

# Walker Chandiook & Co LLP

Walker Chandiook & Co LLP  
7th Floor, Modayil Centre Point  
Warriam Road Jn., M G Road  
Kochi 682016  
India

T +91 484 4064541

## Independent Auditor's Report

### To the Members of Muthoot Microfin Limited

#### Report on the Financial Statements

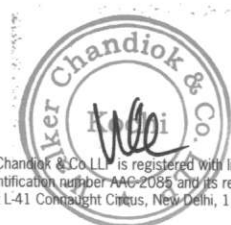
1. We have audited the accompanying financial statements of Muthoot Microfin Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other 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:
- 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;
  - 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;
  - the financial statements dealt with by this report are in agreement with the books of account;
  - 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);
  - 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;
  - 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.;
  - 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:
    - the Company does not have any pending litigation which would impact its financial position
    - the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
    - there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;
    - 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.



**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**

- (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.

*Walker Chandiok & Co LLP*  
For **Walker Chandiok & Co LLP**  
Chartered Accountants

Firm's Registration No.: 001076N/N500013

*Sumesh E S*  
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.




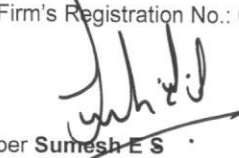
# Walker Chandio & Co LLP

**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**

## 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 Chandio & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

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



**Place:** Cochin  
**Date:** 03 May 2018

# Financial Statements and Independent Auditors' Report

Muthoot Microfin Limited

31 March 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
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	1,141,705,020	881,679,440
Reserves and surplus	4	5,006,344,556	1,008,479,211
		<b>6,148,049,576</b>	<b>1,890,158,651</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	9,456,196,354	7,486,150,274
Other long-term liabilities	6	-	15,802,870
Long-term provisions	7	6,508,447	38,059,251
		<b>9,462,704,801</b>	<b>7,540,012,395</b>
<b>Current liabilities</b>			
Other current liabilities	6	8,882,722,899	5,134,499,789
Short-term provisions	7	260,083,363	88,129,035
		<b>9,142,806,262</b>	<b>5,222,628,824</b>
<b>Total</b>		<b>24,753,560,639</b>	<b>14,652,799,870</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	131,013,820	70,631,751
Intangible assets	9	894,328	1,151,628
Capital work-in-progress		-	5,253,962
Deferred tax assets (net)	10	69,924,052	34,831,247
Loan receivables	11	5,988,044,896	3,341,374,212
Long-term loans and advances	12	150,733,474	34,010,197
Other non-current assets	13	528,937,437	567,989,561
		<b>6,869,548,007</b>	<b>4,055,242,558</b>
<b>Current assets</b>			
Trade receivables	14	34,388,489	17,759,812
Cash and bank balances	15	6,182,110,438	3,463,800,138
Loan receivables	11	11,341,423,492	6,577,492,430
Short-term loans and advances	12	2,814,194	5,604,055
Other current assets	13	323,276,019	532,900,877
		<b>17,884,012,632</b>	<b>10,597,557,312</b>
<b>Total</b>		<b>24,753,560,639</b>	<b>14,652,799,870</b>

**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 Chandio &amp; Co LLP

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per Suresh E S

Partner

Membership No.: 206931

For and on behalf of the Board of Directors of  
**Muthoot Microfin Limited**Thomas Muthoot  
Managing Director  
DIN: 00082099Thomas John Muthoot  
Director  
DIN: 00011618Thomas George Muthoot  
Director  
DIN: 00011552Neethu Ajay  
Company SecretaryPraveen T  
Chief Financial OfficerPlace: Cochin  
Date: 03 May 2018Place: Cochin  
Date: 03 May 2018



**Muthoot Microfin Limited**  
**Statement of profit and loss**

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

	Notes	Year ended 31 March 2018	Year ended 31 March 2017
<b>Revenue</b>			
Revenue from operations	16	4,511,431,389	2,438,411,704
Other income	17	82,721,871	27,172
<b>Total revenue</b>		<b>4,594,153,260</b>	<b>2,438,438,876</b>
<b>Expenses</b>			
Employee benefits expense	18	1,035,013,383	652,309,841
Finance costs	19	1,647,080,186	817,859,240
Depreciation and amortisation	20	18,402,444	9,730,456
Provisions for loan losses and write-offs	21	236,509,536	57,392,244
Other expenses	22	514,805,329	328,935,437
<b>Total expenses</b>		<b>3,451,810,878</b>	<b>1,866,227,218</b>
<b>Profit before tax</b>		<b>1,142,342,382</b>	<b>572,211,658</b>
<b>Tax expense/ (income)</b>			
Current tax		417,366,984	218,718,158
Deferred tax		(35,092,805)	(16,887,896)
		<b>382,274,179</b>	<b>201,830,262</b>
<b>Net profit for the year</b>		<b>760,068,203</b>	<b>370,381,396</b>
<b>Earnings per equity share</b>	24		
Basic		8.89	4.88
Diluted		8.31	4.81
Par value of equity shares		10	10

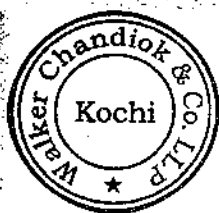
**Notes 1 to 32 form an integral part of these financial statements**

This is the statement of profit and loss referred to  
in our report of even date

For Walker Chandiook & 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



Thomas Muthoot  
Managing Director  
DIN: 00082099

Neethu Ajay  
Company Secretary

Thomas John Muthoot  
Director  
DIN: 00011618

Praveen T  
Chief Financial Officer

Thomas George Muthoot  
Director  
DIN: 00011552

Place: Cochin  
Date: 03 May 2018

Place: Cochin  
Date: 03 May 2018



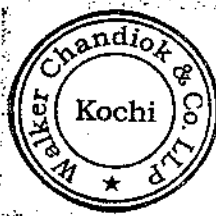
**Muthoot Microfin Limited**
**Cash flow statement**
*(All amounts are in Indian Rupees, unless otherwise stated)*

