SPANDANA

SPANDANA SPHOORTY FINANCIAL LIMITED

Offering Financial Services to Low Income Households

ANNUAL REPORT

2018-19

Message to Stakeholders

Padmaja Gangireddy

Dear Stakeholders,

I am glad to share that your Company extended its growth trajectory to reach a consolidated AUM of Rs. 44,373 million as of March 2019 (year-on-year growth of 40%) and is well-positioned to cross its historical highest AUM of Rs. 45,000 million during Q1 FY19 itself. The year witnessed multiple external events which impacted the NBFC industry in general and MFIs, in specific cases. Well, the ride has never been easier but these events have always made Spandana stronger than what it was before and making it more resilient.

Spandana expanded its operations to Tamil Nadu (TN) and Pondicherry in FY19, in addition to the existing 15 states. Considering the saturated nature of microfinance market in TN, Spandana offers only loans against property and business loans in the state. The branch network grew by 231 from 694 branches in March 2018 to 925 in March 2019. This is in line with Spandana's philosophy of penetrating deeper in its operating areas and serving most of the potential customers. The branch expansion was supported by addition of 1,928 loan officers.

Spandana's endeavour to become a one-stop shop for financial requirements of its borrowers led to the launch and expansion of three new products – Loans against Property (AP, Telangana and TN), Housing Loans (AP, Telangana and TN) and Business Loans (across India). These products have scaled to an outstanding Rs. 484.5 million within a short span and we expect it to grow further due to the huge potential available in these markets. Another significant initiative was implementation of cashless disbursement of loan amount to all our borrowers. We started it in December 2018 and by March 2019, 99% of the total monthly disbursement was cashless. It showed Company's versatility in adapting better practices without much impact on the business.

Another focus area for Spandana was to improve efficiency at the field level considering significant expansion of the branch network during second half of FY18. When expansion and efficiency are not spoken at the same time, we did exactly that. Operational improvements resulted in beating our own record for the lowest Opex ratio (operating expense to average AUM) in the industry at 4.6%. However, I strongly believe that there is a lot of scope to further improve as indicated by lower AUM per branch and AUM per borrower compared to the industry and bring the Opex ratio down to around 3.5%.

Spandana recorded it's highest-ever revenue and profits before tax during FY19 of Rs. 10,485.3 million and Rs. 4,734.7 million respectively. Continuous focus on bringing down the borrowing costs also contributed to it. Today, we have 28 lender partners compared to 3 partners a couple of years ago. Their incredible support has exceeded our expectations.

Rating agency ICRA upgraded our long term credit rating from [ICRA] BBB+ (Stable) to [ICRA] A- (Stable) on March 29 2019. Spandana received two credit rating upgrades during FY19 alone and three upgrades in a span of less than 2 years, since the CDR exit in March 2017. This upgrade was provided despite the tough market scenario for NBFCs in general, which is an external reaffirmation of the measured growth over this period and reflects incredible strength of the Company.

Our prayers are with the families affected by the worst floods in Kerala in a century. The devastating event resulted in the death of over 400 people and tens of thousands of people were dislocated from their respective homes in August 2018. We extended our support by undertaking relief measure in the form of essential provisions, clothes, water among others to the affected ones. On our portfolio exposure in Kerala, while repayments were impacted in August and September, the state quickly recovered and got back to 99%+ collection efficiency. Considering the positive credit behaviour of our customers, we further opened new branches in the state.

Default by one of the largest real estate conglomerate, IL&FS, resulted in liquidity crisis for NBFCs. Consequently, asset-liability management (ALM) gained significance among all the lenders to NBFCs. Since NBFC-MFIs have a positive ALM in general, with average maturity of portfolio being lower than the average maturity of its borrowing and the build-up of cash reserves of over Rs. 4,500 million by September 30, Spandana tided over it comfortably without any impact on its growth.

It was also a year during which the processes were laid to take Spandana public. We filed the DRHP with SEBI on June 25 2018 and received final comments from SEBI on October 12 2018, which is valid for 12 months. However, due to the then prevailing market conditions and uncertainty arising from IL&FS' default in September 2018, we delayed it. Depending on the outcome of elections and market conditions, we will be looking at a window during FY20.

On the corporate side, Spandana raised a small equity round of Rs. 1,382 million from existing and new individual shareholders. Considering NBFC-MFI's limitation on expanding the non-microfinance portfolio beyond 15% of the total AUM, Spandana acquired its group NBFC entity – Criss Financial Holdings Limited, with a foresight to support the expansion of other products.

In our experience, elections have a very limited impact on microfinance operations in general. Every single year, there are elections at multiple levels of governance – Panchayat, Mandal, Municipality, State, Central among others. However, there has been nil to marginal impact on the industry across the 20+ years of microfinance operations in India. The State elections in Madhya Pradesh, Rajasthan and Chhattisgarh are a case in point and we further believe that the Central elections in 2019 wouldn't be any different. As a result of consistent focus on operations and various system-based controls, our asset quality continues to be an industry defining one. The Gross and Net PAR 90 as of March 31 2019 were 0.10% and 0.01% respectively.

We thank our customers for continuously preferring us for their financial requirements. We are glad that we are able to positively impact the lives of 2.5 million households and this motivates us to reach out to more people. We can't thank our employees enough for all the hard work and dedication they show in the field and acting as the face of Spandana. We are also thankful to our lenders and investors who continuously support us in furthering our financial inclusion goal.

We hope that you would see Spandana as a listed entity during the next annual general meeting!!

Padmaja Reddy
Founder & Managing Director

Table of Contents

Corporate Philosophy

Mission

We want to be one of the most significant microfinance service provider by offering a range of financial and non financial products and services to low income households and individuals to improve the quality of life. We constantly endeavour to deliver quality services to our clients and remunerative returns to our Investors by maintaining highest levels of transparency and integrity. We strive to be the most preferred Employer in the Industry.

Name

Spandana stands for 'responsiveness'. Spandana started as a response to a need and an opportunity and continues to operate with the same philosophy. After transformation into an NBFC, Spandana added the following phrases to its name – Sphoorty Financial Services. Sphoorty stands for 'inspiration' – this exemplifies the growth of Spandana in provision of larger bouquet of financial services to larger client base.

SPANDANA

Core Values

TRICS exemplifies our core values -

- Transparency - Maintaining simplicity and clarity in all activities and operations, so that high standards of fairness can be established in all the dealings.
- Responsiveness - Constantly working to identify the changing needs of clients and potential clients, and developing suitable products and services to address these needs thus keeping Spandana ahead of its competitors.

- Integrity - Maintaining high standards of conduct, truthfulness and honesty in all dealings, in order to honour the commitment made to our clients and organization.
- Commitment - Performing all activities and tasks with professionalism and enthusiasm in order to give the highest level of client satisfaction and optimal efficiency.

- Team Spirit- Working together as to create synergy that results in exponential growth.

Logo

Spandana's logo depicts a sunflower's open petals. This highlights the responsiveness of Spandana towards its client needs. The disjoint petals highlight that Spandana is an open and innovative organization which promotes its employees to challenge the conventional methods and conventional wisdom and bring about innovation in their actions such that the theme of Operational Efficiency is sustained.

Corporate Color

The sunrise yellow – as corporate color of Spandana comes from the Sunflower and denotes a sense of celebration associated with the opening of sunflower and starting of economic activities in our client households.

Background

Spandana Sphoorty Financial Limited (SSFL) operates as a Non Banking Finance Company (NBFC) incorporated under the Companies Act, 1956 and licensed by the Reserve Bank of India (RBI) under the Reserve Bank of India Act, 1934 to carry on the business of a Non Banking Financial Institution. With release of NBFC- Micro Finance Institution (NBFC-MFI) as a new category of NBFCs, the company has been reclassified as an NBFC-MFI.

The micro-credit programme of Spandana started in 1997 when Spandana operated as a Society (Spandana Urban and Rural development Organisation – SRUDO). Later, our founder Mrs Padmaja Reddy promoted a company licensed as an NBFC – first named as Spandana Sphoorty Innovative Financial Services Limited (SSIFL) and the microfinance program of Spandana was then conducted under SSIFSL. Later the name of SSIFL was abridged to Spandana Sphoorty Financial Limited.

Through the 21 year history of this microfinance program, first under SRUDO and later under SSFL, Spandana has been committed to strengthening the socio-economic status of low-income households – particularly women – in rural and urban areas by providing financial services in order to help improve livelihoods, establish identity and enhance self-image. The lending program has been funded by different Financial Institutions – like Public Sector Banks, Private Sector Banks, Foreign Banks, Development Financial Institutions and other Financial Institutions.

> *Spandana has been one of the largest and most seasoned MFI in India. Through the history of its Microfinance Programme, first as SRUDO and later as SSFL, it has done a gross loan disbursement of over Rs.350 billion (35,000 crore) in the last 21 years.*

Spandana follows both the group based and the individual micro-credit lending model wherein both the models, the loans are given to individuals based on their household economics. Besides micro-credit, it has offered various other loan products in its journey as an MFI. This includes the Agri-Family Loans, Farm Equipment loans, Small Mortgages, loans against Gold jewellery etc.

Target segment of Spandana is low-income households who are un-banked and under-banked. The under-banked households may have access to banking services but the lack of door-step banking and para-banking services makes it inconvenient for the low-income customers to transact with the Banks. The products offered by the Banks may not meet their Banking requirements. This is where MFIs like Spandana fill the demand gap by providing services close to their doorstep. Further, providing Credit or Loans to women borrowers also has an indirect impact of empowering them and making them participate in decisionmaking at the household level.

Women are able to manage and grow their micro-enterprises with access to capital from MFI loans and that helps them in repaying their loans without losing a day wage.

Guntur Town, Andhra Pradesh, India. During a hot summer afternoon of 1997, when most of the women would prefer a siesta, Mrs. Padmaja Reddy saw a women rag-picker on the street buying household reject items on a push cart. Her entrepreneurship made Mrs. Padmaja curious. Speaking to her, Mrs. Padmaja realized that the lady was working very hard but not getting commensurate returns and lived in poverty. This was mainly because the lady was paying an exploitative daily rent for the cart that cumulatively far exceeded the cost of buying scores of such carts. The rag picker was using a rented push cart worth Rs.2,000 for which she had been paying Rs.10 per day for the past twenty years. While she had paid almost Rs.60,000 over the years but she still did not own the cart.

It was evident that the woman's inability to pay a lump sum amount to buy a cart had denied her control of her own livelihood. The lack of access to affordable and serviceable capital was leaving little alternative options for her. While a bank would never provide credit to her on many accounts, the money-lender was far too exploitative. Mrs. Padmaja Reddy decided to lend her a little money, enough to buy the cart. The money was given with a promise of timely and reasonable repayments. The hard working woman started using her new self-owned push cart, she could save on the rent cost and repaid the money conveniently from her increased returns while saving some more to improve her well-being. She also spread the word that there was a lady who was helping economically active women with loans. It seemed to strike the right chord with several low-income people, and soon there were many waiting to meet Mrs. Padmaja Reddy at her doorstep.

> It is but seldom that an everyday experience is so profound and timely that it stirs in a person the courage to set things right.

Inspired by many such experiences, Mrs Padmaja Reddy, started a Non-Government Organisation (NGO) called Spandana Urban and Rural Development Organisation (SRUDO) in 1998. Starting from practical ideas of market linked welfare initiatives to incubating a small microfinance program, the initial journey was full of excitement and hope of making a substantial impact. The gradual growth and large attention from outside world re-enforced the belief that this was something good and worthy of pursuing. The success of Spandana's initial clients in their economic growth from using the loan was re-assuring us that we were doing some good. Critical support from lenders and other stakeholders was forthcoming and micro-finance program grew backed by demand from our customers.

As the scale was increasing, Mrs Padmaja Reddy realised the need to conduct this business under a corporate set-up and prepare for next stage of growth. She promoted a company in 2003 called Spandana Sphoorty Innovative Financial Services Limited (SSIFSL) and obtained a Non-Banking Financial Institution (NBFI) license from Reserve Bank of India in 2005. All the microfinance business from the following years has been conducted under the corporate set-up. With corporatization and NBFI license from RBI, we became formally regulated, became a taxpayer, and complied with corporate governance norms and got the best of Credit Rating. SSIFSL's name was later abridged to Spandana Sphoorty Financial Limited (SSFL).

Timeline: Major developments

▨ No. of Borrowers (No.s in 000s)

▨ Asset Under Management (Rs. in Million)

	No. of Borrowers (No.s in 000s)	Asset Under Management (Rs. in Million)	
2002-03			• Spandana Sphoorty Innovative Financial Services Limited (SSIFSL) incorporated on 10 March, 2003
2004-05			• SSIFSL receives license to operate as a Non-Banking Finance Company on 16 Oct, 2014 • Diversified into Karnataka as the second state after growing operations in Andhra Pradesh state
2005-06	320	2,894	• Business conducted under the NBFC licensed company setup (SSIFSL) • CRISIL upgrades grading to mfR2; one of the most profitable MFI with one of the lowest Opex ratios • Farm Equipment Loans product piloted • Emerges as the largest MFI in the country by Porfolio size
2006-07	669	3,983	• Rollout into newer geographics states of Tamil Nadu, Pondicherry and Maharashtra • Strong operating metrics sustained in new geographies-validating scalability of business model across geographies
2007-08	1,189	7,313	• First PE investment round with JM Financial & Lok Capital investing Rs.500 Mn • Rollout into more states – viz. Orissa, Chhattisgarh, Rajasthan and Madhya Pradesh.
2008-09	1,776	18,683	• Second round of PE infusion with Valiant Capital investing Rs.100cr • Rollout into more states – viz. Jharkhand and Goa • Company has 2nd largest AUM and client outreach among MFIs in India
2009-10	2,565	34,258	• Portfolio grows by 100% CAGR during previous 3 years • Retained surplus for the year crosses Rs.2,000 million mark, first for any MFI in India with one of the highest ROEs backed by one of the lowest Opex Ratio.
2010-11	3,230	28,506	• H-1: Highest rating grade of mFR1 from CRISIL; AUM crosses Rs.44 Bn (USD1Bn) with peak outreach of 3.6 mm borrowers with 14,000 staff; prepares for further Equity raise to fuel the next round of growth • H-2: AP-MFI (regulation of money lending) Act puts onerous curbs leading to large scale defaults in the State of Andhra Pradesh which constituted 51% of the Portfolio; • H-2: Rapid shrinkage in good book due to debt servicing; Spandana opts for Corporate Debt Restructuring (CDR) with its lenders in March-11

Timeline: Major developments.... contd.

2011-12	2,713	22,335	• CDR agreements signed with deep restructuring of debt with tenor extention and part conversion to OCCRPS. • With liquidity relief from CDR, the drop in the good book could be controlled and with cost rationalisation, the operating break-even restored by the end of the year (Q-4:FY12)
2012-13	1,108	9,358	• Growth in good book resumes from Q3-FY13 onwards; company back to reporting operating profits; core viability re-established · Market share still significant @>5%, Spandana is 3rd largest MFI by volume of disbursements for this year; • All Outstanding "old AP portfolio" provided for, hence not appearing in AUM here; provisions for AP bad book leads to negative PAT of Rs.11 Bn crore and Networth turns negative • Cumulative disbursements cross Rs.200 Bn crore since inception of program under SRUDO
2013-14	1,113	9,018	• Interim relief from Supreme Court helps resume operations in AP on a low key; helps improve overdue collections • Portfolio diversification improves with largest state coming below 30% mark; Foray into Uttar Pradesh Recorded PAT of Rs.64 crore • Commulative disbursments across Rs. 200 Bn.
2014-15	1,025	11,926	• Recorded PAT of Rs.1 Bn; Stable outreach; portfolio up marginally • Portfolio diversification improves with no state >25% of AUM;
2015-16	1,066	12,190	• Continue to hold on to operations; rationalised costs to report a healthy PAT of Rs.2 Bn with only a marginal portfolio growth
2016-17	1,056	12,969	• At the year-end, exited CDR Mechanism; Raised Rs.5.1 Bn equity Capital from Kangchenjunga and Kedaara AIF-1; Primary infusion of Rs.3.0 Bn happened into the company; Sets stage for growth in coming years with Capital buffer • Experienced a sectoral impact on collections of MFIs following Demonetisation in Nov-16 affecting the cashflows of the client segment
2017-18	1,586	31,663	• Resumed year on year growth with better utilisation of branch infrastructure; expanded outreach to 2 new states to reach 15 states and 222 districts serving 1.6 mn borrowers through 694 branches • AUM increasing by 144% and borrowers increased by 50% • Networth grows to Rs.9.8 Bn with Rs.1.7 Bn of PAT and fresh capital infusion; RoE at 23%
2018-19* (IndAS)	2,459	44,373	• Operational outreach expanded to 2 new states, 42 new districts and 231 new branches catering to a total of 2.5 Million customers • AUM increased by 40%, customers increased by 55% • Further improved diversification with no state contributing to more than 20% of the total AUM • Strong growth and good asset quality despite multiple events like liquidity squeeze, floods, state elections among others • Implemented cashless mode of disbursement Launched two new products - Housing Loans and Business Loans; expanded Loans against Property • Filed DRHP with SEBI for IPO

We have been clear that we are not doing poverty alleviation; we are only providing a loan. This loan was helping the poor in fostering the spirit of entrepreneurship, diversifying and growing their income earning potential and thus helping them in asset creation. It was coincidental that it had a poverty reduction dimension.

We have always thought that we were participating in nation building and therefore in the agenda of the welfare state. Profits and welfare - both going together is not dichotomous – but can be achieved through social enterprises like microfinance institutions.

Through its history, Spandana has experienced three very large and debilitating crises on its operations and has emerged back with resilience – stronger and more committed to its mandate. Wading through these business environment, Spandana team has held a strong belief that the low-income community is credit worthy and lending to them can be a good business proposition.

Some of the inherent risks are now largely addressed with higher level of regulatory supervision on this sector by the RBI, addressing some of the potential vulnerabilities on the MFI Industry like charging/ pricing, soft recovery practices, prevention of over-indebtedness of borrowers etc

*On December 27 2018, Spandana acquired 95.97% of the equity shares of Criss Financial Holdings Limited (Criss) and further on December 28 2018, Spandana subscribed to issue of fresh equity shares of Criss. This resulted in Spandana holding 97.54% stake in Criss. All operational numbers for FY2018-19 are reported on a consolidated basis.

Customer Case Studies

Spandana has been successfully operating across 925 branches across 17 states catering to the needs of 2.5 million customers. From thousands of our customers' success stories, we have presented below two of them.

Spandana has been operating in T Narasipura since 2010. T Narasipura is a small town 143 k.m. away from Bengaluru, the state capital of Karnataka.

Mrs. Kamala, aged 41 years, runs a small business in Agasarahalli, T Narasipura. She and her husband own a general kirana shop and she runs a garland business on her own. She was going through financial crisis after her marriage and was finding it difficult to sustain. She came across Spandana and borrowed a small sum of money to tide over her crisis and to grow their business. Now, she has been Spandana's customer for the last 8 years.

She says, "Spandana has really transformed my life. I have never missed a single payment schedule. I was badly affected during crisis times but Spandana has been always by my side whenever I needed financial support."

She has been choosing Spandana over other MFIs due to the service excellence and customer centric process which makes loan process and collection very easy for customers. She has expanded her business, built a house of her own and now is planning to buy a sewing machine to start tailoring business.

SPANDANA

Spandana has been operating in Jabalpur since 2010. Jabalpur city is located 330 k.m. from Bhopal, capital of Madhya Pradesh.

Mrs. Sushila Bai from Bhola nagar, Jabalpur is a kirana store owner. Immediately after her marriage, she went through a lot of financial difficulties of a typical poverty stricken family but she never gave up. She showed perseverance and came post those difficult times.

She has lived in this small hut for the past twelve plus years after she got married. Her initial years were a struggle and soon had two babies to take care of. She heard of Spandana and availed a loan. She invested the loan amount in her small provision store and expanded the range of products. As a result, her earnings improved, sales increased and so did her savings. Since then she has been a loyal customer of Spandana and hasn't borrowed anywhere else. Now, she is planning to further expand her business with a higher ticket size loan.

Management Discussion and Analysis*:

1. Operational Growth:

Closely monitored expansion

1.1 Geographical Expansion

We expanded our operations to 2 new states and 42 new districts in FY19 marking our presence in a total of 17 states and 264 districts. There has been a 33% increase in the number of branches as compared to the previous year.

1.2 Customer Acquisition

We have added a total of 0.9 Million customers in FY19, an increase of 55% in the customer base compared to previous year. We disbursed 1.9 Million loans in FY19 displaying a growth of 12% compared to FY18. In terms of value, disbursement increased by 29% on a year-on-year basis.

1.3 Staff wise growth

Spandana has a total of 6,656 employees. During the year, the employee base increased by 65%, which led to an increase in the staff per branch ratio from 5.8 in 2018 to 7.2 in 2019. Despite this, we have the least number of employees per branch among major MFIs indicating high levels of automation and efficiency. The field staff base has already been strengthened to support future growth.

2. Portfolio Mix:

Containing risks at State, District and Branch level

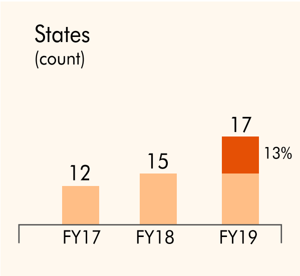
Spandana has been consistently maintaining a good portfolio mix across – ticket sizes, loan cycles and rural/ urban portfolio mix. These are presented in the below graphs. Vintage of business has helped us maintain a higher share of portfolio in advanced loan cycles showing seasoned business. A higher rural penetration gives us better asset quality.

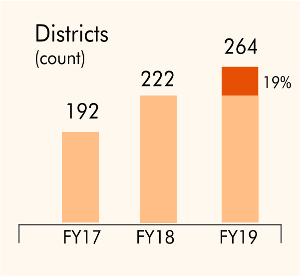
2.1 Ticket Size

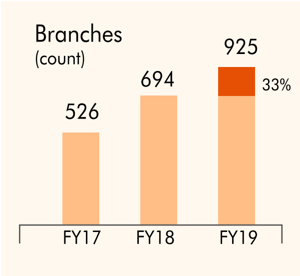
While continuing our product simplicity, we have been successful in maintaining a diverse mix of ticket sizes. We have been able to meet customer's needs and at the same time, limit the lending within overall caps set for customers, depending on local demographics. Average ticket size has increased by 15% to Rs. 26,279 during FY19 from Rs. 22,826 during FY18.

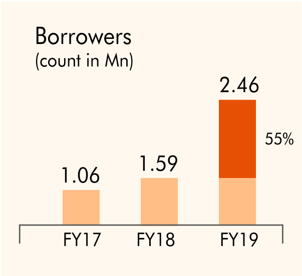
2.2 Cycle-wise Mix

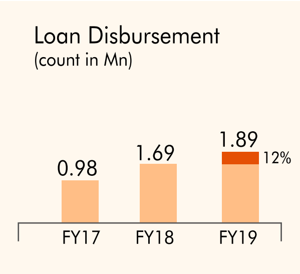
We have a much diversified portfolio across loan cycles. Rolling on the path of growth, we had 51% of our customers having first cycle loan portraying our ease of access to the under-served customers. Also, more than 34% of our customers are in 3rd cycle and above, showing our continual bond with customers year after year and a seasoned portfolio. Our customer-focused service has allowed us to retain customers and at the same time acquire new customers.

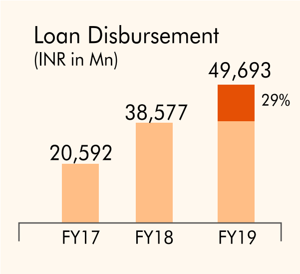


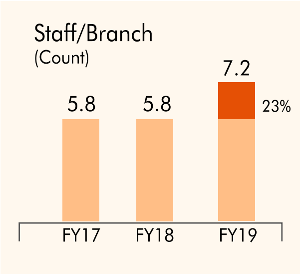


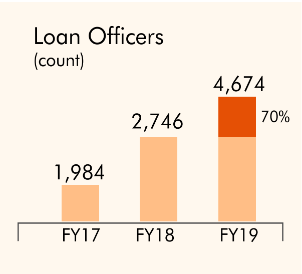


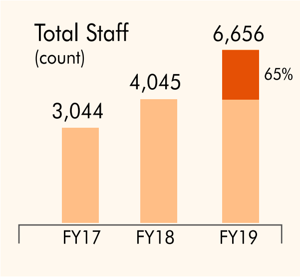


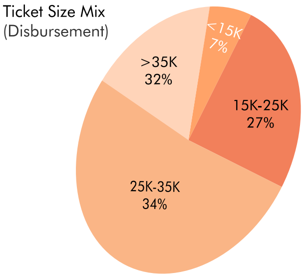


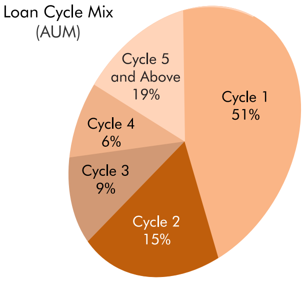


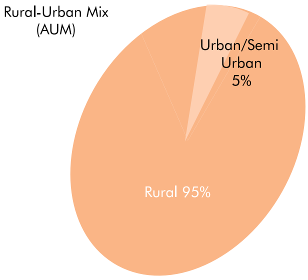












* All the operational and financial figures presented in this section for FY 2018-19 is on a consolidated basis.

2.3 Rural-Urban Mix

In the changing market dynamics, understanding the fact that the rural market has immense potential and exhibits better asset quality, we, at Spandana are focussing on the rural outreach. Working in urban areas has always been easy provided the connectivity and infrastructure but targeting the rural regions as our area of operations, gives us a good competitive advantage. Currently our exposure is divided as 95% Rural and 5% Urban. Also we have observed that rural customers are more disciplined about managing their finances and using their money judiciously.

3. Portfolio Diversification:

Containing risks at State, District and Branch level

We have been very conscious of the risks associated with geographical concentration of portfolio. We have been making efforts to diversify our exposures at every level possible while leveraging on the knowledge gained in each territory wherever we have entered. Our geographical diversification penetrates deep down starting from State level to as precise as Branch level. Additionally, our major focus has always been on increasing rural exposure.

3.1 State-level

Our journey to diversify portfolio began as we started growing the portfolio gradually across the years –

- By 2012, most of the impact of AP-microfinance crisis on portfolio was provided for. AP now comprised of 7% of performing portfolio while 40% was in the state of Karnataka. Top-7 states now included AP & Telangana(7%), Karnataka (40%), Madhya Pradesh (19%), Maharashtra (15%), Odisha (13%) and Chattisgarh (2%). States other than the top 7 comprised of 5% of portfolio.
- By 2019, portfolio diversification improved further with none of the states comprising more than 20% of the total portfolio, an internal benchmark used to contain portfolio concentration risk.
- As can be seen the previous chart, we have been consistently diversifying ourselves geographically. At each State level, besides capping our exposure at 20% of AUM, we also cap it at the level of our total Net worth
- Most significantly, the portfolio outside the Top-7 states now is 16% of the total portfolio compared to 12% in 2018 and 4% earlier in 2012
- State-wise Disbursements are also within the limit of 25%. Highest disbursement in FY19 was in Orissa at 21% of total disbursements followed by Madhya Pradesh (19%), Karnataka (13%) and Maharashtra (11%)

3.2 District-level

Besides state level concentration risk caps, we also have the caps operating at District level within the states. None of the Districts comprised of more than 2% of the total AUM.

Exposure of Districts	as of Mar-19	
% Contribution to Gross AUM	No. of Districts	% of Total Districts
<0.5%	191	72%
0.5% - 1%	58	22%
1% - 2%	15	6%
>2%	0	0%
Total	264	100%

Exposure of Districts	FY-19	
Proportion of Total Disbursements	No. of Districts	Proportion of Total Districts
<0.5%	184	70%
0.5% - 1%	66	25%
1% - 2%	9	3%
>2%	5	2%
Total	264	100%

94% of our districts contribute to less than 1% of the total AUM showing lesser concentration risk. Exposure to the top-10 districts is only 14% of the total AUM for Spandana, while it is much higher for other large MFIs/ SFBs.

