4,471,519 | 5.1 | 0 | 63,27,160 | 5.54 | 0 | 0.44 |
| 4. | Thomas John Muthoot | 4,472,929 | 5.1 | 0 | 63,28,806 | 5.54 | 0 | 0.44 |
| 5. | Nina George | 122,870 | 0.14 | 0 | 27,04,513 | 2.37 | 0 | 2.23 |
| 6. | Preethi John | 121,180 | 0.14 | 0 | 27,02,867 | 2.37 | 0 | 2.23 |
| 7. | Remy Thomas | 101,460 | 0.12 | 0 | 26,81,214 | 2.35 | 0 | 2.23 |
| | Total | 83,807,986 | 95.1 | 0 | 9,97,20,468 | 87.34 | 0 | (7.76) |

i. Change in Promoters' Shareholding (please specify, if there is no change)

| Sl. No. | Name & Type of Transaction | Shareholding at the beginning of the year | | Transactions during the year | | Cumulative Shareholding during the year | |
|---------|-------------------------------|---|----------------------------------|------------------------------|---------------|---|----------------------------------|
| | | No. Of Shares | % of total shares of the Company | Date of transaction | No. of Shares | No. of Shares | % of total shares of the Company |
| 1. | Muthoot Fincorp Limited | 700,26,532 | 79.42 | | | | |
| | Allotment of Equity shares | | | 19.12.2017 | 2,61,597 | 7,02,88,129 | 72.55 |
| | Allotment of Equity shares | | | 31.03.2018 | 23,37,320 | 7,26,25,449 | 63.61 |
| | At the end of the year | | | | | 7,26,25,449 | 63.61 |
| 2 | Thomas Muthoot | 44,91,496 | 5.09 | | | | |
| | Allotment of Equity Shares | | | 31.08.2017 | 4,35,995 | 49,27,491 | 5.42 |
| | Transfer of Equity Sahres* | | | 31.10.2017 | (4,12,500) | 45,14,991 | 4.97 |
| | Allotment of Equity Shares | | | 19.12.2017 | 9,30,125 | 54,45,116 | 5.62 |
| | Allotment of Equity Shares | | | 31.03.2018 | 9,05,343 | 63,50,459 | 5.56 |
| | At the end of the year | | | | | 63,50,459 | 5.56 |
| 3 | Thomas George Muthoot | 44,71,519 | 5.07 | | | | |
| | Allotment of Equity Shares | | | 31.08.2017 | 4,35,996 | 49,07,515 | 5.41 |
| | Transfer of Equity Sahres* | | | 31.10.2017 | (4,12,500) | 44,95,015 | 4.95 |
| | Allotment of Equity Shares | | | 19.12.2017 | 9,30,124 | 54,25,139 | 5.60 |
| | Allotment of Equity Shares | | | 31.03.2018 | 9,02,021 | 63,27,160 | 5.54 |
| | At the end of the year | | | | | 63,27,160 | 5.54 |
| 4 | Thomas John Muthoot | 4,472,929 | 5.07 | | | | |
| | Allotment of Equity Shares | | | 31.08.2017 | 4,35,996 | 49,08,925 | 5.41 |
| | Transfer of Equity Sahres* | | | 31.10.2017 | (4,12,500) | 44,96,425 | 4.95 |
| | Allotment of Equity Shares | | | 19.12.2017 | 9,30,125 | 54,26,550 | 5.60 |
| | Allotment of Equity Shares | | | 31.03.2018 | 9,02,256 | 63,28,806 | 5.54 |
| | At the end of the year | | | | | 63,28,806 | 5.54 |
| 5 | Nina George | 1,22,870 | 0.14 | | | | |
| | Allotment of Equity Shares | | | 31.03.2018 | 25,81,643 | 27,04,513 | 2.37 |
| | At the end of the year | | | | | 27,04,513 | 2.37 |
| 6 | Preethi John | 1,21,180 | 0.14 | | | | |
| | Allotment of Equity Shares | | | 31.03.2018 | 25,81,687 | 27,02,867 | 2.37 |
| | At the end of the year | | | | | 27,02,867 | 2.37 |
| 7 | Remy Thomas | 1,01,460 | 0.12 | | | | |
| | Allotment of Equity Shares | | | 31.03.2018 | 25,79,754 | 26,81,214 | 2.35 |
| | At the end of the year | | | | | 26,81,214 | 2.35 |

* Transfer of shares to MML Employee Welfare Trust

ii. Shareholding of Top Ten Shareholders (other than Directors and Promoters):

| Sl. No. | Name & Type of Transaction | Shareholding at the beginning of the year | | Transactions during the year | | Cumulative Shareholding during the year | |
|---------|--------------------------------|---|----------------------------------|------------------------------|---------------|---|----------------------------------|
| | | No. Of Shares | % of total shares of the Company | Date of transaction | No. of Shares | No. of Shares | % of total shares of the Company |
| 1. | Creation Investments India LLC | 4,359,958 | 4.95 | | | | |
| | Allotment of preference shares | | | 31.08.2017 | 13,07,987 | 56,67,945 | 6.24 |
| | Allotment of preference shares | | | 19.12.2017 | 30,51,971 | 87,19,916 | 9.00 |
| | Allotment of preference shares | | | 24.03.2018 | 26,15,975 | 1,13,35,891 | 11.39 |
| | Allotment of Equity shares | | | 31.03.2018 | 16,70,887 | 1,30,06,778 | 11.39 |
| | At the end of the year | | | | | 1,30,06,778 | 11.39 |
| 2. | MML Employee Welfare Trust | 0 | 0 | | | | |
| | Transfer of Equity Shares* | | | 02.11.2017 | 12,37,500 | 12,37,500 | 1.36 |
| | Transfer of Equity Shares** | | | 30.12.2017 | (1,66,250) | 10,71,250 | 1.10 |
| | Allotment of Equity shares | | | 31.03.2018 | 1,78,114 | 12,49,364 | 1.09 |
| | At the end of the year | | | | | 12,49,364 | 1.09 |
| 3. | Sadaf Sayeed | 0 | 0 | | | | |
| | Transfer of Equity Shares*** | | | 30.12.2017 | 1,25,000 | 1,25,000 | 0.12 |
| | Allotment of Equity shares | | | 31.03.2018 | 20,783 | 1,45,783 | 0.13 |
| | At the end of the year | | | | | 1,45,783 | 0.13 |
| 4. | Udeesh Ullas | 0 | 0 | | | | |
| | Transfer of Equity Shares*** | | | 30.12.2017 | 25,000 | 25,000 | 0.03 |
| | Allotment of Equity shares | | | 31.03.2018 | 4,157 | 29,157 | 0.03 |
| | At the end of the year | | | | | 29,157 | 0.03 |
| 5. | Praveen T | 0 | 0 | | | | |
| | Transfer of Equity Shares*** | | | 30.12.2017 | 7,500 | 7,500 | 0.01 |
| | Allotment of Equity shares | | | 31.03.2018 | 1,247 | 8,747 | 0.01 |
| | At the end of the year | | | | | 8,747 | 0.01 |
| 6. | Subhransu Pattnayak | 0 | 0 | | | | |
| | Transfer of Equity Shares | | | 30.12.2017 | 8,750 | 8,750 | 0.01 |
| | Allotment of Equity shares | | | 31.03.2018 | 1,455 | 10,205 | 0.01 |
| | At the end of the year | | | | | 10,205 | 0.01 |


* Transfer of 412500 equity shares each from TM, TGM & TJM

** Transfer of shares to employees covered under ESOP 2016

*** Transfer of shares from MML Employee welfare trust

iii. Shareholding of Directors and Key Managerial Personnel:

| Sl. No. | Name & Type of Transaction | Shareholding of each Directors and KMP | Shareholding | | Cumulative Shareholding during the year | |
|---------|----------------------------|--|---------------|----------------------------------|---|----------------------------------|
| | | | No. of Shares | % of total shares of the Company | No. of Shares | % of total shares of the Company |
| 1 | Thomas Muthoot | At the beginning of the year | 44,91,496 | 5.09 | | |
| | | Allotment of Equity Shares 31.08.2017 | 4,35,995 | | 49,27,491 | 5.42 |



| Sl. No. | | | Shareholding | | Cumulative Shareholding during the year | |
|---------|---------------------------------------|---|----------------|----------------------------------|---|----------------------------------|
| | | | No. of Shares | % of total shares of the Company | No. of Shares | % of total shares of the Company |
| | Name & Type of Transaction | Shareholding of each Directors and KMP | | | | |
| | | Transfer of Equity Shares 31.10.2017* | (412500) | | 45,14,991 | 4.97 |
| | | Allotment of Equity Shares 19.12.2017 | 9,30,125 | | 54,45,116 | 5.62 |
| | | Allotment of Equity Shares 31.03.2018 | 9,05,343 | | 63,50,459 | 5.56 |
| | | At the end of the year | 639045 | 5.55 | 63,50,459 | 5.56 |
| 2 | Thomas George Muthoot | At the beginning of the year | 44,71,519 | 5.07 | | |
| | | Allotment of Equity Shares 31.08.2017 | 4,35,996 | | 49,07,515 | 5.41 |
| | | Transfer of Equity Shares 31.10.2017* | (412500) | | 44,95,015 | 4.95 |
| | | Allotment of Equity Shares 19.12.2017 | 9,30,124 | | 54,25,139 | 5.60 |
| | | Allotment of Equity Shares 31.03.2018 | 9,02,021 | | 63,27,160 | 5.54 |
| | | At the end of the year | 6327160 | 5.54 | 63,27,160 | 5.54 |
| 4 | Thomas John Muthoot | At the beginning of the year | 44,72,929 | 5.07 | | |
| | | Allotment of Equity Shares 31.08.2017 | 4,35,996 | | 49,08,925 | 5.41 |
| | | Transfer of Equity Shares 31.10.2017* | (412500) | | 44,96,425 | 4.95 |
| | | Allotment of Equity Shares 19.12.2017 | 9,30,125 | | 54,26,550 | 5.60 |
| | | Allotment of Equity Shares 31.03.2018 | 9,02,256 | | 63,28,806 | 5.54 |
| | | At the end of the year | 6328806 | 5.54 | 63,28,806 | 5.54 |
| 5 | Praveen T | At the beginning of the year | 0 | 0 | | |
| | | Transfer of Equity Shares 30.12.2017** | 7,500 | | 7,500 | 0.01 |
| | | Allotment of Equity Shares 31.03.2018 | 1,247 | | 8,747 | 0.01 |
| | | At the end of the year | 8747 | 0.01 | 8,747 | 0.01 |
| 6 | Sadaf Sayeed | At the beginning of the year | 0 | 0 | | |
| | | Transfer of Equity Shares 30.12.2017** | 125000 | | 125000 | 0.01 |
| | | Allotment of Equity Shares 31.03.2018 | 20,783 | | 20,783 | 0.01 |
| | | At the end of the year | 140783 | 0.1 | 140783 | 0.1 |

* Transfer of shares to MML Employee welfare trust

** Transfer of shares from MML Employee welfare trust

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/ accrued but not due for payment (in Crores)

| | Secured Loans/ NCDs excluding deposits | Un Secured Loans | Deposit | Total Indebtedness |
|--|--|------------------|------------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i. Principal Amount | 1106.33 | 25.00 | NIL | 1131.33 |
| ii. Interest due but not paid | NIL | NIL | NIL | NIL |
| iii. Interest accrued but not paid | 10.53 | NIL | NIL | 10.53 |
| Total (i + ii + iii) | 1116.86 | 25.00 | NIL | 1141.86 |
| Change in Indebtedness during the financial year | | | | |
| Addition | 1075.88 | NIL | NIL | 1075.88 |
| Reduction (Repayments made) | 455.68 | NIL | NIL | 455.68 |
| Net Change Indebtedness | 620.19 | NIL | NIL | 620.19 |
| At the end of the financial year | | | | |
| i. Principal Amount | 1726.52 | 25 | NIL | 1751.52 |
| ii. Interest due but not paid | NIL | NIL | NIL | NIL |
| iii. Interest accrued but not paid | 14.07 | NIL | NIL | 14.07 |
| Total (i + ii + iii) | 1740.59 | 25 | NIL | 1765.59 |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

- A. Remuneration to Managing Director, Whole-time Director and/ or Manager - NIL
 B. Remuneration of Directors - NIL
 C. Remuneration to Key Managerial Personnel other than MD/ WTD/ Manager

| Sl. No | Particulars of Remuneration | Key Managerial Personnel | | | Total Amount |
|--------|--|--------------------------|-----------------|----------------|-------------------|
| | | CS | CEO | CFO | |
| 1. | Gross salary | | | | |
| | a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 630,140 | 6,366,072 | 1,779,146 | 8775358 |
| | b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | NIL | NIL | NIL | NIL |
| | c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | NIL | NIL | NIL | NIL |
| 2. | Stock Option | NIL | NIL | NIL | NIL |
| 3. | Sweat Equity | NIL | NIL | NIL | NIL |
| 4. | Commission - as % of profit - others, specify... | NIL | 9,308,149 | NIL | 9,308,149 |
| 5. | Others, please specify Bonus | 89,320 | 11,710,526 | 250,000 | 12049846 |
| | Total | 719460 | 27384747 | 2029146 | 30,133,353 |



VII. PENALTIES/ PUNISHMENT/ COMPOUNDING OF OFFENCES: No Penalties, punishments and compounding of offences were imposed on the Company during the financial year 2017-18.

There were no material penalties, punishments and compounding of offences for the year ended 31st March 2018.

For and on behalf of the Board

Kochi
03.05.2018

**Sd/-
Thomas George Muthoot
Director
(DIN 00011552)**

**Sd/-
Thomas Muthoot
Managing Director
(DIN 00082099)**

ANNEXURE II FORM NO. AOC -2

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

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis. There were no contracts or arrangements or transactions entered into by the Company during the financial year 2017-18 which were not at arm's length basis.
2. Details of contracts or arrangements or transactions at Arm's length basis.
 - a) Subletting entire space hired by Muthoot Fincorp Ltd at Rajapalayam

| Sl. No | Particulars | Details |
|--------|---|--|
| 1 | Name (s) of the related party & nature of relationship | M/s. Muthoot Fincorp Limited - Holding Company |
| 2 | Nature of contracts/arrangements/transaction | Agreement for sharing space |
| 3 | Duration of the contracts/ arrangements/ transaction | 10 Years |
| 4 | Salient terms of the contracts or arrangements or transaction including the value, if any | Rent payable per month - Rs. 19,100 Rent Enhancement - 5% every year Security deposit - Rs. 1,00,000 |
| 5 | Date of approval by the Board | 24.08.2017 |
| 6 | Amount paid as advances, if any | NIL |

- b) Joint undertaking with Muthoot Fincorp Ltd for acting as Sub-AUA

| Sl. No | Particulars | Details |
|--------|--|---|
| 1 | Name (s) of the related party & nature of relationship | M/s. Muthoot Fincorp Limited - Holding Company |
| 2 | Nature of contracts/arrangements/transaction | Joint undertaking with Muthoot Fincorp Ltd |
| 3 | Duration of the contracts/ arrangements/ transaction | NA |
| 4 | Salient terms of the contracts or arrangements or transaction including the value, if any Date of approval by the Board | The Company to act as Sub-AUA of Muthoot Fincorp Ltd in compliance with the regulations contained in The Aadhaar (Targeted Delivery of Financial and Other Subsidiaries, Benefits and Services) Act 2016. |
| 5 | Date of approval by the Board | 24.08.2017 |
| 6 | Amount paid as advances, if any | NIL |

- c) Leasing Office space at Anna Nagar, Chennai from Mr. Thomas John Muthoot, Thomas George Muthoot and Mr. Thomas Muthoot.

| Sl. No | Particulars | Details |
|--------|---|---|
| 1 | Name (s) of the related party & nature of relationship | Mr. Thomas John Muthoot, Mr. Thomas George Muthoot, Mr. Thomas Muthoot – Directors of the company. |
| 2 | Nature of contracts/arrangements/transaction | Agreement for leasing of property situated at Anna Nagar West, Chennai |
| 3 | Duration of the contracts/ arrangements/ transaction | 10 years |
| 4 | Salient terms of the contracts or arrangements or transaction including the value, if any | Rent payable per month – Rs. 29,700/- Rent enhancement – 10% every year Security Deposit – Rs. 1,78,200/- |
| 5 | Date of approval by the Board | 22.02.2018 |
| 6 | Amount paid as advances, if any | NIL |

- d) Rendering Services to Muthoot Fincorp Limited for OLA Loan facilitation

| Sl. No | Particulars | Details |
|--------|---|---|
| 1 | Name (s) of the related party & nature of relationship | Muthoot Fincorp Limited, Holding Company |
| 2 | Nature of contracts/arrangements/transaction | Agreement with Muthoot Fincorp Limited for providing the services for sourcing and collection of repayments of OLA loan on Commission basis |
| 3 | Duration of the contracts/arrangements/transaction. | 5 years |
| 4 | Salient terms of the contracts or arrangements or transaction including the value, if any | Services for sourcing and collection of repayments of OLA loan on Commission basis as given below. a. 5% on sourcing b. 5% on collection amount c. 50% of the dealer Margin. |
| 5 | Date of approval by the Board | 22.02.2018 |
| 6 | Amount paid as advances, if any | NIL |



e) Providing Services to Muthoot Fincorp Limited for facilitation of loan towards Consumer Durable products

| Sl. No | Particulars | Details |
|--------|---|--|
| 1 | Name (s) of the related party & nature of relationship | Muthoot Fincorp Limited, Holding Company |
| 2 | Nature of contracts/arrangements/transaction | Agreement with Muthoot Fincorp Limited for providing the services for sourcing and collection of repayments of Consumer Durable Loans |
| 3 | Duration of the contracts/arrangements/transaction | 5 years |
| 4 | Salient terms of the contracts or arrangements or transaction including the value, if any | Providing the services for sourcing and collection of repayments of Consumer Durable Loans on commission basis as given below: a. 3% on sourcing b. 3% on collection amount c. 50% of the dealer Margin |
| 5 | Date of approval by the Board | 22.02.2018 |
| 6 | Amount paid as advances, if any | NIL |

For and on behalf of the Board

Kochi
03.05.2018

Sd/-
Thomas George Muthoot
Director
(DIN 00011552)

Sd/-
Thomas Muthoot
Managing Director
(DIN 00082099)



ANNEXURE III
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED ON 31st March, 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014] Companies (Accounts) Rules, 2014.

To
The Members
Muthoot Microfin Limited
13th Floor, Parinee Crescenzo
Bandra Kurla Complex
Bandra East, Mumbai
Maharashtra - 400051

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Muthoot Microfin Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and 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, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2018 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:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Muthoot Microfin Limited for the financial year ended on 31st March, 2018 according to the provisions of:

1. The Companies Act, 2013 (the act) and the rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of foreign direct investment, overseas direct investment and external commercial borrowings;
5. The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz. :-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - f) 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;
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
6. Guidelines and regulations with respect to NBFCs and Micro finance Institutions issued by Reserve bank of India.



We have also examined compliance with the applicable clauses of the following:

1. S I Standards issued by The Institute of Company Secretaries of India.
2. The Listing Agreements entered into by the Company with Bombay Stock Exchange.