	Year ended 31 March 2018	Year ended 31 March 2017
<b>Cash flows from operating activities</b>		
Profit before tax	1,142,342,382	572,211,658
Adjustments		
Depreciation and amortisation	18,402,444	9,730,458
Loss on sale of tangible assets	273,184	-
Provision for employee benefits	19,362,938	9,428,495
Provision for loan losses	159,526,092	57,392,244
Bad debts written off	76,983,444	-
Income from investments	(80,989,015)	-
Interest on income tax	-	4,471,305
<b>Operating profit before working capital changes</b>	<b>1,335,901,469</b>	<b>653,234,158</b>
(Decrease) / Increase in other liabilities	(500,711,676)	841,327,457
(Decrease) in provisions	(17,499,163)	(10,944,778)
(Increase) in loan receivables	(7,487,565,190)	(5,602,499,438)
(Increase) in loans and advances	(29,435,330)	(29,375,353)
Decrease / (Increase) in other assets	222,858,489	(325,358,040)
(Increase) in trade receivables	(16,631,385)	(10,545,834)
<b>Cash (used in) operating activities</b>	<b>(6,493,102,786)</b>	<b>(4,484,161,828)</b>
Income taxes paid (net)	(522,850,060)	(204,738,058)
<b>Net cash (used in) operating activities</b>	<b>(7,015,952,846)</b>	<b>(4,688,899,886)</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets (including capital advances and capital work-in-progress)	(72,411,106)	(67,886,115)
Purchase of intangible assets	-	(619,900)
Proceeds from sale of tangible assets	121,599	244,049
Dividends and profit on sale of investments	80,989,015	-
Investments in deposits (net)	(128,463,821)	(589,291,433)
<b>Net cash (used in) investing activities</b>	<b>(119,764,313)</b>	<b>(657,553,399)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of equity shares including share premium	2,700,000,033	404,999,882
Proceeds from issue of preference shares including share premium	799,999,996	484,999,935
Securities issue expenses	(2,175,952)	(72,036,673)
Proceeds from borrowings	10,758,800,000	9,664,620,037
Repayment of borrowings	(4,556,878,932)	(2,479,673,558)
<b>Net cash generated from financing activities</b>	<b>9,699,745,145</b>	<b>8,012,909,623</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,584,027,986</b>	<b>2,666,456,338</b>
Cash and cash equivalents as at the beginning of the year	3,147,426,133	480,969,795
<b>Cash and cash equivalents as at the end of the year</b>	<b>5,711,454,119</b>	<b>3,147,426,133</b>
<b>Notes:</b>		
Cash and cash equivalents comprises of		
Balances with banks		
- in current accounts	565,562,350	303,656,764
- in deposit account (with maturity up to 3 months)	5,139,000,000	2,817,776,084
Balances with cash collection agents	6,891,769	25,993,305
	<b>5,711,454,119</b>	<b>3,147,426,133</b>

This is the cash flow statement referred to in our report of even date

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

per Sumesh E S  
Partner  
Membership No.: 206931



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

*Thomas Muthoot*  
**Thomas Muthoot**  
Managing Director  
DIN: 00062099

*Neethu Ajay*  
**Neethu Ajay**  
Company Secretary

Place: Cochin  
Date: 03 May 2018

*Thomas John Muthoot*  
**Thomas John Muthoot**  
Director  
DIN: 00011618

*Praveen T*  
**Praveen T**  
Chief Financial Officer

Place: Cochin  
Date: 03 May 2018

*Thomas George Muthoot*  
**Thomas George Muthoot**  
Director  
DIN: 00011552



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)*

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**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.CO.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.

**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.



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

**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 31 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.



**Muthoot Microfin Limited**

**Summary of significant accounting policies and other explanatory information**

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

**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 where 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**

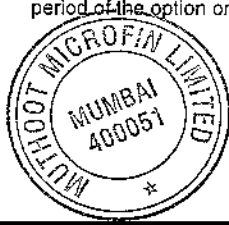
Securities issue expenses and redemption premium, if any, are adjusted against the securities premium account as permissible under the Act, to the extent balance is available for utilisation in the securities premium account.

**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
<b>3 Share capital</b>				
<b>Authorised</b>				
Equity shares of ₹ 10 each	150,000,000	1,500,000,000	150,000,000	1,500,000,000
Compulsorily Convertible Preference shares of ₹ 10 each	50,000,000	500,000,000	50,000,000	500,000,000
	<b>200,000,000</b>	<b>2,000,000,000</b>	<b>200,000,000</b>	<b>2,000,000,000</b>
<b>Issued, subscribed and fully paid up</b>				
Equity shares of ₹ 10 each	102,878,211	1,028,782,110	83,851,586	838,515,860
Compulsorily Convertible Preference shares of ₹ 10 each	11,292,291	112,922,910	4,316,358	43,163,580
	<b>114,170,502</b>	<b>1,141,705,020</b>	<b>88,167,944</b>	<b>881,679,440</b>
<b>a) Reconciliation of equity share capital</b>	<b>Number</b>	<b>₹</b>	<b>Number</b>	<b>₹</b>
Balance at the beginning of the year	83,851,586	838,515,860	60,000,000	600,000,000
Add : Issued during the year	19,026,625	190,266,250	23,851,586	238,515,860
Balance at the end of the year	<b>102,878,211</b>	<b>1,028,782,110</b>	<b>83,851,586</b>	<b>838,515,860</b>
<b>b) Reconciliation of preference share capital</b>	<b>Number</b>	<b>₹</b>	<b>Number</b>	<b>₹</b>
Balance at the beginning of the year	4,316,358	43,163,580	-	-
Add : Issued during the year	6,975,933	69,759,330	4,316,358	43,163,580
Balance at the end of the year	<b>11,292,291</b>	<b>112,922,910</b>	<b>4,316,358</b>	<b>43,163,580</b>
<b>c) Shares held by the holding company</b>	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>
Muthoot Fincorp Limited	72,625,449	70.59%	70,026,532	83.51%
<b>d) Shareholders holding more than 5% of the shares</b>	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>
<b>Equity shares of ₹ 10 each</b>				
Muthoot Fincorp Limited	72,625,449	70.59%	70,026,532	83.51%
Thomas Muthoot	6,350,459	6.17%	4,491,496	5.36%
Thomas George Muthoot	6,327,160	6.15%	4,471,519	5.33%
Thomas John Muthoot	6,328,806	6.15%	4,472,929	5.33%
<b>Compulsorily Convertible Preference shares of ₹ 10 each</b>				
Creation Investments India LLC	11,292,291	100.00%	4,316,358	100.00%

**e) Rights, preferences and restrictions attached to equity shares**

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.

**f) Rights, preferences and restrictions attached to preference shares**

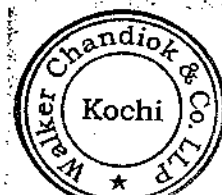
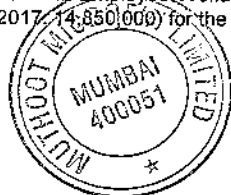
The Company has issued compulsorily convertible preference shares having a face value of ₹ 10 per share. At the option of the holders, these preference shares, either in whole or in part, may be converted into equity shares at the occurrence of certain specified events. However, the preference shares shall be converted before the expiry of 10 years from the 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 1,235,280 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 MMF 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.