Exposure of Districts	as of Mar-19	
Buckets	AUM (INR Million)	Proportion of Total AUM
Top 5 Districts	3,328.9	8%
Top 10 Districts	6,015.4	14%
Top 50 Districts	20,419.3	46%
Remaining Districts	23,953.5	54%

SN	State	FY19*		FY18		FY17		
		AUM(INR Mn)	% of Total AUM	AUM (INR Mn)	% of Total AUM	AUM (INR Mn)	% of Total AUM	
1	Orissa	8,866.0	20.0%	5,938.3	18.8%	2,896.4	22.3%	Total AUM of top 4 states grew by 17%
2	Madhya Pradesh	8,878.9	20.0%	6,967.4	22.0%	2,724.9	20.9%	
3	Karnataka	5,980.9	13.5%	7,070.8	22.3%	2,381.6	18.3%	
4	Maharastra	4,777.4	10.8%	4,367.1	13.8%	1,741.4	13.4%	
5	Chattisgarh	3,860.9	8.7%	2,352.5	7.4%	1,206.4	9.3%	Next 5 states' AUM grew by 86% YOY
6	Jharkhand	1,958.0	4.4%	1,157.2	3.7%	499.0	3.8%	
7	Andhra Pradesh	2,984.2	6.7%	1,145.3	3.6%	436.9	3.4%	
8	Kerala	2,008.4	4.5%	1,003.7	3.2%	451.6	3.5%	
9	Gujarat	1,405.4	3.2%	927.2	2.9%	365.1	2.8%	
10	Uttar Pradesh	274.9	0.6%	75.8%	0.2%	59.5	0.5%	New states grew at an exceptional rate of 410% and they are expected to further grow significantly
11	Goa	399.5	0.9%	209.2	0.7%	100.2	0.8%	
12	Bihar	1,143.9	2.6%	124.1	0.4%	1.4	0.0%	
13	West Bengal	519.2	1.2%	273.8	0.9%	130.0	1.0%	
14	Rajasthan	979.4	2.2%	6.6	0.0%	-	0.0%	
15	Telangana	294.5	0.7%	48.9	0.2%	21.1	0.2%	
16	Pondicherry	27.0	0.1%	-		-		
17	Tamil Nadu	14.3	0.0%	-		-		
	Total	44,372.8	100%	31,663.5	100%	12970.7	100%	

SN	State	FY19		FY18		FY17		
		Value of Loan Disbursed (INR Mn)	% of Total Loan Disbursements	Value of Loan Disbursed (INR Mn)	% of Total Loan Disbursements	Value of Loan Disbursed (INR Mn)	% of Total Loan Disbursements	
1	Orissa	10,238.0	20.6%	7,210.7	18.7%	4,747.1	23.1%	Total disbursements of top 4 states grew by 8% YOY
2	Madhya Pradesh	9,381.3	18.9%	8,332.3	21.6%	4,314.2	21.0%	
3	Karnataka	6,382.4	12.8%	8,520.8	22.1%	3,640.4	17.7%	
4	Maharastra	5,281.8	10.6%	4,952.8	12.8%	2,428.0	11.8%	
5	Chattisgarh	4,373.8	88%	2,867.3	7.4%	1,899.8	9.2%	Next 5 states grew by 60% YOY
6	Andhra Pradesh	3,734.3	75%	2,297.3	6.0%	1,021.7	5.0%	
7	Jharkhand	2,732.3	55%	1,687.8	4.4%	1,053.0	5.1%	
8	Kerala	1,954.6	39%	1,086.8	2.8%	634.5	3.1%	
9	Gujarat	1,597.8	32%	1,035.0	2.7%	597.9	2.9%	
10	Bihar	1,448.2	2.9%	154.3	0.4%	1.4	0.0%	New states grew at an exceptional rate of 586% and looking at the potential in these states, presence is expected to improve further
11	Rajasthan	1,112.5	2.2%	6.6	0.0%	-	-	
12	Goa	421.1	0.8%	227.9	0.6%	125.1	0.6%	
13	Telangana	275.2	0.6%	75.6	0.2%	-	-	
14	Uttar Pradesh	358.0	0.7%	97.4	0.3%	128.6	0.6%	
15	West Bengal	348.9	0.7%	23.7	0.1%	-	-	
16	Pondicherry	37.9	0.1%	-	0.0%	-	-	
17	Tamil Nadu	14.9	0.0%	-	0.0%	-	-	
	Total	**49,692.8**	**100%**	**38,576.7**	**100%**	**20,591.7**	**100%**	

3.3 Branch-level

Within Districts, at each branch level too, exposure risk cap applies with no branch to exceed 0.40% of the total AUM

Exposure of Branches	as of Mar-19	
Proportion of Gross AUM	No. of Branches	Proportion of Total Branches
<0.15%	718	77%
0.15% - 0.25%	201	22%
0.25% - 0.35%	6	1%
>0.35%	0	0%
Total	925	100%

4. Productivity Metrics:

Customer satisfaction resulting in efficient operations

We have been very conscious of the risks associated with geographical concentration of portfolio. We have been making efforts to diversify our exposures at every level possible while leveraging on the knowledge gained in each territory wherever we have entered. Our geographical diversification penetrates deep down starting from State level to as precise as Branch level. Additionally, our major focus has always been on increasing rural exposure.

In order to leverage our branch network, we strengthened our feet on the street – loan officer base. As this sales force starts to operate at an optimum level, the efficiency will further improve. Also, due to lack of funds during CDR and disciplined approach post CDR exit, the AUM per customer is lower compared to the industry. As we improve this metric, opex ratio will further come down.

5. Process Developments

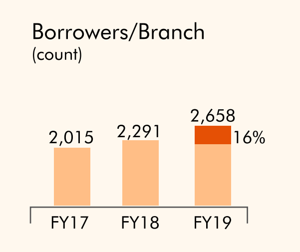
Continuous focus on improving the service

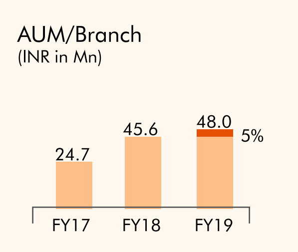
5.1 Cashless Disbursements

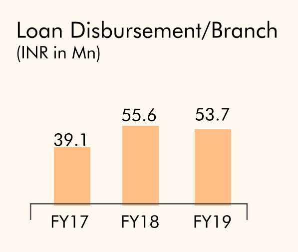
A common problem for our customers was commission to ring leaders and pipelining of loans. Prior to this, branch staff used to withdraw cash from banks or use recovery amount and disburse loans in cash at the branches. Since cash is given to each individual customer, it was easy for the ring leaders to take cash from them. Almost every delinquent loan had this problem and we decided to improve our process to eliminate this issue for our customers by doing cashless loan disbursements across all branches. After trying other modes of disbursements like Aadhaar-enables Payment System, NEFT, we started using IMPS for loan disbursements directly into our customers' bank accounts.

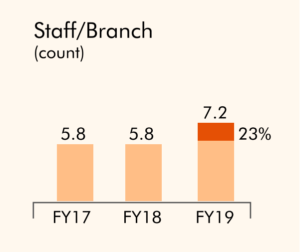
Month	No of loans disbursed in Cash (%)	Value of loan disbursed in Cash (%)	No of loans disbursed cashless (%)	Value of loans disbursed through cashless (%)
Nov-18	100%	100%	0%	0%
Dec-18	73%	72%	27%	28%
Jan-19	31%	22%	69%	78%
Feb-19	14%	11%	86%	89%
Mar-19	1%	1%	99%	99%

We shifted to cashless disbursements in December 2018 and by March 2019, we were able to disburse 99% of the total loans cashless.









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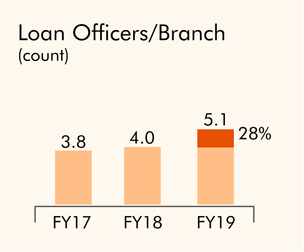
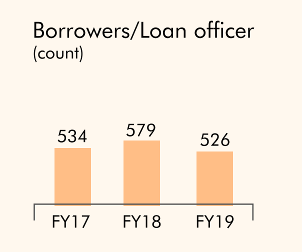
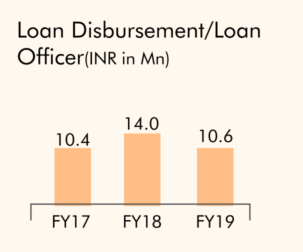
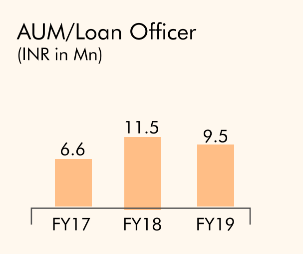
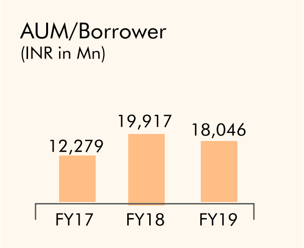
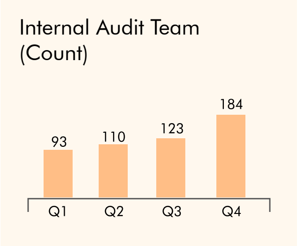


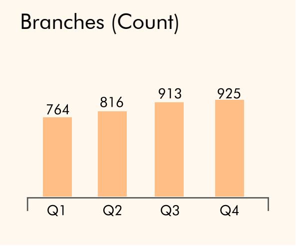


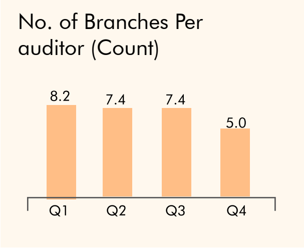












5.2 FinS – Mobile Application for Customer On-boarding

Other MFIs are using Tabs, which involve capital investment, maintenance and handover, when the field staff leaves. An android application, FinS, has been developed in-house to onboard and to update collections from customers. It has been developed in such a way that it can be used on any smart phone. Loan officers can access the app on their mobile and credit bureau check can be done instantly in two minutes. This has significantly reduced TAT for loan disbursement. We are piloting this in the states of Kerala and Rajasthan.

6. New Products

Deep customer understanding leading to new products

6.1 Business Loan

In order to cater to the segment of customers graduating to a level above microfinance and therefore needing a higher ticket size loan, we introduced Business Loans across our operating geographies. For these loans, the appraisal is based on the customers' business in terms of cash flow. The loans are used for meeting their working capital requirements, purchase of machineries, livestock, etc.

6.2 Loan against Property (LAP)

LAP is offered to business, self-employed and salaried people with regular income and owned mortgage-free house. We started offering LAP at 15 branches in A.P, Telangana and Tamil Nadu and are planning to expand further.

Type	Loan Size (INR)	Collateral Security	Disbursement mode	Tenure	Repayment frequency	Portfolio as on 31-Mar-19 (INR Million)
Loan against Property	1,00,000 - 30,00,000	Registered Mortgage of residential house/commercial property	IMPS/NEFT	1-7 Years	Monthly	444.7
Business Loan	30,000 – 2,00,000	10 Post Dated Cheques	IMPS/NEFT	1-3 Years	Monthly	39.4

7. Internal Audit

Combination of system-based and manual control over operations

Internal Audit department's objective is to keep a check across all the branches in terms of process compliance and at the same time, identify any possible financial misappropriations. Over the last few quarters, the strength of the Internal Audit (IA) team has increased gradually with more hiring and deployments. Addition to IA team has been higher than the growth in the number of branches. Branches grew by 33% while IA headcount grew by 121%.

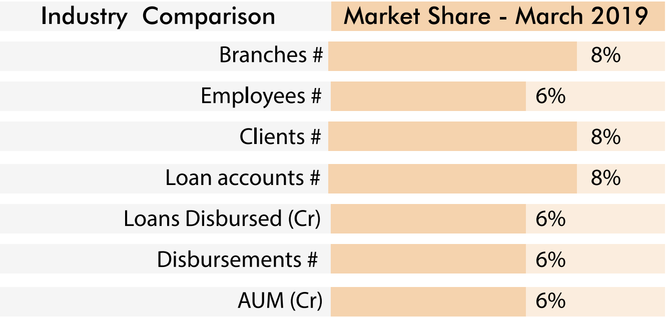
Quarter	No of Branches	No of Audits	No of Branches audited
Q1	764	615	615
Q2	816	838	700
Q3	913	851	666
Q4	925	889	688

- Intensity of IA is increasing with increase in headcount – we have 1 internal Auditor for every 5 branches compared to more than 8, a year ago. We are targeting to have an IA intensity of 4 branches per IA and continue hiring, training and deploying
- Apart from general branch audits, other audits are diligently done based on internal triggers which helps us in identifying any possible mishaps at branch level

8. Comparison with Industry:

Spandana has set many industry benchmarks over the last two decades

Spandana has 6% market share among all NBFC-MFIs (in terms of AUM). Also, 8% of the total customers (not unique) belong to Spandana. Spandana's share amongst NBFC-MFIs across various parameters is presented below:



On all parameters, Spandana's market share has grown in FY19 as compared to FY18 as below.

During FY19, Spandana focussed on improving its footprint and feet on the street which can be leveraged in the future. Also, due to its cautious disbursements in the states where elections happened, i.e. Madhya Pradesh, Karnataka, Chhattisgarh and Rajasthan, the growth in disbursements and AUM was moderate as compared to the industry.

9. Consolidated Financial Performance (IndAS):

Spandana has the best metrics across the industry

During FY19, Spandana crossed the INR 10 Bn Revenue mark for the first time in its history. Also, Spandana recorded its highest Profit before Tax of INR 4,735 Mn during FY19. Across all the financial metrics, Spandana has shown an improvement. Below graphs compare the FY17 and FY18 position with the current FY19 position on various financial parameters.

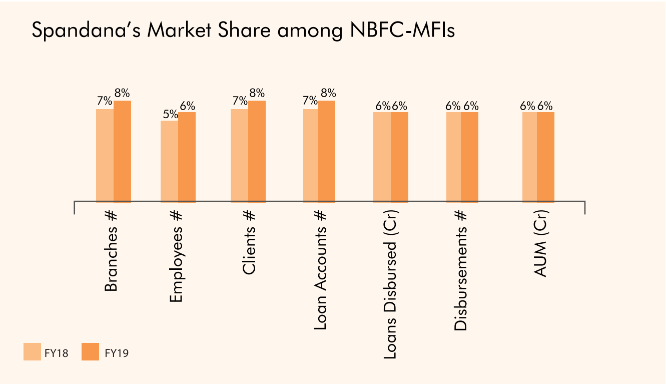
During FY19, we raised fresh capital of Rs. 1,382 Mn from a few of our existing shareholders to augment the growth of Spandana. Along with the profits generated during FY19, our equity base became stronger at 18,894 Mn as of March 31, 2019.

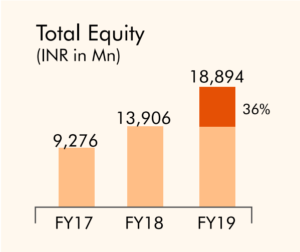
During FY19, we further diversified our borrowing base wherein we added multiple new banks, NBFCs and other institutions. As of March 31, 2019 we had a relationship with 28 institutions (10 banks, 12 NBFCs, 2 Mutual Funds, 2 Foreign Portfolio Investors and 2 other institutions). Our aggregate borrowings increased from INR 23,314 Mn in March 2018 to INR 29,677 Mn in March 2019. We also completed multiple securitization transactions and one assignment transaction during FY19, where the cost of borrowing was lower. Despite increased borrowings, the debt-to-equity ratio remained very comfortable at 1.57 times with a Capital Adequacy Ratio of 39.61%.

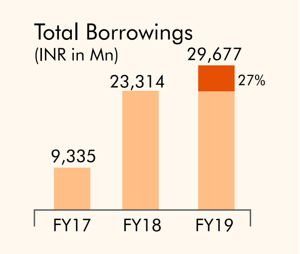
Our credit rating was upgraded twice during FY19 – from BBB (Positive) to BBB+ (Stable) in May 18 and further to A- (Stable) in March 2019 by ICRA. This resulted in reduced marginal cost of borrowing and also enabled us to approach more Public-Sector Banks.

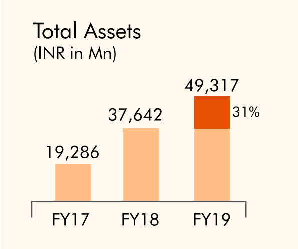
Optimal utilization of our existing infrastructure has been the major reason behind our operational excellence. We have always been known to maintain the lowest Opex ratio in the Indusry and we have been successful in further bringing down our operating expense ratio down to 4.5% in FY19 from 4.9% in FY18 which further adds to our increased profitability. Also, we have been able to further bring down our Cost to Income ratio from 30.5% to 24.9%.

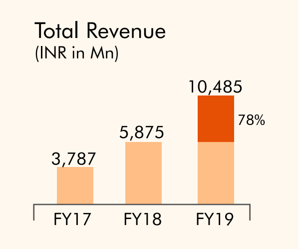
As a result of our focused growth and optimal operations, we have been able to generate industry leading return ratios. Our return on average AUM during FY19 was 8.2% and return on average equity was 19.0%. During FY19, there was no tax outflow in the form of cash but deferred tax was charged which is a notional accounting entry. The return ratios mentioned here are calculated using PAT without excluding such notional impact. During FY17, the return on average AUM was 35.21% and return on average equity was 79.77% due to recognition of deferred tax asset, which is an extraordinary item. With increase in financial leverage going forward, we expect the return on equity to improve further going forward.

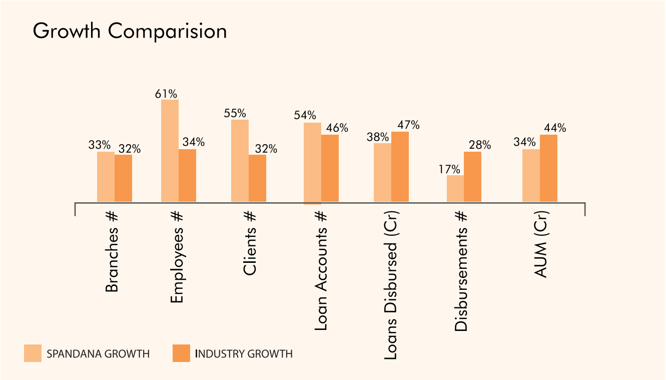


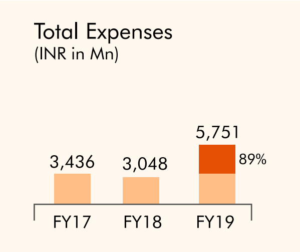


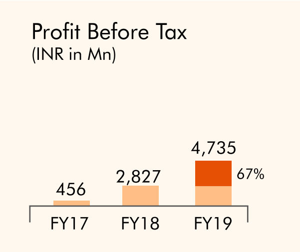




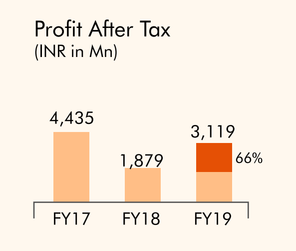


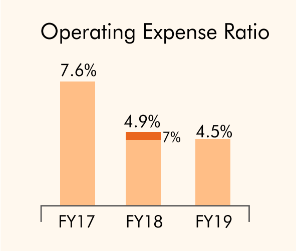


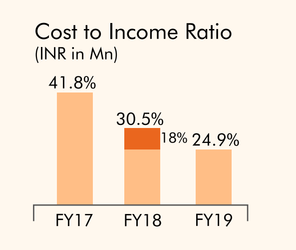


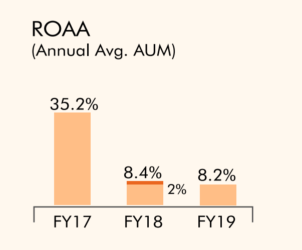


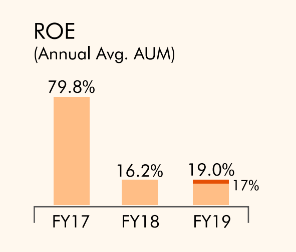
Management Discussion and Analysis:

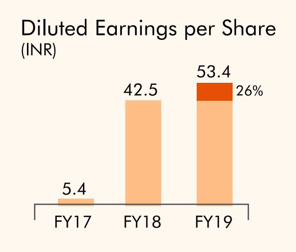

Profit After Tax
(INR in Mn)


Operating Expense Ratio


Cost to Income Ratio
(INR in Mn)


ROAA
(Annual Avg. AUM)


ROE
(Annual Avg. AUM)


Diluted Earnings per Share
(INR)

Staff Code of Conduct

Commitment to Transparency and Code of Conduct

Spandana believes in maintaining complete transparency. In its business transactions, it maintains complete transparency including disclosure of all charges for the services it provides. In this process, it also complies with the Fair Practices code of RBI for NBFCs, Industry Code of Conduct as laid down by the Industry associations - viz - Sa-dhan and MFIN and also its own Code of Conduct specifically for its staff. The code of conduct for its staff clearly lays down the Do's and Dont's of staff behaviour towards the clients. Spandana's Code of Conduct for its staff is presented here.

Spandana code of conduct for its staff

1. Every client should be treated with respect. We shall always address our clients in a respectful and polite manner. We shall never use any abusive or threatening language with our clients. We shall also not permit abusive language being used with our clients by other peer group members with respect to loan recovery.

DOs	DON'Ts
• While addressing them, use "Garu/ji" or equivalent respectful salutation. We shall give similar respect to the family members and neighbors of our clients. Treat every-body with respect irrespective of their age (including very young borrowers and kids). • When talking to the borrower, body language should be appropriate, we should not get restless, always keep smiling.	• If there are minors and aged people in the family, avoid discussing about loan default/ over-dues before them.

2. Other DOs and DON'Ts to be observed while doing customer interactions –

DOs	DON'Ts
• In case any unethical methods of collection and recovery efforts are observed from other MFIs, we shall report that to Head Office for reporting to Code of Conduct enforcement. • In case of any policy change, please communicate with the borrowers properly and ensure that they have understood the revisions and its impact on their transactions with the company. • Inform clients about the Feedback and Grievance redressal mechanism and re-affirm the same every once in 6 months and always at the time of new loan disbursal. • Even after the group training and loan disbursement, if any queries come on charges or loan features, these should be addressed with proper explanation to the satisfaction of clients. If they still have doubts, you should use the guidance of senior officers in explaining the details.	• We shall not promote nor allow any unethical methods of collection and recovery efforts by ourselves and our colleagues. In case any such incident is observed, we shall immediately report to the complaints cell. • Never discriminate based on caste and religion • Never insist on repayments during events of distress like bereavement in the family. • Never visit clients at odd hours for repayments • Without the borrower's permission, we should not enter his/her premises. We should also not be standing outside the borrower's house and make the borrower and his/her family uncomfortable. Never resort to any forcible entry into the house/ workplace of clients and do any forced seizure of any assets for unsecured loans.

3. For conduct of center meetings - Staff should follow the following meeting norms:

DOs	DON'Ts
• Conduct meetings at pre-agreed location and time • Ensure punctuality in attending centre meetings for the staff (all staff including BMs, RMs and others from HO who visit centers) Should practice good manners and respect all members Ensure that group stays cohesive and members regularly attend the meetings • Record and monitor attendance: Promote attendance in group meetings – except genuine cases where the members have informed the group in advance. Any member not attending for more than 6 weeks without any intimation to any of her group members, her house should be visited and details gathered.	• Should not maintain personal relationship with members • Should not accept any gifts/offerings from members • Do not refuse pre-payments. Do not charge anything beyond what is mentioned on the loan card/ repayment schedule and what is approved as per policy.

DOs	DON'Ts
● Try to conduct the meeting in a peaceful and cordial way – in case any member/s are agitated against each other, make efforts to diffuse/ resolve the situation. Never get emotional or agitated in the meetings. Always keep patience. ● Administer the pledge and promote productive use of loans ● Collect loan repayments, ensure that every borrower's loan card is updated fully with date and signatures; Or issue the receipt – as the case may be. ● Collect feedback from members on products and procedures. Address customer feedback and complaints ● Collect loan applications ● Record loans in the Centre Register & member loan cards	

4. In case of delinquent borrower/ group, use motivation and soft persuasion and to solicit repayments – all these guidelines are applicable to borrowers at any stage of their default.

DOs	DON'Ts
● We should give a patient hearing to the borrower and offer solutions to the borrower's problems. We should counsel the borrowers and improve our repayment culture. ● Recovery mechanism should always be smooth. When faced with recovery problems, the CAs should approach the BMs and RMs and act as per their suggestions. The CA along with the BM and wherever required, other officers, will visit the defaulting member along with the other group members and motivate them to repay. ● In case there are genuine reasons of cash-flow shortfall at the borrower household level, branch staff is empowered to defer the repayment collection by a few days up to the end of the week (for weekly loans)/ and end of the month (for monthly loans) depending upon the frequency of repayments. Any deferment of demand beyond that requires approval by Regional Manager/ Zonal Manager. In case of genuine instances, e.g. flooding due to heavy rainfall affecting income generating activities of some borrowers, for such borrowers, the collections can be deferred by 1 to 2 weeks with approvals as per policy. ● In all cases of willful defaults, visit the borrower regularly and motivate them to repay with soft persuasion. ● Inform the borrowers about fallout of their credit histories getting affected - which in turn would affect their ability to take further loans. ● The peer group members of the willful defaulters should also be requested to motivate the defaulters to repay. ● In all cases of willful defaults pursuant to any fraudulent customer behavior – e.g. faking KYC documents, misrepresentation of any other facts, mis-appropriation of money of group members, and misleading group members not to repay – we should gather proper evidence and pursue legally by filing police complaint and helping the police in investigations ● For Secured loans, following additional efforts need to be made – as per the terms of the loan agreement, probability and right of repossession of assets needs to be informed to the borrower after issuing due notices as per the loan agreements. We must release all securities on successful repayment of all dues associated with the loan.	● We shall not use any physical violence in our interactions with our clients and non-clients when faced with recovery problems. We should never enter into any kind of a physical assault with the borrower nor use un-parliamentary words. ● The group is always made responsible to look for solutions to repay loans and members are always given the understanding that it is their responsibility and they should find a solution for that. However, to recover the installment amount of members who have exited the group, we should not put pressure on the rest of the borrowers in the group. ● We should inform the group leaders too that they should not apply pressure on the borrowers who are unable to repay. ● We should not visit the borrowers at odd hours. ● Forcible entry into dwelling, use of muscle power for recovery of loans and forced seizure of property without legal orders is strictly prohibited – except in case of secured loans where the security can be enforced within the boundaries of the legal process.

Our customers are our strengths. As we endeavour to work towards greater satisfaction of our customers, we believe that in the long run the company would benefit with better quality customers and smoother operations.

Corporate Social Responsibility Initiatives

We have focused our CSR initiatives on imparting financial literacy to women of low-income segment. Through our experience, we learnt that many of these women often do not understand their own cash-flows, which results in the absence of any financial planning. At times, they fail to understand the economics of business and the opportunities available to them that will enable them to expand their business. We also observed that the women, though economically active and contributing to the household income, do not often play any part in the decision-making process.

Having identified these gaps, the financial literacy programs are designed to enable and equip them to understand household cashflows, understand various sources of saving and actively participate in financial planning and decision-making at the household level. As per our CSR Policy, we are required to contribute at least two percent of the average net profits of our Company made during the three years preceding financial years, on CSR.

These financial literacy programs were conducted in different states in their local language within the local context. The events also encourage cross-learning among the participants by giving them a platform to share their experiences, successes and challenges.

We also conducted workshops on business ideas to help women understand business opportunities in their local areas. For example, we facilitate these workshops by giving them a theme that allows them to come up with business ideas centered around it. Participants are then encouraged to pick appropriate ideas if they fix within their person context. Through these workshops, we strive to help women understand the markets and the demand-supply gap.

Disaster impacted households served

5,083 Homes Illuminated and installation of another 1,800 units is under way.

Relief measures undertaken across Kerala, Odisha & Andhra Pradesh

Solar lighting solutions in 663 villages across Gujarat, Rajasthan, Bihar, Jharkhand & AP

Spandana Providing Solar lighting solutions

Current Outreach:

State	Villages
Gujarat	48
Rajasthan	290
Bihar	274
Jharkhand	20
AP	31
Total	663

Board of Directors – Profile

Before we present the profile of Board of directors, we would like to pay our tributes to Mr Vijay Bhaskar who passed away on 4th May, 2018 while serving his term as the member on the Board of Directors of Spandana. Before his stint with Spandana, Mr Vijay Bhaskar had retired as Executive Director of Reserve Bank of India. His areas of expertise included Banking and Non-Banking Regulation and Supervision, understanding of dynamics in Domestic and International markets, Risk Management in financial markets. His key strengths were knowledge of various financial products, regulatory environment in India and abroad, immense experience as policy maker and dissecting the market behaviour and reaction to various policy initiatives and global perspective on all domestic issues. We pay sincere homage to Mr Vijay Bhaskar.

Brief Biographies of Directors

- **Deepak Calian Vaidya,**
  Non-Executive Chairman and Independent Director

Mr Deepak Calian Vaidya also serves as a director on the board of directors of Apollo Gleneagles Hospital Limited, Apollo Hospitals Enterprise Limited, Bombay Oxygen Corporation Limited, Indraprastha Medical Corporation Limited, Marudhar Hotels Private Limited, PPN Power Generating Company Private Limited, Stelis Biopharma Private Limited, Sterling Pharma Solution Limited, Strides Shasun Limited, Solara Active Pharma Sciences Limited, Suntec Business Solutions Private Limited and UTI Capital Private Limited. He has been a Director on our Board since June 6, 2018. He has served as a director on the board of the directors of Capricorn Securities India Private Limited, Arc Advisory Services Private Limited and Chaityadeep Investments Private Limited. He is a fellow of the Institute of Chartered Accountants in England and Wales since 1979.

- **Padmaja Gangireddy,**
  Founder and Managing Director

Mrs. Padmaja Reddy is the founder of Spandana Rural and Urban Development Organisation (SRUDO) which started operations in 1998. She later promoted Spandana Sphoorty Innovative Financial Services Limited (SSIFSL) in 2003 which is renamed as Spandana Sphoorty Financial Limited (SSFL). She has been leading it as a Managing Director since inception. She has also been a founder promoter of our group companies – viz. Abhiram Marketing and Criss Financial Services. She also serves as a director on the Caspian Financial Services' Board. She has also served on the Board of MFIN-Microfinance Institutions Network.