During the period under review the Company has complied with the provisions of the Act, rules, Regulations, Guidelines, Standards, etc. mentioned above except to the extent as mentioned below

In respect of filing of various returns with Registrar of Companies, especially one creation of charges, two DIR 12 forms filed with additional fee

we further report that

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.

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.

We 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.

Thiruvananthapuram
02.05.2018

P Sajee Nair, FCS
FCS No.:8705
CP No. 12772

This report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

‘Annexure A’

The Members
Muthoot Microfin Limited

Our 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. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We 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. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our 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 of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Thiruvananthapuram
02.05.2018

P Sajee Nair, FCS
Practicing Company Secretary
Membership No.: FCS 8705
Certificate of Practice No.:12772



ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

For achieving the CSR objectives through the implementation of meaningful and sustainable CSR programmes, Muthoot Microfin Limited (the Company) will annually contribute up to two percent of the average profits for the last three years towards CSR activities

1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken are given in CSR policy are as below:

The CSR Policy of the Company is designed to portray its commitment to be a responsible corporate citizen and presents the strategies and methods for undertaking social programs for well-being and sustainable development of the local community in which it operates. Each CSR activity of the Company is channelized through Muthoot Pappachan Foundation (MPF), a Public Charitable Trust formed in the year 2003 as the CSR arm of the Muthoot Pappachan Group to facilitate CSR activities for the entire Group and all its business verticals. The CSR programs of MPF is bound by the theme HEEL: Health, Education, Environment, Livelihood.

The objectives of CSR Policy of the Company are to:

- build a framework of CSR activities with a philanthropic approach in line with business unit objectives, which also benefits the organization at large;
- shape sustainability for the organization by 'Engaging the Community';
- build a corporate brand through CSR; and
- for other stakeholders, make it "an integral part of the Company's DNA, so much so that it has to be an organic part of the business".

2. The Composition of the CSR Committee:

- Mr. Thomas Muthoot
- Mr. Thomas George Muthoot
- Mr. Thomas John Muthoot
- Mr. Alok Prasad

3. Average net profit of the company for last three financial years:

| S. No | Financial Years | Net Profit as per section 198 |
|-------|-------------------------|-------------------------------|
| 1. | Ending 31st March, 2015 | (2,293,719) |
| 2. | Ending 31st March, 2016 | 146,015,046 |
| 3. | Ending 31st March, 2017 | 572,211,658 |
| | Average Net Profit | 239,408,901 |


4. Prescribed CSR Expenditure (two per cent. of the amount, as in item 3 above)

Rs. 4,788,178

5. Details of CSR spent during the financial year.

- Total amount to be spent for the financial year: Rs. 4,788,178/-
- Amount unspent, if any: NIL
- Manner in which the amount spent during the financial year is detailed below

| S. No | Particulars | Details |
|-------|--|--------------------------------------|
| 1 | CSR project or activity identified | Smile Please - Cleft Surgery Mission |
| 2 | Sector in which the project is covered | Health |



| S. No | Particulars | Details |
|-------|--|--|
| 3 | Projects or programme (1) Local area or other (2) Specify the state and district where projects or programs was undertaken | Pondicherry |
| 4 | Amount outlay (budget project or programme wise | Rs. 4,788,178 |
| 5 | Amount spent on the project or programme Sub Heads; (1) Direct expenditure on projects or programmes (2) Overheads | Rs. 4,788,178/- |
| 6 | Cumulative expenditure up to the reporting period | Rs. 4,788,178/- |
| 7 | Amount Spent: direct or through implementing agency | Through implementing agency: Muthoot Pappachan Foundation |

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report:

Not Applicable as amounts have been spent.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, in compliance with CSR objectives and Policy of the Company:

We hereby confirm that the implementation and monitoring of CSR Policy, are in compliance with the CSR objectives and CSR Policy of the Company.

For and on behalf of the Board

Kochi
03.05.2018

Sd/-
Thomas George Muthoot
Director
(DIN 00011552)

Sd/-
Thomas Muthoot
Managing Director
(DIN 00082099)



REPORT ON CORPORATE GOVERNANCE

Corporate Governance is the application of best management practices, compliance of laws, rules, regulations and adherence to standards to achieve the objects of the Company, enhancing shareholder/investor value and discharging of social responsibility. The Company does not view Corporate Governance principles as set of binding obligations, but believes in using it as a framework to be followed in spirit.

Corporate governance is based on principles such as conducting the business with all integrity and fairness, being transparent with regard to all transactions, making all the necessary disclosures and decisions, complying with all the laws of the land, accountability and responsibility towards the stakeholders and commitment to conducting business in an ethical manner


Muthoot Microfin Limited is committed to maintaining a high standard of corporate governance in complying with Master Circular on Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 issue by RBI on July 3, 2015.

I. Board of Directors

a. The current composition of the board is detailed below:

| Sl. No | Name of the Director | DIN | Designation |
|--------|--------------------------|----------|----------------------------------|
| 1. | Thomas Muthoot | 00082099 | Managing Director |
| 2. | Thomas George Muthoot | 00011552 | Director |
| 3. | Thomas John Muthoot | 00011618 | Director |
| 4. | Thomas Muthoot John | 07557585 | Director |
| 5. | Alok Prasad | 00080225 | Independent Director |
| 6. | Kenneth Dan Vander Weele | 02545813 | Director |
| 7. | Pushpy Muricken | 03431198 | Independent Addit Woman Director |
| 8. | Amitvikram Talgeri | 08098843 | Independent Director |

- b. As per clause 4.1 (b) Company's Articles of Association, the Company shall, subject to applicable law, have no more than 7 (seven) Directors consists of 4 (Four) members representing the Promoter Group, 2 (two) Independent Directors (appointed/ nominated in accordance with the Share Subscription Agreement), and 1 (one) Creation Director.
- c. In Compliance with Section 165 of the Companies Act, 2013 ('the Act'), a Director shall not hold the office of Director in more than 20 companies including maximum of 10 public limited companies.
- d. Mr. Thomas John Muthoot, Mr. Thomas George Muthoot and Thomas Muthoot appointed as additional directors of the company in the board meeting held on 08.05.2017 regularized as directors of the company in the annual general meeting held on 10.05.2017.
- e. Mr. Alok Prasad appointed as Independent Director in the Annual General Meeting held on 10.05.2017.
- f. Mr. Thomas Muthoot John regularized as director in the annual general meeting held on 10.05.2017.
- g. Mr. Thomas Muthoot Appointed as Managing Director w.e.f 10.11.2017.
- h. Mr. Amitvikram Talgeri and Ms. Pushpy Muricken appointed as independent Additional Directors of the company by the Board of Directors through a circular resolution passed on 31.03.2018.
- i. During the financial year 2017-2018, the Board of Directors of the Company, met 6 (Six) times. The details of the meetings are as follow.



| Sl. No | Date of The Meeting | Total Number of Directors Associated as on the Date of Meeting | Attendance | |
|--------|---------------------|--|------------------------------|-----------------|
| | | | Number of Directors Attended | % Of Attendance |
| 1. | 08/05/2017 | 5 | 5 | 100 |
| 2. | 24/08/2017 | 6 | 5 | 83 |
| 3. | 10/11/2017 | 6 | 6 | 100 |
| 4. | 11/12/2017 | 6 | 3 | 50 |
| 5. | 22/02/2018 | 6 | 6 | 100 |
| 6. | 24/03/2018 | 6 | 4 | 67 |

II. COMMITTEES OF BOARD

a. Audit Committee: The constitution of this Committee is in compliance with the provisions of Section 177 of the Companies Act, 2013. The details of its terms of reference as approved by the Board of Directors of the Company are given below:

- providing recommendation for appointment, remuneration and terms of appointment of auditors of the company
- reviewing & monitoring auditor's independence and performance, and effectiveness of audit process
- examining financial statement and the auditors' report thereon
- scrutinizing inter corporate loans and investments
- evaluating internal financial controls & risk management systems
- monitoring the end use of funds raised through public offers and related matters
- valuation of undertakings or assets of the company, wherever it is necessary
- approval or any subsequent modification of transactions of the company with related parties

The Audit Committee consists of following Directors:

| Sl. No | Name of Director | Nature of Directorship | Designation |
|--------|------------------------------|------------------------|-------------|
| 1. | Mr. Alok Prasad | Independent | Chairman |
| 2. | Mr. Amitvikram Talgeri | Independent | Member |
| 3. | Mrs. Pushpy Muricken | Independent | Member |
| 4. | Mr. Thomas John Muthoot | Non- Executive | Member |
| 5. | Mr. Kenneth Dan Vander Weele | Non- Executive | Member |

During the year 2017-18 the Audit Committee met 4 time on 08.05.2017, 24.08.2017, 10.11.2017 and 22.02.2018.

b. Nomination and Remuneration Committee (NRC): This Committee is constituted in compliance with the provisions of Section 178 of the Companies Act, 2013. The Company has a Board approved Nomination and Remuneration Policy in place. The terms of reference of NRC in line with Section 178 of the Companies Act, 2013 are as under:

- Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy, relating to the remuneration of the Directors, Key Managerial Personnel and other Senior managerial employees;
- Formulation of criteria for evaluation of performance of Independent Directors and the Board of Directors;

- Identifying persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, and recommend to the Board of Directors for their appointment and removal; and
- Whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.

The Nomination and Remuneration Committee is comprised of:

| Name of Director | Nature of Directorship | Designation |
|------------------------------|------------------------|-------------|
| Mr. Alok Prasad | Independent | Chairman |
| Mr. Amitvikram Talgeri | Independent | Member |
| Mr. Thomas Muthoot | Executive | Member |
| Mr. Kenneth Dan Vander Weele | Non-Executive | Member |

During the year 2017-18 the Nomination and Remuneration Committee met 4 time on 08.05.2017, 24.08.2017, 10.11.2017 and 22.02.2018.

c. Corporate Social Responsibility Committee (CSR): This Committee is constituted in compliance with the provisions of Section 135 of the Companies Act, 2013. The Company has a Board approved Corporate Social Responsibility Policy in place. The terms of reference of the CSR Committee is in accordance with Section 135 (3) of the Companies Act, 2013 and is as under:

- Formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
- Recommend to the Board the amount of expenditure to be incurred on the CSR activities referred to in (i) above; and
- Monitor the CSR policy of the Company from time to time.

The CSR Committee is comprised of:

| Name of Director | Nature of Directorship | Designation |
|---------------------------|------------------------|-------------|
| Mr. Thomas Muthoot | Executive Director | Chairman |
| Mr. Thomas George Muthoot | Non-Executive | Member |
| Mr. Thomas John Muthoot | Non-Executive | Member |
| Mr. Alok Prasad | Independent | Member |

During the year 2017-18 the CSR Committee met 2 time on 08.05.2017 and 24.08.2017

d. Asset Liability Management Committee (ALCO): The Company has constituted an Asset Liability Management Committee in terms of RBI Circular DNBR (PD) CC. No.053/03.10.119/2015-16 July 03, 2015. The Company has a Board approved Asset Liability Management Policy in place. ALCO is vested with the responsibilities of monitoring the risk and to make suitable strategies to control it. The terms of reference are as below:

- Addressing concerns regarding asset liability mismatches;
- Achieving optimal return on capital employed while maintaining acceptable levels of risk relating to liquidity;
- Addressing concerns regarding interest rate risk exposure; and
- Review the periodical returns submitted to RBI every year;
- Monitor and review the cost of funds and the net interest margin;
- To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

The ALCO is comprised of:

| Sl. No | Name of Members | Designation |
|--------|---------------------------|-------------------------|
| 1. | Mr. Thomas John Muthoot | Director |
| 2. | Mr. Thomas George Muthoot | Director |
| 3. | Mr. Thomas Muthoot | Managing Director |
| 4. | Mr. Sadaf Sayeed | Chief Executive Officer |

e. Risk Management Committee: This Committee is constituted in compliance with the provisions of the Companies Act, 2013 and RBI Circular DNBR (PD) CC.No.053/03.10.119/2015-16 July 01, 2015. The Company has a Board approved Risk Management Policy in place. The terms of reference are as below:

- To monitor and review the risk management plan;
- To review operational risk
- To take strategic actions to mitigate the risk associated with the nature of the business;
- To appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy;

The Risk Management is comprised of:

| Sl. No | Name of Members | Designation |
|--------|---------------------------|-------------------------|
| 1. | Mr. Thomas John Muthoot | Director |
| 2. | Mr. Thomas George Muthoot | Director |
| 3. | Mr. Thomas Muthoot | Managing Director |
| 4. | Mr. Sadaf Sayeed | Chief Executive Officer |

f. Borrowing Committee: The Company has a Borrowing Committee to exercise all powers to borrow moneys (otherwise than by issue of debentures) and taking necessary actions connected therewith. The terms of reference are as below:

- To borrow any amounts within the limit of Borrowing Powers of the Company
- To assign/ sell the loan portfolio of the Company to any Banks/ Financial Institution
- To open branches in the name of the Company
- To open and operate Bank accounts
- To sub delegate its powers to the officers/ representatives of the Company

The Borrowing Committee is comprised of:


| Sl. No | Name of Members | Designation |
|--------|-------------------------|-------------------------|
| 1. | Mr. Thomas John Muthoot | Director |
| 2. | Mr. Sadaf Sayeed | Chief Executive Officer |
| 3. | Mr. Praveen T | Chief Financial Officer |

III. REMUNERATION TO DIRECTORS:

No remuneration was paid to any Directors during the financial year 2017-18 other than Sitting Fees paid to Independent Director.

IV. GENERAL BODY MEETING:

During the year ended 31st March 2018, one Annual General Meeting and 3 Extra Ordinary General Meeting were held and the details are given below:



| Sl. No | Date | Category | Time | Venue |
|--------|------------|----------|----------|---|
| 1. | 10.05.2017 | AGM | 11.00 AM | 13th Floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai 400051 |
| 2 | 24.08.2017 | EGM | 05.00 PM | 6th Floor, Muthoot Towers, M.G Road, Kochi - 682035 |
| 3 | 11.12.2017 | EGM | 05.30 PM | Ashok Hotel, Diplomatic Enclave, Chanakyapuri, New Delhi - 110021 |
| 4 | 16.03.2018 | EGM | 03.00 PM | 6th Floor, Muthoot Centre Punnen Road Trivandrum - 695039 |

V. RELATED PARTY TRANSACTIONS:

All transactions or arrangements with related parties referred to in Section 188 (1) of the Act, entered into during the year were on arm's length basis or were in ordinary course of business.

VI. GENERAL SHAREHOLDER INFORMATION

a. Company Registration Details: The Company is registered in the state of Maharashtra, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs is U65190MH1992PLC066228. The Company being NBFC-MFI is registered with Reserve Bank of India (Certificate of Registration Number: 13.00365).

b. Financial Calendar: The financial calendar of the Company is from 1st April to 31st March.

c. Ensuing Annual General Meeting:

| Date and Time | May 15, 2018 at 3.00pm |
|---------------|--|
| Venue | 13th Floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra-400051 |

d. Dividend details: NIL

e. Shareholding pattern of the Company as on 31st March 2018

| Name of Shareholder | No of Equity Shares | No. of Preference shares | Total No. of shares | % held |
|---------------------------------|---------------------|--------------------------|---------------------|------------|
| Thomas Muthoot | 6350459 | - | 6350459 | 5.56 |
| Thomas George Muthoot | 6327160 | - | 6327160 | 5.54 |
| Thomas John Muthoot | 6328806 | - | 6328806 | 5.54 |
| Nina George | 2704513 | - | 2704513 | 2.37 |
| Preethi John | 2702867 | - | 2702867 | 2.37 |
| Remmy Thomas | 2681214 | - | 2681214 | 2.35 |
| Muthoot Fincorp Limited | 72625449 | - | 72625449 | 63.61 |
| MML Employee Welfare Trust | 1249364 | - | 1249364 | 1.09 |
| Creation Investments India, LLC | 1714487 | 11292291 | 13006778 | 11.39 |
| Sadaf Sayeed | 145783 | - | 145783 | 0.13 |
| Udeesh Ullas | 29157 | - | 29157 | 0.03 |
| Praveen T | 8747 | - | 8747 | 0.01 |
| Subhransu Pattnayak | 10205 | - | 10205 | 0.01 |
| TOTAL | 102878211 | 1,12,92,291 | 114170502 | 100 |



f. **Address for Correspondence:**

- **Administrative Office:** 5th Floor, Muthoot Towers, M.G Road, Kochi 682035
- **Registered Office:** 13th Floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai 400051



MANAGEMENT DISCUSSION & ANALYSIS

We are one of the leading micro-finance institutions focused on providing micro-loans to women customers with a focus on rural regions of India. We are the fifth largest NBFC-MFI in India in terms of gross loan portfolio, as of March 31, 2018, according to CRISIL Research. We have 1.2 million active borrowers, who are served by our 467 branches across 168 districts in 16 states and union territories in India, as of March 31, 2018. Our gross loan portfolio was ₹ 29,202.97 million, while our gross loan portfolio in South India was ₹ 24,856.50 million, our gross loan portfolio was serviced by 5,583 employees, as of March 31, 2018.

We are part of the Muthoot Pappachan Group, which is one of the leading business conglomerates in South India, with presence across financial services, automotive, hospitality, real estate, healthcare, information technology, precious metals and alternate energy sectors. We believe that our relationship with the Muthoot Pappachan Group provides us with a strong brand recall and we continue to derive significant marketing and operational benefits from our relationship. We also believe there are significant synergies between the financial services business of the Group, and our micro-finance business.


We have built our branch network with an emphasis on under-served rural markets with growth potential, in order to ensure ease of access to borrowers. Our branches are connected to our IT networks and are primarily located in commercial spaces which we believe are easily accessible by our customers. Our wide range of lending products are aimed at catering to the life-cycle needs of rural households. We provide loans for income generating purposes to women entrepreneurs living in rural areas. Our loan products comprise of (i) group loans for livelihood solutions such as income generating loans and dairy loans, as well as individual loans such as sewing machine loans; (ii) life betterment solutions including emergency loans, mobile phones loans, solar lantern loans, solar fan and education loans; and (iii) health and hygiene loans such as water purifier loans and induction stove loans. We have adopted a joint liability group model which caters exclusively to women in lower income households and is premised on the fact that if such individuals are given access to credit, they will be able to identify new opportunities and supplement and grow their existing income. We believe that the history of the Muthoot Pappachan Group in working with customers in the bottom of the economic pyramid, helps us better address needs of women in rural households and design lending products to cater to their requirements.

We have received several awards and certifications in recognition of our approach of integrating social values in the conduct of our business, including the 'Golden Peacock Award for Business Excellence' by the Institute of Directors; the 'MFIN Microfinance' award under 'microfinance plus activities'; and the 'Most Trusted Microfinance Brand' by India Best Brand Series and Awards, all in 2018.