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

**h) Stock option plan (continued)**

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	665,000	-	14
Exercised during the year	-	-	-
Outstanding as at 31 March 2017	665,000	5.68	14
Exercisable as at 31 March 2017	-	-	-
Granted during the year	299,000	-	67
Exercised during the year	(166,250)	-	14
Outstanding as at 31 March 2018	797,750	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	760,068,203	370,381,396
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	(693,416)	(245,048)
Pro-forma net profit	759,374,787	370,136,348
<b>Earnings per share – Basic</b>		
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	546,283,704	-
Add : Premium on equity shares issued during the year	2,509,733,783	166,484,022
Add : Premium on preference shares issued during the year	730,240,666	451,836,355
Less : Utilised towards share issue expenses	(2,175,952)	(72,036,673)
Balance at the end of the year	3,784,082,201	546,283,704

**Statutory reserve**

Balance at the beginning of the year	92,942,281	18,866,002
Add : Transferred from surplus in statement of profit and loss*	152,013,641	74,076,279
Balance at the end of the year	244,955,922	92,942,281

**Surplus in statement of profit and loss**

Balance at the beginning of the year	369,253,226	72,948,627
Add : Transferred from statement of profit and loss	760,068,203	370,381,396
Less : Transferred to statutory reserve*	(152,013,641)	(74,076,279)
Less : Dividend to preference shareholders	(1,129)	(432)
Less : Dividend distribution tax	(226)	(86)
Balance at the end of the year	977,306,433	369,253,226
	5,006,344,556	1,008,479,211

\* 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.



**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
<b>5 Long-term borrowings (Also, refer note 31)</b>		
<b>Secured</b>		
Redeemable non-convertible debentures	2,800,000,000	2,050,000,000
Finance lease obligations	427,803	537,364
<b>Term loans</b>		
From banks	12,709,902,463	7,342,051,693
From other financial institutions	1,754,905,847	1,670,725,988
	<b>17,265,236,113</b>	<b>11,063,315,045</b>
<b>Unsecured, subordinated</b>		
<b>Term loans</b>		
From banks	-	-
From other financial institutions	250,000,000	250,000,000
	<b>250,000,000</b>	<b>250,000,000</b>
Less: Classified as other current liabilities (Also, refer note 6)		
Current maturities of long-term debt		
From banks	7,009,012,034	3,035,972,591
From other financial institutions	1,049,909,424	791,084,698
Current maturities of finance lease obligations	118,301	107,482
	<b>8,059,039,759</b>	<b>3,827,164,771</b>
	<b>9,456,196,354</b>	<b>7,486,150,274</b>

**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	154,566	154,566
Payable later than 1 year not later than five years	347,773	502,338
	<b>502,339</b>	<b>656,904</b>
Less : Amounts representing interest	(74,536)	(119,540)
	<b>427,803</b>	<b>537,364</b>

**Represented as**

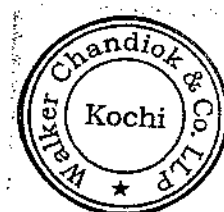
- Current maturities of finance lease obligations	118,301	107,482
- Finance lease obligations under long term borrowings	309,502	429,882

**6 Other liabilities**

Current maturities of long-term debt (Also, refer note 5)

From banks	-	7,009,012,034	-	3,035,972,591
From other financial institutions	-	1,049,909,424	-	791,084,698
Current maturities of finance lease obligations	-	118,301	-	107,482
Creditors for capital goods	-	4,264,575	-	3,007,647
Unrealised gain on loan transfer transactions	-	64,697,870	15,802,870	357,819,587
Interest accrued but not due	-	140,704,011	-	105,356,405
Payables towards securitisation/assignment transactions	-	402,437,876	-	700,898,716
Income received in advance	-	2,065,380	-	2,446,942
Employee related payables	-	68,933,946	-	44,697,813
Statutory dues payable	-	30,962,628	-	17,163,981
Other payables (Also, refer note 29)	-	109,616,854	-	75,943,927
	-	<b>8,882,722,899</b>	<b>15,802,870</b>	<b>5,134,499,789</b>

	As at 31 March 2018		As at 31 March 2017	
	Long-term	Current	Long-term	Current
	-	7,009,012,034	-	3,035,972,591
	-	1,049,909,424	-	791,084,698
	-	118,301	-	107,482
	-	4,264,575	-	3,007,647
	-	64,697,870	15,802,870	357,819,587
	-	140,704,011	-	105,356,405
	-	402,437,876	-	700,898,716
	-	2,065,380	-	2,446,942
	-	68,933,946	-	44,697,813
	-	30,962,628	-	17,163,981
	-	109,616,854	-	75,943,927
	-	<b>8,882,722,899</b>	<b>15,802,870</b>	<b>5,134,499,789</b>





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

	As at 31 March 2018		As at 31 March 2017	
	Long-term	Short-term	Long-term	Short-term
Provision against standard assets (Also, refer note 30)	-	1,085,276	33,413,742	66,854,635
Provision against non-performing assets (Also, refer note 30)	-	258,996,732	-	287,539
Provision for income tax (net of advance taxes)	-	-	-	20,986,343
Provision for gratuity (Also, refer note 8(ii))	4,048,548	-	3,265,789	-
Provision for compensated absences (Also, refer note 8(i))	2,459,899	-	1,379,720	-
Provision for proposed dividend	-	1,129	-	432
Provision for tax on proposed dividend	-	226	-	86
	<b>6,508,447</b>	<b>260,083,363</b>	<b>38,059,251</b>	<b>88,129,035</b>

	As at	
	31 March 2018	31 March 2017
<b>a) Provision against standard assets</b>		
Opening balance	100,268,377	43,139,703
Add: Provision made during the year	-	57,128,674
Less: Transferred to provision for non-performing assets	(99,183,101)	-
Balance at the end of the year	<b>1,085,276</b>	<b>100,268,377</b>
<b>b) Provision for non-performing assets</b>		
Opening balance	287,539	23,969
Add: Provision made during the year	159,526,092	263,570
Add: Transferred from provision against standard assets	99,183,101	-
Balance at the end of the year	<b>258,996,732</b>	<b>287,539</b>