Before starting SRUDO, she worked at ASSIST (a non-government organisation) for 7 years and her last held title was deputy director. She holds bachelors' degree in science and another bachelors' degree in communication and journalism. She attended course on credit and micro enterprise development at the Durham University, UK; microfinance training program from Naropa University, US; HBS-Accion program on strategic leadership for microfinance from Harvard Business School and an executive education programme from Indian School of Business, Hyderabad. She has earned many awards as a Woman Business Leader.

- **Jagadish Capoor,**
  Independent Director

Mr. Jagadish Capoor previously worked as the Deputy Governor of the Reserve Bank of India for more than four years. He has served on various Boards of large financial institutions like HDFC Bank (where he was the Chairman), HDFC Securities, Manappuram Finance Limited, besides group businesses of LIC like the LIC Housing Finance Limited, LIC Pension Fund Limited, LIC HFL Trustee Company Private Limited. He also serves as a director on the board of directors of AGS Transact Technologies Limited, Assets Care and Reconstruction Enterprise Limited, India Transact Services Limited, Nitesh Estates Limited, Quantum Trustee Company Private Limited and Secure Value India Limited. He has been a Director on our Board since June 6, 2018.

- **Bharat Dhirajlal Shah,**
  Independent Director

Mr. Bharat Dhirajlal Shah is the chairman of HDFC Securities Limited and a co-founder of HDFC Bank Limited. He joined HDFC Bank Limited as an executive director in 1994 and has held the positions of head – custody and depository, retail, human resources, private banking, infrastructure and merchant services for a period of 12 years. He continues to be associated with HDFC Bank Limited as an advisor. He holds a certificate from the University of Bombay in financial management and a national diploma in applied chemistry from Borough Polytechnic, London.

He also serves as director on the board of directors of 3M India Limited, Apollo Munich Health Insurance Co. Limited, Digikredit Finance Private Limited, Exide Industries Limited, HDFC Securities Limited, Hexaware Technologies Limited, Mahindra Lifespace Developers Limited, Salisbury Investments Private Limited, Sterling Pharma Solutions Limited, Stride Shasun Limited and Tata Sky Limited. He has been a Director on our Board since April 13, 2018.

- **Abanti Mitra,**
  Independent Director

Ms. Abanti Mitra runs a management consulting business as director of Development Equities Private Limited, Positron Consulting Services Private Limited and Positron Advisory Services Private Limited. She has served as a Director on our Board previously from 2012 to 2016. She has been a Director on our Board since May 4, 2017. She holds a post graduate diploma in rural management from Institute of Rural Management, Anand. She has previously worked at Astra Marine Private Limited, Micro-Credit Ratings International Limited and at ICICI Bank Limited where she headed the Microfinance Product vertical.

- **Ramachandra Kasargod Kamath,**
  Nominee Director of Kedaara Capital I Limited

Mr. Ramachandra Kasargod Kamath earlier worked as chairman and Managing Director with Punjab National Bank for five years. He was an executive director at Bank of India for five years and also the chairman and managing director at Allahabad Bank for five years. He held the post of chairman of the Indian Banks Association for two years. He has previously worked with Corporation Bank for 28 years, where his last held position was general manager. He also serves as a director on the board of directors of Aavas Financiers Limited, BQ Padmavathy Finance Academy Private Limited, Centrum Capital Limited, Manipal Technologies Limited and New Opportunity Consultancy Private Limited.

He has a proprietory concern named KR Kamath for management advisory services rendered by him. He has been a Director on our Board since May 4, 2017. He holds a bachelors'degree in Commerce from University of Mysore. He is an honorary fellow of the Indian Institute of Banking & Finance since 2009. He was certified as an associate of the Indian Institute of Bankers in 1994.

- **Amit Sobti,**
  Nominee Director of Kedaara Capital I Limited

Mr. Amit Sobti is currently a senior principal at Ontario Teachers' Pension Plan (Asia) Limited in India.He has been in this role since 2016.He has over 15 years of experience in private equity, including over two years with Unitas Capital Private Limited, nine years with Warburg Pincus LLC, and two years with Rhone Group LLC.He has been a Director on our Board since May 29, 2017. He holds a bachelor's degree in Arts (Business Economics and Computer Science) from Brown University.

- **Kartikeya Dhruv Kaji,**
  Nominee Director of Kedaara Capital I Limited

Mr. Kartikeya Dhruv Kaji currently serves as a Principal at Kedaara Capital Advisors LLP. He has previously worked with Perella Weinberg Partners and Merrill Lynch in New York, and with Temasek Holdings Advisors India Private Limited. He has been a Director on our Board since March 31, 2017. He holds a bachelors' degree in arts (economics) from the Dartmouth College, New Hampshire and a master's degree in business administration (finance and entrepreneurial management) from the Wharton School of the University of Pennsylvania.

- **Darius Dinshaw Pandole,**
  Nominee Director of JM Financial Products Limited

Mr. Darius Dinshaw Pandole is the managing director and chief executive officer – PE and Equity AIFs at JM Financial Limited. Prior to this, he was a partner at New Silk Route Advisors, a private equity advisory firm primarily focussed on India. He was also an executive director at IDFC Asset Management Company Limited, which managed the India Development Fund, an infrastructure focused private equity fund. He serves as a director on the board of directors of JM Financial Asset Management Limited, Credibility Financial Services Private Limited, Fairchem Speciality Limited, and Mahindra Logistics Limited. He has been a Director on our Board since July 18, 2017. He holds a bachelors' degree in Arts from Harvard University and a masters' degree in Business Administration from the University of Chicago.

- **Sunish Sharma,**
  Nominee Director of Kedaara Capital I Limited

Mr. Sunish Sharma is the managing partner and co-founder of Kedaara Capital Advisors LLP. He has extensive private equity investment experience in business services and technology, healthcare, financial services and consumer sectors. He is also a co-founder of the Ashoka University and the Young India Fellowship, an initiative that was launched in collaboration with the University of Pennsylvania's School of Engineering and Applied Sciences. He also serves as a director on the board of directors of Mahindra Logistic Limited, Manjushree Technopack Limited and Vedant Fashions Private Limited. He has been a Director on our Board since March 31, 2017.

He holds a masters in business administration from IIM, Calcutta and is a qualified Cost Accountant. He has previously worked with McKinsey & Co. as engagement manager, at General Atlantic as managing director. He was featured on the list of "Asia's 25 most influential people in private equity" by the Asian Investor magazine published in the year 2013, and also on the list of "Hottest Young Executives" in the Business Today magazine published in the year 2011.

Corporate Information

Company Name:
Spandana Sphoorty Financial Limited
Formerly 'Spandana Sphoorty Innovative Financial Services Limited', name changed in Jan 2008

Corporate Identity Number:
U65929TG2003PLC040648

RBI registration Number:
N-09.00414 (Non-Banking Finance Company registration number issued by RBI; now operating in NBFC-MFI category)

Website:
www.spandanaindia.com

Registered and Corporate Office:
Plot No: 31 & 32, Ramky Selenium Towers, Tower A,
Ground Floor, Financial District, Nanakramguda,
Hyderabad 500032, Telangana, India
Tel: +91 40 4812 6666; Fax: +91 40 4438 6640

Company Secretary:
Rakesh Jhinjharia (Company Secretary & Compliance Officer)
e-mail:secretarial@spandanaindia.com;

Statutory Auditors:
S.R. Batliboi & Co. LLP, (FRN-301003E/E300005),
Chartered Accountants

Registrars and Transfer Agents
Karvy Fintech Private Limited
(SEBI Registration No.: INR000000221)
Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad 500 032 Telangana, India
Tel: +91 40 6716 2222 | Fax: +91 40 2343 1551
Investor grievance E-mail: einward.ris@karvy.com |
Website: www.karisma.karvy.com

Lenders

- Indusind Bank Limited
- Yes Bank Limited
- ICICI Bank Limited
- Kotak Mahindra Bank Limited
- Bandhan Bank Limited
- RBL Bank Limited
- Au Small Finance Bank Limited
- Mahindra & Mahindra Financial Services Limited
- Manappuram Finance Limited
- Capital First Limited
- JM Financial Capital Limited
- Clix Finance India Private Limited
- Hero Fincorp Limited
- IFMR Capital Finance Private Limited
- Reliance Commercial Finance Limited
- Karvy Capital Limited (NCD)
- Unifi AIF (NCD)
- Aditya Birla Sun Life Asset Management Company Limited (NCD - Birla Sun Life Trustee Company Private Limited)
- Microfinance Enhancement Facility SA (NCD)
- Responsability India Business Advisors Private Limited (NCD - UTI International Wealth

Current Composition of Board of Directors

Name	Designation	DIN
Deepak Calian Vaidya	Non-Executive Chairman & Independent Director	00337276
Padmaja Gangireddy	Managing Director	00004842
Jagdish Capoor	Independent Director	00002516
Bharat Dhirajlal Shah	Independent Director	00136969
Abanti Mitra	Independent Director	02305893
Ramachandra K Kamath	Non-Executive Director*	01715073
Amit Sobti	Non-Executive Director*	07795874
Kartikeya Dhruv Kaji	Non-Executive Director*	07641723
Darius Dinshaw Pandole	Non-Executive Director**	00727320
Sunish Sharma	Non-Executive Director*	00274432

* Nominee of Kedaara Capital I Limited
** Nominee of JM Financial Products Limited

Director's Report

To
The Members
of Spandana Sphoorty Financial Limited,

Your Directors have pleasure in presenting the 16th Annual Report on the business and operations of the Company together with the audited accounts for the financial year ended 31st March, 2019.

1. FINANCIAL SUMMARY /PERFORMANCE OF THE COMPANY:

The standalone and consolidated financial statements for the financial year ended 31st March, 2019, forming part of this Annual Report, have been prepared in accordance with the Indian Accounting Standards (Ind AS) as notified by the Ministry of Corporate Affairs. Key highlights of financial performance of your Company for the financial year 2018-19 is summarized below:

(Rs. in crore)

Particulars	Standalone		Consolidated	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Income from Operations	1,036.28	587.27	1043.10	587.31
Other Income	5.43	0.23	5.43	0.23
Profit before Depreciation, Interest and Tax (PBDIT)	832.77	520.23	838.30	520.22
Depreciation	6.92	5.72	6.97	5.72
Financial charges	356.47	231.79	357.86	231.79
Profit Before Tax	469.38	282.72	473.47	282.70
Provision for Tax - Current year	160.63	94.75	161.57	94.75
Profit/(Loss) After Tax	308.75	187.97	311.90	187.95
Transfer to Statutory Reserves	61.75	34.37	61.75	34.37
Balance carried to Balance sheet	247.00	153.60	250.15	153.58

During the current financial year, the Income from Operations of the company grew by 76.46% to Rs. 1,036.28 crores and the Profit after Tax grew 1.64 times to Rs. 308.75 crores. The improvement in financial performane of the company is on account of business growth recorded during the year.

2. DIVIDENDS:

Considering your Company's growth, and future strategy and plans, your Directors consider it prudent to conserve resources and despite having sufficient distributable profits, do not recommend any dividend on equity shares for the financial year under review.

Further, the dividend on CCPS and OCRPS, has been paid upon conversion of the said instruments into equity shares as per the terms of issuance of the respective instruments.

3. BRIEF DESCRIPTION OF THE COMPANY'S WORKING DURING THE YEAR / STATE OF COMPANY'S AFFAIR:

The operational highlights of your company are as follows:

Details	Mar-17	Mar-18	Mar-19
No. of States	13	15	17
No. of Branches	526	694	899
No. of Districts	192	222	263
No. of Villages	44,461	52,727	72,326
No. of Employees	3,044	2,751	6,500
No. of Borrowers (Rs. in lakh)	10.69	15.86	24.03
Gross Disbursements (Rs. in crore)	2,059.17	3,857.67	4,915.73
Loan Portfolio (Rs. in crore) on Balance Sheet	1,296.92	2,481.61	3,465.24
Asset Under Management- AUM (Rs. crore)	1,296.92	3,166.21	4,269.46

During FY19, the Company started operations in the State of Tamil Nadu and Pondicherry besides the earlier existing operations from 15 states (viz. Madhya Pradesh, Andhra Pradesh, Telangana, Karnataka, Kerala, Maharashtra, Odisha, Goa, Chhattisgarh, Gujarat, Jharkhand, Uttar Pradesh, West Bengal, Rajasthan and Bihar).

During FY19, number of borrowers grew by 52% to 24.03 lakh borrowers from 15.86 lakh. Number of branches grew by 30% from 694 to 899 across the existing and new states.

Disbursements increased by 27% from Rs. 3,858 crore in FY18 to Rs. 4,916 crore for FY19 and that helped your company to grow the Gross AUM by 35% from Rs. 3,166 crore to Rs. 4,269 crore.

3.1 Securitisation:

Your Company has used securitisation to improve its asset and liability mix in line with extant guidelines of RBI on securitisation. Gross Securitisations during the year to the tune of Rs. 1,459 crore have been done by issuing Pass Through Certificates (PTCs). As on 31st March, 2019, the total Asset under management out of securitised portfolio is Rs. 804 crores (including DA of Rs. 140 crores).

3.2 Public Deposits:

Your Company is registered with Reserve Bank of India (RBI), as a non-deposit accepting NBFC under section 45-1A of the RBI Act, 1934 and reclassified as NBFC-MFI, effective from April 13, 2015. Your Directors hereby report that the Company has not accepted any public deposits during the year under review and it continues to be a non-deposit taking non banking financial company in conformity with the guidelines of the RBI. As such no amount of principal and interest was outstanding during the year.

3.3 RBI Guidelines:

As on 31st March 2019, the Company is in compliance of the regulatory requirements of net owned funds ('NOF') and Capital to Risk Assets Ratio ('CRAR'), as defined under section 45-IA of the Reserve Bank of India Act, 1934, to carry on the business of a non-banking financial institution ('NBFI'). Your Company's Capital Adequacy Ratio is as follows:

Capital Adequacy Ratio	2018-19	2017-18
i) CAR –Tier I Capital (%)	42.01	37.16
ii) CAR – Tier II Capital (%)	00.45	00.00
Capital Adequacy Ratio (CAR)	42.46	37.16

3.4 Auction of gold jewellery for recovery of overdues of loans against them:

No Auctions were done during the financial year 2018-19 of gold jewellery for recovery of overdues of loans against them.

3.5 Reserve Fund:

As per section 45IC of RBI Act 1934, the Company has transferred Rs. 61.75 crores in reserve fund i.e. aggregating of 20% of its net profit.

4. MANAGEMENT DISCUSSION & ANALYSIS:

The Company has closed FY2019 with an AUM of Rs. 4,269 Crores (growth of 35% YoY) with a PBT of Rs. 460 Crores. The Company has its presence across 17 states and 263 districts through 899 branches.

The long term credit rating of the Company has been upgraded to [ICRA] A-(Stable) from [ICRA] BBB+(Stable), the only NBFC-MFI to receive an upgrade post the crisis in September 2018 and in an uncertain market scenario. It is the third credit rating upgrade in a span of less than 2 years, since CDR exit in March 2017. It is an external reaffirmation of the measured growth over this period and reflects incredible strength of the Company. An upgrade despite multiple hiccups over last 6 months in the form of Kerala floods, liquidity squeeze and state elections, further shows the Company's ability to withstand and out-perform the microfinance industry, on all fronts. Our microfinance grading has also been upgraded from M2+ to M1 by ICRA (top-most grade for a MFI).

With a continuous focus on serving our customers in the best possible way with a constant eye on asset quality, your Board is very confident that the Company will continue its growth trajectory.

5. CREDIT RATING:

The ICRA Limited has revised the rating assigned to the Company’s debt instruments during the financial year 2018-19, the details of the same are as follows:

Rating Agency	Facilities Rated	Previous rating	Current rating with revised outlook
ICRA Limited	Non-convertible Debentures (INR 821 crores)	[ICRA] BBB- (positive outlook)	[ICRA]A- (Stable)
ICRA Limited	Line of Credit (INR 2,500 crores)	[ICRA] BBB- (positive outlook)	[ICRA]A- (Stable)

6. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY’S OPERATIONS IN FUTURE:

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company’s operations in future,therefore the disclosure under rule 8 (5)(vii) of Companies (Accounts) Rules, 2014,is not applicable to the Company.

7. CONSOLIDATED FINANCIAL STATEMENT:

The Consolidated Financial Statements of the Company prepared in accordance with relevant Indian Accounting Standards (IND-AS) viz. (include the relevant standards) forms part of this Annual Report.

8. FILLING OF DRAFT RED HERRING PROSPECTUS:

During the year under review, the Board of Directors of the Company approved taking steps to initiate the process for an Initial Public Offering (IPO) by way of fresh issue of such number of equity shares aggregation upto Rs. 4000 million (“fresh issue”) and an offer for sale of up to 13,146,595 equity shares (“offer for sale”). This is subject to relevant regulatory and other approvals, as applicable.

Accordingly, the Company filed Draft Red Herring Prospectus with Securities and Exchange Board of India on 25th June, 2018. Subsequently, BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) have granted its in-principle approval of the Company's listing application on 16th July, 2018 and 24th July, 2018 respectively and SEBI observations has been received on 12th October, 2018.

The Company had also filed an application to Reserve Bank of India (RBI) seeking prior approval for change in more than 26% of shareholding of the Company through the proposed Initial Public Offering (IPO) on 28th June, 2018. The RBI has accorded its approval vide its letter no. DNBS (H) CMS NDSI/No796/00.00.574 /2018-19 dated 15th October, 2018 for the change in shareholding of the Company through the proposed IPO.

9. AUDITORS:

9.1 Statutory Auditors:

As per Section 139 of the Companies Act, 2013 (‘the Act’), read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company at the 15th Annual General Meeting (AGM), held on 3rd August, 2018, has re-appointed M/s S R Batliboi & Co. LLP, (Firm Registration No. 301003E/E300005), Chartered Accountants, as the Statutory Auditors of the Company for a further period of 5 years i.e. to hold office from the conclusion of that the 15th AGM till the conclusion of the 20th AGM of the Company. Pursuant to amendments in Section 139 of the Companies Act, 2013, the requirements to place the matter relating to such appointment for ratification by members at every annual general meeting has been omitted with effect from 7th May, 2018.

The Report given by M/s. B S R & Co. LLP, Chartered Accountants on the financial statement of the Company for the year 2018 is part of the Annual Report. The Auditors’ Report read along with the Notes on the Financial Statements are self explanatory and does not call for any further comments. There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the year 2018, the Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134(3)(ca) of the Act.

9.2 Secretarial Audit:

Pursuant to the requirements of Section 204(1) of the Act and Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s RPR & Associates, Company Secretaries, (CP No. 5360), to conduct Secretarial Audit for the financial year 2018-19. The Report for the financial year ended 31st March, 2019, is annexed to this report as “**Annexure –A**”. There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the year 2018, the Secretarial Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Act.

In terms of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Audit Committee recommended and the Board of Directors appointed M/s RPR & Associates, Company Secretaries, (CP No. 5360) as the Secretarial Auditors of the Company in relation to the financial year ending 31st March, 2020. Your Company had received their written consent that the appointment will be in accordance with the applicable provisions of the Act and rules framed thereunder.

During the year 2018, your Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

9.3 Internal Audit:

The Company has its own internal audit team as per the Internal Audit Policy. Each branch is audited at least once in 3 months. Risk areas were identified every month and branches were audited more than once wherever there were triggers of risk. Branches are audited more frequently, at least once in a month where risk was perceived to be higher.

In terms of Section 138 of Companies Act, 2013, and Companies (Accounts) Rules, 2014, the Board of Directors at its Meeting held on 15th May, 2018, upon recommendation of Audit Committee, had appointed M/s BDO India LLP, as Internal Auditors of the Company, for the financial year 2018-19, for conducting the audits at Head Office (HO) level.

10. SHARE CAPITAL/DEBENTURES:

During the Financial Year 2018-19, the Company has converted following preferential shares and warrants into equity shares , the details of the said conversion and allotment is given herein:

Sl. No.	Name of the Shareholder	Date	Type of Preference Share	No. of Preference shares Converted	No of equity shares allotted pursuant to conversion
1	Kangchenjunga Limited	15th May, 2018	Class A 0.001% CCPS	229,999,532	9,767,263
2	Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1	15th May, 2018	Class A 0.001% CCPS	5,000,465	212,352
3	Kangchenjunga Limited	15th May, 2018	Class A1 0.001% CCPS	11,66,76,087	4,954,819
4	Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1	15th May, 2018	Class A1 0.001% CCPS	25,36,673	107,723
5	Kangchenjunga Limited	15th May, 2018	Class B 0.001% CCPS	774,176,271	8,758,017
6	Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1	15th May, 2018	Class B 0.001% CCPS	16,831,450	190,408
7	Mrs. Padmaja Gangireddy	20th June, 2018	Series C 0.001% OCRPS	11,35,085	11,35,085
8	Mrs. Padmaja Gangireddy	20th June, 2018	FY18 Series A 0.001% OCRPS	283,771	283,771
9	Mrs. Padmaja Gangireddy	20th June, 2018	FY18 Series B 0.001% OCRPS	283,771	283,771
10	Mrs. Padmaja Gangireddy	20th June, 2018	FY19 Series A 0.001% OCRPS	283,771	283,771
11	Mrs. Padmaja Gangireddy	20th June, 2018	FY19 Series B 0.001% OCRPS	283,771	283,771
12	Mrs. Padmaja Gangireddy	20th June, 2018	Warrants	14,88,544	14,88,544

*CCPS – Compulsorily Convertible Preference Shares, OCRPS – Optionally Convertible Redeemable Preference Shares.

During the Financial Year 2018-19, the Company has issued and allotted following shares in the Capital of the Company on private placement basis:

Sl. No.	Name of the Allottees	Type of Share Allotted	No. of Shares Allotted
1	Mrs. Padmaja Gangireddy	Equity Shares of Rs. 10/ each at premium of Rs. 225.48	2,031,988
2	Mr.Ch. Venkata Nageswararao	Equity Shares of Rs. 10/ each at premium of Rs. 225.48	9,748
3	Mr. Danttu Raju	Equity Shares of Rs. 10/ each at premium of Rs. 225.48	9,185
4	Mr. Abdul Feroz Khan	Equity Shares of Rs. 10/ each at premium of Rs. 225.48	72,402
5	Ms. Abanti Mitra	Equity Shares of Rs. 10/ each at premium of Rs. 225.48	4,247
Total			21,27,570

During the Financial Year 2018-19, the Company has issued and allotted following debentures:

Number and Class of Debentures	Face Value	Called up value	Total paid up Value	Date of Allotment	Date of Listing	ISIN	Security Code
1500 (Fifteen Hundred) 12.45% Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures Secured, Redeemable, Taxable, Non-Convertible Debentures	10,00,000	10,00,000	1,500,000,000	31/5/2018	12/06/2018	INE572J07083	957972
820 (Eight Hundred and Twenty) Secured, Rated, Listed, Redeemable, Transferable Non-convertible Debentures	10,00,000	10,00,000	820,000,000	07/12/2018	18/12/2018	INE572J07109	958432

11. EMPLOYEE STOCK OPTION PLAN (ESOP PLAN) AND EMPLOYEE STOCK OPTION SCHEME (ESOP SCHEME):

The Company has instituted Stock Option Plan, 2018 (the "Plan") and Stock Option Scheme, 2018 ("the "Scheme") to attract, retain, motivate the personnel for positions of substantial responsibility and to provide additional incentive to the Management team, Directors and Employees of the Company and its Subsidiaries.

During the year 2018-19 ,the Company has approved the "Spandana Employee Stock Option Plan 2018" (the "Plan") and Spandana Employee Stock Option Scheme, 2018 (the "Scheme") at its Extra Ordinary General Meeting held 14th June, 2018,empowering the Board and Nomination & Remuneration Committee of the Board to execute the same.

The Company has granted 11,56,354 options to 312 eligible employees of the Company and 13,500 options to 7 eligible employees of Criss Financial Holdings Limited, Subsidiary of the Company. The options granted entitle the employees to purchase options at an exercise price of Rs. 263.35/- per option as determined by the Nomination and Remuneration Committee.

The Nomination & Remuneration Committee monitors the Plan in compliance with the Companies Act, 2013 and related laws. Disclosure with respect to the ESOP Plans in terms of Section 62 of the Act read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014, have been provided at "**Annexure –B**" to this Board's Report.

12. HOLDING / SUBSIDIARY COMPANIES / ASSOCIATES / JOINT VENTURES:

During the year 2018-19, the Company became a subsidiary of Kanchenjunga Limited, a Foreign Company incorporated under the laws of Mauritius and holds a Category 1 Global Business License under the provisions of the Financial Services Act of the Republic of Mauritius.

The Company has following subsidiaries as on 31st March, 2019:

S. No.	Name of the Company	Particular	Date of becoming Subsidiary
1.	Caspian Financial Services Limited	Wholly owned Subsidiary Company	since its Incorporation i.e., 13th October, 2017.
2.	Criss Financial Services Limited	Subsidiary Company	27th December, 2018.

The statement required to be provided with respect to subsidiaries, associate companies and joint ventures pursuant to the provisions of Section 129(3) of the Companies Act, 2013 and Rule 5 of the Companies (Accounts) Rules, 2014 in Form AOC – 1 is annexed herewith as "**Annexure – C**".

The Audited Financial Statements, the Auditors Report thereon and the Board's Report for the year ended 31st March, 2019 of the subsidiary companies shall be available for inspection by the Members at its registered office, during business hours on all working days upto the date of the Annual General Meeting. A member who is desirous of obtaining a copy of the accounts of the subsidiaries companies is requested to write to the Company.

During the financial year none of the Company ceased to be the Company's subsidiaries, joint ventures or associate companies.

Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (SEBI LODR), defines "material subsidiary" as a subsidiary whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries at the end of the immediately preceding accounting year. The Board of Directors of the Company at its meeting held on 14th June, 2018, has approved a Policy for determining material subsidiaries in line with the SEBI LODR. The Policy has been uploaded on the Company's website athttp://www.spandanaindia.com/-investors/index.html.

None of the subsidiaries mentioned hereinabove is a material subsidiary as per the thresholds laid down under the SEBI LODR.

13. EXTRACT OF THE ANNUAL RETURN:

The extract of annual return in Form MGT 9 as required under Section 92(3) of the Companies Act, 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014 is available on the website of the Company at the link: http://www.spandanaindia.com/pdfs/MGT19.pdf

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

Information required under Section 134(3)(m) of the Act read with Rule, 8 of the Companies (Accounts) Rules, 2014 for the financial year ended 31st March, 2019 are as follows:

14.1 Conservation of Energy:

Our operations are not energy-intensive. However, significant measures are taken to reduce energy consumption by using energy efficient computers and electrical equipments. Our field staff generally uses two wheeler vehicles to reach to our customers for client servicing. We endeavour to reduce the fuel consumption by our field staff, by minimizing the requirements of travelling. Further the Company believes in optimum utilisation of alternative resources available in order to reduce usage and conserve energy. We are also promoting use of renewable energy sources among clients at their households.

14.2 Research and Development (R&D):

Social research and development of new products and methodologies continue to be an ongoing process for the Company. This helps us to enhance quality of service and customer satisfaction through continuous innovation. The Company has been adapting various lending models within the limited scope of MFI norms and has successfully implemented fortnightly lending product.

14.3 Technology absorption, adaptation and innovation:

Technology is being used as a business enabler at Spandana. We are improving our processes and controls with higher technology development and adoption to get better operational efficiencies. The Company has migrated to a browser based application e-FIMO which has the accounts, loans and insurance modules integrated. The e-FIMO has enabled us to have the entire data in a single database and have real time data available without any time lag. Collection efficiency of each branch is tracked on a daily basis. Credit bureau verification is integrated and the bureau check happens seamlessly. To avoid data manipulation at the branch level, applications login has been centralized. A back office team with a strength of more than 200 data including entry operators, team leads and managers processes the loan application. Branches upload the scanned copies of loan applications and KYC documents. Applications are logged on FIMO for bureau verification and processing of loans.

14.4 Foreign exchange earnings and outgo:

There was no Foreign exchange earnings during the year and the details of foreign outgo is specified herein below:-

Name of the Party	Amt Paid (Rs. In Crores)
Intra Link Inc., USA	0.34
Clifford Chance Pte. Limited	1.44
Total	1.78

15. CORPORATE SOCIAL RESPONSIBILITY (CSR) :

In terms of section 135 and Schedule VII of the Companies Act, 2013 read with rules made thereunder, the Board of Directors of your Company have constituted a CSR Committee. The current composition of the Committee is as follows.

Sl. No.	Name	Designation& Category
1	Mr. Ramachandra Kasargod Kamath	Chairman, Nominee Non Executive Director
1	Mrs. Padmaja Gangireddy	Member, Managing Director
2	Ms. Abanti Mitra	Member, Independent Non Executive Director

The details of the Corporate Social Responsibility Policy adopted by the Company has been disclosed on the website of the Company at http:// http://www.spandanaindia.com/investors/index.html

The Annual Report on CSR activities is annexed to this report as "**Annexure D**".