Key indicators of operating performance

The table below sets forth certain key operating performance parameters for our business:

| | As of/ for the year ended March 31, 2018 | 2018 As of/ for the year ended March 31, 2017 | As of/ for the year ended March 31, 2016 |
|--|---|--|---|
| Gross Outstanding Loan Portfolio (₹ million) (1) | 29,202.97 | 19,558.64 | 6,530.37 |
| Year on year growth in Gross Loan Portfolio (%) | 49.31% | 199.50% | N.A. |
| Disbursements (₹ million) (2) | 30,363.01 | 20,285.55 | 7650.80 |
| Year on year growth in Disbursements (%) | 49.68% | 165.14% | N.A. |
| Total Number of Loans Sanctioned | 1,348,508 | 1,006,049 | 396,961 |
| Active Borrowers (3) | 1,209,781 | 765,541 | 294,803 |
| Revenue from Operations (₹ million) (4) | 4,511.44 | 2,438.42 | 521.55 |
| Net Interest Income (₹ million) (5) | 2,864.36 | 1,620.56 | 310.94 |
| Net Interest Margin (6) | 9.22% | 8.72% | 6.60% |
| Adjusted Net Interest Margin (7) | 11.75% | 12.42% | 9.52% |




| | | | |
|---|----------|----------|--------|
| Ratio of Operating Expenses to Annual Average Gross Loan Portfolio | 6.43% | 7.60% | 3.73% |
| Ratio of Provisions and Write Offs to Annual Average Gross Loan Portfolio | 0.97% | 0.44% | 1.32% |
| Profit After Tax (₹ million) (8) | 760.07 | 370.38 | 94.10 |
| Gross NPAs (₹ million) (9) | 595.04 | 28.75 | 2.40 |
| Gross NPAs Ratio (10) | 3.43% | 0.29% | 0.06% |
| Net NPAs (₹ million) (11) | 336.05 | 28.47 | 2.37 |
| Net NPAs Ratio (12) | 1.97% | 0.26% | 0.06% |
| RoA (13) | 3.86% | 3.72% | 3.53% |
| RoE (14) | 18.91% | 28.69% | 25.28% |
| Net Worth (15) | 6,148.04 | 1,890.16 | 691.82 |

- (1) Gross outstanding loan portfolio represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets which includes loan assets held by the Company as of the last day of the relevant period as well as loan assets which have been transferred by our Company by way of securitization or assignment and are outstanding as of the last day of the relevant period.
- (2) Revenue from Operations represents our restated Revenue from Operations.
- (3) Net Interest Income represents Revenue from Operations for the relevant period reduced by Interest Expense and Other Borrowing Costs in such period.
- (4) Disbursements is the total amount disbursed to borrowers in the relevant period, pursuant to loans sanctioned.
- (5) Active Borrowers are our borrowers which have an active loan account as on the last day of the relevant period.
- (6) Net Interest Margin as represented in our Restated Financial statements, which is the difference between average interest on qualifying assets and average effective cost of borrowing as computed as per the guidelines prescribed by the RBI.
- (7) Adjusted Net Interest Margins is our Net Interest Income / Average annual gross outstanding loan portfolio. As part of the adjustments we consider interest on non-qualifying assets and excess interest spread on our securitised and assigned loan portfolio.
- (8) Profit After Tax represents our restated profit for the period (after tax).
- (9) Gross NPAs represents our restated NPA (Gross)
- (10) Gross NPAs Ratio represents Gross NPAs/ Total Advances on the date mentioned
- (11) Net NPAs represents our restated Net NPA
- (12) Net NPAs Ratio represents our restated Net NPA's to Net Advances
- (13) ROA represents Net Profit attributable to equity holders/ annual average total assets
- (14) ROE represents Net Profit attributable to equity holders/ annual average of net worth
- (15) Net Worth represents our restated net worth as of the last day of the relevant period.

Results of Operations for the Financial Years 2018 and 2017

The summary of our results of operations, including as a percentage of total income, for the financial years 2018 and 2017 as derived from financial statements is set out in the table below.

| | For the Financial Year | | | |
|--|--------------------------|------------------------|--------------------------|------------------------|
| | 2018 | | 2017 | |
| | Amount (₹ in million) | % of total income % | Amount (₹ in million) | % of total income % |
| Income: | | | | |
| Revenue from operations | 4,511.44 | 98.2 | 2,438.42 | 100.0 |
| Other Income | 82.72 | 1.8 | 0.03 | - |
| Total revenue | 4,594.16 | 100.0 | 2,438.45 | 100.0 |
| Expenditure: | | | | |
| Employee benefits expense | 1,035.02 | 22.5 | 652.31 | 26.8 |
| Finance costs | 1,647.08 | 35.9 | 817.86 | 33.5 |
| Provision for loan losses and write-offs | 236.51 | 5.1 | 57.39 | 2.4 |
| Depreciation and amortization | 18.41 | 0.40 | 9.73 | 0.40 |



| | | | | |
|---|-----------------|-------------|-----------------|-------------|
| Other expenses | 514.79 | 11.2 | 328.94 | 13.5 |
| Total expenses | 3,451.81 | 75.1 | 1,866.23 | 76.5 |
| Net Profit before tax, as restated | 1,142.35 | 24.9 | 572.22 | 23.5 |
| Current tax or minimum alternate tax | 417.37 | 9.1 | 218.72 | 9.0 |
| Deferred tax charge | (35.09) | (0.8) | (16.88) | (0.7) |
| Net Profit after tax, as restated | 760.07 | 16.5 | 370.38 | 15.2 |

Financial Year 2018 Compared to the Financial Year 2017

Our results of operations for the financial year 2018 and 2017 were particularly affected by the following factors:

- an increase in the number of our active borrowers to 1,209,781 as of March 31, 2018 from 765,541 as of March 31, 2017 and a corresponding increase in our total outstanding loan portfolio to ₹ 17,329.47 million as of March 31, 2018 from ₹ 9,918.87 million as of March 31, 2017. Our loan disbursements were ₹ 30,363.01 million for the financial year 2018 compared to ₹ 20,285.55 million for the financial year 2017;
- impact of the transition and transfer of the microfinance business from MFL to our Company, in a staggered manner during the financial year 2017 which did not significantly impact our results of operations in the financial 2018. For a part of financial year 2017 our Company commenced incurring expenses such as lease payments for our branches and employee benefits expenses, which were transferred prior to a corresponding transfer of the loan portfolio and interest income from loans given.
- reduction in the interest rates charged by us in line with a reduction in our cost of funds as required by RBI regulations;
- an increase in our provisions to 1.50% for the financial year 2018 from 1.00% for the financial year 2017 due to a change in provisioning policy due to a change in our accounting policies;
- the Government announcement of demonetization of bank notes, in November 2016, which affected our operations and the microfinance industry generally, including fresh disbursements and repayments on loans already disbursed. Our results of operations for the financial year 2017 and 2018 were affected by demonetization and our provisions and write-offs increased to 236.51 million for the financial year 2018 from 57.39 million for the financial year 2017.


Income

Revenue from Operations

Our revenue from operations increased by 85.02% to ₹4,511.44 million for the financial year 2018 from ₹ 2,438.42 million for the financial year 2017, primarily due to an increase in our interest income on loans given and excess interest spread on securitization and direct assignment of loans.

Our interest income on loans given increased to ₹ 2,921.00 million for the financial year 2018 from 1,357.62 million for the financial year 2017 due to an increase in the number of our active borrowers to 1,209,781 as of March 31, 2018 from 765,541 as of March 31, 2017 and our total outstanding loan portfolio to ₹ 17,329.47 million as of March 31, 2018 from ₹ 9,918.87 million and March 31, 2017. This growth was in line with an increase in loan disbursements to ₹ 30,363.01 million for the financial year 2018 compared to ₹ 20,285.56 million for the financial year 2017 and increase in our branches to 467 as of March 31, 2018 from 399 as of March 31, 2017.

Our excess interest spread on securitization and direct assignment of loans increased by 45.82% to ₹ 1,028.04 million for the financial year 2018 from ₹ 705.00 million for the financial year 2017, partially due to an increase in volume and outstanding amounts on our securitized and assignment loans. We securitized or assigned loans of ₹ 12,769.68 million for the financial year 2018 compared to ₹ 10,969.19 million for the financial year 2017. Further, our excess interest spread on securitization and direct assignment of loans increased due to increasing proportion of direct assignment transactions to securitization transactions in the financial year 2018 compared to the financial year 2017. We receive higher margins on direct assignment transactions due to lower or no cash collateral or guarantee, and related costs, as well as due to higher interest rates received on direct assignment transactions.



Our loan processing fees increased by 49.54% to ₹ 303.70 million for the financial year 2018 from ₹ 203.09 million for the financial year 2017, primarily due to an increase in total loan disbursements.

Our commission income increased by 49.51% to ₹ 168.31 million for the financial year 2018 from ₹ 112.57 million for the financial year 2017, primarily due to an increase in commissions received from manufacturers or distributors due to increased disbursement of loans for purchase of specified products by us and commissions received on loans arranged under the business correspondence arrangement with our Promoter, MFL and the business correspondence agreement for microfinance products with YES Bank Limited.

Other Income

Other income increased to ₹ 82.72 million for the financial year 2018 from ₹ 0.03 million for the financial year 2017. The increase was primarily due to net profit on sale of investments in mutual funds amounting to ₹ 80.99 million for the financial year 2018.

Expenditure

Employee benefits expense

Employee benefits expense increased by 58.67% to ₹ 1,035.02 million for the financial year 2018 from ₹ 652.31 million for the financial year 2017, primarily due to an increase in salaries and wages by 57.6% to ₹ 917.13 million for the financial year 2018 from ₹ 581.79 million for the financial year 2017. Our contribution to provident and other defined contribution funds increased by 64.7% to ₹ 91.62 million for the financial year 2018 from ₹ 55.62 million. The increase in salaries and wages and contribution to provident and other defined contribution funds resulted primarily from an increase in our total number of employees to 5,583 as of March 31, 2018 from 4,017 as of March 31, 2017, as result of the expansion of our business operations and branch network, and an annual increase in salaries and bonuses for our employees.

Finance Costs

Finance costs increased to ₹ 1,647.08 million for the financial year 2018 from ₹ 817.86 million for the financial year 2017 primarily the result of an increase in interest expenses to ₹ 1,590.76 million for the financial year 2018 from ₹ 747.37 million for the financial year 2017. The increase in interest expenses was primarily the result of an overall increase of 86.7% in our annual average outstanding borrowings to ₹ 14,414.28 million for the financial year 2018 from ₹ 7,720.84 million for the financial year 2017, in line with our business expansion and increased borrowings for disbursements to our borrowers. Our costs of funds reduced to an average rate of 6.76% for the financial year 2018 from an average rate of 7.17% for the financial year 2017, based on monthly average rates during the period.

Other borrowing costs decreased by 16.38% to ₹ 54.25 million for the financial year 2018 from ₹ 64.88 million for the financial year 2017, primarily due to lower arranger fees paid by us.

Provision for Loan Losses and Write-offs

Our provisions for loan losses and write-offs increased to ₹ 236.51 million for the financial year 2018 from ₹ 57.39 million for the financial year 2017, primarily due to a change in our provisioning policy under which our provision increased to 1.5% of the outstanding portfolio. Our provisions and write-offs were also impacted by the Government announcement of demonetization of bank notes, in November 2016, which resulted in increased NPAs being recognized in the financial year 2018 and resulted in write-offs of ₹ 76.98 million during the financial year 2018 compared to nil in the financial year 2017 together with the NBFC-ND-SI Master Directions which required us to provide an additional provision of 0.4% of the non-qualifying portfolio.

Depreciation and Amortization

Depreciation and amortization costs increased by 89.2% to ₹ 18.41 million for the financial year 2018

from ₹ 9.73 million for the financial year 2017. The increase was primarily due to an expansion of our business and corresponding increase of 85.5% in our tangible fixed assets such as computers, furniture and office equipment to ₹ 131.03 million for the financial year 2018 from ₹ 70.63 million for the financial year 2017 in line with increase in the number of our branches to 467 as of March 31, 2018 from 399 as of March 31, 2017.

Other Expenses

Other expenses increased by 56.5% to ₹ 514.79 million for the financial year 2018 from ₹ 32 million for the financial year 2017, primarily due to an increase in rent and amenities, travelling, conveyance and lodging expenses and cash management charges.

Cash management charges increased by 53.0% to ₹ 200.92 million for the financial year 2018 from ₹ 131.32 million for the financial year 2017, primarily due to an increase in total collections and disbursements by 60.3% to ₹ 37,449.82 million for the financial year 2018 from ₹ 23,357.20 million for the financial year 2017 and corresponding increase in payments made to MFL pursuant to a cash management agreement.

Rent and amenities increased to ₹ 76.21 million for the financial year 2018 from ₹ 30.04 million for the financial year 2017, primarily due to an increase in the number of branches and regional offices to 467 and 9 as of March 31, 2018 from 399 and 6 as of March 31, 2017, respectively.

Travelling, conveyance and lodging expenses increased to ₹ 71.03 million for the financial year 2018 from ₹ 33.81 million for the financial year 2017, primarily due to our expansion to new territories which required employees in our existing regions to travel to new areas.

Miscellaneous expenses increased by 97.3% to ₹ 31.16 million for the financial year 2018 from ₹ 15.79 million for the financial year 2017, primarily due to an increase in subscription and membership fees for credit reports and analysis and postage and office expenses.

Net Profit before Tax

Our net profit before tax, as restated, increased by 99.6% to ₹ 1,142.35 million for the financial year 2018 from ₹ 572.22 million for the financial year 2017.

Tax Expense

Current tax or minimum alternate tax increased by 90.8% to ₹ 417.37 million for the financial year 2018 from ₹ 218.72 million for the financial year 2017, primarily due to an increase in taxable income to ₹ 1,165.49 million for the financial year 2018 from ₹ 631.98 million for the financial year 2017.

As a result of timing differences in making provisions for loan assets, gratuity and leave encashment, we have deferred tax charges of ₹ 35.09 million as of March 31, 2018.

Net Profit after Tax

Our net profit after tax, as restated, increased to ₹ 760.07 million for the financial year 2018 from ₹ 370.38 million for the financial year 2017.

Financial Position

Our net worth increased to ₹ 6,148.04 million as of March 31, 2018, from ₹ 1,890.16 million as of March 31, 2017.

Assets

The table below sets forth the principal components of our assets as of March 31, 2018 and 2017.

| | As of March 31 st | |
|---------------------------|------------------------------|-------|
| | 2018 | 2017 |
| | (₹ in million) | |
| Non-current assets | | |
| Fixed assets | | |
| Tangible assets | 131.03 | 70.63 |
| Intangible assets | 0.90 | 1.16 |

| | | |
|------------------------------|-----------------|-----------------|
| Capital work-in-progress | - | 5.25 |
| Deferred tax assets (net) | 69.92 | 34.83 |
| Loan receivables | 5,988.04 | 3,341.37 |
| Long-term loans and advances | 150.74 | 34.00 |
| Other non-current assets | 528.94 | 567.99 |
| Sub-Total | 6,869.57 | 4,055.23 |

Current assets

| | | |
|-------------------------------|------------------|------------------|
| Trade receivables | 34.39 | 17.76 |
| Cash and bank balances | 6,182.11 | 3,463.80 |
| Loan receivables | 11,341.42 | 6,577.48 |
| Short-term loans and advances | 2.79 | 5.60 |
| Other current assets | 323.28 | 532.94 |
| Sub-Total | 17,884.00 | 10,597.58 |

| | | |
|---------------------|------------------|------------------|
| Total Assets | 24,753.56 | 14,652.81 |
|---------------------|------------------|------------------|

We had total assets of ₹ 24,753.56 million as of March 31, 2018, compared to ₹ 14,652.81 million as of March 31, 2017, primarily due to an increase in loan book during the year and advances and bank balances at the end of the year.

Tangible Assets

Our tangible assets increased by 85.5% to ₹ 131.03 million as of March 31, 2018, from ₹ 70.63 million as of March 31, 2017, primarily due to the addition of branches leading to increase in furniture and fixtures of ₹ 54.69 million and office equipment of ₹ 12.13 million.

Deferred Tax Assets, Net

We have accumulated deferred tax credits of ₹ 69.92 million as of March 31, 2018 and ₹ 34.83 million as of March 31, 2017.

Loans and Advances

Our total outstanding loan portfolio was ₹ 17,329.46 million, or 99.1% of total loans and advances as of March 31, 2018 compared to ₹ 9,918.85 million, or 99.6% of our total loans and advances as of March 31, 2017.

Loan Receivables

Our total loan receivables increased by 74.7% to ₹ 17,329.46 million as of March 31, 2018, from ₹ 9,918.85 million as of March 31, 2017. This increase was primarily due to the increase in unsecured loans (considered good) to joint liability groups ("JLGs") during the financial year 2018 of ₹ 16,365.10 million as compared to ₹ 9,372.05 million during the financial year 2017 resulting primarily from an increase in income generating loans disbursed.

Our long-term loans and advances increased to ₹ 150.74 million as of March 31, 2018 from ₹ 34.00 million as of March 31, 2017. This increase was primarily due to the increase in advance income tax during the financial year 2018 of ₹ 84.50 million as compared to nil during the financial year 2017.

The table below shows the breakdown of our loans and advances by type of loans as of March 31, 2018 and 2017:

| Particulars | As at 31 March | |
|---|-----------------|-----------------|
| | 2018 | 2017 |
| Non - current loans receivable | | |
| Joint liability group loans | | |
| Unsecured, considered good | 5,988.04 | 3,217.13 |
| Unsecured, considered doubtful* | - | - |
| Joint liability group loans placed as collateral towards securitisation transactions | | |
| Unsecured, considered good | - | 124.24 |
| Unsecured, considered doubtful* | - | - |
| | 5,988.04 | 3,341.37 |

**Current loans receivable****Joint liability group loans**

| | | |
|----------------------------|-----------|----------|
| Unsecured, considered good | 10,377.06 | 6,154.92 |
|----------------------------|-----------|----------|

| | | |
|---------------------------------|--------|-------|
| Unsecured, considered doubtful* | 556.97 | 16.59 |
|---------------------------------|--------|-------|

Individual loans

| | | |
|--------------------------|--------|--------|
| Secured, considered good | 271.32 | 240.56 |
|--------------------------|--------|--------|

| | | |
|-------------------------------|-------|-------|
| Secured, considered doubtful* | 23.28 | 11.51 |
|-------------------------------|-------|-------|

Joint liability group loans placed as collateral towards securitisation transactions

| | | |
|----------------------------|-------|--------|
| Unsecured, considered good | 98.00 | 153.25 |
|----------------------------|-------|--------|

| | | |
|---------------------------------|-------|------|
| Unsecured, considered doubtful* | 14.79 | 0.65 |
|---------------------------------|-------|------|

| | |
|------------------|-----------------|
| 11,341.42 | 6,577.48 |
|------------------|-----------------|

Trade Receivables

Trade receivables increased by 93.6% to ₹ 34.39 million as of March 31, 2018 from ₹ 17.76 million as of March 31, 2017, primarily due to an increase in commission income receivables.

Cash and Bank Balances

Our cash and bank balances consist of cash on hand, balance with banks, balances with cash collection agents and deposits with banks held as security against borrowings and other commitments.