**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%



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

**8 Employee benefits**

**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
<b>Change in projected benefit obligation</b>		
Projected benefit obligation at the beginning of the year	16,375,966	4,273,626
Service cost	5,576,824	2,991,890
Interest cost	1,533,150	461,565
Actuarial loss	12,857,217	8,648,885
Benefits Paid	(3,381,055)	-
<b>Projected benefit obligation at the end of the year</b>	<b>32,962,102</b>	<b>16,375,966</b>
<b>Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	13,110,177	-
Expected return on plan assets	1,048,814	-
Benefits paid	(3,381,055)	-
Actuarial gain	2,135,618	-
Contributions made by the Company	16,000,000	8,930,689
Contributions made by Muthoot Fincorp Employee Gratuity Trust (Refer note below)	-	4,179,488
<b>Fair value of plan assets at the end of the year</b>	<b>28,913,554</b>	<b>13,110,177</b>
<b>Reconciliation of present value of obligation on the fair value of plan assets</b>		
Present value of projected benefit obligation at the end of the year	(32,962,102)	(16,375,966)
Funded status of the plan	28,913,554	13,110,177
<b>Asset/(liability) recognised in the balance sheet</b>	<b>(4,048,548)</b>	<b>(3,265,789)</b>
<b>Components of net gratuity costs are</b>		
Service cost	5,576,824	2,991,890
Interest cost	1,533,150	461,565
Recognized net actuarial loss	10,721,599	8,648,885
Actual return on plan assets	(1,048,814)	-
Contributions made by Muthoot Fincorp Employee Gratuity Trust (Refer note below)	-	(4,179,488)
<b>Net gratuity costs recognised in the statement of profit and loss (Refer note 18)</b>	<b>16,782,759</b>	<b>7,922,852</b>
<b>Assumptions used</b>		
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	Gratuity		
	31 March 2018	31 March 2017	31 March 2016
Projected benefit obligation at the end of the year	32,962,102	16,375,966	4,273,626
Fair value of plan assets at the end of the year	28,913,554	13,110,177	-
Surplus / (Deficit)	(4,048,548)	(3,265,789)	(4,273,626)
Experience adjustments on projected benefit obligation	12,857,217	8,648,885	3,545,397
Experience adjustments on plan assets	2,135,618	-	-



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

9

	Property, plant and equipment					Intangible Assets	
	Computer and Accessories	Furniture and Fixtures	Office Equipments	Vehicles*	Electrical Fittings	Total	Software
<b>Gross Block</b>							
Balance as at 01 April 2016	5,044,087	10,451,247	6,989,842	-	-	22,485,176	735,000
Additions	10,578,495	26,823,366	13,414,618	766,928	8,578,715	58,182,122	619,900
Reversal on disposal of assets	-	-	249,900	-	38,998	288,898	-
Balance as at 31 March 2017	15,622,582	37,274,613	20,154,560	766,928	6,539,717	80,358,400	1,354,900
Additions	9,767,579	54,885,571	12,133,423	-	2,335,423	78,921,996	-
Reversal on disposal of assets	72,552	-	249,947	-	279,795	602,294	-
Balance as at 31 March 2018	25,317,609	91,960,184	32,038,036	766,928	8,595,345	158,678,102	1,354,900
<b>Accumulated Depreciation and Amortisation</b>							
Balance as at 01 April 2016	100,064	37,708	83,268	-	-	221,040	23,275
Charge for the year	4,764,353	1,778,252	2,730,306	71,947	205,601	9,550,459	179,997
Reversal on disposal of assets	-	-	43,666	-	1,184	44,850	-
Balance as at 31 March 2017	4,864,417	1,815,960	2,769,908	71,947	204,417	9,726,649	203,272
Charge for the year	5,664,201	5,993,446	5,526,465	91,086	869,946	18,145,144	257,300
Reversal on disposal of assets	15,525	-	167,753	-	24,233	207,511	-
Balance as at 31 March 2018	10,513,093	7,809,406	8,128,620	163,033	1,050,130	27,664,282	460,572
<b>Net block</b>							
Balance as at 31 March 2017	10,758,165	35,458,653	17,384,652	694,981	6,335,300	70,631,751	1,151,628
Balance as at 31 March 2018	14,804,516	84,150,778	23,909,416	603,895	7,545,215	131,013,820	894,328

\*Vehicles have been acquired under finance lease.

**10 Deferred taxes**
**Deferred tax liabilities arising on account of:**

Timing difference between depreciation and amortisation as per financials and depreciation as per tax

As at 31 March 2018	As at 31 March 2017
(1,108,487)	(1,576,862)
(1,108,487)	(1,576,862)

**Deferred tax assets arising on account of:**

Provision for loan losses

Provision for employee benefits

68,780,095	34,800,391
2,252,444	1,607,718
71,032,539	36,408,109
69,924,052	34,831,247

**Net deferred tax asset**
**Movement during the year**

Opening balance

Recognised in the statement of profit and loss

Balance at the end of the year

34,831,247	17,943,351
35,092,805	16,887,898
69,924,052	34,831,247

**11 Loan receivables**
**Joint liability group loans**

Unsecured, considered good

Unsecured, considered doubtful\*

**Individual loans**

Secured, considered good

Secured, considered doubtful\*

**Joint liability group loans placed as collateral towards securitisation transactions (Also, refer note 32(d))**

Unsecured, considered good

Unsecured, considered doubtful\*

As at 31 March 2018		As at 31 March 2017	
Non-current	Current	Non-current	Current
5,988,044,896	10,377,062,524	3,217,133,589	6,154,921,883
-	558,971,777	-	16,594,889
5,988,044,896	10,934,034,301	3,217,133,589	6,171,516,572
-	271,319,124	-	240,562,025
-	23,275,931	-	11,508,598
-	294,595,055	-	252,070,623
-	98,000,751	124,240,823	153,254,834
-	14,793,385	-	650,401
-	112,794,136	124,240,823	153,905,235
5,988,044,896	11,341,423,492	3,341,374,212	6,577,492,430

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



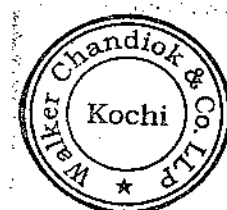
**Muthoot Microfin Limited**
**Summary of significant accounting policies and other explanatory information**
*(All amounts are in Indian Rupees, unless otherwise stated)*