16. DIRECTORS AND KEY MANAGERIAL PERSONNEL:

Affairs of your Company are being managed by a professional Board comprising of eminent personalities having experience and expertise suited to guide the Company in right direction. Present Directors of your Company are:

Name of the director	Designation
Mr. Deepak Calian Vaidya*	Chairman and Independent Non Executive Director
Mr. Bharat Dhirajlal Shah	Independent Non Executive Director
Mr. Jagdish Capoor*	Independent Non Executive Director
Ms. Abanti Mitra	Independent Non Executive Director
Mrs. Padmaja Gangireddy$	Managing Director
Mr. Ramachandra Kasargod Kamath#	Nominee Director
Mr. Kartikeya Dhruv Kaji	Nominee Director
Mr. Sunish Sharma	Nominee Director
Mr. Amit Sobti	Nominee Director
Mr. Darius Dinshaw Pandole	Nominee Director

* Mr. Jagdish Capoor and Mr. Deepak Calian Vaidya were appointed as Additional Directors of the Company w.e.f. 6th June, 2018, upon recommendation of Nomination and Remuneration Committee, and their appointment as Independent Directors was approved by the Members of the Company at the Extra-ordinary General Meeting held on 14th June, 2018.

Designation of Mr. Ramachandra Kasargod Kamath was changed to Non-executive Nominee Director at the Board Meeting held on 14th June, 2018.

$The Members of the Company at the Extra-ordinary General Meeting held on 11th March, 2019, has re-appointed Mrs. Padmaja Gangireddy as Managing Director of the Company for a period of three years i.e. from April 19th, 2019 to April 18th, 2022.

16.1 Rotation of Directors:

As per Section 152 (6) (a) of Companies Act, 2013, not less than one-third of the total number of retiring directors should retire by rotation, at every AGM. For the purpose of this section, the total number of directors to retire by rotation shall not include "Independent Directors".

The Board of Directors at its Meeting held on 14th June, 2018, have approved the alteration in the terms of appointment of following Nominee Directors of the Company, whose office shall be liable to retire by rotation:

(1) Mr. Sunish Sharma
(2) Mr. Amit Sobti
(3) Mr. Ramachandra Kasargod Kamath
(4) Mr. Darius Dinshaw Pandole

In terms of the provisions of Section 152 of the Companies Act, 2013 Mr. Ramachandra Kasargod Kamath (DIN: 01715073) and Mr. Darius Dinshaw Pandole (DIN: 00727320), Nominee Directors of the Company, being longest in the office, retires at the ensuing Annual General Meeting and being eligible, offers them self for re-appointment. The brief resume and other details of Mr. Ramachandra Kasargod Kamath and Mr. Darius Dinshaw Pandole as required under the Companies Act, 2013 and SEBI LODR for their re-appointment as Director, are provided in the Notice of 16th Annual General Meeting of your Company.

16.2 Declaration by Independent Directors:

The Company has received a declaration from all the Independent Directors of the Company, confirming that they meet with the criteria of independence as prescribed under sub section (6) of section 149 of the Companies Act, 2013.

16.3 Key Managerial Personnel of the Company:

The Key Managerial Personnel of the Company in terms of provisions of Section 203 of Companies Act, 2013 are as follows:

Sl. No.	Name	Designation
1	Mrs. Padmaja Gangireddy	Managing Director (DIN: 00004842)
2	Mr. Deepak Nath Goswami*	Chief Financial Officer
3	Mr. Sudhesh Chandrasekar**	Chief Financial Officer
4	Mr. Rakesh Jhinjharia	Company Secretary (Membership No. F8325)
5	Mr. Abdul Feroz Khan#	Chief Strategy Officer
6	Mr. Nitin Agrawal@	Chief Risk Officer

* Mr. Deepak Nath Goswami, Chief Financial Officer and Key Managerial Personnel of the Company, has resigned w.e.f. close of the business hours on 10th April, 2019.

** Mr. Sudhesh Chandrasekar, has been appointed as Chief Financial Officer and Key Managerial Personnel of the Company, by the Board at its meeting held on 17th May, 2019.

Mr. Abdul Feroz Khan was designated as our Chief Strategy Officer w.e.f 15th May, 2018, upon recommendation of Nomination and Remuneration Committee.

@ Mr. Nitin Agrawal was appointed as the Chief Risk Officer of the Company w.e.f 28th May, 2018, upon recommendation of Nomination and Remuneration Committee and resigned w.e.f 28th March, 2019.

17. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES:

The ratio of the remuneration of each director to the median's employee's remuneration and other details in terms of Section 197(12) of Companies Act,2013 read with Rule 5(1) of the Companies (Companies Appointment and Remuneration of Managerial Personnel) Rules,2014, have been annexed herewith as "**Annexure-E**" to the Directors' Report.

The statement containing particulars of employees as required under Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in a separate annexure forming part of the Directors' Report. In terms of Section 136 of the Companies Act, 2013, the Directors' Report and the Accounts are being sent to the Members excluding the aforesaid annexure and the same is open for inspection at the Registered Office of the Company. A copy of the statement may be obtained by the Members, by writing to the Company Secretary of the Company.

18. CORPORATE GOVERNANCE

Your Company's philosophy on Corporate Governance envisages adherence to the highest levels of transparency, accountability and fairness, in all areas of its operations. The Company deals with clients who are by and large, excluded from the mainstream financial markets. The Company does not view Corporate Governance principles as set of binding obligations, but believes in using it as a framework to be followed in true spirit. The Company being an NBFC-MFI, adopts best practices and follows guidelines issued by RBI from time to time. As a part of Corporate Governance, various Committees were formed to look after the progress made, putting in place a progressive risk management system, policy and strategy to be followed in conformity with corporate governance standards.

19. MEETINGS OF THE BOARD OF DIRECTORS

Eight (8) Board Meetings were held during the financial year 2018-19.Your Board approved various agenda items through circular resolution as well, based on the urgency of the matter. The details of Board meetings are given below:

Date of Meeting	Board Strength	No. of Directors Present
18th April, 2018	9	3
15th May, 2018	8	8
14th June, 2018	10	7
20th June, 2018	10	5
25th June, 2018	10	5
14th August, 2018	10	7
14th November, 2018	10	9
8th February, 2019	10	10

20. NOMINATION AND REMUNERATION COMMITTEE:

The current composition of the Committee is as follows:

Sl. No.	Name	Designation & Category
1.	Mr. Bharat Dhirajlal Shah	Chairman, Independent Non Executive Director
2.	Ms. Abanti Mitra	Member, Independent Non Executive Director
3.	Mr. Kartikeya Dhruv Kaji	Member, Nominee Non Executive Director

The Nomination and Remuneration (N&R) Committee has adopted a policy which, inter alia, deals with the manner of selection of Board of Directors, Managing Director, CFO, Senior Executives and their remuneration. The Policy is available at http://www.spandanaindia.com/investors/index.html

During the year 2018-19, the committee met four (4) times i.e., on 14th May, 2018, 13th August, 2018, 13th November, 2018 and 7th February, 2019 to discharge the roles and responsibilities given by Board of Directors from time to time. The Committee functions in line with the provisions contained in Section 178 of the Companies Act, 2013 and in terms of the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR).

The terms of reference of the Nomination and Remuneration Committee, are as follows

a) Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees in accordance with Section 178(4) of the Companies Act, 2013;
b) Formulation of criteria for the performance of evaluation of independent directors and the Board;
c) Devising a policy on Board diversity;
d) Identify persons who are qualified to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance. The Company shall disclose the remuneration policy and the evaluation criteria in its annual report;
e) To determine key performance indicators of senior executives of the Company and specify deliverables for the executive in line with the business plan of the Company. "Senior executive to include the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Whole Time Directors, the Head of Departments of various functions and other key managerial personnel as decided from time to time in consultation with the Board of the Company and other stakeholders."

f) To objectively examine the annual manpower plan in relation to the business plan of the company and to examine management recommendations regarding manpower strategy and suggest corrective actions, if required.

g) To finalise top tier organization structure including top field level functionaries and direct reportees on a periodical basis or as and when required.

h) To evaluate and approve the compensation packages of above mentioned persons with particular reference to fixed and variable pay (including bonuses and Employees Stock Options).

i) To recommend to the Board a policy, relating to remuneration for the Directors and Key Managerial Personnel.

j) Determining the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;

k) Perform such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, including the following:
    (i) administering employee stock option schemes, employee stock purchase schemes, stock appreciation rights schemes, general employee benefits scheme and retirement benefit schemes (the "Schemes");
    (ii) delegating the administration and superintendence of the Schemes to any trust set up with respect to the Schemes;
    (iii) formulating detailed terms and conditions for the Schemes including provisions specified by the Board of Directors of the Company in this regard;
    (iv) determining the eligibility of employees to participate under the Schemes;
    (v) granting options to eligible employees and determining the date of grant;
    (vi) determining the number of options to be granted to an employee;
    (vii) determining the exercise price under of the Schemes; and
    (viii) Construing and interpreting the Plan and any agreements defining the rights and obligations of the Company and eligible employ ees under the Schemes, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the Schemes.

l) Framing suitable policies and systems to ensure that there is no violation of securities laws by, the Company, its employees or trust set up with respect to the Schemes, if any, of any applicable laws in India or overseas, including:
    (i) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; and
    (ii) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended;

m) Determine whether to extend or continue the terms of appointment of the independent directors, on the basis of the report of performance evaluation of independent directors; and

n) Perform such other activities as may be delegated by the Board of Directors and/or are statutorily prescribed under any law to be attended to by such committee.

21. AUDIT COMMITTEE:

The Board of Directors at its meeting held on 14th June, 2018, had re-constituted the Audit Committee with the following Members to the Committee:

Sl. No.	Name	Designation & Category
1.	Mr. Bharat Dhirajlal Shah	Chairman, Independent Non Executive Director
2.	Ms. Abanti Mitra	Member, Independent Non Executive Director
3.	Mr. Kartikeya Dhruv Kaji	Member, Nominee Non Executive Director

The Board of Directors at its meeting held on 14th November, 2018, had again re-constituted the Audit Committee with the following members to the Committee:

Sl. No.	Name	Designation & Category
1	Ms. Abanti Mitra	Chairperson, Independent Non Executive Director
2	Mr. Bharat Dhirajlal Shah	Member, Independent Non Executive Director
3	Mr. Deepak Calian Vaidya	Member, Independent Non Executive Director
4	Mr. Jagdish Capoor	Member, Independent Non Executive Director
5	Mr. Kartikeya Dhruv Kaji	Member, Nominee Non Executive Director

During the year 2018-19, one (1) Meeting of the erstwhile Audit and Risk Management Committee was held on 14th May, 2018, and three (3) Meetings of the Audit Committee were convened and held on 13th August, 2018, 13th November, 2018 and 7th February, 2019. The Committee functions in line with the provisions contained in Section 177 of the Companies Act, 2013. Terms of reference of the Committee are:

a) Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
b) Recommending to the Board, the appointment, re-appointment, and replacement, remuneration, and terms of appointment of the statutory auditor, internal auditor and cost auditor;
c) Reviewing and monitoring the auditor's independence and performance and the effectiveness of audit process;
d) Approving payments to the statutory auditors, internal auditor and cost auditor, for any other services rendered by them;
e) Reviewing with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
    (i) Matters required to be stated in the Director's responsibility statement to be included in the Board's report in terms of Section 134(3)(c) of the Companies Act, 2013;
    (ii) Changes, if any, in accounting policies and practices and reasons for the same;
    (iii) Major accounting entries involving estimates based on the exercise of judgment by management;
    (iv) Significant adjustments made in the financial statements arising out of audit findings;
    (v) Compliance with listing and other legal requirements relating to financial statements;
    (vi) Disclosure of any related party transactions; and
    (vii) Qualifications and modified opinions in the draft audit report.

f) Reviewing with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
g) Scrutiny of inter-corporate loans and investments;
h) Valuation of undertakings or assets of the Company, wherever it is necessary;
i) Evaluation of internal financial controls and risk management systems;
j) Approval or any subsequent modification of transactions of the Company with related parties;
Explanation: The term "related party transactions" shall have the same meaning as provided in Clause 2(zc) of the SEBI Listing Regulations and/or the applicable Accounting Standards and/or the Companies Act, 2013.
k) Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
l) Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;
m) Reviewing, with the management, the performance of statutory and internal auditors and adequacy of the internal control systems;
n) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
o) Discussion with internal auditors on any significant findings and follow up thereon;
p) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
q) Discussion with statutory auditors, internal auditors and cost auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
r) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
s) Approval of appointment of the chief financial officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
t) Reviewing the functioning of the whistle blower mechanism, in case the same is existing;
u) Carrying out any other functions as provided under the Companies Act, the Listing Regulations and other applicable laws;
v) To formulate, review and make recommendations to the Board to amend the Audit Committee charter from time to time;
w) To review the financial statement with respect to its subsidiaries, if any, in particular investments made by the unlisted subsidiaries;
x) To examine the efficacy of audit functions and systems and suggesting steps on a periodic basis (quarterly, half yearly) for its improvement.
y) To facilitate smooth conduct of audits by external agencies, Statutory Auditors, Reserve Bank of India (RBI), lenders and any other external auditors as appointed by the Company or any other stakeholders (lenders, shareholders, regulators, government etc.)
z) To report, on a quarterly basis, the key findings of the quarter , as well as the action taken report on the same for previous quarters, to the Board of Directors.
aa) To review compliance of various inspections and audit reports of internal, concurrent and statutory auditors and commenting on the action taken report prepared by the management and ensuring submission to the Board of the Company from time to time.
bb) To monitor and review all frauds that may have occurred in the Company involving an amount of Rs. 0.1 million and above or as decided from time to time.
cc) To report such frauds and other flag-offs to the Board of Directors regulators and other stakeholders, as the case warrants, along with the extent of losses. This would include drafting a calendar of reporting frauds and the remedial measures taken, to the Board of the Company.
dd) To conduct a root cause analysis and identify the systemic lacunae, if any, that may have facilitated perpetration of the fraud and put in place measures to rectify the same. Also, to ascertain reasons for delay in detection of such frauds, if any.
ee) To ensure the staff accountability is examined at all levels in all the cases of frauds and actions, if required, is completed quickly without loss of time.

ff) To review efficacy of remedial actions taken to prevent recurrence of frauds, such as strengthening internal controls and putting in place other measures as may be considered relevant to strengthen preventive mechanism.

gg) Reviewing and recommending to the board of directors of the Company potential risks involved in any new business plans and processes; and

hh) Framing, devising, monitoring, assessing and reviewing the risk management plan and policy of the Company from time to time and recommend for amendment or modification thereof;

ii) Any other similar or other functions as may be laid down by Board from time to time and/or as may be required under applicable laws."

22. RISK MANAGEMENT COMMITTEE:

The Board of Directors at its meeting held on 14th November, 2018, had re-constituted the Risk Management Committee with the following members:

Sl. No.	Name	Designation & Category
1	Mr. Ramachandra Kasargod Kamath	Chairman, Nominee Non Executive Director
2	Mr. Bharat Dhirajlal Shah	Member, Independent Non Executive Director
3	Mr. Jagdish Capoor	Member, Independent Non Executive Director
4	Mr. Darius Dinshaw Pandole	Member, Nominee Non Executive Director
5	Mr. Kartikeya Dhruv Kaji	Member, Nominee Non Executive Director

During the year 2018-19, one (1) Meeting of the erstwhile Audit and Risk Management Committee was held on 14th May, 2018, and three (3) Meetings of the Risk Management Committee were convened and held on 13th August, 2018, 13th November, 2018 and 7th February, 2019.

Terms of reference of the Committee are:

a) To review company's risk management policies in relation to various risks (credit, market, liquidity, operational and reputation risk)

b) To review the risk return profile of the Company, Capital adequacy based on risk profile of the MFI's balance sheet, business continuity plan and disaster recovery plan, key risk indicators and significant risk exposures and implementations of enterprise risk management.

c) To hold such risk reviews to ensure adequate monitoring as may be felt necessary by the internal as well as external stakeholders and to apprise the Board of the Company on a periodic basis.

23. STAKEHOLDERS RELATIONSHIP COMMITTEE:

The Board of Directors at its meeting held on 14th November, 2018, had re-constituted the Stakeholders Relationship Committee with the following members to the Committee:

Sl. No.	Name	Designation & Category
1	Ms. Abanti Mitra	Chairperson, Independent Non Executive Director
2	Mr. Ramachandra Kasargod Kamath	Member, Nominee Non Executive Director
3	Mr. Kartikeya Dhruv Kaji	Member, Nominee Non Executive Director
4	Mr. Deepak Calian Vaidya	Member, Independent Non Executive Director
5	Mr. Jagdish Capoor	Member, Independent Non Executive Director

During the year 2018-19, three (3) Meetings of the Stakeholders Relationship Committee were convened and held on 13th November, 2018 and 7th February, 2019.

The terms of reference of the Committee were amended by the Board of Directors at its Meeting held on 8th February, 2019, to align it with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, as follows:

During the year 2018-19, three (3) Meetings of the Stakeholders Relationship Committee were convened and held on 13th November, 2018 and 7th February, 2019.

The terms of reference of the Committee were amended by the Board of Directors at its Meeting held on 8th February, 2019, to align it with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, as follows:

a) Various aspects of interest of shareholders, debenture holders and other security holders, including complaints related to the transfer of shares, including non receipt of share certificates and review of cases for refusal of transfer/transmission of shares and debentures, non-receipt of balance sheet, non-receipt of annual reports, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings, or any other documents or information to be sent by the Company to its shareholders, etc. and assisting with quarterly reporting of such complaints;
b) Allotment of shares, approval of transfer or transmission of shares, debentures or any other securities;
c) Dematerialisation of shares and re-materialisation of shares, issue of duplicate certificates and new certificates on split/consolidation/renewal;
d) Overseeing the performance of the registrars and transfer agents of our Company and to recommend measures for overall improvement in the quality of investor services;
e) Review of measures taken for effective exercise of voting rights by shareholders.
f) Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.
g) Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company; and
h) Carrying out any other function as prescribed under the Listing Regulations, Companies Act, 2013 and the rules and regulations made thereunder, each as amended or other applicable laws

24. IT STRATEGY COMMITTEE:

The Board of Directors at its Meeting held on 23rd January, 2018 had constituted this Committee and delegated the power to review the compliance of IT framework, with the following Members:

Sl. No.	Name	Designation
1.	Ms. Abanti Mitra	Chairperson, Independent Non Executive Director
2.	Mr. Amit Sobti	Member, Nominee Non Executive Director
3.	Mr. Kartikeya Dhruv Kaji	Member, Nominee Non Executive Director

During the year 2018-19, two (2) Meetings of the IT Strategy Committee were convened and held on 13th August, 2018 and 13th November, 2018.

The terms of reference of the Committee as approved by the Board are as follows:

a) Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place
b) Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business
c) Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
d) Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
e) Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls."

25. MANAGEMENT COMMITTEE:

The Management Committee of the Board of Directors comprises of the following Members:

Sl. No.	Name	Designation & Category
1.	Mrs. Padmaja Gangireddy	Member, Managing Director
2.	Mr. Sunish Sharma	Member, Nominee Non Executive Director
3.	Mr. Kartikeya Dhruv Kaji	Member, Nominee Non Executive Director

During the year 2018-19, the Committee met Twenty Seven (27) times.

The terms of reference of the Committee as approved by the Board are as follows:

a) to apply for loans and to provide security including hypothecation of book debts of the Company at such terms and conditions as may be decided by the Committee from time to time;
b) to borrow moneys subject to a maximum of Rs. 400 crore per facility/ loan;
c) to determine the terms of the Issue(s) of Debentures, and finalise the terms and conditions of such Issue(s) including the number of Debentures to be allotted in each Issue, Issue Price, Face Value, Rate of Interest, Redemption Period, the nature of security etc. for the purpose of raising funds in its absolute discretion deem fit and to do all such acts, deeds and things as may be required necessary in this regard

d) to sell loan portfolios of the Company upto a limit of Rs. 300 crore per sanction;
e) to purchase book debts of other micro-finance/ NBFC Companies upto a limit of Rs. 50 crore per sanction;
f) to grant loans including inter corporate loans and advances on such terms and conditions as it may deem fit;
g) to authorize Company official/s for execution of documents, including loan documents and affixing common seal of the company thereon, if required;
h) to invest funds of the Company in Fixed Deposits to the extent necessary to avail credit facilities/ loans from the Banks/ Financial Institutions etc. and to invest surplus funds in liquid funds (i.e. mutual funds etc.) for the benefit of the Company;
i) to decide remuneration including basic salary, allowances, incentives, perquisites, travel allowance and any other welfare measures for the benefit of the employees of the Company other than Directors;
j) to incur capital expenditure outside the annual business plan up to a limit of Rs. 10 lakh between two Board Meetings.
k) to appoint /authorize Company official/s for execution of documents, agreement, deeds and papers as may be required from time to time in relation to day to day operations of the Company and to affix common seal of the company thereon, if required
l) to make applications for obtaining licenses, registrations, connections, clearances, services etc. and to authorize/appoint directors/employees/officers for signing applications, returns, forms, bonds, agreements, documents, papers etc. and for representing Company before the authorities under various Laws including but not limited to Corporate Laws, Industrial Laws, Tax Laws, Labour Laws and other Business Laws applicable to the Company in respect of all present and future offices of the Company, for compliance of all provisions, rules, clauses, regulations, directives and other related matters under the said Laws, which may be applicable to the Company.
m) To manage the Balance Sheet of the Company within the risk parameters laid down by the Board of Directors or a Committee thereof, with a view to manage the current income as well as to take steps for enhancing the same.
n) To review the capital & profit planning and growth projections of the Company in line with the business plan and ensure that the same is reported to the Board of the Company
o) To put in place an effective liquidity management policy, including, inter alia, the funding strategies, liquidity planning under alternative crisis scenarios, prudential limits and to review the same periodically.
p) To articulate the interest rate view of the Company and decide the pricing methodology for advances in line with extant regulatory guidelines.
q) To oversee the implementation of the Asset Liability Management (ALM) system and review the functioning periodically and to ensure that the decisions taken on financial strategy are in line with the objectives of the Committee.
r) To consider and recommend any other matter related to liquidity and market risk management to the Board of Directors of the Company for suitable action.
s) To set up standard operating processes with regard to the conduct of field staff with the customers and to monitor adherence to the same by internal as well as third-party evaluations.
t) To approve new products as specified in the policy of the company or by the regulator and rolling out of business in new geographies in which products (new as well as existing) can be rolled out.
u) To review lease, assign, sell, transfer or otherwise dispose of, any fixed assets or investments, whether by one transaction or by a series of transactions (whether related or not).
v) To report such transactions, on a quarterly basis, to the Board of the company.

26. IPO COMMITTEE:

The Board of Directors at its Meeting held on 15th May, 2018 had constituted IPO Committee, with the following Members.

Sl. No.	Name	Designation & Category
1.	Mrs. Padmaja Gangireddy	Member, Managing Director
2.	Mr. Sunish Sharma	Member, Nominee Non Executive Director
3.	Mr. Kartikeya Dhruv Kaji	Member, Nominee Non Executive Director

During the year 2018-19, one (1) Meetings of the IPO Committee were convened and held on 22nd June, 2018.

The terms of reference of the Committee as approved by the Board are as follows:

a) To make applications seeking clarifications, obtain approvals and seek exemptions from wherever necessary, to the RBI, SEBI, the Registrar of Companies, Hyderabad and any other governmental or statutory authorities as may be required in connection with the Offer and accept on behalf of the Board such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions as may be required;
b) To finalize, settle, approve, adopt and file, in consultation with the BRLMs, where applicable, the DRHP, the RHP the Prospectus, the preliminary and final international wrap and any amendments, supplements, notices, addenda or corrigenda thereto, and take all such actions as may be necessary for the submission and filing of these documents including incorporating such alterations/corrections/ modifications as may be required by SEBI, the RoC or any other relevant governmental and statutory authorities or in accordance with Applicable Laws;
c) To decide in consultation with the BRLMs on the size, timing, pricing, discount, reservations and all the terms and conditions of the Offer, including the price band(including the offer price for anchor investors), bid period, Offer price, and to accept any amendments, modifications, variations or alterations thereto;

d) To appoint and enter into and terminate arrangements with the BRLMs, underwriters to the Offer, syndicate members to the Offer, brokers to the Offer, escrow collection bankers to the Offer, refund bankers to the Offer, registrars, legal advisors, auditors, experts, printers, advertising agency(ies), monitoring agency, if any, and any other agencies or persons or intermediaries to the Offer and to negotiate, finalise and amend the terms of their appointment, including but not limited to the execution of the mandate letter with the BRLMs and negotiation, finalization, execution and, if required, amendment of the offer agreement with the BRLMs and the Selling Shareholders;
e) To negotiate, finalise and settle and to execute and deliver or arrange the delivery of the DRHP, the RHP, the Prospectus, offer agreement, syndicate agreement, underwriting agreement, share escrow agreement, cash escrow agreement, registrar agreement, ad agency agreement, monitoring agency agreement and all other documents, deeds, agreements and instruments as may be required or desirable in relation to the Offer;
f) To approve suitable policies on insider trading, whistle-blowing, risk management, and any other policies as may be required under the Listing Regulations or any other Applicable Laws;
g) To approve any corporate governance requirements, code of conduct for the Board, officers and other employees of the Company that may be considered necessary by the Board or the IPO Committee or as may be required under the Listing Regulations or any other Applicable Laws;
h) To seek, if required, the consent/ waiver of the lenders of the Company, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents/ waivers that may be required in relation to the Offer or any actions connected therewith;
i) To open and operate bank accounts in terms of the escrow agreements and to authorize one or more officers of the Company to execute all documents/deeds as may be necessary in this regard;
j) To open and operate bank accounts of the Company in terms of Section 40(3) of the Companies Act, 2013, as amended, and to authorize one or more officers of the Company to execute all documents/deeds as may be necessary in this regard;
k) To authorize and approve incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Offer;
l) To issue receipts/allotment letters/confirmation of allotment notes either in physical or electronic mode representing the underlying Equity Shares in the capital of the Company with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more stock exchange(s), with power to authorize one or more officers of the Company to sign all or any of the aforestated documents;
m) To authorize and approve notices, advertisements in relation to the Offer in consultation with the relevant intermediaries appointed for the Offer;
n) To authorize any director or directors of the Company or other officer or officers of the Company, including by the grant of power of attorney, to do such acts, deeds and things as such authorized person in his/her/its absolute discretion may deem necessary or desirable in connection with any issue, transfer, offer and allotment of Equity Shares in the Offer;
o) To give or authorize any concerned person on behalf of the Company to give such declarations, affidavits, certificates, consents and authorities as may be required from time to time;
p) To seek, if required, any approval, consent or waiver from the Company's lenders, and/or parties with whom the Company has entered into various commercial and other agreements, and/or any/all concerned government and regulatory authorities in India, and/or any other approvals, consents or waivers that may be required in connection with any issue, transfer, offer and allotment of Equity Shares and to take such actions or give such directions as may be necessary or desirable and to obtain such approvals, permissions, consents, sanctions, as it may deem fit or as the Board may suo-moto decide;
q) To settle any question, doubt or difficulty that may arise with regard to or in relation to raising of funds in the Fresh Issue;
r) To take on record the approval of the Selling Shareholders for offering their Equity Shares in the Offer for Sale;
s) To decide in consultation with the BRLMs, the withdrawal of the DRHP or the RHP or any decision not to proceed with the Offer at any stage in accordance with Applicable Laws;
t) To finalize, and arrange for the submission of the DRHP to be submitted to the SEBI and the Stock Exchanges for receiving comments, the RHP and the Prospectus to be filed with the RoC, and any corrigendum, amendments supplements thereto;
u) To finalize the basis of allotment of the Equity Shares;
v) To do all such acts, deeds, matters and things and execute all such other documents, etc., as may be deemed necessary or desirable for such purpose, including without limitation, to finalize the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, credit of Equity Shares to the demat accounts of the successful Allottees, share certificates in accordance with the relevant rules;
w) To take all actions as may be necessary and authorized in connection with the Offer for Sale and to approve and take on record the transfer of Equity Shares in the Offer for Sale, extending the Bid/Offer period, revision of the Price Band, allow revision of the Offer for Sale portion in case any Selling Shareholder decides to revise it, in accordance with applicable laws;
x) To do all such acts, deeds and things as may be required to dematerialize the Equity Shares and to sign and / or modify, as the case maybe, agreements and/or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited, registrar and transfer agents and such other agencies, authorities or bodies as may be required in this connection and to authorize one or more officers of the Company to execute all or any of the afore stated documents;
y) To make applications for listing of the Equity Shares in one or more stock exchange(s) for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s) in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of the Company where necessary;

z) To settle all questions, difficulties or doubts that may arise in regard to the Offer, including such issues or allotment and matters incidental thereto as it may deem fit and to delegate such of its powers as may be deemed necessary and permissible under Applicable Laws to the officials of the Company; and

aa) To negotiate, finalize, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the IPO Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Offer and any documents or instruments so executed and delivered or acts and things done or caused to be done by the IPO Committee shall be conclusive evidence of the authority of the IPO Committee in so doing.

27. DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM FOR DIRECTORS AND EMPLOYEES :

Your Company has established the Vigil Mechanism to encourage employees to report suspected legal violations, fraudulent or irregular conduct of an employee or business associate of the Company. Such incidents, if not reported would breach trust and endanger the Company's reputation. Through this mechanism, the Company provides a channel to the employees and Directors to report to the management about unethical behavior, actual or suspected fraud or violation of the Codes of Conduct or legal or regulatory requirements incorrect or misrepresentation of any financial statements and reports, etc.

The Company has a Fraud Reporting Policy to deal with instances of fraud and mismanagement, if any. This Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern. A Committee has been constituted which looks into the complaints raised.

28. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186:

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Act are given in the Notes to Financial Statements (Refer Note No. 32).

29. BOARD EVALUATION:

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out the annual evaluation of its own performance, its Committees and Individual directors including Independent Directors ("Performance Evaluation"). It covers the areas relevant to the functioning as Independent Directors or other directors, member of Board or Committees of the Board. A structured questionnaire was prepared, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

The Directors have expressed their satisfaction with the evaluation process.

30. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

Your Company has formulated a policy on related party transactions and is available on Company's website at http://www.spandanaindia.com/investors/index.html

This policy deals with the review and approval of related party transactions. The Board of Directors of the Company had approved the criteria for making the omnibus approval by the Audit Committee within the overall framework of the policy on related party transactions. Prior omnibus approval is obtained for related party transactions which are of repetitive nature and entered in the ordinary course of business and on an arm's length basis.

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business. There are no materially significant related party transactions made by the company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the Company at large. All Related Party Transactions are placed before the Audit Committee for approval.

The particulars of Contracts or arrangements with related parties referred to in section 188(1) of the Companies Act, 2013, in the prescribed Form AOC-2, is annexed herewith marked as "**Annexure – F**" to this Report

31. RISK MANAGEMENT POLICY:

The Board of Directors had constituted Risk Management Committee to identify elements of risk in different areas of operations and to develop policy for actions associated to mitigate the risks. The Committee on timely basis informs the Board of Directors about risk assessment and minimization procedures which in the opinion of the Committee may threaten the existence of the Company, if any. The details of Risk Management Committee and its frequency of meetings form part of this report.

32. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

The Company has a sound Internal Control System, commensurate with the nature, size, scale and complexity of its operations which ensures that transactions are recorded, authorized and reported correctly. The Company has put in place policies and procedures for continuously monitoring and ensuring the orderly and efficient conduct of the business, including adherence to the Company's Policies, for safeguarding its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparations of reliable financial disclosures. The Audit Committee periodically reviews and evaluates the effectiveness of internal financial control system.

33. DIRECTORS' RESPONSIBILITY STATEMENT:

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

a. that in the preparation of the annual financial statements for the financial year ended 31st March, 2019; the applicable accounting standards had been followed along with proper explanation relating to material departures;

b. that such accounting policies as mentioned in Note no. 1 of the Notes to the Financial Statements have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2019 and of the profit of the Company for the year ended on that date;

c. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provi sions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. that the annual financial statements for the financial year ended 31st March, 2019 have been prepared on a going concern basis; and

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

f. that the Directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

34. MATERIAL CHANGES AND COMMITMENTS:

No material changes or commitments have occurred after the close of the year till the date of this Report except as mentioned herein below, which may affect the financial position of the Company.

35. IMPLEMENTATION OF INDIAN ACCOUNTING STANDARDS (IND-AS):

The Company has prepared its financial statements in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values in accordance with Section 133 of the Companies Act, 2013 (the "Act") read with the Companies (Indian Accounting Standards) Rules, 2015 and the amendments thereof and guidelines issued by the Securities and Exchange Board of India (SEBI).

The Company has adopted all the Ind AS standards with effect from 1st April, 2018 and the adoption was carried out in accordance with Ind AS 101, first-time adoption of Indian Accounting Standards, with 1st April, 2017 as the transition date. The transition was carried out from the Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP.

36. DEBENTURE TRUSTEE:

To protect the Interest of the Debenture Holders of the Company, your company has appointed the Debenture Trustee named as:-

Catalyst Trusteeship Limited
CIN: U74999PN1997PLC110262
Registered Office: GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune-411038
Tel: +91 (020) 25280081/Fax: 91 (020) 25280275
Website: www.catalysttrustee.com

37. LISITING ON STOCK EXCHANGE:

The Non - Convertible Debentures(NCDs) issued by the Company are listed on the Wholesale Debt Market (WDM) segment of the BSE Limited in terms of the issue conditions as applicable and the Company has paid the requisite listing fees in full.

38. DEMATERIALISATION OF SHARES:

The detail of shares held by the shareholders in de-materialized and physical form as on 31st March, 2019, is given herein:

Particulars of Shares	Demat	Physical
Equity Shares	5,96,17,549	16,134

39. INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013:

The Company has constituted an Internal Compliant Committee as required to be formed under Section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder which were notified on 9thDecember 2013.

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a policy on prevention, prohibition and Redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder.

During FY2018-19, the Committee submitted Annual Report as prescribed in the said Act and there were no complaints received by the Committee.

40. DEBENTURE REDEMPTION RESERVE:

Pursuant to Rule 7(b)(ii) of the Companies (Share Capital and Debentures) Rules, 2014 ('Rules'), the Company is not required to create Debenture Redemption Reserve as the Debentures of the Company are privately placed:

41. COMPOUNDING UNDER SECTION 441 OF COMPANIES ACT, 2013:

During the financial year 2018-19, the Company and its KMPs, filed an Application before the compounding authority under Section 441 of the Companies Act, 2013 (Act) for Compounding of offence u/s 203 of the Act for non appointment of Chief Financial Officer during the period 13.03.2016 to 30.01.2018. The said application was forwarded to Regional Director (RD), South East Region for consideration.

Regional Director vide its order no.F.NO:9/80/TELANGANA/RD(SER)/203 OF 2013/2018, dated 27th March, 2019 has compounded the aforesaid offence, on payment of the relevant fee by the Company.

42. FDI COMPLIANCE IN RELATION TO DOWNSTREAM INVESTMENT:

During the year 2018-19, the Company has made following downstream investment in its Subsidiary Company i.e. "Criss Financial Holdings Limited", in compliance with the provisions of Reserve Bank of India Master Direction on Foreign Investment in India and Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 (TISPRO).

S. No	Purpose	Date	Amount (Rs. in crore)
1	The Company acquired 28,37,135 equity shares from the existing shareholders of the Criss Financial Holdings Limited ("CFHL") at the share price of Rs. 132.26 (including premium of Rs. 122.26) per share resulting into acquisition of more than 95% of total shareholding of the CFHL	December 27, 2018	37.52
2	CFHL allotted 18,90,217 (Eighteen Lakh, Ninety Thousand Two Hundred and Seventeen Only) Equity shares of face value of Rs.10/- (Rupees Ten each) at an issue price of Rs 132.26 per share (including premium of Rs. 122.26 to the Company.	December 28, 2018	25.00

Further, the Company in terms of the provision of TISPRO regulations has filed the necessary Form DI for the aforesaid downstream investment with Reserve Bank of India (RBI) within the stipulated period.

43. GRATITUDE AND ACKNOWLEDGEMENT:

The Board expresses its deep sense of gratitude to the Government of India, Reserve Bank of India and other regulators for the valuable guidance and support the Company has received from them during the year. The Board would also like to express its sincere appreciation of the co-operation and assistance received from its stakeholders, Shareholders, Bankers and other Business Constituents during the year under review. The Board places on record its appreciation of the dedicated services and contributions made by its staff for the overall performance of the Company.

For & on behalf of the Board of Directors

	Sd/-	**Sd/-**
	Padmaja Gangireddy	**Kartikeya Dhruv Kaji**
Place: Mumbai	**Managing Director**	**Director**
Date: 28th June, 2019	**DIN: 00004842**	**DIN: 07641723**

Form No. MR-3
SECRETARIAL AUDIT REPORT
For the Financial Year ended 31st March, 2019

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

To
The Members,
M/s. Spandana Sphoorty Financial Limited
Plot No: 31 & 32, Ramky Selenium Towers,
Tower A, Ground Floor, Financial Dist,
Nanakramguda, Hyderabad TG 500032

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. Spandana Sphoorty Financial Limited** (hereinafter referred as the "**Company**"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the "**Financial Year**" ended on **31st March, 2019, (i.e. from 01st April, 2018 to 31st March, 2019)** complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2019 according to the provisions of

A. The Companies Act, 2013 (the "Act") and the rules made thereunder;
B. The Securities Contracts (Regulation) Act, 1956 ('SCRA')and the rules made thereunder;
C. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
D. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
E. Reserve Bank of India - NBFC (Non-Banking Financial Companies) norms, directions, regulations, circulars etc.
F. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
    (a) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and as amended from time to time;
    (b) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

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

(i) Revised Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI).

(ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Listing Agreements entered into by the Company with BSE Ltd..

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that, having regard to the compliance system prevailing in the Company and on examination of relevant documents and records in pursuance thereof, on test check basis and on the basis of the management representation that the Company has complied with all the industrial specific applicable laws.

We further report that,

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notices are given to all directors to schedule the board meetings, agenda and detailed notes on agenda were sent in advance as required, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority of decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the respective meetings.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, the Company has undertaken the following reportable events:

(i) During the period under review the Company issued, offered, converted and allotted the following shares in the Capital of the Company

S. No.	Type of shares	No. of Equity Shares Allotted
1	Conversion of 23,49,99,997 Class A 0.001% Compulsorily Convertible Preference Shares of face value of Rs.10/- each into fully paid Equity Shares.	99,79,615
3	Conversion of 11,92,12,760 Class A1 0.001% Compulsorily Convertible Preference Shares of face value of Rs.10/- each into fully paid Equity Shares.	5,062 542
4	Conversion of 791,007,721 Class B 0.001% Compulsorily Convertible Preference Shares of face value of Rs.10/- each into fully paid Equity Shares.	8,948,425
5	Partly Paid 11,35,085 Series C, 0.001% Optionally Convertible Redeemable Preference shares (OCRPS) were Fully paid and converted into fully paid Equity Shares.	11,35,085
6	Partly Paid 283,771 FY18 Series A, 0.001% Optionally Convertible Redeemable Preference shares (OCRPS) were Fully paid and converted into fully paid Equity Shares.	283,771
7	Partly Paid 283,771 FY18 Series B, 0.001% Optionally Convertible Redeemable Preference shares (OCRPS) i were Fully paid and converted into fully paid Equity Shares.	283,771
8	Partly Paid 283,771 FY19 Series A, 0.001% Optionally Convertible Redeemable Preference shares (OCRPS) were Fully paid and converted into fully paid Equity Shares	283,771
9	Partly Paid 283,771 FY19 Series B, 0.001% Optionally Convertible Redeemable Preference shares (OCRPS) were Fully paid and converted into fully paid Equity Shares.	283,771
10	Conversion of 14,88,544 Share Warrants and allotment of Equity Shares upon receipt of Balance subscription amount.	14,88,544
11	Allotment of Equity Shares of Rs. 10/- each at premium of Rs. 225.48 on Private Placement Basis.	21,27,570

(ii) Members of the Company at the Extra-ordinary General Meeting held on 14th June, 2018 accorded their approval to the Board to Create Charge /Mortgage to secure Rupee Term Loan or Foreign Currency Loans or a combination of both not exceeding Rs. 8000 Crore u/s 180(1) (a) of the Companies Act, 2013.

(iii) Members of the Company at the Extra-ordinary General Meeting held on 14th June, 2018 accorded their approval to the Board to borrow both in Indian and foreign currencies, including External Commercial Borrowing (ECB), if any, and by issue of debentures of any kind, commercial papers, raising through Bonds in foreign currencies, ADR(s), GDR(s) for the purpose of Company's business, upto an aggregate amount not exceeding Rs. 8000 Crore u/s 180(1) (c) of the Companies Act, 2013.

(iv) During the year ended 31st March, 2019, the Company issued and allotted the following Non convertible Debentures:

S.No.	Type of Debentures Allotted	Date of Allotment	No. Of Debentures
1	1500 (Fifteen Hundred) 12.45% Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures.	31.05.2018	1,500
2	820 (Eight Hundred and Twenty) Secured, Rated, Listed, Redeemable, Transferable Non-convertible Debentures	07.12.2018	820

We further report that all the aforesaid debentures are listed at BSE Limited.

(v) Members of the Company at the Extra Ordinary General Meeting held on 14th June, 2018 adopted new set of Articles of Association of the Company u/s 14 of the Companies Act, 2013.

(vi) The Company has filed Draft Red Herring Prospectus (DRHP) dated June 25th, 2018 with SEBI for its Initial Public Offer (IPO) by way of fresh issue of such number of equity shares aggregation upto Rs. 4000 million ("**fresh issue**") and an offer for sale of up to 13,146,595 equity shares ("**offer for sale**"). Subsequently, BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) have granted its in-principle approval of the Company's listing application on 16th July, 2018 and 24th July, 2018 respectively and SEBI observations has been received on 12th October, 2018.

(vii) During the year under review, the Company has granted **11,56,354** of Employees Stock Options (ESOPs) to its eligible employees in terms of the Spandana Employee Stock Option Plan 2018 **(the "ESOP Plan")** and Spandana Employee Stock Option Scheme 2018 **(the "ESOP Scheme")**." Further the Company also grated **13,500** ESOPs to the eligible employees of its subsidiary Company.

(viii) During the year under review, the Company has acquired shares from the existing shareholders of Criss Financial Holdings Limited (CFHL) and also made investment in the shares of CFHL, and making it a subsidiary of the Company. The Company currently holds 97.54% of the total share capital of CFHL.

For RPR & ASSOCIATES
Company Secretaries

sd/-

Y Ravi Prasad Reddy
Proprietor
FCS No.5783 C P No. 5360.

Place: Hyderabad
Date: 17.05.2019

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

ANNEXURE

To
The Members,
M/s. Spandana Sphoorty Financial Limited
Plot No: 31 & 32, Ramky Selenium Towers,
Tower A, Ground Floor, Financial Dist,
Nanakramguda, Hyderabad TG 500032

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices followed by us provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.

4. Wherever required, we have obtained the Management representations about the compliance of laws, rules and regulations and happening of events etc.,

5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For RPR & ASSOCIATES
Company Secretaries

Sd/-
Y Ravi Prasad Reddy
Proprietor
FCS No.5783 C P No. 5360.

Place: Hyderabad
Date: 17.05.2019

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

Disclosures under the Stock Option Plan, 2018 (the "Plan") and Stock Option Scheme, 2018 ("the "Scheme"), pursuant to Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 as on financial year ended March 31st, 2019:

S. No	Particular	Stock Option Plan, 2018 (the "Plan") and Stock Option Scheme, 2018 ("the "Scheme")	
		Company	Criss Financial Holding, Subsidiary Company
1.	Number of options granted	11,56,354	13,500
2.	Number of options vested	-	-
3.	Number of options exercised	-	-
4.	Total number of shares arising as a result of exercise of options	-	-
5.	Number of options lapsed / cancelled	3,05,354	6,000
6.	Exercise Price of the options exercised in `/ per equity share	263.35	263.35
7.	Variation of terms of options	NA	NA
8.	Money realised by the exercise of options	NIL	NIL
9.	Total number of options in force	8,51,000	7,500

Details of options granted to Key Managerial Personnel:

S. No	Name	Designation	Options granted during the year ended March 31, 2019	Options in force as on March 31, 2019
1.	Mr. Deepak Nath Goswami[#]	Chief Financial Officer	84,138	NIL
2.	Mr. Rakesh Jhinjharia	Company Secretary	15,000	15,000
3.	Mr. Abdul Feroz Khan	Chief Strategy Officer	60,000	60,000
4.	Mr. Nitin Agarwal[*]	Chief Risk Officer	51,716	NIL

[#] Mr. Deepak Goswami has resigned as Chief Financial Officer and Key Managerial Personnel of the Company, w.e.f. 10th April, 2019 and accordingly option granted to him are lapsed;

[*] Mr. Nitin Agarwal has resigned as Chief Risk Officer and Key Managerial Personnel of the Company, w.e.f. 28th March, 2019 and accordingly option granted to him are lapsed

Details of employees including Director(s) who have received a grant of options in any one year, of options amounting to five percent or more of options granted during that year:

S. No	Name	Designation	Options granted during the year ended March 31, 2019
1	Mr. Deepak Nath Goswami[#]	Chief Financial Officer	84,138
2	Mr. Abdul Feroz Khan	Chief Strategy Officer	60,000

[#] Mr. Deepak Goswami has resigned as Chief Financial Officer and Key Managerial Personnel of the Company, w.e.f. 10th April, 2019 and accordingly option granted to him are lapsed;

Director Report : **Annexure-B**

Details of employees including director(s) who were granted options, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: N.A.

For & on behalf of the Board of Directors

Sd/-
(Padmaja Gangireddy)
Managing Director
DIN: 00004842

Sd/-
(Kartikeya Dhruv Kaji)
Director
DIN: 07641723

Date: 28th June, 2019
Place: Mumbai

Form AOC-1

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

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

Sl. No.	Particulars	Details	Details
1	Name of the subsidiary	Caspian Financial Services Limited	Criss Financial Holdings Limited
2	Financial Year ended on	31st March, 2019	31st March, 2019
3	Reporting currency	INR	INR
4	Share capital	200.00	484.64
5	Reserves & surplus	8.26	4422.21
6	Total assets	211.64	10627.49
7	Total Liabilities	3.38	5720.64
8	Investments	-	-
9	Turnover	14.74	3274.58
10	Profit before taxation	14.19	1945.84
11	Provision for taxation	3.42	566.79
12	Profit after taxation	10.76	1379.05
13	Proposed Dividend	-	-
14	% of shareholding	100%	97.54%

For & on behalf of the Board of Directors

Sd/-
(Padmaja Gangireddy)
Managing Director
DIN: 00004842

Sd/-
(Kartikeya Dhruv Kaji)
Director
DIN: 07641723

Place: Mumbai
Date: 28th June, 2019

Director Report : **Annexure-D**

ANNUAL REPORT ON CORPORATE SOCIAL RESPOSIBILITY (CSR) ACTIVITIES

1. **A brief outline of the Company's CSR policy, including overview of the projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:**

CSR Policy is stated herein below:

Weblink: www.spanadanaindia.com

2. Composition of the CSR Committee:
Mr. Ramachandra Kasargod Kamath (Chairman, Nominee Director)
Mrs. Padmaja Gangireddy (Member, Managing Director)
Ms. Abanti Mitra (Member, Independent Director)

3. Average net profits of the Company for last three financial years:
Average net profits: Rs. 11,048.18 Lakh

4. Prescribed CSR Expenditure (two percent of the amount as in Item 3 above):
The Company is required to spend Rs. 220.96 Lakh towards CSR.

5. Details of CSR spend for the financial year:
(a) Total amount spent for the financial year:
Rs. 199.28 Lakh
(b) Amount unspent, if any:
Rs. 21.68 Lakh

(c) Manner in which the amount spent during the financial year is detailed below:

(Rs. in Lakhs)

Sl.	Projects / Activities	Sector	Locations	Amount Outlay (Budget) Project or Programs wise	Amount spent on the Projects or Programs	Cumulative Expenditure upto reporting period	Amount spent: Direct or through implementing agency
1.	Flood Relief activities	Social Welfare	Kerala and Andhra Pradesh	40.64	40.64	40.64	Direct
2.	Distribution of Solar lights	Rural Development	Bihar, Jharkhand, Rajasthan, Gujarat and Andhra Pradesh	158.64	158.64	158.64	Direct
Total					199.28	199.28	

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

The Company in the financial year 2018-19 has spent 90.18% of the total amount required to be spent towards CSR activities as compared to 31.73% of the total amount required to be spent towards CSR activities for the financial year 2017-18.

The Company is planning to utilize the unspent amount of Rs. 21.68 Lakh in addition to the amount required to be spent for the financial year 2019-20 and shall endeavor to fulfill the set target by proactively identifying eligible projects and programmes, directly or by joining hands with eligible entities.

Place: Hyderabad
Date: 16th May, 2019

Sd/-
(Padmaja Gangireddy)
Managing Director

Sd/-
(Ramachandra Kasargod Kamath)
Chairman – CSR Committee

DISCLOSURES ON MANAGERIAL REMUNARATION

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Sr. No.	Requirement	Disclosure
1.	Ratio of the remuneration of each director to the median remuneration of the employees of the company for the Financial Year.	Ratio of remuneration of Mrs. Padmaja Reddy for the Financial year is 22.1:1
2.	The percentage increase in remuneration of each director*, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year.	**Directors** Mrs. PADMAJA GANGIREDDY(Managing director) : 0.00% **KMP's other than Directors** Mr. DEEPAK NATH GOSWAMI (Chief Financial Officer) -0.00% Mr. RAKESH JHINJHARIA (Company Secretary)- 38.89% Mr. ABDUL FEROZ KHAN (Chief Strategy Officer) – 23.66% Mr. NITIN PRAKASH AGARWAL (Chief Risk Officer)- NA
3.	The Percentage Increase in the Median Remuneration of Employees in the Financial Year.	33.30%
4.	No. of Permanent Employees on the Rolls of the Company.	4996
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	(i) Average percentile increase already made in the salaries of employees- 36.14% (approx) (ii) Percentile increase in the managerial remuneration- 0.00%
6	Affirmation that the remuneration is as per the remuneration policy of the Company.	The remuneration is paid as per the Remuneration Policy of the Company.

For & on behalf of the Board of Directors

Sd/-
(Padmaja Gangireddy)
Managing Director
DIN: 00004842

Sd/-
(Kartikeya Dhruv Kaji)
Director
DIN: 07641723

Place: Mumbai
Date: 28th June, 2019

Director Report : **Annexure-F**

Form No. AOC-2

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

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

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

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

(a)	Name(s) of the related party and nature of relationship:	Not Applicable
(b)	Nature of contracts/arrangements/transactions:	
(c)	Duration of the contracts / arrangements/ transactions:	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board:	
(g)	Amount paid as advances, if any:	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to section 188:	

2. Details of material contracts or arrangement or transactions at arm's length basis:

2a	(a)	Name(s) of the related party and nature of relationship:	Spandana Rural and Urban Development Organisation (SRUDO) – Enterprises where Key Managerial Personnel exercise significant influence.
	(b)	Nature of contracts/arrangements/transactions:	Rent and Other Shared Services Cost
	(c)	Duration of the contracts / arrangements/ transactions:	Ongoing, unless terminated by either of the party serving written notice
	(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	a) Total area of 19,145 sq.ft at a monthly rental of Rs.5,50,419. b) Total area of 20608 sq.ft at a monthly rental of Rs.2,40,289.
	(e)	Amount paid as advances, if any:	Rs.30, 89,586 as rent advance.

2b	(a)	Name(s) of the related party and nature of relationship:	Abhiram Marketing Services Limited – Enterprises where Key Managerial Personnel exercise significant influence.
	(b)	Nature of contracts/arrangements/transactions:	Rent and Other Shared Services Cost Commission and Incentive Income, Purchase of Fixed Assets, Advances.
	(c)	Duration of the contracts / arrangements/ transactions:	Ongoing, unless terminated by either of the party serving written notice
	(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	Rent Income, Commission income, Purchase of Stationery, Purchase of Fixed Assets, Reimbursement of Expenses, interest on advances given.
	(e)	Amount paid as advances, if any:	Rs. 28,86,22,103 as Inter corporate advance.

2c	(a)	Name(s) of the related party and nature of relationship:	Enterprise where key management personnel exercise significant influence till 27.12.2018 , Subsidiary from 27.12.2018
	(b)	Nature of contracts/arrangements/transactions:	Shared Services Cost, Advances
	(c)	Duration of the contracts / arrangements/ transactions:	Ongoing, unless terminated by either of the party serving written notice
	(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	Reimbursement of expenses, interest on advances given.
	(e)	Amount paid as advances, if any:	Rs. 118,64,27,198 as Inter Corporate advance

2d	(a)	Name(s) of the related party and nature of relationship:	Mrs. Padmaja Gangireddy – Key Managerial Person
	(b)	Nature of contracts/arrangements/transactions:	Managerial Remuneration and Purchase of Criss Shares
	(c)	Duration of the contracts / arrangements/ transactions:	Ongoing, unless terminated by either of the party serving written notice
	(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	Remuneration
	(e)	Amount paid as advances, if any:	Nil

For & on behalf of the Board of Directors

Sd/-
(Padmaja Gangireddy)
Managing Director
DIN: 00004842

Sd/-
(Kartikeya Dhruv Kaji)
Director
DIN: 07641723

Place: Mumbai
Date: 28th June, 2019

Note: Figures in point no. 3, 3.1, & 3.3 are based on previous GAAP.

Independent Auditor's Report

To the Members of Spandana Sphoorty Financial Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion:

We have audited the accompanying Standalone Ind AS financial statements of Spandana Sphoorty Financial Limited ("the Company"), which comprise the Balance sheet as at March 31,2019, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, its profit including other comprehensive income its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion:

We conducted our audit of the Standalone Ind AS financial statements in accordance with the Standards on Auditing (SA),as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Ind AS financial statements.

Emphasis of Matter:

We draw attention to Note 33 (b) of the Standalone Ind AS financial statements, which describes an uncertainty arising from an observation made by the Reserve Bank of India (RBI) with regards to adherence to the pricing guidelines issued under RBI Master Directions DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, as amended ("Master Directions") and management's response thereto supported by external legal advice confirming compliance with the Master Directions. Pending outcome of the management's response to the RBI, no provision has been made in these Standalone Ind AS financial statements.

Our opinion is not modified in respect of this matter.

Key Audit Matters:

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Ind AS financial statements for the year ended March 31, 2019. These matters were addressed in the context of our audit of the Standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Standalone Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Standalone Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
(a) **Transition to Ind AS accounting framework** *(as described in note 37 of the Standalone Ind AS financial statements)*	
In accordance with the roadmap for implementation of Indian Accounting Standards (Ind AS) for non-banking financial companies, as announced by the Ministry of Corporate Affairs, the Company has adopted Ind AS from April 1, 2018 with an effective date of April 1, 2017 for such transition. For periods up to and including the year ended March 31, 2018, the Company had prepared and presented its financial statements in accordance with in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 ("Indian GAAP" or "previous GAAP"). In order to give effect of the transition to Ind AS, these financial statements for the year ended March 31, 2019, together with the comparative financial information for the previous year ended March 31, 2018 and the transition date balance sheet as at April 1, 2017 have been prepared under Ind AS. The transition has involved significant changes in the Company's financial reporting policies and processes, including generation of reliable and supportable financial information. It has also required management to exercise significant judgement for giving an appropriate effect of principles of First-time Adoption of Indian Accounting Standards (Ind AS 101), as at transition date and for determining impact of Ind AS on certain accounting and disclosure requirements prescribed under previous GAAP, such as: • Recognition of deferred tax asset on deductible temporary differences existing at transition date (not recognized in accordance with erstwhile Indian GAAP) • Treatment of specific disclosure requirements prescribed under extant Reserve Bank of India (RBI) directions in view of the differences between certain provision of Financial Instruments (Ind AS 109) and RBI directions In view of the material impact and complexities and significant judgement involved in implementing Ind AS, we have focused on this area in our audit.	Our audit procedures included considering the processes laid down by the management to implement such transition combined with procedures performed as follows: • Considered the Ind AS impact assessment performed by management to identify areas to be impacted on account of Ind AS transition and read the changes made to the accounting policies in light of the requirements of the new framework. • Understood the financial statement closure process (including disclosures in notes to accounts) and the controls established by the Company for transition to Ind AS. • Tested the design and operating effectiveness of key controls for processes implemented by the Company for preparing and presenting Ind AS financial statements. • Performed test of details in respect of the Ind AS adjustments made by the Company in the equity reconciliation and the reconciliation of the statement of profit and loss reported under erstwhile Indian GAAP to Ind AS. • Evaluated management's assessment, performed as at transition date, of the availability of future taxable profits (included in the plan approved by the Board of Directors), against which deductible temporary differences and unabsorbed tax losses can be utilized. Tested computation of deferred tax asset recognized as at transition date. • Understood the judgements applied by the Company in respect of areas where the accounting treatment adopted or the disclosures made under the new accounting framework were different from the extant RBI directions. • Read the disclosures with respect to the transition in accordance with the requirements of Ind AS 101, in respect of the previous period.
(b) **Impairment of financial instruments (including provision for expected credit losses)** *(as described in note 41.1 of the Standalone Ind AS financial statements)*	
The Company's impairment provision for financial assets (designated at amortised cost and fair value through other comprehensive income) is based on the expected credit loss approach laid down under 'Ind AS 109 Financial instruments'. Ind AS 109 requires the Company to exercise significant judgement while applying principles and other requirements of the standard in addition to the identification and adequacy of provision for impairment of its financial instruments using the expected credit loss (ECL) approach, which involves an estimation of probability-weighted loss on the financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of its loans and advances. In the process, a significant degree of judgement has been applied by the management in respect of following matters: a. Defining thresholds for 'significant increase in credit risk' and 'default'. b. Grouping of loans under homogenous pools to determine probability of default on a collective basis and calculation of past default rates. c. Determining effect of less frequent past events on future probability of default. d. Estimation of management overlay for macro-economic factors which could impact the credit quality of the loans. Given the complexity and high degree of judgement involved in the estimation of expected credit losses, we have considered this area as a key audit matter.	• Our audit procedures included considering the Company's accounting policies for impairment of financial instruments and assessing compliance with the policies in terms of Ind AS 109. • Evaluated the management's approach of ECL estimation, including the assumptions used for grouping and staging of loan portfolio, for determination of probability of default (PD) and loss given default (LGD). • Tested the operating effectiveness of the controls for staging of loans based on their past-due status. Tested a sample of performing (stage 1) loans to assess whether any loss indicators were present requiring them to be classified under stage 2 or 3. • Compared input data used for determining PD and LGD rates with the underlying books of accounts and records and tested the arithmetical accuracy of the computation. • Compared the disclosures included in the Ind AS financial statements in respect of expected credit losses with the requirements of Ind AS 107 and 109.
(c) **IT systems and controls**	
The financial accounting and reporting systems of the Company are fundamentally reliant on IT systems and IT controls to process significant transaction volumes. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Any gaps in the IT control environment could result in a material misstatement of the financial accounting and reporting records. Therefore, due to the pervasive nature and complexity of the IT environment, the assessment of the general IT controls and the application controls specific to the accounting and preparation of the financial information is considered to be a key audit matter.	We performed the following procedures for testing IT general controls and for assessing the reliability of electronic data processing, assisted by specialized IT auditors: • Tested the design and operating effectiveness of IT access controls over the information systems that are critical to financial reporting. • Tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized. • Tested the Company's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization. • In addition to the above, we tested the design and operating effectiveness of certain automated and IT dependent manual controls that were considered as key internal controls over financial reporting. Where deficiencies were identified, we tested compensating controls or performed alternate

Other Information:

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis and Board's Report including Annexures to Board's Report, but does not include the standalone Ind AS financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether such other information is materially inconsistent with the standalone Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read such other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to comply with the relevant applicable requirements of the standard on auditing for auditor's responsibility in relation to other information in documents containing audited financial statements.