The following table shows our cash and bank balances as of March 31, 2018, 2017 and 2016:

| Borrowings | Non-current portion | | current portion | |
|------------|---------------------|------|-----------------|------|
| | As of March 31, | | As of March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| | (₹ in millions) | | (₹ in millions) | |

Cash and cash equivalents

Cash on hand

| | | | | |
|---------------------|--------|--------|---|---|
| Balances with banks | 524.89 | 550.71 | - | - |
|---------------------|--------|--------|---|---|

| | | | | |
|---------------------|---|---|--------|--------|
| In current accounts | - | - | 565.56 | 303.66 |
|---------------------|---|---|--------|--------|

| | | | | |
|---|---|---|----------|----------|
| In deposit accounts with maturity of less than three months | - | - | 5,139.00 | 2,817.78 |
|---|---|---|----------|----------|

| | | | | |
|--------------------------------------|---|---|------|-------|
| Balances with cash collection agents | - | - | 6.89 | 25.99 |
|--------------------------------------|---|---|------|-------|

Other bank balances

| | | | | |
|---|---|---|-------|---------|
| Deposits with banks held as security against borrowings and other commitments | - | - | 470.6 | 6316.37 |
|---|---|---|-------|---------|

| | | | | |
|--------------|---------------|---------------|----------------|----------------|
| Total | 524.89 | 550.71 | 6182.11 | 3463.80 |
|--------------|---------------|---------------|----------------|----------------|

Liabilities and Provisions

The table below provides the principal components of our liabilities as of March 31, 2018 and 2017:

| | As at 31 March | |
|--------------------------------|------------------|------------------|
| | 2018 | 2017 |
| | (₹ in million) | |
| Non-current liabilities | | |
| Long-term borrowings | 9,456.20 | 7,486.16 |
| Other long-term liabilities | - | 15.80 |
| Long-term provisions | 6.51 | 38.06 |
| Sub-Total | 9,462.71 | 7,540.02 |
| Current liabilities | | |
| Other current liabilities | 8,882.72 | 5,134.50 |
| Short-term provisions | 260.09 | 88.13 |
| Sub-Total | 9,142.81 | 5,222.63 |
| Total Liabilities | 18,605.52 | 12,762.65 |

Our total liabilities were ₹ 18,605.52 million as of March 31, 2018 compared to ₹ 12,762.65 million as of March 31, 2017, primarily due to an increase in our long-borrowings and other current liabilities.

Long-Term Borrowings

The table below provides a summary of our long-term borrowings as of March 31, 2018, 2017 and 2016:

| Borrowings | Non-current portion As of March 31 | | current portion As of March 31, | | Total As of March 31, | |
|--|---------------------------------------|-----------------|------------------------------------|-----------------|--------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | (₹in millions) | | (₹in millions) | | (₹in millions) | |
| Secured | | | | | | |
| Redeemable non-convertible debentures | 2,800.00 | 2,050.00 | - | - | 2,800.00 | 2,050.00 |
| Finance lease obligations | 0.31 | 0.43 | 0.12 | 0.11 | 0.43 | 0.54 |
| Indian Rupee loans from banks | 5,700.89 | 4,306.08 | 7,009.01 | 3,035.97 | 12,709.90 | 7,342.05 |
| Indian Rupee loans from financial institutions | 705.00 | 879.65 | 1,049.91 | 791.08 | 1,754.9 | 11,670.73 |
| Sub-total | 9,206.20 | 7,236.16 | 8,059.04 | 3,827.16 | 17,265.24 | 11,063.32 |
| Unsecured, subordinated | | | | | | |
| Term loans | | | | | | |
| Indian Rupee loans from banks | - | - | - | - | - | - |
| Indian Rupee loans from financial institutions | 250.00 | 250.00 | - | - | 250.00 | 250.00 |
| Sub-total | 250.00 | 250.00 | - | - | 250.00 | 250.00 |
| Total | 9,456.20 | 7,486.16 | 8,059.04 | 3,827.16 | 17,515.24 | 11,313.32 |

Our long-term borrowings increased by 54.8%, to ₹ 17,515.24 million as of March 31, 2018 from ₹ 11,313.32 million as of March 31, 2017, primarily as a result of new loans from banks and other financial institutions amounting to ₹ 10,008.8 million, as well as a fresh issue of debentures amounting to ₹ 750.00 million, during the financial year 2018.

Our interest coverage ratio (defined as cash profit after tax plus interest paid divided by interest paid) as of March 31, 2018, 2017 and 2016 was 1.64, 1.59 and 1.77, respectively.

Other Current Liabilities

Our other current liabilities increased by 73.0% to ₹ 8,882.72 million as of March 31, 2018 from ₹ 5,134.50 million as of March 31, 2017, primarily due to increase in other current liabilities from banks.

Provisions

Our provisions for standard and non-performing assets were ₹ 260.09 million as of March 31, 2018, compared to ₹ 100.56 million as of March 31, 2017. Our total outstanding non-performing loan portfolio increased to ₹ 595.04 million as of March 31, 2018 from ₹ 28.75 million as of March 31, 2017. Gross NPA ratios were 3.43% and 0.29% as of March 31, 2018 and March 31, 2017, respectively. Net NPA ratios (i.e., net of loan loss provisions) were 1.97% and 0.26% as of March 31, 2018 and March 31, 2017, respectively. The ratio of provision on standard and non-performing assets to our total outstanding loan portfolio was 1.50% as of March 31, 2018 and 1.01% as of March 31, 2017.

Shareholders' Funds

Our shareholders' funds (net of debit balance in our profit and loss account) was ₹ 6,148.04 million as of March 31, 2018, representing 24.8% of our total assets, compared to ₹ 1,890.16 million as of March 31, 2017, representing 12.9% of our total assets. The increase in shareholders' funds in the financial year 2018 was primarily due to a fresh issue of equity and preference shares which raised ₹ 3,500.00 million representing capital infusion from the promoters and certain private equity investors and an increase in accumulated profits.



Capital to Risk Asset Ratios

The NBFC-SI Master Directions require all NBFC-MFIs to maintain a capital adequacy ratio consisting of Tier I and Tier II capital that is not less than 15.0% of their aggregate risk-weighted assets. Our capital to risk assets ratio as of March 31, 2018 and March 31, 2017 was 34.83% and 18.32% respectively.

Our capital adequacy information as March 31, 2018 and 2017 is follows:

| | As at 31 March | |
|---|----------------|-----------|
| | 2018 | 2017 |
| | (₹ in million) | |
| Tier I capital ⁽¹⁾ | 6,049.69 | 1,678.08 |
| Tier II capital ⁽²⁾ | 173.55 | 174.47 |
| Total Tier I and Tier II capital | 6,223.24 | 1,852.55 |
| Total risk weighted assets | 17,865.73 | 10,112.17 |
| Tier I capital to risk assets ratio (%) | 33.86 | 16.59 |
| Tier II capital to risk assets ratio (%) | 0.97 | 1.73 |
| Total capital to risk assets ratio ⁽³⁾ (%) | 34.83 | 18.32 |

Notes:

- (1) Tier I capital means owned funds as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances, including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10% of the owned fund.
- (2) Tier II capital includes preference share capital, revaluation reserves, general provisions and loss reserves, hybrid debt capital instruments and subordinate debts to the extent the aggregate does not exceed Tier I capital.
- (3) The total capital to risk assets ratio is calculated as capital funds (Tier I capital plus Tier II capital) divided by risk-weighted assets (the weighted average of funded and non-funded items after applying the risk weights as assigned by the RBI).

A woman with dark skin and short black hair, wearing a pink and gold patterned saree over a maroon blouse, stands behind a handloom. She is looking directly at the camera. The handloom is made of wood and has many white threads stretched across it. A large spool of white thread is visible on the right side of the loom. The background is a plain, light-colored wall.

CUSTOMER SUCCESS STORIES

Kuthampulli, a small village situated at Thiruvillamala on the Palakkad-Thrissur border in Kerala is a weaving village known for its brand of handloom textiles. 50 year old Saraswathy Rajendran, a traditional weaver in the village, was among the very few people who didn't leave their traditional job despite the industry's poor performance. Saraswathy knew she can still earn a decent income from the sector as the demand for traditional handloom textiles remain high.

Saraswathy availed microfinance loans from Muthoot and upgraded her loom to increase production; she also acquired enough raw materials with the money. She worked on 'piece rate' and weaved other dress materials apart from sarees. Gradually, her income climbed many folds. Her success story has inspired many from her village to continue with their traditional job.



Independent Auditor's Report

To the Members of Muthoot Microfin Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Muthoot Microfin Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these financial statements.

Opinion

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



Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure A a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. Further to our comments in Annexure A, 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 financial statements dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
 - e. on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act;
 - f. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 03 May 2018 as per Annexure B expressed an unmodified opinion.;
 - 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 does not have any pending litigation which would impact its financial position
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;
 - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016 which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sumesh E S**
Partner
Membership No.: 206931


Place: Cochin
Date: 03 May 2018



Annexure A to the Independent Auditor's Report of even date to the members of Muthoot Microfin Limited, on the financial statements for the year ended 31 March 2018

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (c) The Company does not hold any immovable property (in the nature of 'fixed assets'). Accordingly, the provisions of clause 3(i)(c) of the Order are not applicable.
- (ii) The Company does not have any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.
- (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) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's products/ services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
- (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 material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.
- (b) There are no dues in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax that have not been deposited with the appropriate authorities 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 any financial institution or a bank or government or any dues to debenture-holders during the year.
- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained, though surplus funds which were not required for immediate utilisation have been invested in liquid investments, payable on demand.
- (x) No fraud by the Company or on the company by its officers or employees has been noticed or reported during the period covered by our audit, except for misappropriation of cash aggregating to ₹3,131,388 through manipulation of 1,134 customers' accounts by the employees



of the Company identified by the management during the year as stated in note 32 to the financial statements. The Company has initiated disciplinary action against such employees, including termination of their employment contract and recovery of the amounts. The Company has recovered ₹499,451 out of such amounts as at the year end and the balance amount of ₹2,631,937 is disclosed under “Loan receivables”. The Company has provided for the balance amount outstanding as at 31 March 2018 and is taking necessary steps to ensure recovery of such amounts.

- (xi) The Company has not paid or provided for any managerial remuneration. Accordingly, the provisions of Clause 3(xi) of the Order are not applicable.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements, as required by the applicable accounting standards.
- (xiv) During the year, the Company has made preferential allotment of equity shares and compulsorily convertible preference shares. In respect of the same, in our opinion, the Company has complied with the requirement of Section 42 of the Act and the Rules framed thereunder. Further, in our opinion, the amounts so raised were applied for the purposes for which these securities were issued, though surplus funds which were not required for immediate utilisation have been invested in liquid investments, payable on demand.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
- (xvi) The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and such registration has been obtained by the company.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sumesh E S**
Partner
Membership No.: 206931

Place: Cochin
Date: 03 May 2018



Annexure B to the Independent Auditor's Report of even date to the members of Muthoot Microfin Limited, on the financial statements for the year ended 31 March 2018

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the standalone financial statements of Muthoot Microfin Limited ("the Company") as at and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting (IFCoFR) of the Company as at that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors 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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). 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 the company's business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI. 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 IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR 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 IFCoFR 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

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2018, 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 (the “Guidance Note”) issued by the Institute of Chartered Accountants of India (“ICAI”).

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm’s Registration No.: 001076N/N500013

per **Sumesh E S**
Partner
Membership No.: 206931

Place: Cochin
Date: 03 May 2018



Muthoot Microfin Limited
Balance Sheet

(All amounts are in Indian Rupees, unless otherwise stated)

| | Notes | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|---|
| Equity and liabilities | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 1,14,17,05,020 | 88,16,79,440 |
| Reserves and surplus | 4 | 5,00,63,44,556 | 1,00,84,79,211 |
| | | 6,14,80,49,576 | 1,89,01,58,651 |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | 9,45,61,96,354 | 7,48,61,50,274 |
| Other long-term liabilities | 6 | - | 1,58,02,870 |
| Long-term provisions | 7 | 65,08,447 | 3,80,59,251 |
| | | 9,46,27,04,801 | 7,54,00,12,395 |
| Current liabilities | | | |
| Other current liabilities | 6 | 8,88,27,22,899 | 5,13,44,99,789 |
| Short-term provisions | 7 | 26,00,83,363 | 8,81,29,035 |
| | | 9,14,28,06,262 | 5,22,26,28,824 |
| Total | | 24,75,35,60,639 | 14,65,27,99,870 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 13,10,13,820 | 7,06,31,751 |
| Intangible assets | 9 | 8,94,328 | 11,51,628 |
| Capital work-in-progress | | - | 52,53,962 |
| Deferred tax assets (net) | 10 | 6,99,24,052 | 3,48,31,247 |
| Loan receivables | 11 | 5,98,80,44,896 | 3,34,13,74,212 |
| Long-term loans and advances | 12 | 15,07,33,474 | 3,40,10,197 |
| Other non-current assets | 13 | 52,89,37,437 | 56,79,89,561 |
| | | 6,86,95,48,007 | 4,05,52,42,558 |
| Current assets | | | |
| Trade receivables | 14 | 3,43,88,489 | 1,77,59,812 |
| Cash and bank balances | 15 | 6,18,21,10,438 | 3,46,38,00,138 |
| Loan receivables | 11 | 11,34,14,23,492 | 6,57,74,92,430 |
| Short-term loans and advances | 12 | 28,14,194 | 56,04,055 |
| Other current assets | 13 | 32,32,76,019 | 53,29,00,877 |
| | | 17,88,40,12,632 | 10,59,75,57,312 |
| Total | | 24,75,35,60,639 | 14,65,27,99,870 |
| Notes 1 to 32 form an integral part of these financial statements | | | |
| This is the balance sheet referred to in our report of even date | | | |
| For Walker Chandiok & Co LLP Chartered Accountants Firm's Registration No.: 001076N/N500013 Sd/- | | For and on behalf of the Board of Directors of Muthoot Microfin Limited Sd/- Sd/- | |
| Per Sumesh E S Partner Membership No.: 206931 | Thomas Muthoot Managing Director DIN: 00082099 | Thomas John Muthoot Director DIN: 00011618 | Thomas George Muthoot Director DIN: 00011552 |
| | Sd/- Neethu Ajay Company Secretary | Sd/- Praveen T Chief Financial Officer | |
| Place: Cochin Date: 03 May 2018 | | Place: Cochin Date: 03 May 2018 | |

Muthoot Microfin Limited
Statement of profit and loss


(All amounts are in Indian Rupees, unless otherwise stated))

| | Notes | As at 31 March 2018 | As at 31 March 2017 |
|--|---|---|---|
| Revenue | | | |
| Revenue from operations | 16 | 4,51,14,31,389 | 2,43,84,11,704 |
| Other income | 17 | 8,27,21,871 | 27,172 |
| Total revenue | | 4,59,41,53,260 | 2,43,84,38,876 |
| Expenses | | | |
| Employee benefits expense | 18 | 1,03,50,13,383 | 65,23,09,841 |
| Finance costs | 19 | 1,64,70,80,186 | 81,78,59,240 |
| Depreciation and amortisation | 20 | 1,84,02,444 | 97,30,456 |
| Provisions for loan losses and write-offs | 21 | 23,65,09,536 | 5,73,92,244 |
| Other expenses | 22 | 51,48,05,329 | 32,89,35,437 |
| Total expenses | | 3,45,18,10,878 | 1,86,62,27,218 |
| Profit before tax | | 1,14,23,42,382 | 57,22,11,658 |
| Tax expense/ (income) | | | |
| Current tax | | 41,73,66,984 | 21,87,18,158 |
| Deferred tax | | (3,50,92,805) | (1,68,87,896) |
| | | 38,22,74,179 | 20,18,30,262 |
| Net profit for the year | | 76,00,68,203 | 37,03,81,396 |
| Earnings per equity share | 24 | | |
| Basic | | 8.89 | 4.88 |
| Diluted | | 8.31 | 4.81 |
| Par value of equity shares | | 10 | 10 |
| Notes 1 to 32 form an integral part of these financial statements | | | |
| This is the balance sheet referred to in our report of even date | | | |
| For Walker Chandiok & Co LLP Chartered Accountants Firm's Registration No.: 001076N/N500013 | | For and on behalf of the Board of Directors of Muthoot Microfin Limited | |
| | Sd/- | Sd/- | Sd/- |
| Per Sumesh E S Partner Membership No.: 206931 | Thomas Muthoot Managing Director DIN: 00082099 | Thomas John Muthoot Director DIN: 00011618 | Thomas George Muthoot Director DIN: 00011552 |
| | Sd/- | Sd/- | |
| | Neethu Ajay Company Secretary | Praveen T Chief Financial Officer | |
| Place: Cochin Date: 03 May 2018 | | Place: Cochin Date: 03 May 2018 | |

Muthoot Microfin Limited
Cash flow statement

(All amounts are in Indian Rupees, unless otherwise stated))

| Notes | As at 31 March 2018 | As at 31 March 2017 |
|---|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Profit before tax | 1,14,23,42,382 | 57,22,11,658 |
| Adjustments | | |
| Depreciation and amortisation | 1,84,02,444 | 97,30,456 |
| Loss on sale of tangible assets | 2,73,184 | - |
| Provision for employee benefits | 1,93,62,938 | 94,28,495 |
| Provision for loan losses | 15,95,26,092 | 5,73,92,244 |
| Bad debts written off | 7,69,83,444 | - |
| Income from investments | (8,09,89,015) | - |
| Interest on income tax | - | 44,71,305 |
| Operating profit before working capital changes | 1,33,59,01,469 | 65,32,34,158 |
| (Decrease) / Increase in other liabilities | (50,07,11,676) | 84,13,27,457 |
| (Decrease) in provisions | (1,74,99,163) | (1,09,44,778) |
| (Increase) in loan receivables | (7,48,75,85,190) | (5,60,24,99,438) |
| (Increase) in loans and advances | (2,94,35,330) | (2,93,75,353) |
| Decrease / (Increase) in other assets | 22,28,58,489 | (32,53,58,040) |
| (Increase) in trade receivables | (1,66,31,385) | (1,05,45,834) |
| Cash (used in) operating activities | (6,49,31,02,786) | (4,48,41,61,828) |
| Income taxes paid (net) | (52,28,50,060) | (20,47,38,058) |
| Net cash (used in) operating activities | (7,01,59,52,846) | (4,68,88,99,886) |
| Cash flows from investing activities | | |
| Purchase of tangible assets (including capital advances and capital work-in-progress) | (7,24,11,106) | (-6,78,86,115) |
| Purchase of intangible assets | - | (-6,19,900) |
| Proceeds from sale of tangible assets | 1,21,599 | 2,44,049 |
| Dividends and profit on sale of investments | 8,09,89,015 | - |
| Investments in deposits (net) | (12,84,63,821) | (-58,92,91,433) |
| Net cash (used in) investing activities | (11,97,64,313) | (65,75,53,399) |
| Cash flows from financing activities | | |
| Proceeds from issue of equity shares including share premium | 2,70,00,00,033 | 40,49,99,882 |
| Proceeds from issue of preference shares including share premium | 79,99,99,996 | 49,49,99,935 |
| Securities issue expenses | (21,75,952) | (7,20,36,673) |
| Proceeds from borrowings | 10,75,88,00,000 | 9,66,46,20,037 |
| Repayment of borrowings | (4,55,68,78,932) | (2,47,96,73,558) |
| Net cash generated from financing activities | 9,69,97,45,145 | 8,01,29,09,623 |
| Net increase in cash and cash equivalents | 2,56,40,27,986 | 2,66,64,56,338 |
| Cash and cash equivalents as at the beginning of the year | 3,14,74,26,133 | 48,09,69,795 |
| Cash and cash equivalents as at the end of the year | 5,71,14,54,119 | 3,14,74,26,133 |
| Notes: | | |
| Cash and cash equivalents comprises of | | |



| | | |
|---|-----------------------|-----------------------|
| Balances with banks | | |
| - in current accounts | 56,55,62,350 | 30,36,56,764 |
| - in deposit account (with maturity up to 3 months) | 5,13,90,00,000 | 2,81,77,76,064 |
| Balances with cash collection agents | 68,91,769 | 2,59,93,305 |
| | <u>5,71,14,54,119</u> | <u>3,14,74,26,133</u> |

Notes 1 to 32 form an integral part of these financial statements

This is the balance sheet referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
Muthoot Microfin Limited

Per **Sumesh E S**
Partner
Membership No.: 206931

Sd/-
Thomas Muthoot
Managing Director
DIN: 00082099

Sd/-
Thomas John Muthoot
Director
DIN: 00011618

Sd/-
Thomas George Muthoot
Director
DIN: 00011552

Sd/-
Neethu Ajay
Company Secretary

Sd/-
Praveen T
Chief Financial Officer

Place: Cochin
Date: 03 May 2018

Place: Cochin
Date: 03 May 2018



Muthoot Microfin Limited
Summary of significant accounting policies and other explanatory information
(All amounts are in Indian Rupees, unless otherwise stated))

1 GENERAL INFORMATION

a Background

“Muthoot Microfin Limited (‘the Company’) was incorporated as a private limited company in the year 1992 under the erstwhile Companies Act, 1956. Effective 18 March 1998, the Company was registered as a non-deposit accepting Non Banking Financial Company (‘NBFC-ND’) under the rules and regulations framed by the Reserve Bank of India (‘the RBI’). In accordance with the Notification issued by the RBI vide reference no. RBI/2011-12/290, DNBS.CC.PD. No.250/03.10.01/2011-12, dated 2 March 2011, the Company has obtained registration under the category of Non-Banking Financial Company - Micro Finance Institutions (‘NBFC-MFI’), w.e.f 25 March 2015. The Company’s non-convertible debentures are listed on the Bombay Stock Exchange (‘BSE’).