	As at 31 March 2018		As at 31 March 2017	
	Long-term	Short-term	Long-term	Short-term
<b>12 Loans and advances</b>				
(Unsecured, considered good)				
Security deposits (Refer note 29)	21,002,792	-	13,788,522	-
Capital advances	5,084,338	-	5,263,205	-
Loans to employees	198,258	369,633	-	253,182
Balances with government authorities	-	-	108,470	1,324,874
Advance income tax (net of provision for tax)	84,498,086	-	-	-
Advance to related parties (Refer note 29)	39,950,000	-	14,850,000	-
Other advances	-	2,444,561	-	4,025,999
	<b>150,733,474</b>	<b>2,814,194</b>	<b>34,010,197</b>	<b>5,604,055</b>
<b>13 Other assets</b>				
Non-current bank balances (Refer note 15)	524,889,249	-	550,707,742	-
Prepaid expenses	-	14,017,113	-	-
Interest strip retained on securitisation of receivables	-	64,697,870	15,802,870	357,819,587
Interest accrued on				
- Bank deposits	4,048,188	4,832,566	1,478,949	5,804,506
- Loan receivables	-	200,801,869	-	94,514,029
Other accrued revenue	-	38,926,601	-	74,762,755
	<b>528,937,437</b>	<b>323,276,019</b>	<b>567,989,561</b>	<b>532,900,877</b>
<b>14 Trade receivables</b>				
(Unsecured, considered good)				
Outstanding for a period exceeding six months from the date they are due for payment				
Other receivables (Also, refer note 29)			34,388,489	17,759,812
			<b>34,388,489</b>	<b>17,759,812</b>
<b>15 Cash and bank balances</b>				
<b>Cash and cash equivalents</b>				
Balances with banks				
- in current accounts			565,562,350	303,656,764
- in deposit accounts (with maturity up to 3 months)			5,139,000,000	2,817,776,064
			<b>5,704,562,350</b>	<b>3,121,432,828</b>
Balances with cash collection agents (Refer note 29)			6,891,769	25,993,305
			<b>6,891,769</b>	<b>25,993,305</b>
<b>Other bank balances</b>				
Deposits with bank held as security against borrowings and other commitments			995,545,568	867,081,747
			<b>995,545,568</b>	<b>867,081,747</b>
Less : Amounts disclosed as 'Other non-current assets' (Refer note 13)			524,889,249	550,707,742
			<b>6,182,110,438</b>	<b>3,463,800,138</b>



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

	Year ended 31 March 2018	Year ended 31 March 2017
<b>16 Revenue from operations</b>		
Interest income on		
- Loans given	2,921,002,676	1,357,624,030
- Fixed deposits	89,148,394	56,636,082
Loan processing fees	303,699,690	203,086,142
Excess interest spread on securitisation/direct assignment	1,028,039,741	704,997,789
Commission income (Refer note 29)	168,305,416	112,567,661
Service fee for management of receivables	1,235,472	3,500,000
	<b>4,511,431,389</b>	<b>2,438,411,704</b>
<b>17 Other income</b>		
Profit on sale of investments	80,989,015	-
Miscellaneous income	1,732,856	27,172
	<b>82,721,871</b>	<b>27,172</b>
<b>18 Employee benefits expense</b>		
Salaries and wages	917,126,898	581,789,556
Compensated absences (Also, refer note 8(i))	2,580,179	1,505,643
Gratuity expense (Also, refer note 8(ii))	16,782,759	7,922,852
Contribution to provident and other defined contribution funds	91,618,331	55,624,462
Staff welfare expenses	6,905,216	5,467,328
	<b>1,035,013,383</b>	<b>652,309,841</b>
<b>19 Finance costs</b>		
Interest expenses	1,590,762,182	747,369,844
Other borrowing costs	54,251,744	64,882,056
Interest on income tax	-	4,471,305
Bank charges	2,066,260	1,136,035
	<b>1,647,080,186</b>	<b>817,859,240</b>
<b>20 Depreciation and amortisation expense</b>		
Depreciation towards tangible assets (Also, refer note 9)	18,145,144	9,550,459
Amortisation towards intangible assets (Also, refer note 9)	257,300	179,997
	<b>18,402,444</b>	<b>9,730,456</b>
<b>21 Provisions for loan losses and write-offs</b>		
Provision for loan losses, net	159,526,092	57,392,244
Bad debts written off	76,983,444	-
	<b>236,509,536</b>	<b>57,392,244</b>
<b>22 Other expenses</b>		
Power and fuel	8,360,606	3,705,936
Rent and amenities (Refer note 29)	76,213,563	30,043,840
Repairs and maintenance - Others	3,676,667	1,344,248
Rates and taxes	4,563,770	8,366,981
Legal and professional charges	33,756,769	40,388,097
Payments to auditors (excluding taxes)		
Statutory audit	2,500,000	1,100,000
Tax audit	300,000	200,000
Other services	800,000	200,000
Reimbursement of expenses	243,218	183,440
Traveling, conveyance and lodging expenses (Also, refer note 29)	71,048,380	33,801,878
Printing and stationery	17,896,356	13,642,610
Communication expenses	25,967,630	15,566,304
CSR expenditure (Also, refer note 23 and note 29)	4,788,178	973,434
Cash management charges (Also, refer note 29)	200,919,215	131,320,184
Software support charges (Also, refer note 29)	32,606,250	32,312,500
Miscellaneous expenses	31,164,727	15,785,985
	<b>514,805,329</b>	<b>328,935,437</b>



**Muthoot Microfin Limited****Summary of significant accounting policies and other explanatory information***(All amounts are in Indian Rupees, unless otherwise stated)***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	4,788,178	-	4,788,178

**24 Earnings per share**

	Year ended 31 March 2018	Year ended 31 March 2017
<b>Basic</b>		
Net profit as per the statement of profit and loss	760,068,203	370,381,396
Less: Preference dividend on CCPS (including dividend distribution tax)	(1,355)	(518)
Net profit attributable to equity shareholders	760,066,848	370,380,878
Weighted average number of equity shares	85,516,301	75,907,650
<b>Basic earnings per share</b>	<b>8.89</b>	<b>4.88</b>
<b>Diluted</b>		
Net profit as per the statement of profit and loss	760,068,203	370,381,396
Weighted average number of equity shares (Basic)	85,516,301	75,907,650
Add: Weighted average number of potential equity shares on conversion of CCPS	5,979,114	1,135,261
Weighted average number of equity shares (Diluted)	91,495,415	77,042,911
<b>Diluted earnings per share</b>	<b>8.31</b>	<b>4.81</b>

**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	829,125
Legal and professional charges	645	41,747
Data management fees (included under Miscellaneous expenses)	3,319	194,796
	<b>16,767</b>	<b>1,065,668</b>

**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



**Muthoot Microfin Limited**
**Summary of significant accounting policies and other explanatory information**
*(All amounts are in Indian Rupees, unless otherwise stated)*
**(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	187,279,333	116,569,190
Commission income*	Muthoot Fincorp Limited	105,115,856	47,624,488
Software support charges*	Muthoot Pappachan Technologies Limited	30,000,000	30,000,000
Rent expenses*	Muthoot Fincorp Limited	4,056,622	2,316,496
	Thomas George Muthoot	388,821	206,496
	Thomas John Muthoot	473,740	495,662
	Thomas Muthoot	219,708	190,008
Reimbursement of expenses*	Muthoot Fincorp Limited	1,459,377	2,188,949
Purchase of assets	Muthoot Fincorp Limited	-	5,353,124
Advance given	MML Employee Welfare Trust	25,100,000	14,850,000
Rental deposits given / (refunded)	Muthoot Fincorp Limited	100,131	782,940
	Thomas George Muthoot	99,000	-
	Thomas John Muthoot	81,000	-
	Thomas Muthoot	178,200	-
CSR expenditure	Muthoot Pappachan Foundation	4,788,178	973,434
Travel expenses	Muthoot Fincorp Limited	3,165,405	-
Remuneration	Sadaf Sayeed	6,366,072	5,532,900