Responsibilities of Management and Those Charged with Governance for the Standalone Ind AS Financial Statements:

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the Standalone Ind AS financial statements, including the disclosures, and whether the Standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Ind AS financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1"a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid Standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

   (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

   With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "**Annexure 2**" to this report;

   (g) In our opinion, the managerial remuneration for the year ended March 31, 2019 has been paid/provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

   (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations on its financial position in its Standalone Ind AS financial statements – Refer Note 48 to the Standalone Ind AS financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Com pany.

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

per Shrawan Jalan
Partner
Membership No. 102102

Mumbai
May 24, 2019

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

Re: Spandana Sphoorty Financial Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company and hence not commented upon.

(iii) (a) The Company has granted loans to two companies covered in the register maintained under section 189 of the Act. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loans are not prejudicial to the Company's interest.

(b) The Company has granted loans that are re-payable on demand, to companies covered in the register maintained under section 189 of the Act. We are informed that the Company has not demanded repayment of any such loan during the year, and thus, there has been no default on the part of the parties to whom the money has been lent. The payment of interest has been regular.

(c) There are no amounts of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Act which are overdue for more than ninety days.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the services of the Company.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and services tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(b) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amount under dispute (Rs.)*	Amount paid (Rs.)**	Period to which its relates	Forum where dispute is pending
Chapter V of the Finance Act, 1994	Service Tax	56,852,171	9,926,956	Financial year from 2006-07 to 2014-15	Customs, Excise & Service Tax Appellate Tribunal

* Excluding interest and penalty, as applicable

** Paid under protest

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowings to a financial institution or bank or dues to debenture holders.

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

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

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of section 197, read with Schedule V to the Act.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has complied with provisions of section 42 of the Act in respect of the private placement of equity shares during the year. According to the information and explanations given by the management, we report that, the amounts raised have been used for the purposes for which the funds were raised.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with the directors as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

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

per Shrawan Jalan
Partner
Membership No. 102102

Mumbai
May 24, 2019

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

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

We have audited the internal financial controls over financial reporting of Spandana Sphoorty Financial Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

per Shrawan Jalan
Partner
Membership No. 102102

Mumbai
May 24, 2019

Standalone Balance Sheet as at March 31, 2019

(Rupees in millions unless otherwise stated)

	Notes	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
ASSETS				
Financial assets				
Cash and cash equivalents	4	1,454.07	1,025.07	2,901.17
Bank balances other than cash and cash equivalents	5	2,028.09	1,032.47	23.08
Trade receivables	6	35.49	25.54	14.64
Loan portfolio	7	41,653.89	30,896.26	11,945.49
Investments	8	646.35	21.00	1.00
Other financial assets	9	861.35	659.59	17.43
Total financial assets		**46,679.24**	**33,659.93**	**14,902.81**
Non-financial assets				
Current tax assets (net)	10	83.37	41.86	46.63
Deferred tax assets (net)	11	1,998.36	3,840.84	4,214.96
Property, plant and equipment	12	70.86	58.54	66.23
Intangible assets	12	21.53	26.03	23.85
Other non-financial assets	13	127.01	15.47	31.74
Total non-financial assets		**2,301.13**	**3,982.74**	**4,383.41**
Total assets		**48,980.37**	**37,642.67**	**19,286.22**
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities				
Debt securities	14	13,719.64	10,147.13	-
Borrowings (other than debt securities)	14	15,529.89	12,965.08	9,324.57
Subordinated liabilities	14	201.56	201.55	10.09
Other financial liabilities	15	435.21	145.14	259.52
Total financial liabilities		**29,886.30**	**23,458.90**	**9,594.18**
Non-financial liabilities				
Current tax liabilities (net)	16	3.48	92.96	235.84
Provisions	17	3.42	3.90	5.98
Other non-financial liabilities	18	223.43	180.31	174.53
Total non-financial liabilities		**230.33**	**277.17**	**416.35**
EQUITY				
Equity share capital	19	596.34	297.56	284.49
Other equity	20	18,267.40	13,609.04	8,991.20
Total equity		**18,863.74**	**13,906.60**	**9,275.69**
Total liabilities and equity		**48,980.37**	**37,642.67**	**19,286.22**
Summary of significant accounting policies	3			

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date

For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

Sd/-

per Shrawan Jalan
Partner
Membership No: 102102

Place: Mumbai
Date: May 24, 2019

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Sd/-

Padmaja Gangireddy
Managing Director
DIN: 00004842

Sd/-

Kartikeya Dhruv Kaji
Director
DIN: 07641723

Sd/-

Sudhesh Chandrasekhar
Chief Financial Officer

Sd/-

Rakesh Jhinjharia
Company Secretary
Membership No. F8325

Place: Mumbai
Date: May 24, 2019

Standalone Profit and Loss statement for the year ended March 31, 2019

(Rupees in millions unless otherwise stated)

	Notes	For year ended March 31, 2019	For year ended March 31, 2018
Revenue from operations			
Interest income	21	9,914.42	5,730.09
Commission income		147.59	39.75
Net gain on fair value changes	22	265.70	42.15
Others	23	35.10	60.75
Total revenue from operations		**10,362.81**	**5,872.74**
Other income	24	54.27	2.25
Total income		**10,417.08**	**5,874.99**
Expenses			
Finance cost	25	3,564.71	2,317.91
Impairment on financial instruments	26	454.17	(354.09)
Employee benefit expenses	27	1,299.89	758.71
Depreciation and amortization expense	12	69.19	57.24
Other expenses	28	335.31	268.01
Total expenses		**5,723.27**	**3,047.78**
Profit before tax		**4,693.81**	**2,827.21**
Tax expense:	29		
Current tax		3.48	573.37
Deferred tax		1,602.85	374.13
Income tax expense		**1,606.33**	**947.50**
Profit for the year		**3,087.48**	**1,879.71**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement gains/(losses) on defined benefit plans		(3.07)	(0.42)
Income tax effect		1.07	0.14
Items that will be reclassified subsequently to profit or loss			
Fair value gain on loan portfolio		688.80	-
Income tax effect		(240.69)	-
Total comprehensive income for the year		**3,533.59**	**1,879.43**
Earnings per share (equity share, par value of Rs.10 each)			
Computed on the basis of total profit for the year			
Basic	30	52.92	42.52
Diluted	30	52.81	42.51
Nominal value		10.00	10.00
Summary of significant accounting policies	3		

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date

For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

Sd/-

per Shrawan Jalan
Partner
Membership No: 102102

Place: Mumbai
Date: May 24, 2019

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Sd/-

Padmaja Gangireddy
Managing Director
DIN: 00004842

Sd/-

Kartikeya Dhruv Kaji
Director
DIN: 07641723

Sd/-

Sudhesh Chandrasekhar
Chief Financial Officer

Sd/-

Rakesh Jhinjharia
Company Secretary
Membership No. F8325

Place: Mumbai
Date: May 24, 2019

Standalone Cash Flow Statement for the year ended March 31, 2019

(Rupees in millions unless otherwise stated)

	For year ended March 31, 2019	For year ended March 31, 2018
Cash flow from operating activities		
Profit before tax	4,693.81	2,827.20
Adjustments for:		
Interest on income tax	1.15	24.40
Depreciation and amortization	69.19	57.25
Share based payment to employees	41.14	-
Provision for gratuity	3.95	4.05
Net gain on derecognition of property, plant and equipment	(0.03)	(0.40)
Impairment on financial instruments	454.17	(354.09)
Net gain on fair value changes	(265.70)	(15.84)
Other provisions and write offs	23.61	19.06
Operating profit before working capital changes	**5,021.29**	**2,561.63**
Movements in working capital :		
Increase / (decrease) in other financial liabilities	290.10	(114.65)
Increase / (decrease) in provisions	82.62	131.61
Increase / (decreases) in other non financial liabilities	43.12	5.78
(Increase) / decrease in bank balances other than cash and cash equivalents	(995.63)	(1,009.37)
(Increase) / decrease in trade receivables	(9.95)	(10.90)
(Increase) / decrease in other current tax assets	(130.98)	(138.14)
(Increase) / decrease in loan portfolio	(10,763.54)	(18,596.70)
(Increase) / decrease in other financial assets	(225.23)	(661.22)
(Increase) / decrease in other non financial assets	(111.54)	16.26
(Increase) / decrease in deferred tax asset	239.63	-
Cash used in operations	**(6,560.11)**	**(17,815.70)**
Income taxes paid	(92.53)	(735.50)
Net cash used in operating activities (A)	**(6,652.64)**	**(18,551.20)**
Cash flow from investing activities		
Purchase of property, plant and equipment	(70.33)	(34.87)
Purchase of intangible assets	(8.00)	(16.93)
Proceeds from derecognition of property, plant and equipment	0.08	0.48
Purchase of investments	(67,585.20)	(34,856.79)
Sale of investments	67,585.20	34,856.79
Purchase of non current investments	(625.35)	(20.00)
Net gain on fair value changes	265.70	15.84
Net cash used in investing activities (B)	**(437.90)**	**(55.48)**
Cash flow from financing activities		
Proceeds from issue of equity shares (including securities premium)	501.00	307.87
Balance subscription of optionally convertible redeemable preference shares (all series)	532.31	2,442.13
Proceeds from issue of share warrants	349.03	1.49
Dividend paid on compulsory convertible preference shares (all class)	(0.13)	-
Debt securities (net)	3,572.51	10,147.13
Borrowings (other than debt securities) (net)	2,564.81	3,640.51
Subordinated liabilities (net)	0.01	191.46
Net cash from financing activities (C)	**7,519.54**	**16,730.59**
Net increase / (decrease) in cash and cash equivalents (A + B + C)	**429.00**	**(1,876.09)**
Cash and cash equivalents at the beginning of the year	1,025.07	2,901.17
Cash and cash equivalents at the end of the year (refer note 4)	**1,454.07**	**1,025.07**

For disclosure of investing and financing activities that do not require the use of cash and cash equivalents, refer note 45.

Cash flow from operating activities includes interest received of Rs.9,463.40 million (previous year Rs. 5,347.80 million) and interest paid of Rs.3,329.04 million (previous year Rs. 1,874.69 million)

Summary of significant accounting policies 3

The accompanying notes are an integral part of the standalone financial statements.

Standalone Cash Flow Statement for the year ended March 31, 2019

As per our report of even date

For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

Sd/-

per Shrawan Jalan
Partner
Membership No: 102102

Place: Mumbai
Date: May 24, 2019

For and on behalf of the Board of Directors of Spandana Sphoorty Financial Limited

Sd/-

Padmaja Gangireddy
Managing Director
DIN: 00004842

Sd/-

Kartikeya Dhruv Kaji
Director
DIN: 07641723

Sd/-

Sudhesh Chandrasekhar
Chief Financial Officer

Sd/-

Rakesh Jhinjharia
Company Secretary
Membership No. F8325

Place: Mumbai
Date: May 24, 2019

Statement of Changes in Equity for year ended on March 31, 2019

A. Equity Shares
Equity Share of Rs. 10 each issued, subscribed and fully paid

(Rupees in millions unless otherwise stated)

Particulars	No. of Shares	Amount
As at April 1, 2017	28,449,393	284.49
Issue of equity share capital during the year ended March 31, 2018 (refer note 19)	1,307,425	13.07
As at March 31, 2018	29,756,818	297.56
Issue of equity share capital during the year ended March 31, 2019 (refer note 19)	29,876,865	298.77
As at March 31, 2019	59,633,683	596.34

B. Other Equity

(Rupees in millions unless otherwise stated)

Particulars	Notes	Reserves & Surplus							Equity component of compound financial instrument	Money received against share warrants	Other items of comprehensive income (fair valuation on loan portfolio)	Grand total
		Securities Premium	Retained Earnings	General Reserve	Statutory Reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)	Capital Redemption Reserve	Share options outstanding reserve	Total				
Balance as at April 1, 2017		**2,582.81**	**(5,756.87)**	**23.28**	**1,604.97**	**1,526.92**	-	**(18.89)**	**9,010.08**	**-**	**-**	**8,991.19**
Profit for the year		-	1,879.70	-	-	-	-	1,879.70	-	-	-	1,879.70
Other comprehensive income			(0.27)				-	(0.27)	-	-	-	(0.27)
Total comprehensive income		**-**	**1,879.43**	**-**	**-**	**-**	-	**1,879.43**	**-**	**-**	-	**1,879.43**
Transfer to Statutory Reserve *		-	(343.70)	-	343.70	-	-	-	-	-	-	-
Issue of share capital during the year		294.80	-	-	-	-	-	294.80	2,442.13	1.49	-	2,738.42
Balance as at March 31, 2018	**20**	**2,877.61**	**(4,221.14)**	**23.28**	**1,948.67**	**1,526.92**	-	**2,155.33**	**11,452.21**	**1.49**	-	**13,609.04**
Profit for the year ended March 31, 2019		-	3,087.48	-	-	-	-	3,087.48	-	-	-	3,087.48
Other comprehensive income		-	(2.00)	-	-	-	-	(2.00)			448.11	446.11
Total comprehensive income		**-**	**3,085.48**	**-**	**-**	**-**	**-**	**3,085.48**	**-**	**-**	**448.11**	**3,533.59**
Transfer to Statutory Reserve		-	(617.50)	-	617.50	-		-	-	-	-	-
Fair value of stock option - charge for the year							41.25	41.25			-	41.25
Issue of share capital during year ended March 31, 2019	19	479.72	-	-	-	-	-	479.72	-	-	-	479.72
Conversion of compulsory convertible preference shares	19	11,212.29	-	-	-	-	-	11,212.29	(11,452.21)	-	-	(239.92)
Conversion of optionally convertible redeemable preference shares - series A, B & C	19	509.70	-	-	-	-	-	509.70	-	-	-	509.70
Conversion of share warrants	19	335.64	-	-	-	-	-	335.64	-	(1.49)	-	334.15
Dividend on CCPS (all classes) and OCRPS (all series) (includes dividend distribution tax)	20	-	(0.13)	-	-	-	-	(0.13)	-	-	-	(0.13)
Balance as at March 31, 2019	**20**	**15,414.96**	**(1,753.29)**	**23.28**	**2,566.17**	**1,526.92**	**41.25**	**17,819.29**	**-**	**-**	**448.11**	**18,267.40**

* As determined on the basis of profit calculated under previous GAAP.

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date

For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

Sd/-
per Shrawan Jalan
Partner
Membership No: 102102

Place: Mumbai
Date: May 24, 2019

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Sd/-
Padmaja Gangireddy
Managing Director
DIN: 00004842

Sd/-
Kartikeya Dhruv Kaji
Director
DIN: 07641723

Sd/-
Sudhesh Chandrasekhar
Chief Financial Officer

Sd/-
Rakesh Jhinjharia
Company Secretary
Membership No. F8325

Place: Mumbai
Date: May 24, 2019

1. Corporate information

Spandana Sphoorty Financial Limited ('SSFL' or the 'Company') is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956on March 10, 2003.The Company was registered as a non-deposit accepting non-banking financial company ('NBFC-ND') with the Reserve Bank of India ('RBI') and got classified as non-banking financial company – micro finance institution (NBFC – MFI) effective April 13, 2015.

The Company is primarily engaged in the business of micro finance providing small value unsecured loans to low-income customers in semi-urban and rural areas. The tenure of these loans is generally spread over one to two years.

2. Basis of preparation

a) Statement of compliance in preparation of standalone financial statements

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amendedfrom time to time).

For all periods up to and including the year ended March 31, 2018, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, readtogether with paragraph 7 of the Companies (Accounts) Rules, 2014 ("Indian GAAP" or "previous GAAP"). These financial statements for the year ended March 31, 2019 are the first the Company has prepared in accordancewith Ind AS.

The standalone financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments and other financial assetsheld for trading all of which have been measured at fair value. Further, the carrying values of recognised assets and liabilities thatare hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The Standalone financial statements arepresented in Indian Rupees (INR).

b) Presentation of financial statements

The Company presents its balance sheet in order of liquidity. Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having anunconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

a. The normal course of business
b. The event of default
c. The event of insolvency or bankruptcy of the Group and/or its counterparties

3. Significant accounting policies

a) Use of estimates, judgments and assumptions

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

ii) Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

iii) Impairment of loan portfolio

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment allowance for loans and advances. In estimating these cash flows, the Company makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors such as credit quality, level of arrears etc. and actual results may differ, resulting in future changes to the impairment allowance.

iv) Provisions other than impairment on loan portfolio

Provisions are held in respect of a range of future obligations such as employee entitlements and litigation provisions. Some of the provisions involve significant judgment about the likely outcome of various events and estimated future cash flows. The measurement of these provisions involves the exercise of management judgments about the ultimate outcomes of the transactions. Payments that are expected to be incurred after more than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

v) Other estimates

These include contingent liabilities, useful lives of tangible and intangible assets etc.

b) Recognition of income and expense

The Company earns revenue primarily from giving loans. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Interest income and expense

Interest revenue is recognized using the effective interest method (EIR). The effective interest method calculates the amortized cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.
Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to arrangers and other expenses such as external legal costs, provided these are incremental costs that are directly related to the issue of a financial liability.

(ii) Dividend income

Dividend income is recognized when the Company's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(iii) Other income and expense

All Other income and expense are recognized in the period they occur.

c) Property, plant and equipment(PPE) and intangible asset

PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

Intangible Asset

Intangible assets represent software expenditure which is stated at cost less accumulated amortization and any accumulated impairment losses.

d) Depreciation and amortization

Depreciation

i. Depreciation on property, plant and equipment provided on a written down value method at the rates arrived based on useful life of the assets, prescribed under Schedule II of the Act, which also represents the estimate of the useful life of the assets by the management.

ii. Property, plant and equipment costing up to Rs.5,000 individually are fully depreciated in the year of purchase.

The Company has used the following useful lives to provide depreciation on its Property, plant andequipment:

Asset Category	Useful Life (in years)
Furniture & Fixtures	10
Computers & Printers	3
Office Equipment	5
Leasehold Improvements	3
Vehicles	8
Land & Buildings	60

Amortization

Intangible assets are amortized at a rate of 40% per annum on a "Written Down Value" method, from the date that they are available for use.

e) Impairment

i) Overview of principles for measuring expected credit loss ('ECL') on financial assets.

In accordance with Ind AS 109, the Company is required to measure expected credit losses on its financial instruments designated at amortized cost and fair value through other comprehensive income. Accordingly, the Company is required to determine lifetime losses on financial instruments where credit risk has increased significantly since its origination. For other instruments, the Company is required to recognize credit losses over next 12 month period. The Company has an option to determine such losses on individual basis or collectively depending upon the nature of underlying portfolio.The Company has a process to assess credit risk of all exposures at each year end as follows:

Stage I

These represent exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date. The Company has assessed that all standard exposures (i.e. exposures with no overdues) and exposure upto 30 day overduesfall under this category.In accordance with Ind AS 109, the Company measures ECL on such assets over next 12 months.

Stage II

Financial instruments that have had a significant increase in credit risk since initial recognition are classified under this stage. Based on empirical evidence, significant increase in credit risk is witnessed after the overdues on an exposure exceed for a period more than 30 days. Accordingly, the Company classifies all exposures with overdues exceeding 30 days at each reporting date under this Stage. TheCompany measures lifetime ECL on stage II loans.

Stage III

All exposures having overdue balances for a period exceeding 90 days are considered to be defaults and are classified under this stage. Accordingly, the Company measures lifetime losses on such exposure. Interest revenue on such contracts is calculated by applying the effective interest rate to the amortized cost (net of impairment allowance) instead of the gross carrying amount.

Methodology for calculating ECL

The Company determines ECL based on a probability weighted outcome of factors indicated below to measure the shortfalls in collecting contractual cash flows. The Company does not discount such shortfalls considering relatively shorter tenure of loan contracts.

Key factors applied to determine ECL are outlined as follows:

Probability of default (PD) - The probability of default is an estimate of the likelihood of default over a given time horizon (12-month or lifetime, depending upon the stage of the asset).

Exposure at default (EAD) – It represents an estimate of the exposure of the Company at a future date after considering repayments by the counterparty before the default event occurs.

Loss given default (LGD) – It represents an estimate of the loss expected to be incurred when the event of default occurs.

Forward looking information

While estimating the expected credit losses, the Company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyses if there is any relationship between key economic trends like GDP, Unemployment rates, Benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Company based on its internal data. While the internal estimates of PD, LGD rates by the Company may not be always reflective of such relationships, temporary overlays are embedded in the methodology to reflect such macro-economic trends reasonably.

Write-offs

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. All such write-offs are charged to the Profit and Loss Statement. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

ii) Non financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

f) Operating Lease

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating leases. The Company has ascertained that the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases and therefore, the lease payments are recognized as per terms of the lease agreement in the Statement of Profit and Loss.

g) Foreign currency transactions

- **Functional and presentation currency**

  The Standalone financial statements are presented in Indian Rupees (INR), which are the functional currency of the Company and the currency of the primary economic environment in which the Company operates.

- **Transaction and balance**

  Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

h) Retirement and Employee benefits

The Company participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Company. The present value of the defined benefit obligations is calculated using the projected unit credit method.

The Company operates following employee benefit plans:

i) Employee Provident Fund

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as expenditure when an employee renders the related service.

ii) Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Company provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Company. The Company's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation.

Net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Re-measurement, comprising of actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

iii) Leaves

The service rules of the Company do not provide for the carry forward of the accumulated leave balance and leaves to credit of employees are encashed periodically at average gross salary.

iv) Employee Stock Option Plan

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments in form of employee stock options, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black Scholes valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in Stock Option Outstanding reserves in Other equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense. Service and non-market performance conditions are not taken into account when determining the grant datefair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

i) Income taxes

Current Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with The Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity).

Deferred Taxes

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognized as income tax benefits or expenses in the income statement except for tax related to the FVOCI instruments. The Company also recognizes the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Company only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Company's intention to settle on a net basis.

Minimum Alternate Tax (MAT)

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognized for MAT credit available only to the extent that it is probable that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

j) Earnings per share (EPS)

The Company reports basic and diluted earnings per share in accordance with Ind AS33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The increase in the provision due to un-winding of discount over passage of time is recognized within finance costs.

l) Contingent liabilities and assets

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Company does not have any contingent assets in the financial statements.

m) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instruments.

Financial Assets - All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

- Loan Portfolio at amortized cost
- Loan Portfolio at fair value through other comprehensive income (FVOCI)
- Investment in equity instruments and mutual funds at fair value through profit or loss
- Other financial assets atamortized cost

Loan Portfolio at amortized cost:

Loan Portfolio is measured at amortized cost where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI)on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

Loan Portfolio at FVOCI:
Loan Portfolio is measured at FVOCI where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- the financial asset is held within a business model where objective is achieved by both collecting contractual cash flows and selling financial assets.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, where the Company's objective is solely to collect the contractual cash flows from the assets, the same is measured at amortized cost or where the Company's objective is to collect both the contractual cash flows and cash flows arising from the sale of assets, the same is measured at fair value through other comprehensive income (FVOCI). If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows (i.e. measured at amortized cost) or to collect contractual cash flows and sell (i.e. measured at fair value through other comprehensive income), the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The amortized cost, as mentioned above, is computed using the effective interest rate method.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the Statement of Profit and Loss.

The measurement of credit impairment is based on the three-stage expected credit loss model described in Note: Impairment of financial assets (refer note 3(e)).

Effective interest method - The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. The amortized cost of the financial asset is adjusted if the Company revises its estimates of payments or receipts. The adjusted amortized cost is calculated based on the original or latest re-estimated EIR and the change is recorded as 'Interest and similar income' for financial assets. Income is recognized on an effective interest basis for loan portfolio other than those financial assets classified as at FVTPL

Equity instruments and Mutual Funds
Equity instruments and mutual funds included within the FVTPL category are measured at fair value with all changes recognized in the Profit and Loss Statement.

Financial liabilities

Initial Measurement
Financial liabilities are classified and measured at amortized cost. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.
Subsequent Measurement
Financial liabilities are subsequently carried at amortized cost using the effective interest method.

De-recognition
The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized from the balance sheet when the Company has discharged its obligation or the contract is cancelled or expires.

n) Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date using various valuation techniques.

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Company's accounting policies require, measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortized cost are required to be disclosed in the said financial statements.

The Company is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement).

Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows:

- *Level 1 financial instruments* - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

- *Level 2 financial instruments* - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life.

- *Level 3 financial instruments* – include one or more unobservable input where there is little market activity for the asset/liability at the measurement date that is significant to the measurement as a whole.

o) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

p) Share issue expenses

Incremental costs that are directly attributable to the issue of an equity instrument (i.e. they would have been avoided if the instrument had not been issued) are deducted from equity.

q) Convertible Preference Shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract.On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity since conversion option meets Ind AS 32 criteria for fixed to fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

(Rupees in millions unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
4: Cash and cash equivalents			
Cash on hand	7.78	3.70	6.63
Balances with banks			
On current accounts	1,375.20	871.29	2,894.54
Deposit with original maturity of less than three months	71.09	150.08	-
	1,454.07	1,025.07	2,901.17
5: Bank balances other than cash and cash equivalents			
Deposit with remaining maturity of less than 12 months	85.22	21.67	-
Deposit with remaining maturity of more than 12 months	-	0.13	-
Margin money deposits (refer note below)	1,942.87	1,010.67	23.08
	2,028.09	1,032.47	23.08

Note: Represent margin money deposits placed to avail term loans from banks and placed as cash collateral in connection with securitization transactions.

6: Trade receivables			
Outstanding for a period less than six months from the date they are due for payment			
Unsecured, considered good	35.49	25.54	14.64
	35.49	25.54	14.64

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
	At fair value	At amortised cost	At amortised cost
7: Loan portfolio			
Secured (by tangible assets), considered good*	629.23	245.92	239.95
Less: Impairment loss allowance	-	-	-
Unsecured, considered good*	41,272.82	30,701.51	11,882.85
Less: Impairment loss allowance	(253.60)	(109.07)	(220.17)
Considered doubtful**	3,627.81	8,653.53	8,868.10
Less: Impairment loss allowance	(3,622.37)	(8,595.63)	(8,825.24)
Total	41,653.89	30,896.26	11,945.49
Above amount includes			
Loans provided in India	41,653.89	30,896.26	11,945.49
Loans provided outside India	-	-	-
	41,653.89	30,896.26	11,945.49

* Represents assets classified under stage I and stage II in accordance with Company's asset classification policy [refer note 3(e)(i)]

** Represents assets classified under stage III in accordance with Company's asset classification policy [refer note 3(e)(i)]

Overview of the loan portfolio of the Company

The Company is primarily in the business of providing micro loans towards income generating activities with its operations spread out in different parts of India.

On October 15, 2010, the then Government of Andhra Pradesh promulgated "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Ordinance 2010" which was subsequently enacted as "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Act, 2011" ('AP MFI Act'). The AP MFI Act, inter alia, imposed several restrictions on the operations of the MFIs operating in the then state of Andhra Pradesh, including a change in repayment frequency for loan repayments from a 'weekly' to a 'monthly' basis.

As a result recoveries from the loan portfolio in the states of Andhra Pradesh and Telangana were adversely affected resulting in significant defaults. Such portfolio is hereinafter referred as the ‘old AP portfolio’. Accordingly, all such loans have been categorized under Stage III considering significant uncertainty with respect to their recoveries. All other exposures have been referred as ‘new portfolio’.

The table below discloses credit quality of the Company's exposures (net of impairment loss allowance) as at reporting date:

Portfolio classification as at March 31, 2019

Particulars	Stage I	Stage II	Stage III	Total
Considered good				
- New portfolio	41,583.21	65.24	-	41,648.45
Considered doubtful				
- New portfolio	-	-	5.44	5.44
- Old AP portfolio*	-	-	-	-
Total	**41,583.21**	**65.24**	**5.44**	**41,653.89**

*Old AP portfolio is fully provided for, hence net exposure is Nil.

Portfolio classification as at March 31, 2018

Particulars	Stage I	Stage II	Stage III	Total
Considered good				
- New portfolio	30,835.62	2.51	-	30,838.13
Considered doubtful				
- New portfolio	-	-	58.13	58.13
- Old AP portfolio*	-	-	-	-
Total	**30,835.62**	**2.51**	**58.13**	**30,896.26**

*Old AP portfolio is fully provided for, hence net exposure is Nil.