The operations of the Company are based on the Grameen model of lending. It is designed to promote entrepreneurship among women and inclusive growth. The Company provides financial assistance through micro loans to women engaged in small income generating activities. The company also facilitates entrepreneurship development and harnesses entrepreneurship skills through skill development workshops and financial literacy classes for its clients.

In addition to the core business of providing micro-credit, the Company uses its distribution channel to provide loans to the members for the purchase of productivity-enhancing products such as solar lamps, mobile phones and water purifiers.

b Comparatives

All amounts in the financial statements are presented in Indian Rupees except share data and as otherwise stated. Figures for the previous year have been regrouped / re-classified wherever considered necessary to conform to the figures presented in the current year.

2 Significant Accounting Policies


a Basis of preparation of financial statements

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, 2014 and the provisions of the RBI as applicable to a NBFC-MFI and Systemically Important NBFC-ND. The financial statements have been prepared on an accrual basis and under the historical cost convention, except in the case of Non Performing Assets (‘NPAs’), where interest is recognised upon realisation.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The management evaluates all recently issued or revised accounting standards on an ongoing basis.

b Use of estimates

“The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful loans and advances, provision for loss assets,



loan receivables, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets. Further the classification of assets and liabilities into current and non-current is based on the estimation of the operating cycle of the Company.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c Property, plant and equipment

Property, plant and equipment are carried at cost of acquisition or construction less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price, including duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit and loss within other income or other expenses, as the case may be.

Depreciation is provided using straight line method at the rates of depreciation prescribed in Schedule II of the Companies Act, 2013.

d Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software. These assets are amortised over their estimated useful lives on a straight line basis, commencing from the date the assets is available to the Company for its use. After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the disposal proceeds and the carrying amount of the asset, and is recognised in the statement of profit and loss within other income or other expenses, as the case may be.

The useful life of the assets is reviewed at each balance sheet date. If the expected useful life of the asset is significantly different from the previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefit from the asset, the method of amortisation is changed to reflect the changed pattern. Such changes are accounted in accordance with Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

e Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Recoverable amount is the higher of the asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

f Operating lease

Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.



g Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the collectability is reasonably assured.

- i. Interest on loans is recognised on accrual basis, except in the case of Non Performing Assets (“NPAs”), where interest is recognised upon realisation.
- ii. Interest income on deposits with banks is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.
- iii. Loan processing fees is accounted up-front as and when it becomes due.
- iv. Excess interest spread on securitization direct assignment represents income from receivables securitized / assigned is accounted in accordance with the relevant guidelines issued by the RBI. The losses arising are recognized in the Statement of Profit and Loss immediately upon receipt of sale consideration and the gains arising from the transaction are amortized over the tenor of the transaction. Interest retained under assignment of loan receivables is recognised on realisation basis over the life of the underlying loan portfolio.
- v. Commission income is recognised on an accrual basis on the completion of the service in accordance with the terms of the agreement.
- vi. All other income is recognised on an accrual basis.

h. Securitization/assignment of loans and advances

Transactions relating to transfers of loans and advances through securitization/assignment with other financial institutions and banks are accounted for in accordance with the relevant guidelines issued by the RBI. Such transferred loans and advances are de-recognised from the financial statements and gains/losses are accounted for only where the Company surrenders rights and obligations specified in the loan contract in favour of the counter parties.

i. Asset classification and provisioning

The Company follows the asset classification and provisioning norms as per the NBFC Master Directions, 2016 for Non-Banking Financial Company – Micro Finance Institutions (NBFC-MFIs).

| Asset category | Classification |
|-------------------------|--|
| Standard assets | Asset in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business. |
| Non-performing assets** | Asset for which, interest/principal payment has remained overdue for a period of 90 days or more. |

** RBI vide Notification No. DBR.No.BP.BC.37/21.04.048/2016-17 dated November 21, 2016 and vide Notification No. DBR.No.BP.BC.49/21.04.048/2016-17 dated December 28, 2016 has given additional 90 days dispensation for classification of non-performing assets in the wake of demonetisation. The dispensation will apply to dues which were payable between November 1, 2016 and December 31, 2016.

Provisioning upto 31st March 2017

Higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more.

Provisioning from 01 April 2017

Higher of:

- a) 1.50% of the outstanding loan portfolio; or



b) Aggregate of:

- i) 0.4% of the standard assets which do not meet the qualifying asset criteria;
- ii) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days; and
- iii) 100% of the aggregate loan instalments which are overdue for 180 days or more.

j Borrowing cost

Borrowing cost includes interest incurred in connection with the arrangement of borrowings. Borrowing costs directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they are incurred.

k Employee benefits

- (i) **Defined contribution plan** :The Company makes contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952. Eligible employees receive benefits from the provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to the provident fund plan equal to specified percentage of the covered employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions. Contributions to provident fund are charged to the statement of profit and loss on accrual basis.
- (ii) **Gratuity** :The Company provides gratuity, a defined benefit retirement plan covering eligible employees. Liabilities related to the gratuity plan are determined by an independent actuarial valuation carried out using projected unit credit method as at the balance sheet date. Actuarial gain or loss is recognized immediately in the statement of profit and loss.
- (iii) **Compensated absences** :Compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.


l Taxation

Provision for tax for the year comprises current income tax and deferred tax.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantially enacted at the reporting date. Deferred tax assets are recognised 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 realised. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

In computing current taxes the Company takes into consideration the benefits admissible under the provisions of the Income Tax Act, 1961. In cases wherever the tax liability computed as per above is less than the Minimum Alternate Tax, the Company is liable to pay the Minimum Alternate Tax (MAT), in accordance with Section 115JB of the Income Tax Act, 1961. MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance



Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

m. Earnings per equity share

The basic earnings per equity share ("EPS") is computed by dividing the net profit / loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of diluted earnings per share, the net profit / loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for effects of all dilutive potential equity shares.

n. Provisions, contingent liabilities and contingent assets

The Company creates a provision when there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. The amount of provision recognised are best estimates of expenditure that are required to settle the obligation at the balance sheet date. The estimates are not discounted to their present value.

A disclosure for a contingent liability is made when there is possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognized nor disclosed in the financial statements.

o. Securities issue expenses

Securities issue expenses and redemption premium, if any, are adjusted against the securities premium account as permissible under the Act, to the extent balance is available for utilisation in the securities premium account.

p. Cash flow statement

Cash flows are reported using the indirect method, whereby profit / loss before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, financing and investing activities of the Company are segregated based on the available information. Cash comprises of cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

q. Share based payments

Measurement and disclosures in relation to employee share-based payment plans are done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on the straight line basis.

Muthoot Microfin Limited
Summary of significant accounting policies and other explanatory information
(All amounts are in Indian Rupees, unless otherwise stated))

| | As at 31 March 2018 | | As at 31 March 2017 | |
|---|---------------------|-----------------------|---------------------|-----------------------|
| | Number | Amount | Number | Amount |
| 3 Share capital | | | | |
| Authorised | | | | |
| Equity shares of ₹ 10 each | 15,00,00,000 | 1,50,00,00,000 | 15,00,00,000 | 1,50,00,00,000 |
| Compulsorily Convertible Preference shares of ₹ 10 each | 5,00,00,000 | 50,00,00,000 | 5,00,00,000 | 50,00,00,000 |
| | 20,00,00,000 | 2,00,00,00,000 | 20,00,00,000 | 2,00,00,00,000 |
| Issued, subscribed and fully paid up | | | | |
| Equity shares of ₹ 10 each | 10,28,78,211 | 1,02,87,82,110 | 8,38,51,586 | 83,85,15,860 |
| Compulsorily Convertible Preference shares of ₹ 10 each | 1,12,92,291 | 11,29,22,910 | 43,16,358 | 4,31,63,580 |
| | 11,41,70,502 | 1,14,17,05,020 | 8,81,67,944 | 88,16,79,440 |
| a) Reconciliation of equity share capital | Number | ₹ | Number | ₹ |
| Balance at the beginning of the year | 8,38,51,586 | 83,85,15,860 | 6,00,00,000 | 60,00,00,000 |
| Add : Issued during the year | 1,90,26,625 | 19,02,66,250 | 2,38,51,586 | 23,85,15,860 |
| Balance at the end of the year | 10,28,78,211 | 1,02,87,82,110 | 8,38,51,586 | 83,85,15,860 |
| b) Reconciliation of preference share capital | Number | ₹ | Number | ₹ |
| Balance at the beginning of the year | 43,16,358 | 4,31,63,580 | - | - |
| Add : Issued during the year | 69,75,933 | 6,97,59,330 | 43,16,358 | 4,31,63,580 |
| Balance at the end of the year | 1,12,92,291 | 11,29,22,910 | 43,16,358 | 4,31,63,580 |
| c) Shares held by the holding company | Number | % | Number | % |
| Muthoot Fincorp Limited | 7,26,25,449 | 70.59% | 7,00,26,532 | 83.51% |
| d) Shareholders holding more than 5% of the shares | Number | % | Number | % |
| Equity shares of ₹ 10 each | | | | |
| Muthoot Fincorp Limited | 7,26,25,449 | 70.59% | 7,00,26,532 | 83.51% |
| Thomas Muthoot | 63,50,459 | 6.17% | 44,91,496 | 5.36% |
| Thomas George Muthoot | 63,27,160 | 6.15% | 44,71,519 | 5.33% |
| Thomas John Muthoot | 63,28,806 | 6.15% | 44,72,929 | 5.33% |
| Compulsorily Convertible Preference shares of ₹ 10 each | | | | |
| Creation Investments India LLC | 1,12,92,291 | 100.00% | 43,16,358 | 100.00% |
| e) Rights, preferences and restrictions attached to equity shares | | | | |
| <p>The Company has equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors in any financial year is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividend. In the event of liquidation of the 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. The equity shares shall be transferable subject to the provisions contained in the Articles of Association and in the agreements entered / to be entered into with the investors / shareholders from time to time.</p> | | | | |
| f) Rights, preferences and restrictions attached to preference shares | | | | |
| <p>The Company has issued compulsorily convertible preference shares having a face value of ₹ 10 per share. At the option of the holders, these preference shares, either in whole or in part, may be converted into equity shares at the occurrence of certain specified events. However, the preference shares shall be converted before the expiry of 10 years from the</p> | | | | |

date of issuance. Each compulsorily convertible preference share may be converted into one equity share without any additional payment. Each holder of the compulsorily convertible preference shares is entitled to one vote per share. Dividend on each compulsorily convertible preference shares is 0.001% per annum, subject to cash flow solvency, and such dividend shall be a cumulative preferred dividend. In the event of liquidation of the Company, the holders of compulsorily convertible preference shares shall have a preference over other share holders of the Company.

- g) There were no shares issued for consideration other than cash during the period of five years immediately preceding the reporting date.

h) Stock option plan

In the financial year ended 31 March 2017, the Company had introduced a stock option plan that provides for the granting of stock options to employees of the Company. The objectives of the plan includes attracting and retaining the best personnel, providing for additional performance incentives and promoting the success of the Company by providing employees the opportunity to acquire equity shares.

The Shareholders of the Company at the EGM held on December 05, 2016 approved an Employee Stock Option Plan (the "2016 Plan"). The 2016 Plan provides for issuance of 1,237,500 options, convertible to equivalent number of equity shares of ₹10 each, to the employees. During the current year 299,000 options (2017: 665,000 options) have been granted at an exercise price of ₹66.69 (2017: 14) per option. The market price is in accordance with the valuation of a registered valuer. The options vest over a period of 4 years from the date of grant in a graded manner, with 25% of the options vesting each year. The vested options may be exercised subject to the approval of the board. The Company has formulated the MML Employee Welfare Trust, for the purpose of administering the above scheme and has given an interest-free advance of ₹25,100,000 (2017: ₹14,850,000) for the purpose of acquiring shares of the Company.

A summary of the status of the options granted under 2016 plan as at March 31, 2018 and 2017 is presented below:

| Particulars | Number of options | Weighted average remaining contractual life (in years) | Weighted average exercise price |
|---------------------------------|-------------------|--|---------------------------------|
| Outstanding as at 31 March 2016 | - | - | - |
| Granted during the year | 6,65,000 | - | 14 |
| Exercised during the year | - | - | - |
| Outstanding as at 31 March 2017 | 6,65,000 | 5.68 | 14 |
| Exercisable as at 31 March 2017 | - | - | - |
| Granted during the year | 2,99,000 | - | 67 |
| Exercised during the year | (1,66,250) | - | 14 |
| Outstanding as at 31 March 2018 | 7,97,750 | 5.11 | 34 |
| Exercisable as at 31 March 2018 | - | - | - |

The impact on the net results and earnings per share, had the fair value method been followed, is as follows:

| | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|-----------------------------|-----------------------------|
| Net profit for the year | 76,00,68,203 | 37,03,81,396 |
| Add: Stock-based employee compensation expense included in the Statement of Profit and Loss | - | - |
| Less: Stock-based employee compensation expense determined under the fair value method | (6,93,416) | (2,45,048) |
| Pro-forma net profit | 75,93,74,787 | 37,01,36,348 |
| Earnings per share – Basic | | |
| As reported | 8.89 | 4.88 |
| Pro forma | 8.88 | 4.88 |

The fair value of the options granted is determined on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

| | | |
|-------------------------|-----------|-----------|
| Dividend yield % | Nil | Nil |
| Expected life | 3-5 years | 3-5 years |
| Risk free interest rate | 8% | 8% |
| Volatility | 40% | 40% |

4 Reserves and surplus

Securities premium

| | | |
|---|-----------------------|---------------------|
| Balance at the beginning of the year | 54,62,83,704 | - |
| Add : Premium on equity shares issued during the year | 2,50,97,33,783 | 16,64,84,022 |
| Add : Premium on preference shares issued during the year | 73,02,40,666 | 45,18,36,355 |
| Less : Utilised towards share issue expenses | (21,75,952) | (7,20,36,673) |
| Balance at the end of the year | 3,78,40,82,201 | 54,62,83,704 |

Statutory reserve

| | | |
|---|---------------------|--------------------|
| Balance at the beginning of the year | 9,29,42,281 | 1,88,66,002 |
| Add : Transferred from surplus in statement of profit and loss* | 15,20,13,641 | 7,40,76,279 |
| Balance at the end of the year | 24,49,55,922 | 9,29,42,281 |

Surplus in statement of profit and loss

| | | |
|---|-----------------------|-----------------------|
| Balance at the beginning of the year | 36,92,53,226 | 7,29,48,627 |
| Add : Transferred from statement of profit and loss | 76,00,68,203 | 37,03,81,396 |
| Less : Transferred to statutory reserve* | (15,20,13,641) | (7,40,76,279) |
| Less : Dividend to preference shareholders | (1,129) | (432) |
| Less : Dividend distribution tax | (226) | (86) |
| Balance at the end of the year | 97,73,06,433 | 36,92,53,226 |
| | 5,00,63,44,556 | 1,00,84,79,211 |

* In accordance with the provision of Section 45-IC of the Reserve Bank of India Act, 1934, the Company being an NBFC, has transferred 20% of the profit after tax for the year to the statutory reserve.

| | Year ended 31 March 2018 | Year ended 31 March 2017 |
|--|-----------------------------|-----------------------------|
|--|-----------------------------|-----------------------------|

5 Long-term borrowings (Also, refer note 31)

Secured

| | | |
|---------------------------------------|------------------------|------------------------|
| Redeemable non-convertible debentures | 2,80,00,00,000 | 2,05,00,00,000 |
| Finance lease obligations | 4,27,803 | 5,37,364 |
| Term loans | | |
| From banks | 12,70,99,02,463 | 7,34,20,51,693 |
| From other financial institutions | 1,75,49,05,847 | 1,67,07,25,988 |
| | 17,26,52,36,113 | 11,06,33,15,045 |

Unsecured, subordinated

| | | |
|-----------------------------------|---------------------|---------------------|
| Term loans | | |
| From banks | - | - |
| From other financial institutions | 25,00,00,000 | 25,00,00,000 |
| | 25,00,00,000 | 25,00,00,000 |

Less: Classified as other current liabilities (Also, refer note 6)

| | | |
|--------------------------------------|----------------|----------------|
| Current maturities of long-term debt | | |
| From banks | 7,00,90,12,034 | 3,03,59,72,591 |

| | | |
|---|-----------------------|-----------------------|
| From other financial institutions | 1,04,99,09,424 | 79,10,84,698 |
| Current maturities of finance lease obligations | 1,18,301 | 1,07,482 |
| | 8,05,90,39,759 | 3,82,71,64,771 |
| | 9,45,61,96,354 | 7,48,61,50,274 |

a) Disclosure in respect of finance lease obligations

The lease payments are determined on the basis of the lease agreements entered into with the constituents and the future lease commitments are given below:

| Particulars | Minimum Payments | Minimum Payments |
|---|------------------|------------------|
| Payable not later than 1 year | 1,54,566 | 1,54,566 |
| Payable later than 1 year not later than five years | 3,47,773 | 5,02,338 |
| | 5,02,339 | 6,56,904 |
| Less : Amounts representing interest | (74,536) | (1,19,540) |
| | 4,27,803 | 5,37,364 |