\*excluding taxes

**(c) Balance at the end of the year**

Nature	Name of the party	As at 31 March 2018	As at 31 March 2017
Cash management charges payable	Muthoot Fincorp Limited	20,960,095	-
Trade receivable (Commission income)	Muthoot Fincorp Limited	21,390,613	8,724,148
Other payables	Muthoot Fincorp Limited	679,376	-
Rent payable	Muthoot Fincorp Limited	-	12,076
	Thomas Muthoot	32,076	-
	Thomas George Muthoot	-	17,325
Balances with cash collection agents	Muthoot Fincorp Limited	6,891,769	25,993,305
Advance to related parties	Muthoot Microfin Employee Welfare Trust	39,950,000	14,850,000
	Thomas George Muthoot	99,000	-
	Thomas John Muthoot	81,000	-
	Thomas Muthoot	178,200	-
Rental deposit	Muthoot Fincorp Limited	1,541,891	1,441,760

**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
<b>As at 31 March 2018</b>				
Standard assets	0-90 days	901,873	16,734,427,295	1,085,276
Non-performing assets	90-180 days	13,569	148,892,750	18,137,083
Non-performing assets	180 days or more	35,192	446,148,343	240,859,649
		<b>950,634</b>	<b>17,329,468,388</b>	<b>260,082,008</b>
<b>As at 31 March 2017</b>				
Standard assets	0-90 days	561,977	9,737,611,081	98,743,360
Standard assets	90-180 days	10,531	152,501,673	1,525,017
Non-performing assets	90-180 days	416	2,818,321	28,183
Non-performing assets	180 days or more	2,674	25,935,567	259,356
		<b>575,598</b>	<b>9,918,866,642</b>	<b>100,555,916</b>

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

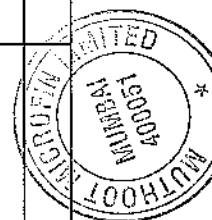
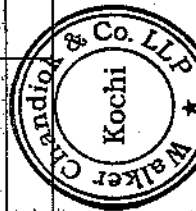


31 Details of security, repayment terms, applicable interest rates

DEBENTURES						Outstanding as at	
S No.	Repayment terms	Interest commencement month	Principal repayment month	Interest rate p.a	Nature of the security	Loan taken during the year	31 March 2017
1	Principal: Bullet repayment Interest: Annual	Nov-16	Nov-18	12.00%	Exclusive charge over book debts equivalent to 100% of loan and interest amount.	-	250,000,000
2	Principal: Bullet repayment Interest: Half-year	Oct-16	Sep-21	12.30%		-	1,400,000,000
3	Principal: Bullet repayment Interest: Quarterly	Dec-16	Dec-19	12.00%	Exclusive charge over book debts equivalent to 110% of loan amount.	-	400,000,000
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.	750,000,000	-
						750,000,000	2,050,000,000

UNSECURED LOANS						Outstanding as at	
S No.	Repayment terms	Interest commencement month	Principal repayment month	Interest rate p.a	Nature of the security	Loan taken during the year	31 March 2017
1	Principal: Bullet repayment	Aug-16	Apr-22	13.75%	Unsecured	-	250,000,000
						-	250,000,000

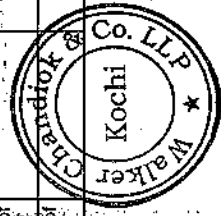
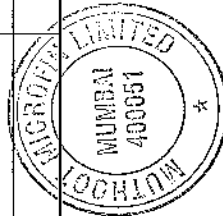
SECURED TERM LOANS AND OTHER LOANS							Outstanding as at		
S No.	Repayment terms	No of Instalments	Amount per Instalment	Repayment commencement month	Interest rate p.a	Nature of the security	Loan taken during the year	31 March 2018	31 March 2017
1	Quarterly	8	71,428,571	Jun-16	12.50%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	-	-	100,000,000
2	Monthly	21	10,416,667	Dec-17	11.50%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	250,000,000	208,333,332	-
3	Monthly	36	6,900,000	Oct-17	10.80%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	250,000,000	208,600,000	-
4	Monthly	21	19,047,619	May-16	12.75%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	-	-	202,380,963
5	Monthly	21	23,809,524	Oct-17	11.35%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	500,000,000	357,142,856	-
6	Monthly	36	4,166,667	Jun-16	12.25%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	-	58,333,333	112,339,117
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%.	-	-	88,300,000
8	Monthly	36	13,888,889	Sep-17	11.30%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	-	402,777,777	500,000,000
9	Monthly	36	27,777,778	Apr-18	11.15%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	1,000,000,000	1,000,000,000	-
10	Monthly	36	13,888,889	Sep-17	12.30%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	-	319,444,443	486,111,111
11	Monthly	30	25,000,000	Sep-17	11.25%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	-	575,000,000	721,200,000
12	Quarterly	30	16,666,667	Jan-17	11.50%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	-	250,000,000	450,000,000





31 Details of security, repayment terms, applicable interest rates

SECURED TERM LOANS AND OTHER LOANS										Outstanding as at	
S 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		
13	Quarterly	30	16,666,667	Oct-17	11.60%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	-	399,999,999	500,000,000		
14	Quarterly	7	71,428,571	Mar-18	10.25%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	500,000,000	428,571,429	-		
15	Monthly	46	4,249,000	Feb-16	11.75%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	-	74,479,393	114,275,036		
16	Monthly	30	6,170,000	Sep-16	11.50%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	-	63,908,363	126,777,385		
17	Monthly	24	5,556,000	Oct-16	12.65%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	-	-	49,986,000		
18	Monthly	27	4,167,000	Apr-16	12.10%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	-	61,104,000	127,776,000		
19	Monthly	33	3,030,303	Apr-16	12.50%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	-	27,272,752	83,636,376		
20	Monthly	33	1,515,152	Jul-16	12.50%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	-	18,181,829	36,363,641		
21	Monthly	15	6,666,666	Jul-16	12.00%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	-	-	40,000,006		
22	Monthly	24	4,000,000-5,000,000	Jan-18	10.50%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	1,000,000,000	920,000,000	-		
23	Quarterly	10	30,000,000	Jul-16	13.15%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	-	80,000,000	210,000,000		
24	Monthly	33	15,151,515	Apr-18	11.25%	Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of 5%.	500,000,000	500,000,000	-		
25	Quarterly	7	35,714,286	Sep-17	13.00%	Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of 5%.	-	157,142,859	250,000,000		
26	Monthly	24	10,416,667	Jul-16	12.00%	Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of 5%.	-	31,250,000	156,250,000		
27	Monthly	24	32,500,000	Apr-18	10.45%	Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of 5%.	780,000,000	780,000,000	-		
28	Monthly	22	6,818,182	Feb-17	10.78%	Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of 5%.	-	54,545,458	136,363,640		
29	Monthly	21	28,571,428	Nov-17	11.25%	Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of 5%.	600,000,000	507,142,859	-		
30	Quarterly	7	71,428,571	Apr-18	11.25%	Exclusive charge over book debts equivalent to 100% of loan amount and Term deposit receipt equivalent to 100% of loan amount and Cash margin of 5%.	500,000,000	500,000,000	-		
31	Monthly	24	10,416,667	Oct-17	11.25%	Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of Nil.	250,000,000	187,499,998	-		
32	Monthly	22	2,272,727	Apr-17	12.50%	Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of Nil.	-	22,727,273	50,000,000		
33	Monthly	22	11,363,636	Jun-17	12.50%	Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of Nil.	-	136,363,636	250,000,000		
34	Monthly	22	9,090,909	Jun-17	12.50%	Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of Nil.	-	109,090,909	200,000,000		