Portfolio classification as at April 1, 2017

Particulars	Stage I	Stage II	Stage III	Total
Considered good				
- New portfolio	11,736.43	166.24	-	11,902.67
Considered doubtful				
- New portfolio	-	-	42.82	42.82
- Old AP portfolio*	-	-	-	-
Total	**11,736.43**	**166.24**	**42.82**	**11,945.49**

*Old AP portfolio is fully provided for, hence net exposure is Nil.

Gross Portfolio Movement for the year ended March 31, 2019

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount as at April 1, 2018				
- New portfolio	30,940.84	6.59	720.43	31,667.86
- Old AP portfolio	-	-	7,933.10	7,933.10
Total (A)	30,940.84	6.59	8,653.53	39,600.96
Inter-stage movements				
- New portfolio				
Stage I	0.01	(0.01)	-	-
Stage II	(150.17)	150.17	-	-
Stage III	(43.39)	(1.27)	44.66	-
- Old AP portfolio	-	-	-	-
Total (B)	(193.55)	148.89	44.66	-
Write offs				
- New portfolio	-	(60.77)	(836.40)	(897.17)
- Old AP portfolio	-	-	(4,320.57)	(4,320.57)
Total (C)	-	(60.77)	(5,156.97)	(5,217.74)
New assets originated, repaid and derecognised during the year				
- New portfolio	10,315.79	55.46	114.43	10,485.68
- Old AP portfolio	-	-	(27.83)	(27.83)
Total (D)	10,315.79	55.46	86.59	10,457.84
Fair Value on loan portfolio (E)	688.80	-	-	688.80
Gross carrying amount as at March 31, 2019				
- New portfolio	41,751.88	150.17	43.11	41,945.16
- Old AP portfolio	-	-	3,584.70	3,584.70
Total (A+B+C+D+E)	41,751.88	150.17	3,627.81	45,529.86

Gross Portfolio Movement for the year ended March 31, 2018

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount as at April 1, 2017				
- New portfolio	11,764.05	358.75	892.56	13,015.36
- Old AP portfolio	-	-	7,975.54	7,975.54
Total (A)	11,764.05	358.75	8,868.10	20,990.90
Inter-stage movements				
- New portfolio				
Stage I	0.95	(0.85)	(0.10)	-
Stage II	(1.18)	1.24	(0.06)	-
Stage III	(48.29)	(118.21)	166.50	-
- Old AP portfolio	-	-	-	
Total (B)	(48.52)	(117.82)	166.34	-
Write offs **				
- New portfolio	-	-	-	-
- Old AP portfolio	-	-	-	-
Total (C)	-	-	-	-
New assets originated, repaid and derecognised during the year				
- New portfolio	19,225.31	(234.34)	(338.47)	18,652.50
- Old AP portfolio	-	-	(42.43)	(42.43)
Total (D)	19,225.31	(234.34)	(380.90)	18,610.07
Gross carrying amount as at March 31, 2018				
- New portfolio	30,940.84	6.59	720.43	31,667.86
- Old AP portfolio	-	-	7,933.10	7,933.10
Total (A+B+C+D)	30,940.84	6.59	8,653.53	39,600.96

** The contractual amount of loans written-off during the period are not subject to enforcement activity / legal proceedings.

ECL movement during the year ended March 31, 2019:-

Particulars	Stage I	Stage II	Stage III	Total
Opening Balance	105.09	3.98	8,595.63	8,704.70
Provision made/ (reversed) during the year	63.59	116.21	(245.55)	(65.75)
Write off	-	(35.27)	(4,727.71)	(4,762.98)
Closing Balance	168.68	84.92	3,622.37	3,875.97

Note :-

a) ECL for Stage I has increased primarily on account of new assets originated during the year.

b) ECL for stage II has increased primarily on account of new assets originated during the year.

c) ECL for stage III has declined primarily on account of write off and recoveries/collections made by the Company during the year.

ECL movement during the year ended March 31, 2018:-

Particulars	Stage I	Stage II	Stage III	Total
Opening Balance	27.67	192.50	8,825.24	9,045.41
Provision made/ (reversed) during the year	77.42	(188.52)	(229.61)	(340.71)
Write off	-	-	-	-
Closing Balance	105.09	3.98	8,595.63	8,704.70

Note :-

a) ECL for Stage I has increased primarily on account of new assets originated during the year.

b) ECL for stage II has declined on account of transfers to Stage III during the year.

c) ECL for stage III has declined on account of recoveries/collections made by the Company during the year.

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
8: Investments			
Investment in subsidiary (at cost)			
2,000,000 (March 31, 2018: 2,000,000, April 01, 2017: Nil) equity shares of Rs.10 each fully paid up in Caspian Financial Services Limited	20.00	20.00	-
4,727,352 (March 31, 2018: Nil, April 01, 2017: Nil) equity shares of Rs.10 each fully paid up in Criss Financial Holdings Limited	625.35	-	-
Others (at fair value through profit & loss)			
100,000 (March 31, 2018: 100,000, April 01, 2017: 100,000) equity shares of Rs.10 each fully paid up in Alpha Micro Finance Consultants Private Limited	1.00	1.00	1.00
	646.35	**21.00**	**1.00**
Less: Impairment loss allowance	-	-	-
Total	**646.35**	**21.00**	**1.00**
Above amount includes			
Investment in India	646.35	21.00	1.00
Investment Outside India	-	-	-
Total	**646.35**	**21.00**	**1.00**

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
9: Other financial assets (at amortised cost)			
A. Security deposits			
Unsecured, considered good	21.19	17.98	15.89
(A)	**21.19**	**17.98**	**15.89**
B.Loans and advances to related parties			
Inter corporate advances	670.52	543.14	-
(B)	**670.52**	**543.14**	**-**
C. Other Assets			
Amount receivable from banks and non banking financial companies	0.38	-	0.54
Term deposits placed with non banking financial companies#	65.83	90.62	-
Retained interest on asset assigned	91.93	-	-
Other assets	11.50	7.85	1.00
(C)	**169.64**	**98.47**	**1.54**
Total (A+B+C)	**861.35**	**659.59**	**17.43**

Represent margin money deposits placed to avail term loans from non banking financial companies.

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
10: Current Tax Assets (net)			
Advance income tax (net of provision)	83.37	41.86	46.63
	83.37	**41.86**	**46.63**

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
11: Deferred Tax Assets (net)			
Effects of deferred tax assets/ liabilities :			
Deferred Tax Assets			
Impairment of financials instruments	1,401.69	2,984.50	3,117.20
Unabsorbed carry forward Loss	-	-	859.40
Provisions allowable on payment basis	49.40	46.42	43.02
Differences of written down value of Property, plant and equipment	46.02	38.21	30.91
MAT Credit entitlement	774.35	763.71	218.27
Others	40.85	86.10	-
	2,312.31	**3,918.94**	**4,268.80**
Deferred Tax Liabilities			
Others	313.95	78.10	53.84
	313.95	**78.10**	**53.84**
Net deferred tax assets/(liabilities)	**1,998.36**	**3,840.84**	**4,214.96**

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority

(Rupees in millions unless otherwise stated)

12: Property, plant and equipment

Particulars	Land & Building*	Leasehold improvements	Furniture & Fixtures	Office Equipment	Vehicles	Computers	Total
Gross block (at cost)							
At April 1, 2017	-	95.40	46.23	10.53	4.16	100.87	257.19
Addition	2.01	-	8.86	4.67	-	19.33	34.88
Disposals	-	-	0.10	0.02	0.64	0.25	1.02
At March 31, 2018	**2.01**	**95.40**	**54.99**	**15.18**	**3.52**	**119.95**	**291.05**
Addition	-	-	14.33	13.61	2.07	40.32	70.33
Disposals	-	-	0.23	0.06	-	1.31	1.60
At March 31, 2019	**2.01**	**95.40**	**69.09**	**28.73**	**5.59**	**158.96**	**359.78**
Depreciation							
At April 1, 2017	-	62.77	26.41	9.27	3.15	89.36	190.97
Charge for the year	0.05	20.61	10.59	1.34	0.31	9.60	42.51
Disposals	-	-	0.09	0.02	0.59	0.24	0.94
At March 31, 2018	**0.05**	**83.38**	**36.91**	**10.59**	**2.87**	**98.72**	**232.54**
Charge for the period	0.10	7.59	16.18	5.79	0.36	26.61	56.63
Disposals	-	-	0.20	0.04	-	-	0.25
At March 31, 2019	**0.15**	**90.97**	**52.89**	**16.34**	**3.24**	**125.33**	**288.92**
Net Carrying Amount							
At April 1, 2017	-	32.63	19.82	1.26	1.01	11.51	66.23
At March 31, 2018	1.96	12.02	18.08	4.59	0.65	21.23	58.54
At March 31, 2019	**1.86**	**4.43**	**16.20**	**12.38**	**2.36**	**33.63**	**70.86**

* Mortgaged as security against non-convertible debentures.

Intangible assets

Particulars	Computer Software	Total
Gross block (at cost)		
At April 1, 2017	78.93	78.93
Addition	16.93	16.93
At March 31, 2018	**95.86**	**95.86**
Addition	8.00	8.00
At March 31, 2019	**103.86**	**103.86**
Amortization		
At April 1, 2017	55.08	55.08
Charge for the year	14.75	14.75
At March 31, 2018	**69.83**	**69.83**
Charge for the period	12.50	12.50
At March 31, 2019	**82.33**	**82.33**
Net Carrying Amount		
At April 1, 2017	23.85	23.85
At March 31 2018	26.03	26.03
At March 31, 2019	**21.53**	**21.53**

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
13: Other non-financial assets			
Unsecured, considered good			
Prepaid expenses	1.78	1.57	2.15
Capital advances	0.69	2.17	-
Advance against sum assured	24.03	9.61	3.73
Other advances	100.51	2.12	25.86
Unsecured, considered doubtful			
Employee loans	1.70	1.70	1.70
Amounts deposited with courts	5.89	4.84	4.74
Advance against sum assured	10.50	11.31	12.40
Other advances	-	-	15.05
Less: Provision for doubtful debts	(18.09)	(17.85)	(33.89)
	127.01	**15.47**	**31.74**

(Rupees in millions unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
14: (a) Debt Securities (at amortised cost)			
(a) Debentures			
Secured			
325 (March 31, 2018: 325), 13.15% Secured, Redeemable, Non-convertible Debentures of face value of Rs. 1 million each redeemable at par at the end of Seventy Two months from the date of allotment i.e. October 31, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of Thirty Six months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	342.30	342.20	-
180,000,000 (March 31, 2018: 180,000,000) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Re.1 each. redeemable at the end of Thirty Six Months from the date of allotment i.e. October 26, 2017	178.41	177.07	-
120,000,000 (March 31, 2018: 120,000,000) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Re.1 each, redeemable at the end of Thirty Six months from the date of allotment i.e. August 21, 2017	119.13	118.22	-
4,000 (March 31, 2018: 4,000), 12.90% Partly-paid Secured, Redeemable, Non-convertible Debentures of face value of Rs. 1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. September 28, 2017 (subject to exercise of put option by the lender at the end of Twelve or Twenty Four months from the date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	2,157.01	827.84	-
1,000 (March 31, 2018: 1,000), 14% Secured, Redeemable, Non-convertible Debentures of face value of Rs. 1 million each redeemable at par at the end of Seventy Two months from the date of allotment i.e. September 18, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of Thirty Six months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	1,003.18	1,002.18	-
1,500 (March 31, 2018: Nil), 12.20% Secured, Redeemable, Non-convertible Debentures of face value of Rs. 1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. May 31, 2018 (subject to exercise of put option by the lender at the end of Twelve months or Eighteen months or Twenty Four months or Thirty months or call option by the Company at the end of Eighteen months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	1,136.76	-	-

(Rupees in millions unless otherwise stated)

820 (March 31, 2018: Nil), 12.40% Secured, Redeemable, Non-convertible Debentures of face value of Rs. 1,000,000 each redeemable at par at the end of Thirty Six months from the date of allotment i.e. December 7, 2018 .	851.09	-	-
Nature of security The above debentures are secured by way of first and exclusive charge over eligible book debts of the Company. NCDs issued on September 18, 2017 are also secured by a first charge on land and building.			
Unsecured			
200 (March 31, 2018: 200), 13.30% Fully paid up Senior Unsecured, Redeemable, Non-Convertible Debentures of face value of Rs. 1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. September 26, 2017 (subject to exercise of put option by the lender at the end of 367 days or Twenty Four months). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	212.10	211.54	-
Borrowing under securitisation arrangement			
From Banks	7,719.66	6,975.47	-
From non-banking financial companies	-	492.61	-
Total Debt Securities	**13,719.64**	**10,147.13**	**-**
(b) Borrowings (Other than Debt Securities at amortised cost)			
Secured Term Loan			
Indian rupee loan from banks	10,297.00	9,704.30	9,324.57
Indian rupee loan from non-banking financial companies	5,232.89	3,260.38	-
Cash credit from bank (secured)*	-	0.40	-
Total Borrowings (Other than Debt Securities)	**15,529.89**	**12,965.08**	**9,324.57**

*Cash credit from bank is secured by hypothecation of book debts.

Cash credit from bank carries interest rate @ 11.70% pa with monthly interest repayment

(c) Subordinated Liabilities (at amortised cost)			
Unsecured Term Loan			
Indian rupee loan from non-banking financial company	201.56	201.46	-
Loans and advances from related party (unsecured)	-	-	10.00
Loans from related party carries interest rate @ 13.00% pa with monthly interest repayment			
Preference shares other than those that qualify as Equity			
OCRPS (all series)	-	0.09	0.09
Total Subordinated Liabilities	**201.56**	**201.55**	**10.09**
	29,451.09	**23,313.77**	**9,334.66**
Above amount includes			
Secured borrowings*	29,037.43	22,900.68	9,324.57
Unsecured borrowings #	413.66	413.09	10.09
Net amount	**29,451.09**	**23,313.77**	**9,334.66**
Borrowings in India	29,451.09	23,313.77	9,334.66
Borrowings outside India	-	-	-
Total	**29,451.09**	**23,313.77**	**9,334.66**

* The secured borrowings are secured by hypothecation of book debts and margin money deposits.

The unsecured borrowings are in the nature of subordinated debt and non-convertible debentures.

14A. Terms of principal repayment of borrowings as at March 31, 2019

(Rupees in millions unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	
Debt Securities										
Monthly										
1-3 years	9.01%-9.50%	12	868.80	5	197.06	-	-	-	-	1,065.86
		12	673.33	5	135.77	-	-	-	-	809.10
		3	254.74	-	-	-	-	-	-	254.74
		5	198.02	-	-	-	-	-	-	198.02
		7	310.08	-	-	-	-	-	-	310.08
		6	374.18	-	-	-	-	-	-	374.18
		7	251.06	-	-	-	-	-	-	251.06
	9.51%-10.00%	12	602.35	-	-	-	-	-	-	602.35
		6	625.76	-	-	-	-	-	-	625.76
		11	1,826.03	-	-	-	-	-	-	1,826.03
		4	89.50	-	-	-	-	-	-	89.50
		12	366.00	1	5.88	-	-	-	-	371.88
	10.01%-10.50%	1	2.30	-	-	-	-	-	-	2.30
	11.01%-11.50%	9	950.36	-	-	-	-	-	-	950.36
Quarterly										
1-3 years	12.51%-13.00%	2	2,161.25	-	-	-	-	-	-	2,161.25
	12.01%-12.50%	1	1,125.00	-	-	-	-	-	-	1,125.00
Half Yearly										
1-3 years	13.01%-13.50%	0	-	2	410.00	2	410.00	-	-	820.00
Annually										
1-3 years	12.51%-13.00%	1	200.00	-	-	-	-	-	-	200.00
Bullet										
1-3 years	12.01%-12.50%	0	-	1	180.00	-	-	-	-	180.00
		0	-	1	120.00	-	-	-	-	120.00
	13.01%-13.50%	0	-	1	325.00	-	-	-	-	325.00
	13.51%-14.00%	0	-	1	1,000.00	-	-	-	-	1,000.00
Borrowings (Other than Debt Securities)										
Monthly										
1-3 Years	10.01%-10.50%	12	250.00	4	83.33	-	-	-	-	333.33
		12	250.00	5	104.17	-	-	-	-	354.17
	10.51%-11.00%	12	97.80	12	109.12	2	19.38	-	-	226.30
		12	203.34	4	72.89	-	-	-	-	276.23
		8	137.53	-	-	-	-	-	-	137.53
		12	78.58	12	87.67	6	47.57	-	-	213.82
		12	450.00	12	450.00	-	-	-	-	900.00
		10	170.39	-	-	-	-	-	-	170.39
		12	199.71	6	108.15	-	-	-	-	307.86
	11.01%-11.50%	12	130.43	1	10.87	-	-	-	-	141.30
		12	130.43	1	10.87	-	-	-	-	141.30
		12	782.61	1	65.22	-	-	-	-	847.83
		12	1,500.00	8	1,000.00	-	-	-	-	2,500.00
		5	73.65	-	-	-	-	-	-	73.65
		12	150.00	12	150.00	-	-	-	-	300.00
		12	150.00	12	150.00	-	-	-	-	300.00
		12	150.00	12	150.00	-	-	-	-	300.00
		12	103.17	12	79.93	-	-	-	-	183.10
		7	159.68	-	-	-	-	-	-	159.68

14A. Terms of principal repayment of borrowings as at March 31, 2019

(Rupees in millions unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	
1-3 Years	11.51%-12.00%	2	60.07	-	-	-	-	-	-	60.07
		0	-	10	833.33	2	166.67	-	-	1,000.00
		11	217.90	3	63.68	-	-	-	-	281.58
		12	71.06	11	73.22	-	-	-	-	144.28
		12	150.00	3	37.50	-	-	-	-	187.50
		4	25.00	-	-	-	-	-	-	25.00
		5	20.83	-	-	-	-	-	-	20.83
		12	250.00	2	41.67	-	-	-	-	291.67
		5	88.56	-	-	-	-	-	-	88.56
		12	100.00	9	75.00	-	-	-	-	175.00
		12	181.82	12	181.82	8	121.21	-	-	484.85
		12	79.99	12	79.99	9	60.02	-	-	220.00
	13.51%-14.00%	2	67.78	-	-	-	-	-	-	67.78
		4	14.86	-	-	-	-	-	-	14.86
		12	333.33	3	83.33	-	-	-	-	416.67
Quarterly										
1-3 Years	10.51%-11.00%	4	228.57	-	-	-	-	-	-	228.57
		4	125.00	2	62.50	-	-	-	-	187.50
		4	914.29	-	-	-	-	-	-	914.29
		4	500.00	2	250.00	-	-	-	-	750.00
		3	375.00	-	-	-	-	-	-	375.00
	11.01%-11.50%	4	125.00	4	125.00	-	-	-	-	250.00
	11.51%-12.00%	4	500.00	-	-	-	-	-	-	500.00
	12.51%-13.00%	2	214.29	-	-	-	-	-	-	214.29
		4	83.33	4	83.33	-	-	-	-	166.66
		4	250.00	2	125.00	-	-	-	-	375.00
	13.01%-13.50%	4	109.09	1	27.27	-	-	-	-	136.36
Bullet										
1-3 years	10.51%-11.00%	1	125.00	-	-	-	-	-	-	125.00
Subordinated Liabilities										
Bullet										
Above 3 years	14.51%-15.00%	0	-	-	-	-	-	1	200.00	200.00
Total		**373**	**13,864.34**	**200**	**4,774.85**	**29**	**824.85**	**1**	**200.00**	**29,430.27**
Impact of EIR										**20.82**
Grand Total										**29,451.09**

(Rupees in millions unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
15: Other Financial liabilities			
Expenses payable	29.78	15.80	163.04
Employee benefits payable	236.19	123.04	87.43
Creditors for capital goods	-	6.30	0.42
Other payable	169.24	-	8.63
	435.21	**145.14**	**259.52**
16: Current Tax Liabilities (net)			
Provision for Tax (net of advance tax)	3.48	92.96	235.84
	3.48	**92.96**	**235.84**
17: Provisions			
Provision for employee benefits			
Gratuity (net of contribution)	3.42	3.90	5.98
	3.42	**3.90**	**5.98**
18: Other Non-Financial liabilities			
Other payables	38.09	20.58	30.43
Unfructified service tax liability [net of amount paid under protest Rs.9.93 millions (March 31, 2018: Rs. 9.93 millions, April 1, 2017: Rs. 9.93 millions)]	141.36	132.83	124.30
Statutory dues payable	43.98	26.90	19.80
	223.43	**180.31**	**174.53**

(Rupees in millions unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
19: Equity Share capital			
Authorized			
900,000,000 (March 31, 2018: 900,000,000, April 1, 2017: 900,000,000) equity shares of Rs.10 each	9,000.00	9,000.00	9,000.00
	9,000.00	**9,000.00**	**9,000.00**
Issued, subscribed and paid-up			
59,633,683 (March 31, 2018: 29,756,818, April 1, 2017: 28,449,393) equity shares of Rs.10 each fully paid up	596.34	297.56	284.49
Total	**596.34**	**297.56**	**284.49**

(a) Terms / rights attached to equity shares

The Company has only one class of equity shares of par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividends in Indian rupees.

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.

(b) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year:

(Rupees in millions unless otherwise stated)

Particulars	March 31, 2019		March 31, 2018		April 1, 2017	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	29,756,818	297.56	28,449,393	284.49	28,449,393	284.49
Issued upon conversion of preference shares and share warrants*	27,749,295	277.49	-	-	-	-
Issued during the year	2,127,570	21.28	1,307,425	13.07	-	-
Outstanding at the end of the year	**59,633,683**	**596.33**	**29,756,818**	**297.56**	**28,449,393**	**284.49**

* During the year, the Company converted its preference shares (all classes) and share warrants into equity shares as per the terms of issuance of each class of securities. Accordingly, the Company issued 27,749,295 number of equity shares of face value of Rs.10 each upon conversion of preference shares and share warrants into equity shares as follows:

(Rupees in millions unless otherwise stated)

Particulars	No. of convertible securities	No. of equity shares issued upon conversion	Nominal value of equity share issued	Premium*
Class A 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each	234,999,997	9,979,615	99.80	2,250.20
Class A1 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each	119,212,760	5,062,542	50.63	1,141.50
Class B 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each	791,007,721	8,948,425	89.48	7,820.59
Series C 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each	1,135,085	1,135,085	11.35	254.85
FY18 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each	283,771	283,771	2.84	63.71
FY18 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each	283,771	283,771	2.84	63.71
FY19 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each	283,771	283,771	2.84	63.71
FY19 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each	283,771	283,771	2.84	63.71
Share warrants	1,488,544	1,488,544	14.89	335.64
Total	**1,148,979,191**	**2,77,49,295**	**277.51**	**12,057.62**

* Total premium on OCRPS @ Rs. 225.48 per share aggregates to Rs. 511.88 million (includes Rs. 2.18 million called and paid up during the year ended March 31, 2017 @ Re.0.96 per share and balance Rs. 509.70 million called and paid up in the current year @ Rs. 224.52 per share, indicated in the table above).

Terms of conversion

Class A CCPS	Number of Class A CCPS proposed to be converted x Face value of Class A CCPS Fair market value of equity shares of the Company as on the date of acquisition of Class A CCPS
Class A1 CCPS	Number of Class A1 CCPS proposed to be converted x Face value of Class A1 CCPS Fair market value of equity shares of the Company as on the date of acquisition of Class A1 CCPS
Class B CCPS	Number of Class B CCPS proposed to be converted x 2.7 Fair market value of equity shares of the Company as on the date of acquisition of Class B CCPS
OCRPS (all series)	To be converted into equal number of equity shares upon being fully paid

The Company has paid dividend on preference shares during the year upon conversion as per the terms of issuance of the respective securities. The dividend is paid from the date of allotment of preference shares till the date of conversion of the same into equity shares.

Details of shareholders holding more than 5% in the Company:

As per the records of the Company, including register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the shareholding given below represents both legal and beneficial ownership of shares.

Name of the shareholder	March 31, 2019		March 31, 2018		April 1, 2017	
	Number of shares	% of holding	Number of shares	% of holding	Number of shares	% of holding
Equity shares						
Kangchenjunga Limited (Holding Company)*	35,270,269	59.14%	10,942,328	36.77 %	7,896,937	27.76 %
Padmaja Gangireddy	11,670,067	19.57%	5,879,366	19.76 %	6,194,261	21.77 %
Valiant Mauritius Partners FDI Limited	4,632,570	7.77%	4,632,570	15.57 %	3,981,780	14.00 %
JM Financial Products Limited	909,887	1.53%	2,976,821	10.00 %	-	-
JM Financial Trustee Company Private Limited	-	-	1,744,303	5.86%	6,582,276	23.14 %
Vijaya Sivarami Reddy Vendidandi	1,491,483	2.50%	1,491,483	5.01%	1,491,483	5.24%

* Holding Company with effect from May 15, 2018

Notes to the Standalone Financial Statements for year ended March 31, 2019

(Rupees in millions unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
20: Other Equity			
Authorized			
1,250,000,000 (March 31, 2018: 1,250,000,000; April 1, 2017 : 1,100,000,000) preference shares of Rs.10 each	12,500.00	12,500.00	11,000.00
	12,500.00	12,500.00	11,000.00
Issued, subscribed and paid-up			
Nil (March 31, 2018: 791,007,721; April 1, 2017: 791,007,721) Class B 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each fully paid up	-	7,910.08	7,910.08
Nil (March 31, 2018: 234,999,997; April 1, 2017: 110,000,008) Class A 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each fully paid up	-	2,350.00	1,100.00
Nil (March 31, 2018: 119,212,760; April 1, 2017: Nil) Class A1 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each fully paid up	-	1,192.13	-
	-	**11,452.21**	**9,010.08**
Money received against share warrants	**-**	**1.49**	**-**
Securities premium account			
Balance as per the last financial statements	2,877.61	2,582.81	761.32
Add: Premium on conversion of Class B 0.001% Compulsory Convertible preference shares (CCPS) (refer note 19)	7,820.59	-	-
Add: Premium on conversion of Class A 0.001% Compulsory Convertible preference shares (CCPS) (refer note 19)	2,250.20	-	-
Add: Premium on conversion of Class A1 0.001% Compulsory Convertible preference shares (CCPS) (refer note 19)	1,141.50	-	-
Add: Premium on conversion of Optionally Convertible Redeemable preference shares (OCRPS) - Series A, B & C (refer note 19)	509.70	-	-
Add: Premium on conversion of share warrants (refer note 19)	335.64	-	-
Add: Premium on issue of OCRPS (all series)	-	-	2.18
Add: Premium on issue of equity shares	479.72	294.80	1,819.31
Closing balance	**15,414.96**	**2,877.61**	**2,582.81**
General reserve	**23.28**	**23.28**	**23.28**
Share options outstanding reserve	**41.25**		
Capital redemption reserve	**1,526.92**	**1,526.92**	**1,526.92**
Statutory reserve			
Balance as per the last financial statements	1,948.67	1,604.97	1,499.07
Add: Amount transferred from surplus of profit and loss	617.50	343.70	105.90
Closing balance	**2,566.17**	**1,948.67**	**1,604.97**
Deficit in the statement of profit and loss			
Balance as per the last financial statements	(4,221.14)	(5,756.87)	-
Add: Profit for the year	3,087.48	1,879.70	-
Add: Other comprehensive income (Re-measurement gains/(losses) on defined benefit plans)	(2.00)	(0.27)	-
Less: Transfer to Statutory Reserve [@ 20% of profit after tax as required by Section 45-IC of Reserve Bank of India Act, 1934]	(617.50)	(343.70)	-
Less: Dividend on CCPS all class (includes dividend distribution tax)	(0.13)	-	-
Net deficit in the statement of profit and loss	**(1,753.29)**	**(4,221.14)**	**(5,756.87)**
Other comprehensive income (Fair valuation on loan portfolio)			
Opening balance	-	-	-
Add: Fair value change during the year	902.28	-	-
Less: Impairment allowance transferred to statement of profit and loss	(454.17)	-	-
Closing balance	**448.11**	**-**	**-**
Total other equity	**18,267.40**	**13,609.04**	**8,991.20**

(Rupees in millions unless otherwise stated)

	For period ended March 31, 2019	For period ended March 31, 2018
21: Interest Income		
Measured at fair value		
Interest on portfolio loans	9,661.56	-
Measured at amortised cost		
Interest on portfolio loans	-	5,675.12
Interest on fixed deposits	5.23	1.27
Interest on inter corporate advances	142.46	16.94
Interest on margin money deposits*	105.17	36.76
	9,914.42	**5,730.09**