Represented as

| | | |
|--|----------|----------|
| - Current maturities of finance lease obligations | 1,18,301 | 1,07,482 |
| - Finance lease obligations under long term borrowings | 3,09,502 | 4,29,882 |

| | As at 31 March 2018 | | As at 31 March 2017 | |
|--|------------------------|-----------------------|------------------------|-----------------------|
| | Long-term | Current | Long-term | Current |
| 6 Other liabilities | | | | |
| Current maturities of long-term debt (Also, refer note 5) | | | | |
| From banks | - | 7,00,90,12,034 | - | 3,03,59,72,591 |
| From other financial institutions | - | 1,04,99,09,424 | - | 79,10,84,698 |
| Current maturities of finance lease obligations | - | 1,18,301 | - | 1,07,482 |
| Creditors for capital goods | - | 42,64,575 | - | 30,07,647 |
| Unrealised gain on loan transfer transactions | - | 6,46,97,870 | 1,58,02,870 | 35,78,19,587 |
| Interest accrued but not due | - | 14,07,04,011 | - | 10,53,56,405 |
| Payables towards securitisation/ assignment transactions | - | 40,24,37,876 | - | 70,08,98,716 |
| Income received in advance | - | 20,65,380 | - | 24,46,942 |
| Employee related payables | - | 6,89,33,946 | - | 4,46,97,813 |
| Statutory dues payable | - | 3,09,62,628 | - | 1,71,63,981 |
| Other payables (Also, refer note 29) | - | 10,96,16,854 | - | 7,59,43,927 |
| | - | 8,88,27,22,899 | 1,58,02,870 | 5,13,44,99,789 |

| | As at 31 March 2018 | | As at 31 March 2017 | |
|---|------------------------|---------------------|------------------------|--------------------|
| | Long-term | Short-term | Long-term | Short-term |
| 7 Provisions | | | | |
| Provision against standard assets (Also, refer note 30) | - | 10,85,276 | 3,34,13,742 | 6,68,54,635 |
| Provision against non-performing assets (Also, refer note 30) | - | 25,89,96,732 | - | 2,87,539 |
| Provision for income tax (net of advance taxes) | - | - | - | 2,09,86,343 |
| Provision for gratuity (Also, refer note 8(ii)) | 40,48,548 | - | 32,65,789 | - |
| Provision for compensated absences (Also, refer note 8(i)) | 24,59,899 | - | 13,79,720 | - |
| Provision for proposed dividend | - | 1,129 | - | 432 |
| Provision for tax on proposed dividend | - | 226 | - | 86 |
| | 65,08,447 | 26,00,83,363 | 3,80,59,251 | 8,81,29,035 |

| | As at 31 March 2018 | As at 31 March 2017 |
|--|------------------------|------------------------|
| a) Provision against standard assets | | |
| Opening balance | 10,02,68,377 | 4,31,39,703 |
| Add: Provision made during the year | - | 5,71,28,674 |
| Less: Transferred to provision for non-performing assets | (9,91,83,101) | - |
| Balance at the end of the year | 10,85,276 | 10,02,68,377 |
| b) Provision for non-performing assets | | |
| Opening balance | 2,87,539 | 23,969 |
| Add: Provision made during the year | 15,95,26,092 | 2,63,570 |
| Add: Transferred from provision against standard assets | 9,91,83,101 | - |
| Balance at the end of the year | 25,89,96,732 | 2,87,539 |

8 Employee benefits

i) Compensated absences

The Company permits encashment of compensated absences accumulated by their employees on retirement, separation and during the course of service. The liability in respect of the Company, for outstanding balance of privilege leave at the balance sheet date is determined and provided on the basis of actuarial valuation performed by an independent actuary. The Company maintains plan assets with LIC to fund its obligation towards compensated absences.

Principal actuarial assumptions used :

| | | |
|---|--------|--------|
| Discount rate | 8.00% | 8.00% |
| Long-term rate of compensation increase | 7.00% | 7.00% |
| Attrition rate | 20.00% | 20.00% |
| Average remaining service period (in years) | 32.37 | 32.80 |
| Expected return on plan assets | 8.00% | 8.00% |

ii) Gratuity

In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan ("the Gratuity Plan") covering eligible employees. The Gratuity Plan provides for a lump sum payment to vested employees on retirement (subject to completion of five years of continuous employment), death, incapacitation or termination of employment that are based on last drawn salary and tenure of employment. The Company has taken a group gratuity policy for its employees with the Life Insurance Corporation of India ("LIC").

The following table set out the status of the gratuity plan as required under Accounting Standard (AS) - 15 - Employee benefits and the reconciliation of opening and closing balances of the present value of the defined benefit obligation and fair value of plan assets.

| | As at 31 March 2018 | As at 31 March 2017 |
|--|------------------------|------------------------|
| Change in projected benefit obligation | | |
| Projected benefit obligation at the beginning of the year | 1,63,75,966 | 42,73,626 |
| Service cost | 55,76,824 | 29,91,890 |
| Interest cost | 15,33,150 | 4,61,565 |
| Actuarial loss | 1,28,57,217 | 86,48,885 |
| Benefits Paid | 33,81,055 | - |
| Projected benefit obligation at the end of the year | 3,29,62,102 | 1,63,75,966 |
| Change in plan assets | | |
| Fair value of plan assets at the beginning of the year | 1,31,10,177 | - |

| | | |
|--|--------------------|--------------------|
| Expected return on plan assets | 10,48,814 | - |
| Benefits paid | (33,81,055) | - |
| Actuarial gain | 21,35,618 | - |
| Contributions made by the Company | 1,60,00,000 | 89,30,689 |
| Contributions made by Muthoot Fincorp Employee Gratuity Trust (Refer note below) | - | 41,79,488 |
| Fair value of plan assets at the end of the year | 2,89,13,554 | 1,31,10,177 |
| Reconciliation of present value of obligation on the fair value of plan assets | | |
| Present value of projected benefit obligation at the end of the year | (3,29,62,102) | (1,63,75,966) |
| Funded status of the plan | 2,89,13,554 | 1,31,10,177 |
| Asset/(liability) recognised in the balance sheet | (40,48,548) | (32,65,789) |
| Components of net gratuity costs are | | |
| Service cost | 55,76,824 | 29,91,890 |
| Interest cost | 15,33,150 | 4,61,565 |
| Recognized net actuarial loss | 1,07,21,599 | 86,48,885 |
| Actual return on plan assets | (10,48,814) | - |
| Contributions made by Muthoot Fincorp Employee Gratuity Trust (Refer note below) | - | (41,79,488) |
| Net gratuity costs recognised in the statement of profit and loss (Refer note 18) | 1,67,82,759 | 79,22,852 |
| Assumptions used | | |
| Discount rate | 8.00% | 8.00% |
| Long-term rate of compensation increase | 7.00% | 7.00% |
| Attrition rate | 20.00% | 20.00% |
| Average remaining service period (in years) | 32.37 | 32.80 |
| Expected return on plan assets | 8.00% | 8.00% |

Note:

Up until the previous year, employees were transferred to the Company from Muthoot Fincorp Limited ("the holding company"). The period served by the employees in the holding company has been considered for the purpose of calculating the period of continuous service and accordingly has been included while estimating the present value of defined benefit obligation. The gratuity trust of the holding company had made a direct contribution of ₹ 4,179,488 to LIC, which represents the estimated present value of defined benefit obligation arising on account of the period served by the employees in the holding company.

Information for the current and previous years:

| Particulars | 31 March 2018 | Gratuity 31 March 2017 | 31 March 2016 |
|--|---------------|---------------------------|---------------|
| Projected benefit obligation at the end of the year | 3,29,62,102 | 1,63,75,966 | 42,73,626 |
| Fair value of plan assets at the end of the year | 2,89,13,554 | 1,31,10,177 | - |
| Surplus / (Deficit) | (40,48,548) | (32,65,789) | (42,73,626) |
| Experience adjustments on projected benefit obligation | 1,28,57,217 | 86,48,885 | 35,45,397 |
| Experience adjustments on plan assets | 21,35,618 | - | - |



| | Property, plant and equipment | | | | | Intangible Assets | |
|--|-------------------------------|------------------------|-------------------|-----------|---------------------|-------------------|-----------|
| | Computer and Accessories | Furniture and Fixtures | Office Equipments | Vehicles* | Electrical Fittings | Total | Software |
| Gross Block | | | | | | | |
| Balance as at 01 April 2016 | 50,44,087 | 1,04,51,247 | 69,89,842 | - | - | 2,24,85,176 | 7,35,000 |
| Additions | 1,05,78,495 | 2,68,23,366 | 1,34,14,618 | 7,66,928 | 65,78,715 | 5,81,62,122 | 6,19,900 |
| Reversal on disposal of assets | - | - | 2,49,900 | - | 38,998 | 2,88,898 | - |
| Balance as at 31 March 2017 | 1,56,22,582 | 3,72,74,613 | 2,01,54,560 | 7,66,928 | 65,39,717 | 8,03,58,400 | 13,54,900 |
| Additions | 97,67,579 | 5,46,85,571 | 1,21,33,423 | - | 23,35,423 | 7,89,21,996 | - |
| Reversal on disposal of assets | 72,552 | - | 2,49,947 | - | 2,79,795 | 6,02,294 | - |
| Balance as at 31 March 2018 | 2,53,17,609 | 9,19,60,184 | 3,20,38,036 | 7,66,928 | 85,95,345 | 15,86,78,102 | 13,54,900 |
| Accumulated Depreciation and Amortisation | | | | | | | |
| Balance as at 01 April 2016 | 1,00,064 | 37,708 | 83,268 | - | - | 2,21,040 | 23,275 |
| Charge for the year | 47,64,353 | 17,78,252 | 27,30,306 | 71,947 | 2,05,601 | 95,50,459 | 1,79,997 |
| Reversal on disposal of assets | - | - | 43,666 | - | 1,184 | 44,850 | - |
| Balance as at 31 March 2017 | 48,64,417 | 18,15,960 | 27,69,908 | 71,947 | 2,04,417 | 97,26,649 | 2,03,272 |
| Charge for the year | 56,64,201 | 59,93,446 | 55,26,465 | 91,086 | 8,69,946 | 1,81,45,144 | 2,57,300 |
| Reversal on disposal of assets | 15,525 | - | 1,67,753 | - | 24,233 | 2,07,511 | - |
| Balance as at 31 March 2018 | 1,05,13,093 | 78,09,406 | 81,28,620 | 1,63,033 | 10,50,130 | 2,76,64,282 | 4,60,572 |
| Net block | | | | | | | |
| Balance as at 31 March 2017 | 1,07,58,165 | 3,54,58,653 | 1,73,84,652 | 6,94,981 | 63,35,300 | 7,06,31,751 | 11,51,628 |
| Balance as at 31 March 2018 | 1,48,04,516 | 8,41,50,778 | 2,39,09,416 | 6,03,895 | 75,45,215 | 13,10,13,820 | 8,94,328 |

*Vehicles have been acquired under finance lease.

| | As at 31 March 2018 | As at 31 March 2018 |
|--|---------------------|---------------------|
| 10. Deferred taxes | | |
| Deferred tax liabilities arising on account of: | | |
| difference between depreciation and amortisation as per financials and depreciation as per tax | (11,08,487) | (15,76,862) |
| | (11,08,487) | (15,76,862) |
| Deferred tax assets arising on account of: | | |
| for loan losses | 6,87,80,095 | 3,48,00,391 |
| Provision for employee benefits | 22,52,444 | 16,07,718 |
| | 7,10,32,539 | 3,64,08,109 |
| Net deferred tax asset | 6,99,24,052 | 3,48,31,247 |
| Movement during the year | | |
| Opening balance | 3,48,31,247 | 1,79,43,351 |
| Recognised in the statement of profit and loss | 3,50,92,805 | 1,68,87,896 |
| Balance at the end of the year | 6,99,24,052 | 3,48,31,247 |

| | As at 31 March 2018 | | As at 31 March 2017 | |
|------------------------------------|---------------------|-----------------|---------------------|----------------|
| | Non-current | Current | Non-current | Current |
| 11. Loan receivables | | | | |
| Joint liability group loans | | | | |
| Unsecured, considered good | 5,98,80,44,896 | 10,37,70,62,524 | 3,21,71,33,589 | 6,15,49,21,683 |
| Unsecured, considered doubtful* | - | 55,69,71,777 | - | 1,65,94,889 |
| | 5,98,80,44,896 | 10,93,40,34,301 | 3,21,71,33,589 | 6,17,15,16,572 |



| | | | | |
|--|-----------------------|------------------------|-----------------------|-----------------------|
| Individual loans | | | | |
| Secured, considered good | - | 27,13,19,124 | - | 24,05,62,025 |
| Secured, considered doubtful* | - | 2,32,75,931 | - | 1,15,08,598 |
| | - | 29,45,95,055 | - | 25,20,70,623 |
| Joint liability group loans placed as collateral towards securitisation transactions (Also, refer note 32(d)) | | | | |
| Unsecured, considered good | - | 9,80,00,751 | 12,42,40,623 | 15,32,54,834 |
| Unsecured, considered doubtful* | - | 1,47,93,385 | - | 6,50,401 |
| | - | 11,27,94,136 | 12,42,40,623 | 15,39,05,235 |
| | 5,98,80,44,896 | 11,34,14,23,492 | 3,34,13,74,212 | 6,57,74,92,430 |

* Represents non-performing assets as per the Company's asset classification policy (Also, refer note 2(i))

| | As at 31 March 2018 | | As at 31 March 2017 | |
|---|----------------------------|-------------------|----------------------------|-------------------|
| | Long-term | Short-term | Long-term | Short-term |
| 12 Loans and advances | | | | |
| (Unsecured, considered good) | | | | |
| Security deposits (Refer note 29) | 2,10,02,792 | - | 1,37,88,522 | - |
| Capital advances | 50,84,338 | - | 52,63,205 | - |
| Loans to employees | 1,98,258 | 3,69,633 | - | 2,53,182 |
| Balances with government authorities | - | - | 1,08,470 | 13,24,874 |
| Advance income tax (net of provision for tax) | 8,44,98,086 | - | - | - |
| Advance to related parties (Refer note 29) | 3,99,50,000 | - | 1,48,50,000 | - |
| Other advances | - | 24,44,561 | - | 40,25,999 |
| | 15,07,33,474 | 28,14,194 | 3,40,10,197 | 56,04,055 |

| | As at 31 March 2018 | | As at 31 March 2017 | |
|--|----------------------------|---------------------|----------------------------|---------------------|
| | Non-current | Current | Non-current | Current |
| 13 Other assets | | | | |
| Non-current bank balances (Refer note 15) | 52,48,89,249 | - | 55,07,07,742 | - |
| Prepaid expenses | - | 1,40,17,113 | - | - |
| Interest strip retained on securitisation of receivables | - | 6,46,97,870 | 1,58,02,870 | 35,78,19,587 |
| Interest accrued on | | | | |
| - Bank deposits | 40,48,188 | 48,32,566 | 14,78,949 | 58,04,506 |
| - Loan receivables | - | 20,08,01,869 | - | 9,45,14,029 |
| Other accrued revenue | - | 3,89,26,601 | - | 7,47,62,755 |
| | 52,89,37,437 | 32,32,76,019 | 56,79,89,561 | 53,29,00,877 |

| | As at 31 March 2018 | As at 31 March 2018 |
|--|------------------------------------|------------------------------------|
| 14. Trade receivables | | |
| (Unsecured, considered good) | | |
| Outstanding for a period exceeding six months from the date they are due for payment | - | - |
| Other receivables (Also, refer note 29) | 3,43,88,489 | 1,77,59,812 |
| | 3,43,88,489 | 1,77,59,812 |

15 Cash and bank balances

Cash and cash equivalents

| | | |
|--|-----------------------|-----------------------|
| Balances with banks | | |
| - in current accounts | 56,55,62,350 | 30,36,56,764 |
| - in deposit accounts (with maturity up to 3 months) | 5,13,90,00,000 | 2,81,77,76,064 |
| | 5,70,45,62,350 | 3,12,14,32,828 |

| | | |
|--|-----------|-------------|
| Balances with cash collection agents (Refer note 29) | 68,91,769 | 2,59,93,305 |
| | 68,91,769 | 2,59,93,305 |

Other bank balances

Deposits with bank held as security against borrowings and other commitments

| | |
|--------------|--------------|
| 99,55,45,568 | 86,70,81,747 |
| 99,55,45,568 | 86,70,81,747 |

Less : Amounts disclosed as 'Other non-current assets' (Refer note 13)

| | |
|-----------------------|-----------------------|
| 52,48,89,249 | 55,07,07,742 |
| 6,18,21,10,438 | 3,46,38,00,138 |

16 Revenue from operations

Interest income on

- Loans given

- Fixed deposits

Loan processing fees

Excess interest spread on securitisation/direct assignment

Commission income (Refer note 29)

Service fee for management of receivables

| As at 31 March 2018 | As at 31 March 2018 |
|------------------------------------|------------------------------------|
| 2,92,10,02,676 | 1,35,76,24,030 |
| 8,91,48,394 | 5,66,36,082 |
| 30,36,99,690 | 20,30,86,142 |
| 1,02,80,39,741 | 70,49,97,789 |
| 16,83,05,416 | 11,25,67,661 |
| 12,35,472 | 35,00,000 |
| 4,51,14,31,389 | 2,43,84,11,704 |

17 Other income

Profit on sale of investments

Miscellaneous income

| | |
|--------------------|---------------|
| 8,09,89,015 | - |
| 17,32,856 | 27,172 |
| 8,27,21,871 | 27,172 |

18 Employee benefits expense

Salaries and wages

Compensated absences (Also, refer note 8(i))

Gratuity expense (Also, refer note 8(ii))

Contribution to provident and other defined contribution funds

Staff welfare expenses

| | |
|-----------------------|---------------------|
| 91,71,26,898 | 58,17,89,556 |
| 25,80,179 | 15,05,643 |
| 1,67,82,759 | 79,22,852 |
| 9,16,18,331 | 5,56,24,462 |
| 69,05,216 | 54,67,328 |
| 1,03,50,13,383 | 65,23,09,841 |

19 Finance costs

Interest expenses

Other borrowing costs

Interest on income tax

Bank charges

| | |
|-----------------------|---------------------|
| 1,59,07,62,182 | 74,73,69,844 |
| 5,42,51,744 | 6,48,82,056 |
| - | 44,71,305 |
| 20,66,260 | 11,36,035 |
| 1,64,70,80,186 | 81,78,59,240 |

20 Depreciation and amortisation expense

Depreciation towards tangible assets (Also, refer note 9)

Amortisation towards intangible assets (Also, refer note 9)

| | |
|--------------------|------------------|
| 1,81,45,144 | 95,50,459 |
| 2,57,300 | 1,79,997 |
| 1,84,02,444 | 97,30,456 |