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

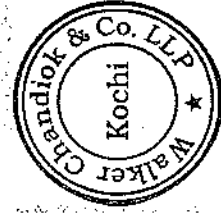
**31 Details of security, repayment terms, applicable interest rates**

SECURED TERM LOANS AND OTHER LOANS							Outstanding as at	
S 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	
35	Quarterly	7	35,000,000	Jun-16	11.95%	Exclusive charge over book debts equivalent to 112% of loan amount and Cash margin of 10%.	-	145,000,000
36	Monthly	60	12,880	Jul-16	9.63%	Hypothecation of motor car	-	537,364
37	Monthly	22	45,454,545	Mar-18	11.75%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil.	1,000,000,000	954,547,511
38	Monthly	34	6,185,392 - 8,675,160	Feb-17	12.50%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil.	-	157,589,802
39	Monthly	33	6,531,080 - 8,722,890	Jul-18	10.90%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil.	250,000,000	250,000,000
40	Monthly	36	6,944,444	Nov-16	11.75%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil.	-	142,809,431
41	Monthly	36	6,944,444	Feb-17	11.75%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil.	-	163,038,257
42	Monthly	24	18,675,676 - 23,153,650	Jan-18	11.25%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil.	500,000,000	443,446,364
43	Quarterly	10	50,000,000	Oct-17	10.70%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil.	-	400,000,000
44	Monthly	30	5,000,000	Apr-17	12.60%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil.	-	65,000,000
45	Monthly	24	12,500,000	Mar-18	11.00%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil.	300,000,000	287,500,000
46	Monthly	24	10,416,667	Mar-18	9.50%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil.	250,000,000	239,583,333
47	Quarterly	8	12,500,000	Apr-17	13.50%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	-	50,000,000
48	Quarterly	11	18,181,819	Jan-18	11.75%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	-	181,818,181
49	Monthly	30	16,666,667	Sep-17	11.35%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	200,000,000	383,333,331
50	Quarterly	11	9,000,000	Dec-16	11.80%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	-	46,000,000
51	Quarterly	12	16,666,667	Dec-17	10.75%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	-	166,666,666
52	Monthly	33	3,788,000	Dec-15	12.55%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 10%.	-	18,936,000
53	Monthly	33	3,788,000	Dec-15	12.65%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 10%.	-	26,512,000
54	Monthly	36	2,777,778	Jun-16	12.25%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 10%.	-	36,888,884
								72,222,220



31 Details of security, repayment terms, applicable interest rates

SECURED TERM LOANS AND OTHER LOANS									
S No.	Repayment terms	No of Installments	Amount per Installment	Repayment commencement month	Interest rate p.a	Nature of the security	Loan taken during the year	Outstanding as at	
55	Monthly	36	6,944,444	Apr-16	12.15%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 10%.	-	31 March 2018	31 March 2017
56	Monthly	36	5,555,556	Apr-16	12.15%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 10%.	-	76,400,000	159,728,000
57	Monthly	30	16,600,000	Oct-17	11.65%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 10%.	-	105,555,555	172,222,225
58	Quarterly	10	25,000,000	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 and Cash margin of 10%.	250,000,000	400,400,000	500,000,000
59	Monthly	24	10,416,667	Jan-16	11.80%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 7.5%.	-	250,000,000	-
60	Quarterly	8	62,500,000	Feb-17	13.25%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of Nil.	-	-	93,749,995
61	Monthly	18	15,519,827	Oct-15	13.25%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of Nil.	-	187,500,000	437,500,000
62	Monthly	18	15,519,827	Nov-15	14.35%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of Nil.	-	107,086,976	251,070,222
63	Monthly	36	11,111,111	Jan-18	8.70%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of Nil.	400,000,000	388,666,667	15,386,427
64	Monthly	36	1,361,000	Sep-15	13.70%	Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of Nil.	-	6,617,045	20,856,859
65	Monthly	10	12,504,000	Apr-17	13.00%	Exclusive charge over book debts equivalent to 100% of loan amount and Cash margin of Nil.	-	-	24,671,496
66	Quarterly	10	50,000,000	Jun-18	10.45%	Exclusive charge over book debts equivalent to 106% of loan amount and Cash margin of Nil.	500,000,000	500,000,000	-
Note: For interest rates on floating basis, rates disclosed above represents the rate of interest as at 31 March 2018							9,780,000,000	14,465,236,113	9,013,315,045



**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
<b>32 Additional disclosures required by RBI</b>		
<b>a) Capital to Risk-Assets ratio (CRAR)</b>		
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 ₹)	-	250,000,000
Amount raised by issue of Perpetual Debt Instruments	-	-
<b>b) Investments</b>		
The Company does not have any investments as on 31 March 2018 (31 March 2017: Nil).		
<b>c) Derivatives</b>		
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).		
<b>d) Disclosures relating to securitisation</b>	<b>Year ended 31 March 2018</b>	<b>Year ended 31 March 2017</b>
<b>Securitisation activity as an originator</b>		
Total number of loans assets securitised (Nos)	-	303,556
Book value of loans assets securitised	-	6,107,107,883
Book value of loans assets securitised including loan placed as collateral	-	6,351,028,132
Sale consideration received during the year	-	6,107,107,883
Interest spread recognised in the statement of profit and loss during the year	-	462,360,136
Credit enhancements provided during the year and outstanding as at the year end		
- Principal subordination	-	243,920,249
- Cash collateral	-	298,293,266
<b>SPVs relating to outstanding securitisation transactions</b>		
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	367,205,107	3,642,211,481
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)	155,191,588	352,176,668
Others (credit enhancement)	112,794,136	278,145,858
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	-	-



**Muthoot Microfin Limited**

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

**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 31 March 2018	Year ended 31 March 2017
Number of accounts (Nos)	719,934	246,268
Aggregate value (net of provisions) of accounts sold	12,769,684,810	4,862,078,899
Aggregate consideration	12,769,684,810	4,862,078,899
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.