21 Provisions for loan losses and write-offs

| | | |
|--------------------------------|---------------------|--------------------|
| Provision for loan losses, net | 15,95,26,092 | 5,73,92,244 |
| Bad debts written off | 7,69,83,444 | - |
| | 23,65,09,536 | 5,73,92,244 |

22 Other expenses

| | | |
|--|---------------------|---------------------|
| Power and fuel | 83,60,606 | 37,05,936 |
| Rent and amenities (Refer note 29) | 7,62,13,563 | 3,00,43,840 |
| Repairs and maintenance - Others | 36,76,667 | 13,44,248 |
| Rates and taxes | 45,63,770 | 83,66,981 |
| Legal and professional charges | 3,37,56,769 | 4,03,88,097 |
| Payments to auditors (excluding taxes) | | |
| Statutory audit | 25,00,000 | 11,00,000 |
| Tax audit | 3,00,000 | 2,00,000 |
| Other services | 8,00,000 | 2,00,000 |
| Reimbursement of expenses | 2,43,218 | 1,83,440 |
| Traveling, conveyance and lodging expenses (Also, refer note 29) | 7,10,48,380 | 3,38,01,878 |
| Printing and stationery | 1,78,96,356 | 1,36,42,610 |
| Communication expenses | 2,59,67,630 | 1,55,66,304 |
| CSR expenditure (Also, refer note 23 and note 29) | 47,88,178 | 9,73,434 |
| Cash management charges (Also, refer note 29) | 20,09,19,215 | 13,13,20,184 |
| Software support charges (Also, refer note 29) | 3,26,06,250 | 3,23,12,500 |
| Miscellaneous expenses | 3,11,64,727 | 1,57,85,985 |
| | 51,48,05,329 | 32,89,35,437 |

23 Corporate social responsibility

- a) Gross amount required to be spent by the Company during financial year ended 31 March 2018 : 4,722,887
- b) Amount spent during the financial year ended 31 March 2018 on:

| | In cash | Yet to be paid | Total |
|---|-----------|----------------|-----------|
| Construction/acquisition of any asset | - | - | - |
| On purposes other than as specified above | 47,88,178 | - | 47,88,178 |

24 Earnings per share

| | Year Ended 31 March 2018 | Year Ended 31 March 2017 |
|--|--------------------------------|--------------------------------|
| Basic | | |
| Net profit as per the statement of profit and loss | 76,00,68,203 | 37,03,81,396 |
| Less: Preference dividend on CCPS (including dividend distribution tax) | (1,355) | (518) |
| Net profit attributable to equity shareholders | 76,00,66,848 | 37,03,80,878 |
| Weighted average number of equity shares | 8,55,16,301 | 7,59,07,650 |
| Basic earnings per share | 8.89 | 4.88 |
| Diluted | | |
| Net profit as per the statement of profit and loss | 76,00,68,203 | 37,03,81,396 |
| Weighted average number of equity shares (Basic) | 8,55,16,301 | 7,59,07,650 |
| Add: Weighted average number of potential equity shares on conversion of CCPS | 59,79,114 | 11,35,261 |
| Weighted average number of equity shares (Diluted) | 9,14,95,415 | 7,70,42,911 |
| Diluted earnings per share | 8.31 | 4.81 |

25 Payables to micro and small enterprises

Based on the information available with the Company, as at 31 March 2018, there are no suppliers who are registered as micro and small enterprises under the provisions of the Micro, Small and Medium Enterprises Development Act, 2006.

26 Segment reporting

The Company is primarily engaged in the business of Micro finance. All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per AS-17 'Segment reporting'.

27 Contingent liabilities and commitments

Credit enhancements (cash collateral and principal subordination) provided by the Company towards securitisation transactions aggregating to ₹ 267,985,724 (31 March 2017: ₹ 630,322,526).

28 Expenditure in foreign currency (on accrual basis)

| | Year ended 31 March 2018 | |
|--|--------------------------|------------------|
| | Amount in USD | Amount in INR |
| Traveling, conveyance and lodging expenses | 12,803 | 8,29,125 |
| Legal and professional charges | 645 | 41,747 |
| Data management fees (included under Miscellaneous expenses) | 3,319 | 1,94,796 |
| | 16,767 | 10,65,668 |

29 Related parties disclosures


As per the requirement of Accounting Standards 18, on related party disclosures, the name of the related parties with the description of the relationship and transactions between the reporting enterprise and its related parties, as identified by the management are as follows :

(a) Names of related parties

| Nature of relationship | Name of the party |
|--|--|
| Holding Company | Muthoot Fincorp Limited |
| Entities in which KMP are able to exercise control or have significant influence | |
| | Muthoot Pappachan Technologies Limited |
| | MML Employee Welfare Trust |
| | Muthoot Pappachan Foundation |
| Key Management personnel (KMP) | Thomas George Muthoot, Director of holding company |
| | Thomas John Muthoot, Director of holding company |
| | Thomas Muthoot, Director of holding company |
| | Sadaf Sayeed, Chief Executive Officer |

(b) Transactions with related parties

| Nature | Name of the party | Year Ended 31 March 2018 | Year Ended 31 March 2017 |
|---------------------------|--|-----------------------------|-----------------------------|
| Cash management charges* | Muthoot Fincorp Limited | 18,72,79,333 | 11,65,69,190 |
| Commission income* | Muthoot Fincorp Limited | 10,51,15,856 | 4,76,24,488 |
| Software support charges* | Muthoot Pappachan Technologies Limited | 3,00,00,000 | 3,00,00,000 |



| | | | |
|------------------------------------|------------------------------|-------------|-------------|
| Rent expenses* | Muthoot Fincorp Limited | 40,56,622 | 23,16,496 |
| | Thomas George Muthoot | 3,88,821 | 2,06,496 |
| | Thomas John Muthoot | 4,73,740 | 4,95,662 |
| | Thomas Muthoot | 2,19,708 | 1,90,008 |
| Reimbursement of expenses* | Muthoot Fincorp Limited | 14,59,377 | 21,88,949 |
| Purchase of assets | Muthoot Fincorp Limited | - | 53,53,124 |
| Advance given | MML Employee Welfare Trust | 2,51,00,000 | 1,48,50,000 |
| Rental deposits given / (refunded) | Muthoot Fincorp Limited | 1,00,131 | 7,82,940 |
| | Thomas George Muthoot | 99,000 | - |
| | Thomas John Muthoot | 81,000 | - |
| | Thomas Muthoot | 1,78,200 | - |
| CSR expenditure | Muthoot Pappachan Foundation | 47,88,178 | 9,73,434 |
| Travel expenses | Muthoot Fincorp Limited | 31,65,405 | - |
| Remuneration | Sadaf Sayeed | 63,66,072 | 55,32,900 |

*excluding taxes

(c) Balance at the end of the year

| Nature | Name of the party | Year Ended 31 March 2018 | Year Ended 31 March 2017 |
|--------------------------------------|---|-----------------------------|-----------------------------|
| Cash management charges payable | Muthoot Fincorp Limited | 2,09,60,095 | - |
| Trade receivable (Commission income) | Muthoot Fincorp Limited | 2,13,90,613 | 87,24,148 |
| Other payables | Muthoot Fincorp Limited | 6,79,376 | - |
| Rent payable | Muthoot Fincorp Limited | - | 12,076 |
| | Thomas Muthoot | 32,076 | - |
| | Thomas George Muthoot | - | 17,325 |
| Balances with cash collection agents | Muthoot Fincorp Limited | 68,91,769 | 2,59,93,305 |
| Advance to related parties | Muthoot Microfin Employee Welfare Trust | 3,99,50,000 | 1,48,50,000 |
| Rental deposit | Thomas George Muthoot | 99,000 | - |
| | Thomas John Muthoot | 81,000 | - |
| | Thomas Muthoot | 1,78,200 | - |
| | Muthoot Fincorp Limited | 15,41,891 | 14,41,760 |

30 Loans and advances

Loan portfolio has been classified in accordance with the directives issued by the Reserve Bank of India (Master Circular- Introduction of New Category of NBFCs - 'Non Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) - Directions). The necessary provisions as per RBI norms have been made. The details are as follows:

| Asset classification | Classification criteria | No. of accounts* | Amount | Provision |
|----------------------------|-------------------------|------------------|------------------------|---------------------|
| As at 31 March 2018 | | | | |
| Standard assets | 0-90 days | 9,01,873 | 16,73,44,27,295 | 10,85,276 |
| Non-performing assets | 90-180 days | 13,569 | 14,88,92,750 | 1,81,37,083 |
| Non-performing assets | 180 days or more | 35,192 | 44,61,48,343 | 24,08,59,649 |
| | | 9,50,634 | 17,32,94,68,388 | 26,00,82,008 |


As at 31 March 2017

| | | | | |
|-----------------------|------------------|-----------------|-----------------------|---------------------|
| Standard assets | 0-90 days | 5,61,977 | 9,73,76,11,081 | 9,87,43,360 |
| Standard assets | 90-180 days | 10,531 | 15,25,01,673 | 15,25,017 |
| Non-performing assets | 90-180 days | 416 | 28,18,321 | 28,183 |
| Non-performing assets | 180 days or more | 2,674 | 2,59,35,567 | 2,59,356 |
| | | 5,75,598 | 9,91,88,66,642 | 10,05,55,916 |

*Does not include loan receivables retained by the NBFC to comply with minimum retention requirement ('MRR').

31 Details of security, repayment terms, applicable interest rates

| DEBENTURES | | | | | | | Outstanding as at | |
|------------|---|-----------------------------|---------------------------|-------------------|--|----------------------------|-------------------|----------------|
| Sl No. | Repayment terms | Interest commencement month | Principal repayment month | Interest rate p.a | Nature of the security | Loan taken during the year | 31 March 2018 | 31 March 2017 |
| 1 | Principal: Bullet repayment Interest: Annual | Nov-16 | Nov-19 | 12.00% | Exclusive charge over book debts equivalent to 100% of loan and interest amount. | - | 25,00,00,000 | 25,00,00,000 |
| 2 | Principal: Bullet repayment Interest: Half-year | Oct-16 | Sep-21 | 12.30% | | - | 1,40,00,00,000 | 1,40,00,00,000 |
| 3 | Principal: Bullet repayment Interest: Quarterly | Dec-16 | Dec-19 | 12.00% | Exclusive charge over book debts equivalent to 110% of loan amount. | | | |
| 4 | Principal: Bullet repayment Interest: Quarterly | Mar-18 | Sep-18 | 11.63% | Exclusive charge over book debts equivalent to 100% of loan and interest amount. | 75,00,00,000 | 40,00,00,000 | 40,00,00,000 |
| | | | | | | | 75,00,00,000 | - |
| | | | | | | | 2,80,00,00,000 | 2,05,00,00,000 |

| UNSECURED LOANS | | | | | | | Outstanding as at | |
|-----------------|--|-----------------------------|---------------------------|-------------------|------------------------|----------------------------|-------------------|---------------|
| Sl No. | Repayment terms | Interest commencement month | Principal repayment month | Interest rate p.a | Nature of the security | Loan taken during the year | 31 March 2018 | 31 March 2017 |
| 1 | Principal: Bullet repayment Interest : Monthly | Aug-16 | Apr-22 | 13.75% | Unsecured | - | 25,00,00,000 | 25,00,00,000 |
| | | | | | | | 25,00,00,000 | 25,00,00,000 |

| SECURED TERM LOANS & OTHER LOANS | | | | | | | | | |
|----------------------------------|-----------------|-------------------|-----------------------|------------------------------|-------------------|---|----------------------------|---------------|---------------|
| Sl No. | Repayment terms | No of instalments | Amount per instalment | Repayment commencement month | Interest rate p.a | Nature of the security | Loan taken during the year | 31 March 2018 | 31 March 2017 |
| 1 | Quarterly | 8 | 7,14,28,57 | Jun-16 | 12.50% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%. | - | - | 10,00,00,000 |
| 2 | Monthly | 21 | 1,04,16,667 | Dec-17 | 11.50% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%. | 25,00,00,000 | 20,83,33,332 | - |
| 3 | Monthly | 36 | 69,00,000 | Oct-17 | 10.80% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%. | 25,00,00,000 | 20,86,00,000 | - |

31 Details of security, repayment terms, applicable interest rates

| SECURED TERM LOANS & OTHER LOANS | | | | | | | | | | Outstanding as at | | |
|----------------------------------|-----------------|-------------------|-----------------------|------------------------------|-------------------|---|----------------------------|----------------|---------------|-------------------|--|--|
| Sl No. | Repayment terms | No of instalments | Amount per instalment | Repayment commencement month | Interest rate p.a | Nature of the security | Loan taken during the year | 31 March 2018 | 31 March 2017 | | | |
| 4 | Monthly | 21 | 1,90,47,619 | May-16 | 12.75% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%. | - | - | 20,23,80,963 | | | |
| 5 | Monthly | 21 | 2,38,09,524 | Oct-17 | 11.35% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%. | 50,00,00,000 | 35,71,42,856 | - | | | |
| 6 | Monthly | 36 | 41,66,667 | Jun-16 | 12.25% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%. | - | 5,83,33,333 | 11,23,39,117 | | | |
| 7 | Monthly | 24 | 5,000,000-20,425,000 | Jan-16 | 13.05% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%. | - | - | 8,83,00,000 | | | |
| 8 | Monthly | 36 | 1,38,88,889 | Sep-17 | 11.30% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%. | - | 40,27,77,777 | 50,00,00,000 | | | |
| 9 | Monthly | 36 | 2,77,77,778 | Apr-18 | 11.15% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%. | 1,00,00,00,000 | 1,00,00,00,000 | - | | | |
| 10 | Monthly | 36 | 1,38,88,889 | Sep-17 | 12.30% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%. | - | 31,94,44,443 | 48,61,11,111 | | | |
| 11 | Monthly | 30 | 2,50,00,000 | Sep-17 | 11.25% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%. | - | 57,50,00,000 | 72,12,00,000 | | | |
| 12 | Quarterly | 30 | 1,66,66,667 | Jan-17 | 11.50% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%. | - | 25,00,00,000 | 45,00,00,000 | | | |
| 13 | Quarterly | 30 | 1,66,66,667 | Oct-17 | 11.60% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%. | - | 39,99,99,999 | 50,00,00,000 | | | |
| 14 | Quarterly | 7 | 7,14,28,571 | Mar-18 | 10.25% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | 50,00,00,000 | 42,85,71,429 | - | | | |
| 15 | Monthly | 46 | 42,49,000 | Feb-16 | 11.75% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | - | 7,44,79,393 | 11,42,75,036 | | | |
| 16 | Monthly | 30 | 61,70,000 | Sep-16 | 11.50% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | - | 6,39,08,363 | 12,67,77,385 | | | |
| 17 | Monthly | 24 | 55,56,000 | Oct-16 | 12.65% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | - | - | 4,99,96,000 | | | |
| 18 | Monthly | 27 | 41,67,000 | Apr-16 | 12.10% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | - | 6,11,04,000 | 12,77,76,000 | | | |
| 19 | Monthly | 33 | 30,30,303 | Apr-16 | 12.50% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | - | 2,72,72,752 | 6,36,36,376 | | | |
| 20 | Monthly | 33 | 15,15,152 | Jul-16 | 12.50% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | - | 1,81,81,829 | 3,63,63,641 | | | |

31 Details of security, repayment terms, applicable interest rates

| UNSECURED LOANS | | | | | | | Outstanding as at | | |
|-----------------|-----------------|-------------------|-----------------------|------------------------------|-------------------|---|----------------------------|---------------|---------------|
| Sl No. | Repayment terms | No of instalments | Amount per instalment | Repayment commencement month | Interest rate p.a | Nature of the security | Loan taken during the year | 31 March 2018 | 31 March 2017 |
| 21 | Monthly | 15 | 66,66,666 | Jul-16 | 12.00% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | - | - | 4,00,00,006 |
| 22 | Monthly | 24 | 4,00,00,000 | Jan-18 | 10.50% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | 1,00,00,00,000 | 92,00,00,000 | - |
| 23 | Quarterly | 10 | 3,00,00,000 | Jul-16 | 13.15% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | - | 9,00,00,000 | 21,00,00,000 |
| 24 | Monthly | 33 | 1,51,51,515 | Apr-18 | 11.25% | Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of 5%. | 50,00,00,000 | 50,00,00,000 | - |
| 25 | Quarterly | 7 | 3,57,14,286 | Sep-17 | 13.00% | Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of 5%. | - | 15,71,42,859 | 25,00,00,000 |
| 26 | Monthly | 24 | 1,04,16,667 | Jul-16 | 12.00% | Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of 5%. | - | 3,12,50,000 | 15,62,50,000 |
| 27 | Monthly | 24 | 3,25,00,000 | Apr-18 | 10.45% | Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of 5%. | 78,00,00,000 | 78,00,00,000 | - |
| 28 | Monthly | 22 | 68,18,182 | Feb-17 | 10.78% | Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of 5%. | - | 5,45,45,458 | 13,63,63,640 |
| 29 | Monthly | 21 | 2,85,71,428 | Nov-17 | 11.25% | Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of 5%. | 60,00,00,000 | 50,71,42,859 | - |
| 30 | Quarterly | 7 | 7,14,28,571 | Apr-18 | 11.25% | Exclusive charge over book debts equivalent to 100% of loan amount and Term deposit receipt equivalent to 0.25% of disbursement | 50,00,00,000 | 50,00,00,000 | - |
| 31 | Monthly | 24 | 1,04,16,667 | Oct-17 | 11.25% | Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of Nil. | - | 18,74,99,998 | - |
| 32 | Monthly | 22 | 22,72,727 | Apr-17 | 12.50% | Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of Nil. | - | 2,27,27,273 | 5,00,00,000 |
| 33 | Monthly | 22 | 1,13,63,636 | Jun-17 | 12.50% | Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of Nil. | - | 13,63,63,636 | 25,00,00,000 |
| 34 | Monthly | 22 | 90,90,909 | Jun-17 | 12.50% | Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of Nil. | - | 10,90,90,909 | 20,00,00,000 |
| 35 | Quarterly | 7 | 3,50,00,000 | Jun-16 | 11.95% | Exclusive charge over book debts equivalent to 112% of loan amount and Cash margin of 10%. | - | - | 14,50,00,000 |
| 36 | Monthly | 60 | 12,880 | Jul-16 | 9.63% | Hypothecation of motor car | - | 4,27,803 | 5,37,364 |
| 37 | Monthly | 22 | 4,54,54,545 | Mar-18 | 11.75% | Exclusive charge over book debts equivalent to | - | - | - |