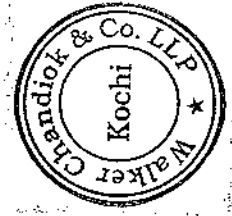
**h) Asset liability management**

**As at 31 March 2018**

	Maturity within							Total
	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	5 years and above	
Deposits	5,169,654,077	10,566,100	49,618,763	94,456,120	285,371,269	474,889,249	-	6,134,545,568
Advances	1,345,229,347	1,008,474,277	1,040,081,239	3,091,866,914	4,855,751,715	5,988,044,896	-	17,329,468,388
Borrowings	772,864,930	602,633,585	723,591,083	2,062,093,069	3,897,857,092	7,056,196,354	1,650,000,000	17,515,236,113

**As at 31 March 2017**

	Maturity within							Total
	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	5 years and above	
Deposits	2,829,269,896	5,000,000	5,342,631	59,757,833	234,779,709	442,521,581	-	3,684,857,811
Advances	745,191,343	540,770,486	561,676,564	1,692,213,308	3,037,640,729	3,341,374,212	-	9,918,866,642
Borrowings	307,546,506	256,515,262	246,429,774	907,273,207	2,109,400,022	5,836,150,274	250,000,000	11,313,315,045



**Muthoot Microfin Limited**
**Summary of significant accounting policies and other explanatory information**
*(All amounts are in Indian Rupees, unless otherwise stated)*
**32 Additional disclosures required by RBI**
**i) Exposures**

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

**j) 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	7-Feb-18	Refer note below	A-/Stable	9,500,000,000
Bank Loan Rating	India Rating & Research	14-Feb-18	Refer note below	IND A -	2,000,000,000
Comprehensive MFI grading	CRISIL	April-17	March-18	M2C1	Not applicable
NCD	India Rating & Research	14-Feb-18	Refer note below	IND A -	750,000,000
NCD	CRISIL	4-Jan-18	Refer note below	A-/Stable	750,000,000
NCD	CRISIL	4-Jan-18	Refer note below	A-/Stable	700,000,000
NCD	CRISIL	4-Jan-18	Refer note below	A-/Stable	400,000,000

**Note:** the rating is subject to annual surveillance till final repayment/redemption of related facilities.

	Year ended 31 March 2018	Year ended 31 March 2017
<b>o) Provisions and Contingencies (shown under the head expenses in Statement of profit and loss)</b>		
Provision towards NPA	159,526,092	263,570
Provision made towards income tax	417,366,984	218,718,158
Provision for gratuity	16,782,759	7,922,852
Provision for compensated absences	2,580,179	1,505,643
Provision towards standard assets	-	57,128,674

**p) Draw down from reserves**

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

**q) Concentration of Advances, Exposures and NPAs**
**(i) Concentration of Advances**

Total Advances to twenty largest borrowers	1,200,000	900,000
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	0.01%	0.01%

**(ii) Concentration of Exposures**

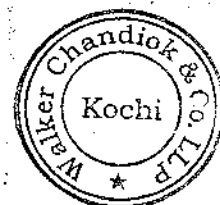
Total Exposure to twenty largest borrowers / customers	1,200,000	900,000
Percentage of Exposures to twenty largest borrowers/customers to total exposure	0.01%	0.01%

**(iii) Concentration of NPAs**

Total Exposure to top four NPA accounts	179,318	177,616
---	---------	---------

**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	-	-



**Muthoot Microfin Limited****Summary of significant accounting policies and other explanatory information***(All amounts are in Indian Rupees, unless otherwise stated)***32 Additional disclosures required by RBI****s) Movement of NPAs**

	Year ended 31 March 2018	Year ended 31 March 2017
Net NPAs to Net Advances (%)	1.97%	0.26%
Movement of NPAs (Gross)		
Opening balance	28,753,888	2,396,911
Additions during the year	566,848,169	27,515,102
Reductions during the year	(560,964)	(1,158,125)
Closing balance	595,041,093	28,753,888
Movement of Net NPAs		
Opening balance	28,466,349	2,372,942
Additions during the year	307,578,012	27,239,951
Reductions during the year	-	(1,146,544)
Closing balance	336,044,361	28,466,349
Movement of provisions for NPAs (excluding provisions on standard assets)		
Opening balance	287,539	23,969
Provisions made during the year	159,526,092	263,570
Transfer from provisions on standard assets	99,183,101	-
Closing balance	258,996,732	287,539

**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**

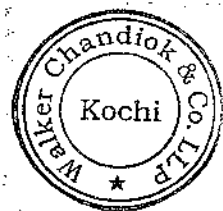
The Company did not have any Joint Ventures and Subsidiaries abroad.

**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%



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

**32 Additional disclosures required by RBI**

**y) Disclosure of frauds reported**

**Year ended 31 March 2018**

Particulars	Less than 1 lakh		1 lakh to 5 lakh		5 lakh to 25 Lakh	
	No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
<b>A) Persons Involved</b>						
Staff	-	-	-	-	1,134	3,131,388
<b>Total</b>	-	-	-	-	1,134	3,131,388
<b>B) Type of fraud</b>						
Unauthorised credit facility extended	-	-	-	-	-	-
Misappropriation and criminal breach of trust	-	-	-	-	1,134	3,131,388
Cheating and forgery	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	1,134	3,131,388

**Year ended 31 March 2017**

Particulars	Less than 1 lakh		1 lakh to 5 lakh		5 lakh to 25 Lakh	
	No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
<b>A) Persons involved</b>						
Staff	-	-	-	-	3,398	5,316,699
<b>Total</b>	-	-	-	-	3,398	5,316,699
<b>B) Type of fraud</b>						
Unauthorised credit facility extended	-	-	-	-	-	-
Misappropriation and criminal breach of trust	-	-	-	-	3,398	5,316,699
Cheating and forgery	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	3,398	5,316,699

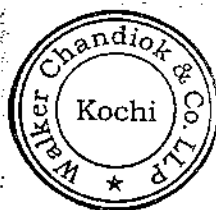
**Note:**

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

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

per Sumesh E S  
Partner  
Membership No.: 206931



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

*Thomas Muthoot*  
Thomas Muthoot  
Managing Director  
DIN: 00082099

*Nesthu Ajay*  
Nesthu Ajay  
Company Secretary

Place: Cochin  
Date: 03 May 2018

*Thomas John Muthoot*  
Thomas John Muthoot  
Director  
DIN: 00011618

*Praveen T*  
Praveen T  
Chief Financial Officer

*Thomas George Muthoot*  
Thomas George Muthoot  
Director  
DIN: 00011552