31 Details of security, repayment terms, applicable interest rates

| SECURED TERM & OTHER LOANS | | | | | | | Outstanding as at | | |
|----------------------------|-----------------|-------------------|-------------------------|------------------------------|-------------------|--|----------------------------|---------------|---------------|
| Sl No. | Repayment terms | No of instalments | Amount per instalment | Repayment commencement month | Interest rate p.a | Nature of the security | Loan taken during the year | 31 March 2018 | 31 March 2017 |
| 38 | Monthly | 34 | 6,165,392 - 8,675,160 | Feb-17 | 12.50% | 110% of loan amount and Cash margin of Nil. Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. | 1,00,00,00,000 | 95,45,47,511 | - |
| 39 | Monthly | 33 | 6,531,080 - 8,722,690 | Jul-18 | 10.90% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. | - | 15,75,89,602 | 23,76,04,970 |
| 40 | Monthly | 36 | 69,44,444 | Nov-16 | 11.75% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. | 25,00,00,000 | 25,00,00,000 | - |
| 41 | Monthly | 36 | 69,44,444 | Feb-17 | 11.75% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. 11.25% Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. | - | 14,28,09,431 | 22,02,94,719 |
| 42 | Monthly | 24 | 18,675,676 - 23,153,650 | 23,153,650 | Jan-18 | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. 11.25% Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. | - | 16,30,38,257 | 23,82,91,273 |
| 43 | Quarterly | 10 | 5,00,00,000 | Oct-17 | 10.70% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. | 50,00,00,000 | 44,34,46,364 | - |
| 44 | Monthly | 30 | 50,00,000 | Apr-17 | 12.60% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. | - | 40,00,00,000 | 50,00,00,000 |
| 45 | Monthly | 24 | 1,25,00,000 | Mar-18 | 11.00% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. | - | 6,50,00,000 | 12,50,00,000 |
| 46 | Monthly | 24 | 1,04,16,667 | Mar-18 | 9.50% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. | 30,00,00,000 | 28,75,00,000 | - |
| 47 | Quarterly | 8 | 1,25,00,000 | Apr-17 | 13.50% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5% | 25,00,00,000 | 23,95,83,333 | - |
| 48 | Quarterly | 11 | 1,81,81,819 | Jan-18 | 11.75% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | - | 5,00,00,000 | 10,00,00,000 |
| 49 | Monthly | 30 | 1,66,66,667 | Sep-17 | 11.35% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | - | 18,18,181 | - |
| 50 | Quarterly | 11 | 90,00,000 | Dec-16 | 11.80% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | 20,00,00,000 | 38,33,33,331 | 30,00,00,000 |
| 51 | Quarterly | 12 | 1,66,66,667 | Dec-17 | 10.75% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | - | 4,60,00,000 | 9,10,00,000 |
| 52 | Monthly | 33 | 37,88,000 | Dec-15 | 12.55% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%. | - | 16,66,66,666 | 20,00,00,000 |
| 53 | Monthly | 33 | 37,88,000 | Dec-15 | 12.65% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 10%. Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 10%. | - | 1,89,36,000 | 6,43,92,000 |
| 54 | Monthly | 36 | 27,77,778 | Jun-16 | 12.25% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 10%. Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 10%. | - | 2,65,12,000 | 7,19,68,000 |
| | | | | | | | - | 3,88,88,884 | 722,22,220 |


31 Details of security, repayment terms, applicable interest rates

| SECURED TERM & OTHER LOANS | | | | | | | Outstanding as at | |
|----------------------------|-----------------|-------------------|-----------------------|------------------------------|-------------------|---|----------------------------|---------------|
| Sl No. | Repayment terms | No of instalments | Amount per instalment | Repayment commencement month | Interest rate p.a | Nature of the security | Loan taken during the year | |
| 55 | Monthly | 36 | 69,44,444 | Apr-16 | 12.15% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 10%. | - | 31 March 2017 |
| 56 | Monthly | 36 | 55,55,556 | Apr-16 | 12.15% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 10%. | - | 31 March 2018 |
| 57 | Monthly | 30 | 1,66,00,000 | Oct-17 | 11.65% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 10%. | - | 15,97,28,000 |
| 58 | Quarterly | 10 | 2,50,00,000 | Aug-18 | 11.50% | Exclusive charge over book debts equivalent to 110% of loan amount and Term Deposit Receipt equivalent to 5% of Loan amount | - | 17,22,22,225 |
| 59 | Monthly | 24 | 1,04,16,667 | Jan-16 | 11.80% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 7.5%. | 25,00,00,000 | 40,04,00,000 |
| 60 | Quarterly | 8 | 6,25,00,000 | Feb-17 | 13.25% | Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil. | - | 50,00,00,000 |
| 61 | Monthly | 18 | 1,55,19,827 | Oct-15 | 13.25% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of Nil. | - | 25,00,00,000 |
| 62 | Monthly | 18 | 1,55,19,827 | Nov-15 | 14.35% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of Nil. | - | 43,75,00,000 |
| 63 | Monthly | 36 | 1,11,111 | Jan-18 | 8.70% | Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of Nil. | - | 25,10,70,222 |
| 64 | Monthly | 36 | 13,61,000 | Sep-15 | 13.70% | Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of Nil. | 40,00,00,000 | 1,53,36,427 |
| 65 | Monthly | 10 | 1,25,04,000 | Apr-17 | 13.00% | Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of Nil. | - | 36,66,66,667 |
| 66 | Quarterly | 10 | 5,00,00,000 | Jun-18 | 10.45% | Exclusive charge over book debts equivalent to 106% of loan amount and Cash margin of Nil. | - | 66,17,045 |
| | | | | | | | 50,00,00,000 | 2,09,56,859 |
| | | | | | | | 9,78,00,00,000 | 2,46,71,496 |
| | | | | | | | 14,46,52,36,113 | - |
| | | | | | | | 9,01,33,15,045 | - |

Note: For interest rates on floating basis, rates disclosed above represents the rate of interest as at 31 March 2018

32 Additional disclosures required by RBI

| | As at 31 March 2018 | As at 31 March 2017 |
|---|-------------------------------------|-------------------------------------|
| a) Capital to Risk-Assets ratio (CRAR) | | |
| CRAR (%) | 34.83% | 18.32% |
| CRAR - Tier I Capital (%) | 33.86% | 16.59% |
| CRAR - Tier II Capital (%) | 0.97% | 1.73% |
| Amount of subordinated debt raised during the year as Tier-II capital (In ₹) | - | 25,00,00,000 |
| Amount raised by issue of Perpetual Debt Instruments | - | - |
| b) Investments | | |
| The Company does not have any investments as on 31 March 2018 (31 March 2017: Nil). | | |
| 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 31 March 2018 (31 March 2017: Nil). | | |
| d) Disclosures relating to securitisation | Year Ended 31 March 2018 | Year Ended 31 March 2017 |
| Securitisation activity as an originator | | |
| Total number of loans assets securitised (Nos) | - | 3,03,556 |
| Book value of loans assets securitised | - | 6,10,71,07,883 |
| Book value of loans assets securitised including loan placed as collateral | - | 6,35,10,28,132 |
| Sale consideration received during the year | - | 6,10,71,07,883 |
| Interest spread recognised in the statement of profit and loss during the year | - | 46,23,60,136 |
| Credit enhancements provided during the year and outstanding as at the year end | | |
| Principal subordination | - | 24,39,20,249 |
| Cash collateral | - | 29,82,93,256 |
| SPVs relating to outstanding securitisation transactions | | |
| Number of SPVs sponsored by the NBFC for securitisation transactions as on the date of the balance sheet | 4 | 14 |
| Total amount of securitised assets as per books of the SPVs sponsored as on the date of the balance sheet | 36,72,05,107 | 3,64,22,11,481 |
| Total amount of exposures retained by the NBFC to comply with minimum retention requirement ('MRR') | | |
| Off-balance sheet exposures | | |
| First loss | - | - |
| Others | - | - |
| On-balance sheet exposures | | |
| First loss (cash collateral) | 15,51,91,588 | 35,21,76,668 |
| Others (credit enhancement) | 11,27,94,136 | 27,81,45,858 |
| Amount of exposures to securitisation transactions other than MRR | | |
| Off-balance sheet exposures | | |
| Exposure to own securitizations | | |
| First loss | - | - |
| Others | - | - |
| Exposure to third party securitisations | | |



| | | |
|---|---|---|
| First loss | - | - |
| Others | - | - |
| On-balance sheet exposures | | |
| Exposure to own securitizations | | |
| First loss (cash collateral) | - | - |
| Others | - | - |
| Exposure to third party securitisations | | |
| First loss | - | - |
| Others | - | - |

32 Additional disclosures required by RBI

e) Details of financial assets sold to securitisation/reconstruction companies for asset reconstruction

The Company has not sold any financial assets to Securitisation/Reconstruction companies for asset reconstruction in the current and previous year.

| f) Details of Assignment transactions undertaken | Year ended | Year ended |
|---|-----------------|----------------|
| | 31 March 2018 | 31 March 2017 |
| Number of accounts (Nos) | 7,19,934 | 2,46,268 |
| Aggregate value (net of provisions) of accounts sold | 12,76,96,84,810 | 4,86,20,78,899 |
| Aggregate consideration | 12,76,96,84,810 | 4,86,20,78,899 |
| Additional consideration realized in respect of accounts transferred in earlier years | - | - |
| Aggregate gain / (loss) over net book value | - | - |

g) Details of non-performing financial assets purchased/sold

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

h) Asset liability management

| As at 31 March 2018 | | | | | | | | | |
|---------------------|----------------|----------------|----------------|----------------|--------------------|----------------|----------------|-------------------|-----------------|
| Maturity within | | | | | | | | | |
| | 1 to 30 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 | 5 years and above | Total |
| Deposits | 5,16,96,54,077 | 1,05,56,100 | 4,96,18,753 | 9,44,56,120 | 28,53,71,269 | 47,48,89,249 | 5,00,00,000 | - | 6,13,45,45,568 |
| Advances | 1,34,52,29,347 | 1,00,84,74,277 | 1,04,00,81,239 | 3,09,18,86,914 | 4,85,57,51,715 | 5,98,80,44,896 | - | - | 17,32,94,68,388 |
| Borrowings | 7728,64,930 | 60,26,33,585 | 72,35,91,083 | 2,06,20,93,069 | 3,89,78,57,092 | 7,05,61,96,354 | 1,65,00,00,000 | 75,00,00,000 | 17,51,52,36,113 |
| As at 31 March 2017 | | | | | | | | | |
| Maturity within | | | | | | | | | |
| | 1 to 30 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 | 5 years and above | Total |
| Deposits | 2,82,92,69,896 | 50,00,000 | 53,42,631 | 5,97,57,833 | 23,47,79,709 | 44,25,21,581 | 10,81,86,161 | - | 3,68,48,57,811 |
| Advances | 74,51,91,343 | 54,07,70,486 | 56,16,76,564 | 1,69,22,13,308 | 3,03,76,40,729 | 3,34,13,74,212 | - | - | 9,91,88,66,642 |
| Borrowings | 30,75,46,506 | 25,65,15,262 | 24,64,29,774 | 90,72,73,207 | 2,10,94,00,022 | 5,83,61,50,274 | 1,40,00,00,000 | 25,00,00,000 | 11,31,33,15,045 |

32 Additional disclosures required by RBI

i) Exposures

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

j) Details of financing of parent company products

The Company does not finance the products of the parent/holding company.

k) Unsecured advances

Refer note 12 for details of unsecured advances.

l) Registrations obtained from other financial sector regulators

The Company is registered with the Ministry of Corporate Affairs.

m) Disclosure of penalties imposed by RBI and other regulators

No penalties were imposed by Reserve Bank of India and other regulators during the current and previous year.

n) Ratings assigned by credit rating agencies and migration of ratings during the year

| Deposits instrument | Rating agency | Date of rating | Valid upto | Rating assigned | Borrowing limit ₹ |
|------------------------------|-------------------------|----------------|------------------|-----------------|----------------------|
| Bank Loan Rating | CRISIL | 07-Feb-18 | Refer note below | A-/Stable | 9,50,00,00,000 |
| Bank Loan Rating | India Rating & Research | 14-Feb-18 | Refer note below | IND A - | 2,00,00,00,000 |
| Comprehensive MFI grading | CRISIL | April-17 | March-18 | M2C1 | NA |
| NCD | India Rating & Research | 14-Feb-18 | Refer note below | IND A - | 75,00,00,000 |
| NCD | CRISIL | 04-Jan-18 | Refer note below | A-/Stable | 75,00,00,000 |
| NCD | CRISIL | 04-Jan-18 | Refer note below | A-/Stable | 70,00,00,000 |
| NCD | CRISIL | 04-Jan-18 | Refer note below | A-/Stable | 40,00,00,000 |

Note : The rating is subject to annual surveillance till final repayment / redumption of related facilities

o) Provisions and Contingencies (shown under the head expenses in Statement of profit and loss)

| | Year ended 31 March 2018 | Year ended 31 March 2017 |
|------------------------------------|-----------------------------|-----------------------------|
| Provision towards NPA | 15,95,26,092 | 2,63,570 |
| Provision made towards income tax | 41,73,66,984 | 21,87,18,158 |
| Provision for gratuity | 1,67,82,759 | 79,22,852 |
| Provision for compensated absences | 25,80,179 | 15,05,643 |
| Provision towards standard assets | - | 5,71,28,674 |

p) Draw down from reserves

There has been no draw down from the reserves during the current and the previous year.

| | Year ended 31 March 2018 | Year ended 31 March 2017 |
|--|-----------------------------|-----------------------------|
| q) Concentration of Advances, Exposures and NPAs | | |
| (i) Concentration of Advances | | |
| Total Advances to twenty largest borrowers | 12,00,000 | 9,00,000 |
| Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC | 0.01% | 0.01% |
| (ii) Concentration of Exposures | | |
| Total Exposure to twenty largest borrowers / customers | 12,00,000 | 9,00,000 |
| Percentage of Exposures to twenty largest borrowers/customers to total exposure | 0.01% | 0.01% |
| (iii) Concentration of NPAs | | |
| Total Exposure to top four NPA accounts | 1,79,318 | 1,77,616 |

32 Additional disclosures required by RBI

r) Percentage of NPAs to total advances in that sector

| | As at 31 March 2018 | As at 31 March 2017 |
|-----------------------------------|------------------------|------------------------|
| | % | % |
| Agriculture and allied activities | 3.66% | 0.19% |
| MSME | 3.35% | 0.38% |
| Corporate borrowers | - | - |
| Services | 2.88% | 0.30% |
| Unsecured personal loans | 4.57% | - |
| Auto loans | - | - |
| Other personal loans | - | - |

| | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|-----------------------------|-----------------------------|
| s) Movement of NPAs | | |
| Net NPAs to Net Advances (%) | 1.97% | 0.26% |
| Movement of NPAs (Gross) | | |
| Opening balance | 2,87,53,888 | 23,96,911 |
| Additions during the year | 56,68,48,169 | 2,75,15,102 |
| Reductions during the year | (5,60,964) | (11,58,125) |
| Closing balance | 59,50,41,093 | 2,87,53,888 |
| Movement of Net NPAs | | |
| Opening balance | 2,84,66,349 | 23,72,942 |
| Additions during the year | 30,75,78,012 | 2,72,39,951 |
| Reductions during the year | - | (11,46,544) |
| Closing balance | 33,60,44,361 | 2,84,66,349 |
| Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| Opening balance | 2,87,539 | 23,969 |
| Provisions made during the year | 15,95,26,092 | 2,63,570 |
| Transfer from provisions on standard assets | 9,91,83,101 | - |
| Closing balance | 25,89,96,732 | 2,87,539 |

t) Disclosure of customer complaints

| | | |
|---|-----|-----|
| Number of complaints pending at the beginning of the year (Nos) | - | - |
| Number of complaints received during the year (Nos) | 391 | 312 |
| Number of complaints redressed during the year (Nos) | 391 | 312 |
| Number of complaints pending at the end of the year (Nos) | - | - |

u) Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC

The Company did not exceed the limits prescribed for Single and Group Borrower during the current and previous year.

v) Overseas assets

The Company did not have any Joint Ventures and Subsidiaries abroad.

w) Off-balance sheet SPVs sponsored

There are no off-balance sheet SPVs sponsored which are required to be consolidated as per accounting norms as at end of current and previous year.

x) Information of net interest margin:

| | | |
|---|--------|--------|
| Average interest (a) | 21.37% | 21.06% |
| Average effective cost of borrowing (b) | 12.15% | 12.34% |
| Net interest margin (a-b) | 9.22% | 8.72% |

32 Additional disclosures required by RBI

y) Disclosure of frauds reported Year ended 31 March 2018

| | Less than 1 lakh | | 1 lakh to 5 lakh | | 5 lakh to 25 Lakh | |
|---|------------------|--------|------------------|--------|-------------------|-----------|
| Particulars | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| A) Persons involved | | | | | | |
| Staff | - | - | - | - | 1,134 | 31,31,388 |
| Total | - | - | - | - | 1,134 | 31,31,388 |
| B) Type of fraud | | | | | | |
| Unauthorised credit facility extended | - | - | - | - | - | - |
| Misappropriation and criminal breach of trust | - | - | - | - | 1,134 | 31,31,388 |
| Cheating and forgery | - | - | - | - | - | - |
| Total | - | - | - | - | 1,134 | 31,31,388 |

Year ended 31 March 2017

| | Less than 1 lakh | | 1 lakh to 5 lakh | | 5 lakh to 25 Lakh | |
|---|------------------|--------|------------------|--------|-------------------|-----------|
| Particulars | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| A) Persons involved | | | | | | |
| Staff | - | - | - | - | 3,398 | 53,16,699 |
| Total | - | - | - | - | 3,398 | 53,16,99 |
| B) Type of fraud | | | | | | |
| Unauthorised credit facility extended | - | - | - | - | - | - |
| Misappropriation and criminal breach of trust | - | - | - | - | 3,398 | 53,16,699 |
| Cheating and forgery | - | - | - | - | - | - |
| Total | - | - | - | - | 3,398 | 53,16,699 |

Note:

The above summary is prepared based on the information available with the Company and relied upon by the auditors. The Company has initiated necessary action against the employees connected to the above reported instances.

This is the summary of significant policies and other explanatory information referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
Muthoot Microfin Limited

Sd/-
Per **Sumesh E S**
Partner
Membership No.: 206931

Thomas Muthoot
Managing Director
DIN: 00082099

Sd/-
Thomas John Muthoot
Director
DIN: 00011618

Sd/-
Thomas George Muthoot
Director
DIN: 00011552

Sd/-
Neethu Ajay
Company Secretary

Sd/-
Praveen T
Chief Financial Officer

Place : Cochin
Date : 03 May 2018

CUSTOMER SUCCESS STORIES

Indhirani, a 46-year-old small time tea vendor from 'Sami Pillai Thottam' in Pondicherry moved her tea stall into a better infrastructure after availing a microfinance loan from Muthoot Microfin. With the first cycle loan of ₹ 20,000, she advanced her business with more food items and better facilities for customers.

Gradually, her customer base and business largely improved. She now even employs a neighbour at peak times. She keeps her tea stall open until 7 PM to generate more sales. Indhirani is proud of what she accomplished for her family. She now saves a certain amount each day to further develop her business in long term.



FILTER COFFEE

TEA

GREEN TEA



A Muthoot Pappachan Group Company

MUTHOOT MICROFIN LIMITED

CIN: U65BD01H1992PLC066228

Registered Office: 15th Floor, Parinasa Crescendo, Bandra Kurla Complex,
Bandra East, Mumbai, Maharashtra - 400 051

Administrative Office: Muthoot Microfin Ltd, 5th Floor, Muthoot Towers,
M. G. Road, Kochi - 682 035, Kerala, India, Tel: +91 484 4277500

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