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

22: Net gain on fair value changes		
Net gain on fair value changes of investments	109.57	42.15
Net gain on derecognition of loans designated at FVOCI	156.13	-
	265.70	**42.15**
Fair value changes		
Realised	174.40	42.15
Unrealised	91.30	-
Total net gain on fair value changes	**265.70**	**42.15**
23: Others		
Recovery against loans written off	35.10	44.23
Incentive income	-	16.52
	35.10	**60.75**
24: Other income		
Net gain on derecognition of property, plant and equipment	0.03	0.40
Advertisement income	51.15	-
Miscellaneous income	3.09	1.85
	54.27	**2.25**
25: Finance cost		
Interest		
On Debt Securities	1,474.00	409.97
On Borrowings (Other than Debt Securities)	2,058.75	1,797.84
On Subordinated Liabilities	30.11	24.32
On income tax	1.15	31.17
Other finance cost	0.69	54.61
	3,564.71	**2,317.91**
26: Impairment on financial instruments		
Measured at fair value		
Impairment on portfolio loans	(4,769.68)	-
Loan portfolio written off	5,223.85	-
Measured at amortised cost		
Impairment on portfolio loans	-	(354.09)
	454.17	**(354.09)**
27: Employee benefits expense		
Salaries, wages and bonus	1,214.03	735.18
Contribution to provident fund and other funds	20.13	19.57
Expenses on Employee Stock Option Plan	41.14	-
Staff welfare expenses	24.59	3.95
	1,299.89	**758.71**
28: Other expenses		
Rent (refer note 38)	36.16	47.23
Rates and taxes	2.30	2.61
Bank charges	16.47	5.99
Office maintenance	36.37	20.46
Computers and network maintenance	8.59	2.91
Electricity charges	12.22	9.38
Travelling expenses	115.38	70.51
Communication expenses	6.72	6.22
Credit Bureau Expenses	6.21	6.48
Printing and stationery	10.82	8.75
Legal and professional charges	9.58	36.54
Directors sitting fees	9.08	3.06
Auditors remuneration (refer details below)	10.03	6.77
Recruitment and training	1.10	6.26
Subscription fees	7.50	4.74
Other provisions and write off	23.61	19.06
Security charges	0.40	1.54
CSR Expenses	19.93	4.01
Miscellaneous expenses	2.84	5.49
	335.31	**268.01**

	For period ended March 31, 2019	For period ended March 31, 2018
Payment to auditors		
As auditor:		
Audit fee	9.36	5.52
Certification fee	-	0.59
Out of pocket expenses	0.67	0.66
	10.03	**6.77**
29: Income Tax Expense		
A. Income tax expense in the statement of profit and loss consists of:		
Current Income Tax:		
Income Tax	3.48	573.37
Deferred Tax	1,602.85	374.13
Income Tax expense reported in the statement of profit or loss	**1,606.33**	**947.50**
Income tax recognised in other comprehensive income		
Deferred tax arising on re-measurement gains/(losses) on defined benefit plans	(1.07)	0.14
Deferred tax arising on fair value gain on loan portfolio	240.69	-
Total	**239.62**	**0.14**
Total income tax expense	**1,845.95**	**947.64**

B. The reconciliation between the provision of Income Tax of the Company and amounts computed by applying the Indian statutory Income Tax rate to profit before taxes is as follows:

Profit before tax	5,379.54	2,827.20
Enacted tax rates in India	34.94%	34.61%
Computed tax expense	1,879.84	978.44
Effect of :		
Non-deductible expenses	7.37	8.31
Additional tax allowances	(25.91)	(4.70)
Difference on account of change in tax rate	(16.69)	(29.59)
Others	1.34	(4.82)
Total Income Tax expense	**1,845.95**	**947.64**
30: Earning per Share		
Net profit after tax as per Statement of Profit and Loss	3,087.48	1,879.71
Less: Dividend on OCRPS (all series) and tax thereon	-	-
Net profit for calculation of basic earnings per share	**3,087.48**	**1,879.71**
Net profit as above	3,087.48	1,879.71
Add: Dividend on CCPS (all class) & OCRPS (all series) and tax thereon	-	-
Net profit for calculation of diluted earnings per share	**3,087.48**	**1,879.71**
Calculation of weighted average number of equity shares for basic EPS		
Equity shares		
Opening No. of shares	29.76	28.45
Add: Issued during the year	1.66	0.09
	31.41	**28.54**
Instrument compulsorily convertible into equity		
Share Warrants	1.16	-
OCRPS	1.77	-
CCPS Class B	8.95	8.95
CCPS Class A	9.98	6.39
CCPS Class A1	5.06	0.33
Weighted average number of equity shares for basic EPS	**58.34**	**44.21**
Effect of dilution		
Conversion of OCRPS	0.00	0.01
Employee stock option	0.12	
Weighted average number of equity shares for diluted EPS	**58.46**	**44.22**
Basic earnings per share (In rupees)	**52.92**	**42.52**
Diluted earnings per share (In rupees)	**52.81**	**42.51**

Nominal value per share: Rs.10 (Previous year: Rs.10)

(Rupees in millions unless otherwise stated)

31: Segment Reporting

The Company operates in a single business segment i.e. lending to customers who have similar risks and returns for the purpose of Ind AS 108 on 'Operating Segments' notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

32: Related parties under Ind AS 24 with whom transactions have taken place during the year.

I. Holding Company

Kangchenjunga Limited (w.e.f. May 15, 2018)

II. Subsidiary Company

a) Caspian Financial Services Limited (w.e.f October 13, 2017)
b) Criss Financila Holdings Limited (w.e.f December 27 , 2018)

III. Other related party in accordance with Ind AS 24 with whom transactions have taken place

a) Spandana Rural and Urban Development Organization
b) Abhiram Marketing Services Limited
c) Spandana Employee Welfare Trust.
d) Spandana Mutual Benefit Trust

IV. Key Management Personnel

a) Mrs. Padmaja Gangireddy - Managing Director
b) Mr. Deepak Goswami – Chief Financial Officer
c) Mr. Rakesh Jhinjharia – Company Secretary
d) Mr. Nitin Prakash Agrawal – Chief Risk Officer (w.e.f. May 28, 2018)
e) Mr. Abdul Feroz Khan – Chief Strategy Officer (w.e.f. May 15, 2018)
f) Mr. Bharat Shah (Independent Director)
g) Mr. Deepak Vaidya (Independent Director)
h) Mr. Jagdish Capoor (Independent Director)
i) Ms. Abanti Mitra (Independent Director)
j) Mr. Sunish Sharma (Nominee Director)
k) Mr.Kartikeya Dhruv Kaji (Nominee Director)
l) Mr. Darius Dinshaw Pandole (Nominee Director)
m) Mr. Amit Sobti (Nominee Director)
n) Mr. Ramachandra Kasargod Kamath (Nominee Director)

Related party transactions during the year:

S. No	Related Party	Nature of Transactions	Transactions during year ended March 31, 2019	Transactions during year ended March 31, 2018	(Payable)/Receivable		
					March 31, 2019	March 31, 2018	April 01, 2017
1	Spandana Rural and Urban Development Organization	Rent expense	9.69	8.90	(0.29)	(0.25)	(0.24)
		Rent deposit	-	-	3.09	3.09	3.09
		Expense reimbursement	0.04	0.66	0.00	0.00	4.36
		Short Term Borrowing	-	-	-	-	(10.00)
		Short Term Borrowing Repaid	-	10.00	-	-	-
		Interest Expense	-	0.23	-	-	(0.02)
2	Criss Financial Holdings Limited	Expense reimbursement (net)	0.19	0.11	0.02	0.01	(0.28)
		Inter-corporate advances (net) *	(58.07)	331.10	272.93	331.00	-
		Interest income	91.30	13.58	2.59	3.31	-
		Purchase of portfolio	-	230.10	-	-	-
		Expenses Payable	-	-	-	-	-
		Subscription to equity shares	250.00	-	-	-	-
3	Abhiram Marketing Services Limited	Commission income	147.59	54.32	28.61	5.36	-
		Incentive income	-	16.53	-	19.17	-
		Expenses reimbursement	34.95	25.04	6.85	0.48	0.00
		Inter-corporate advances (net) *	187.34	207.66	395.00	207.66	-
		Interest income	51.16	3.35	-	1.18	-
		Purchase of fixed assets & goods	31.77	4.23	(0.68)	-	-

Notes to the Standalone Financial Statements for year ended March 31, 2019

4	Caspian Financial Services Limited	Pre-incorporation expenses	(0.51)	0.51	-	0.51	-
5	Kangchenjunga Limited	Dividend on CCPS (all class)	0.11	-	-	-	-
		Issue of Preference shares (class A)	-	1,223.40	-	-	-
		Issue of Preference shares (class A1)	-	1,166.76	-	-	-
6	Mr. Deepak Goswami	Remuneration#	7.65	1.85	(2.08)	(0.73)	-
7	Mr. Rakesh Jhinjharia	Equity shares issued pursuant to stock option scheme	0.62	-	-	-	-
		Remuneration#	1.87	1.09	(0.01)	(0.10)	-
8	Mr. Nitin Prakash Agrawal	Remuneration#	8.97	-	(1.49)	-	-
9	Mr. Bharat Shah	Sitting fee	2.00	-	-	-	-
10	Mr. Deepak Vaidya	Sitting fee	1.67	-	-	-	-
11	Mr. Jagdish Capoor	Sitting fee	1.67	-	-	-	-
12	Mr. K. R. Kamath	Sitting fee	2.00	1.83	-	-	-
13	Ms. Abanti Mitra	Sitting fee	1.00	0.92	-	-	-
		Subscription to equity shares	1.00	-	-	-	-
14	Mr. P Madhava Rao	Sitting fee	-	0.03	-	-	(0.14)
15	Mr. P. S. Prasad	Sitting fee	-	0.01	-	-	(0.14)
16	Mr. Gopala Reddy A	Sitting fee	-	-	-	-	(0.04)
17	Mr. Sundaram Ramakrishnan	Sitting fee	-	0.01	-	-	(0.11)
18	Mr. Abdul Feroz Khan	Equity shares issued pursuant to stock option scheme	3.00	-	-	-	-
		Remuneration#	6.39	4.08	(1.87)	(0.83)	-
		Subscription to equity shares	17.05	-	-	-	-
19	Mrs. Padmaja Gangireddy	Balance subscription received on share warrants	349.03	1.49	-	-	-
		Balance subscription received on OCRPS (all series)	532.31		-	-	-
		Subscription to equity shares	478.49	17.65	-	-	-
		Purchase of CFHL Shares	270.49	-	-		
		Dividend on OCRPS	0.00	-	-	-	-
		Remuneration#	53.75	30.00	(4.58)	(3.49)	(2.73)
		Rental Deposit received	-	0.11	-	-	0.11
		Rent paid	-	0.03	-	-	-
20	Mr. Revan Saahith	Remuneration#	0.76	-	(0.20)		
		Purchase of CFHL Shares	61.82	-	-	-	-
21	Mr. Vijaya Sivarami Reddy Vendidandi	Purchase of CFHL Shares	26.10	-	-	-	-
22	Mrs. Hina Ansari	Purchase of CFHL Shares	13.33	-	-	-	-
23	Spandana Employee Welfare Trust	Expense reimbursement	-	0.03	-	-	0.00
		Issue of Equity shares	-	9.07	-	-	-
24	Spandana Mutual Benefit Trust	Expense reimbursement	-	0.23	-	-	0.00

* Of the ICDs given aggregating Rs. 1,186.43 million, the Company received repayment of Rs. 1,244.5 million including previous year outstanding from Criss Financial Holdings Limited (During year ended March 31 2018, ICDs aggregating Rs.385.10 million were given out of which the Company received Rs.54.10 million).

Of the ICDs given aggregating Rs. 288.62 million, the Company has received repayment of Rs. 101.28 million including previous year outstanding (March 31, 2018: ICDs given aggregating Rs.207.66 million the Company has received repayment of Rs.Nil) from Abhiram Marketing Services Limited.

\# As the provision for gratuity is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

Transactions during the year are shown net of service tax/GST and inclusive of TDS.

33: Contingent Liabilities not provided for

a. Claims against the Company not acknowledged as debt:

Particulars	March 31, 2019	March 31, 2018	April 1, 2017
Service tax open assessments	48.66	48.66	49.23
Total	**48.66**	**48.66**	**49.23**

b. Other contingent Liability:

RBI has conducted annual inspection of the Company for FY18 and shared their concerns vide its letter dated March 28, 2019. One of the supervisory concerns mentioned in their letter is that the Company overcharged interest rate violating pricing guidelines prescribed under paragraph 54 of the Master Directions DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, as amended, (the 'Master Directions'). The RBI has further advised the Company to initiate the refund process.

The Company is of the opinion that the pricing of qualifying loans is very much in line with para 54 of the Master Directions. An independent legal opinion has been obtained substantiating that the Company's method of determining the pricing of qualifying MFI loans is in compliance with the Master Directions. The Company is in the process of submitting its response to the RBI to this effect. Pending the outcome of the Company's submission to the RBI and given that the amount required to be refunded, if any, cannot be measured with sufficient reliability, no provision in this regard has been recorded as at March 31, 2019.

34: Fair Value

The carrying value and fair value of financial instruments by categories are as follows:

Particulars	Carrying Value as at			Fair Value as at		
	March 31, 2019	March 31, 2018	April 1, 2017	March 31, 2019	March 31, 2018	April 1, 2017
Financial Assets measured at FVOCI						
Loan Portfolio at FVOCI	41,653.89	-	-	41,653.89	-	-
Financial Assets measured at FTPL						
Investment in equity shares	1.00	1.00	1.00	1.00	1.00	1.00
Financial Assets measured at cost						
Loan Portfolio	-	30,896.26	11,945.49	-	31,673.72	12,425.37
Cash and cash equivalents	1,454.07	1,025.07	2,901.17	1,454.07	1,025.07	2,901.17
Bank Balances other than cash and cash equivalents	2,028.09	1,032.47	23.08	2,028.09	1,032.47	23.08
Trade Receivables	35.49	25.54	14.64	35.49	25.54	14.64
Other financial assets	861.35	659.59	17.43	861.35	659.59	17.43
Total Financial Assets	**46,033.89**	**33,639.93**	**14,902.81**	**46,033.89**	**34,417.39**	**15,382.69**
Financial liabilities						
Debt securities	13,719.64	10,147.13	-	13,856.50	10,273.71	
Borrowings (other than debt securities)	15,529.89	12,965.08	9,324.57	15,560.59	12,970.57	9,324.68
Subordinated liabilities	201.56	201.55	10.09	228.81	226.52	10.09
Other financial liabilities	435.21	145.14	259.52	435.21	145.14	259.52
Total Financial Liabilities	**29,886.30**	**23,458.90**	**9,594.18**	**30,081.11**	**23,615.94**	**9,594.29**

The financial asset above does not include investment in subsidiary, which is measured at cost in accordance with Ind AS 27.
The management assessed that carrying value of financial asset (except loan portfolio) and financial liabilities (except debt securities, borrowings (other than debt securities) and subordinated liabilities) approximate their fair value largely due to short term maturities of these instruments.

35: Fair Value Hierarchy of assets and liabilities

Fair value measurement

I. The carrying amount and fair value measurement hierarchy for assets and liabilities as at March 31, 2019 is as follows:

Assets

Particulars	Fair value through profit and loss					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Investment in equity shares	1.00	1.00	-	-	1.00	1.00
Total	**1.00**	**1.00**	**-**	**-**	**1.00**	**1.00**

Particulars	At Fair Value through OCI					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Loan Portfolio	41,653.89	41,653.89	-	41,653.89	-	41,653.89
Total	**41,653.89**	**41,653.89**	**-**	**41,653.89**	**-**	**41,653.89**

Liabilities

Particulars	At amortized cost					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Debt securities	13,719.64	13,856.50	-	13,856.50	-	13,856.50
Borrowings (other than debt securities)	15,529.89	15,560.59	-	15,560.59	-	15,560.59
Subordinated liabilities	201.56	228.81	-	228.81	-	228.81
Total	**29,451.09**	**29,645.90**	**-**	**29,645.90**	**-**	**29,645.90**

II. The carrying amount and fair value measurement hierarchy for assets as at March 31, 2018 is as follow:

Assets

Particulars	Fair value through profit and loss					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Investment in equity shares	1.00	1.00	-	-	1.00	1.00
Total	**1.00**	**1.00**	**-**	**-**	**1.00**	**1.00**

Particulars	At amortized cost					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Loan Portfolio	30,896.26	31,673.72	-	31,673.72	-	31,673.72
Total	**30,896.26**	**31,673.72**	**-**	**31,673.72**	**-**	**31,673.72**

Liabilities

Particulars	At amortized cost					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Debt securities	10,147.13	10,273.71	-	10,273.71	-	10,273.71
Borrowings (other than debt securities)	12,965.08	12,970.57	-	12,970.57	-	12,970.57
Subordinated liabilities	201.55	226.52	-	226.52	-	226.52
Total	**23,313.77**	**23,470.81**	**-**	**23,470.81**	**-**	**23,470.81**

III. The carrying amount and fair value measurement hierarchy for assets as at April 1, 2017 is as follow:

Assets

Particulars	Fair value through profit and loss					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Investment in equity shares	1.00	1.00	-	-	1.00	1.00
Total	**1.00**	**1.00**	**-**	**-**	**1.00**	**1.00**

Particulars	At amortized cost					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Loan Portfolio	11,945.49	12,425.37	-	12,425.37	-	12,425.37
Total	**11,945.49**	**12,425.37**	**-**	**12,425.37**	**-**	**12,425.37**

Liabilities

Particulars	At amortized cost					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Debt securities	-	-	-	-	-	-
Borrowings (other than debt securities)	9,324.57	9,324.68	-	9,324.68	-	9,324.68
Subordinated liabilities	10.09	10.09	-	10.09	-	10.09
Total	**9,334.66**	**9,334.77**	**-**	**9,334.77**	**-**	**9,334.77**

Valuation technique used

For Loan Portfolio

The scheduled future cash flows (including principal and interest) are discounted using the lending rate prevailing as at the Balance sheet date. The discounting factor is applied assuming the cash flows will be evenly received in a month. Further the overdue cash flows upto 90 Days (upto stage 2) are discounted assuming they will be received in the third month. Fairvalue of cash flows for stage 3 loans are assumed as carrying value less provision for expected credit loss.

For Borrowing

The fair value of fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rate being charged for new borrowings. The fair value of floating rate borrowing is deemed to equal its carrying value.

For Investment in Equity Instrument

Other equity instruments, the company has assessed the carrying value as an approximation of the fair value.

There have been no transfer between Level 1, 2 and 3 during the year ended March 31, 2019 and March 31, 2018.

36: Capital Management

The Company's objective for capital management is to maximize shareholders' value, safeguard business continuity, meet the regulatory requirement and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through borrowings, retained earnings and operating cash flows generated.

As an NBFC-MFI, the RBI requires us to maintain a minimum capital to risk weighted assets ratio ("CRAR") consisting of Tier I and Tier II capital of 15% of our aggregate risk weighted assets. Further, the total of our Tier II capital cannot exceed 100% of our Tier I capital at any point of time. The capital management process of the Company ensures to maintain a healthy CRAR at all the times.

The Company has a board approved policy on resource planning which states that the resource planning of the Company shall be based on its Asset Liability Management (ALM) requirement. The policy of the Company on resource planning will also cover the objectives of the regulatory requirement. The policy prescribes the sources of funds, threshold for mix from various sources, tenure, manner of raising the funds etc.

37: First Time adoption

The Company has prepared its Ind AS compliant financial statements for year ended on March 31, 2019, the comparative period ended on March 31, 2018 and an opening Ind AS balance sheet as at April 1, 2017 (the date of transition), as described in the summary of significantaccounting policies. This note explains the principal adjustments made by the Company in restating its previous GAAP financial statements, including the balance sheet as at April 1, 2017 and the financial statements as at and for the year ended March 31, 2018.

For years ended upto the year ended March 31, 2018, the Company had prepared its financial statements in accordance with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP).

Exemption availed:

Optional exemption

1. Lease arrangements

   Appendix C to Ind AS 17 requires entity to assess whether contract or arrangement contains a lease. In accordance with same, this assessment should be carried out at the inception of arrangement. However, the Company has used exemption under Ind AS 101 and assessed all arrangements based on conditions in place as on date of transition.

2. Property, plant, equipment & intangible assets

   On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment and intangible assets as at March 31, 2017, measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment and intangible assets as on April 1, 2017.

Mandatory exemptions

1. Estimates

   An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies).

2. Classification and measurement of financial assets

   Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to IND AS.

(Rupees in millions unless otherwise stated)

Reconciliation of Equity under Ind AS and previous GAAP	Note below	March 31, 2018	April 1, 2017
Total equity as per previous GAAP		9,842.37	5,372.36
OCRPS included in other liabilities	E	(0.09)	(0.09)
Borrowings			
Measurement of financial liabilities at amortised cost using EIR method	C	115.00	235.45
Loan Portfolio		-	
Measurement of financial assets at amortised cost using EIR method	A	(216.61)	(78.47)
Interest income recognised on Stage III loan portfolio	B	64.95	48.80
Impairment on financial instruments	B	180.40	(531.90)
Others			
Re-recognition of securitization arrangement (net)	D	79.74	-
Recognition of Deferred Tax Asset	F	3,840.84	4,214.97
Adjustment of prior period items to the relevant period*		-	14.57
Total equity as per Ind -AS		**13,906.60**	**9,275.69**

*pertains to commission income less accrued in financial year 2016-17 which was recorded in financial year 2017-18 under previous GAAP. The same is posted in the period to which it relates to under Ind AS

Reconciliation of Profit under Ind AS and previous GAAP	March 31, 2018
Profit as per previous GAAP	1,718.52
Loan Portfolio	
Measurement of financial assets at amortised cost using EIR method	(138.14)
Impairment on financial instruments	663.50
Interest income recognised / (reversal) on Stage III loan portfolio	64.95
Borrowings	
Measurement of financial liabilities at amortised cost using EIR method	(120.46)
Others	
Re-recognition of securitization arrangement (net)	79.76
Recognition of Deferred tax charge	(374.13)
Adjustment of prior period items to the relevant period	(14.57)
Total Profit as per Ind-AS	**1,879.43**

Notes to Reconciliation of the previous GAAP and Ind AS:

Loan portfolio

A. Under previous GAAP, loan processing fees received in connection with loans portfolio is recognized upfront and credited to profit or loss for the year. Under Ind AS, loan processing fee is credited to profit and loss using the effective interest rate method. The unamortized portion of loan processing fee is adjusted from the loan portfolio.

B. Under the Ind AS, allowance is provided on the loans given to customers is on the basis of percentage obtained by evaluating the loss of the previous years and management expectations for future losses. Under the previous GAAP the allowance is provided on the basis of percentage decided by the management. Under Ind AS, interest income is also recognized on Stage III loans, whereas under previous GAAP, interest is not recognized on Stage III loans.

Borrowings

C. Under previous GAAP, transaction costs incurred in connection with borrowings are recognised upfront and charged to profit or loss for the year. Under Ind AS, transaction costs are included in the initial recognition amount of financial liability and charged to profit or loss using the effective interest method.

Securitization Arrangement

D. The Company has entered into securitization transaction. The Company has de-recognized the securitised assets under previous GAAP as the same meets the de-recognition criteria as per previous GAAP. However, as per Ind AS, as the Company has not transferred substantially all the risks and rewards, the securitized asset has been recognised in the books and a corresponding liability is also recognized. The transferred asset and the corresponding liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Optionally Convertible Redeemable Preference Shares (OCRPS)

E. Under previous GAAP, the Company had recognised balance in OCRPS as equity. Based on assessment of terms associated with such OCRPS, the instruments do not meet the condition of an equity instrument as per Ind AS 32 and accordingly have been classified as financial liability as at April 1, 2017 and March 31, 2018.

Deferred Tax Asset (DTA)

F. The Company has recognized Deferred Tax Asset in view of reasonable certainty of future taxable profits prescribed under Ind AS as against the condition of virtual certainty of future taxable profits supported by convincing evidence which was required to be fulfilled under previous GAAP.

38: Employee Benefit Plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity, on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of Rs.2,000,000 as per The Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

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

Movement in defined benefit obligations

Particulars	March 31, 2019	March 31, 2018
Defined benefit obligation as at the beginning of the year	21.65	19.18
Current service cost	3.65	3.58
Interest on defined benefit obligation	1.61	1.34
Remeasurements- Actuarial (gain)/ Loss on total liabiities	3.75	0.53
Benefits paid	(3.04)	(2.98)
Defined benefit obligation as at the end of the year	**27.62**	**21.65**

Movement in plan assets

Particulars	March 31, 2019	March 31, 2018
Fair value of plan assets as at the beginning of the year	17.75	13.19
Actual return on plan assets	2.00	1.04
Actuarial gains	-	-
Employer contributions	7.50	6.50
Benefits paid	(3.04)	(2.98)
Fair value of plan assets as at the end of the year	**24.21**	**17.75**

Balance Sheet

Amount recognised in balance sheet

Particulars	March 31, 2019	March 31, 2018	April 1,2017
Present value of obligations	27.62	21.65	19.18
Fair value on plan assets	24.21	17.75	13.19
Net defined benefit liability recognised in balance sheet	**3.41**	**3.90**	**5.99**

Expenses charged to the statement of profit and loss

Particulars	March 31, 2019	March 31, 2018
Current service cost	3.65	3.58
Interest Cost	0.29	0.42
Total	**3.94**	**4.00**

Remeasurement gains/(losses) in the other comprehensive income

Particulars	March 31, 2019	March 31, 2018
Remeasurements- Actuarial Gain / (Loss)	(3.07)	(0.41)
Amount recognised under Other Comprehensive Income	**(3.07)**	**(0.41)**

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

Category of Assets	March 31, 2019	March 31, 2018	April 1,2017
Fund managed by Insurer	100%	100%	100%
Total	**100%**	**100%**	**100%**

Summary of Actuarial Assumptions

Particulars	March 31, 2019	March 31, 2018
Discount rate	7.05%	7.44%
Expected return on plan assets	7.44%	7.00%
Rate of Increase in compensation levels	10.00%	10.00%
Retirement age (years)	58	58

A quantitative sensitivity analysis for significant assumptions as at the balance sheet date are as shown below:

Particulars	March 31, 2019	March 31, 2018
Discount rate (+0.5%)	(0.33)	(0.25)
Discount rate (-0.5%)	0.34	0.25
Salary Inflation (+1%)	0.63	0.47
Salary Inflation (-1%)	(0.60)	(0.45)
Withdrawal Rate (+5%)	(0.88)	(0.54)
Withdrawal Rate (-5%)	1.10	0.67

Projected plan cash flow

Particulars	March 31, 2019	March 31, 2018
Year 1	7.29	5.92
Year 2	5.81	4.69
Year 3	4.62	3.74
Year 4	3.78	2.96
Year 5	3.13	2.35
After year 5	9.00	6.80

Discount rate: The discount rate is based on the 5 years government bond yields as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

39: Leases

Operating lease where the Company is a lessee

The Company's significant leasing arrangements are in respect of operating leases of office premises (Head office and branch offices). The branch office premises are generally rented on cancellable term of eleven months with or without escalation clause, however none of the branch lease agreements carries non-cancellable lease periods. The head office premises have been obtained on a lease term of nine to eleven years with an escalation clause of fifteen percent at a three years interval. There are no sub-leases.

Lease payments during the period are charged to statement of profit and loss.

Particulars	March 31, 2019	March 31, 2018
Operating lease payments recognized in the Statement of Profit & Loss	36.16	47.23

Minimum lease obligations

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Not later than one year	6.61	9.54	14.67
Later than one year and not later than five years	3.85	10.46	5.69
Later than five years	-	-	-

40: Amount payable to micro small and medium enterprises

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

As at March 31, 2019, March 31, 2018 & March 31, 2017, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

41: Risk Management and financial objectives

Risk is an integral part of the Company's business and sound risk management is critical to the success. As a financial intermediary, the Company is exposed to risks that are particular to its lending and the environment within which it operates and primarily includes credit, liquidity and market risks. The Company has a risk management policy which covers risks associated with the financial assets and liabilities. The risk management policy is approved by the Board of Directors.

The Company has identified and implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the Company. The risk management process is continuously reviewed, improved and adapted in the context of changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis.

The Company has an elaborate process for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

41.1 Credit Risk

Credit risk is the risk of loss that may occur from defaults by our Borrowers under our loan agreements. In order to address credit risk, we have stringent credit assessment policies for client selection. Measures such as verifying client details, online documentation and the usage of credit bureau data to get information on past credit behaviour also supplement the efforts for containing credit risk. We also follow a systematic methodology in the opening of new branches, which takes into account factors such as the demand for credit in the area; income and market potential; and socio-economic and law and order risks in the proposed area. Further, our client due diligence procedures encompass various layers of checks, designed to assess the quality of the proposed group and to confirm that they meet our criteria.

The Company is a rural focused NBFC-MFI with a geographically diversified presence in India and offer income generation loans under the joint liability group model, predominantly to women from low-income households in Rural Areas. Further, as we focus on providing micro-loans in Rural Areas, our results of operations are affected by the performance and the future growth potential of microfinance in rural India. Our clients typically have limited sources of income, savings and credit histories and our loans are typically provided free of collateral. Such clients generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions and natural calamities. In addition, we rely on non-traditional guarantee mechanisms rather than tangible assets as collateral, which may not be effective in recovering the value of our loans.

In order to mitigate the impact of credit risk in the future profitability, the Company creates impairment loss allowance basis the expected credit loss (ECL) model for the outstanding loans as at balance sheet date.

The below discussion describes the Company's approach for assessing impairment as stated in note 3(e) of the significant accounting policies.

A) Probability of default (PD)

Old AP Portfolio
Considering that the old AP portfolio has already defaulted, there is no further requirement to estimate any probability of default. Accordingly, the Company is carrying a 100% loss reserve against the Old AP portfolio.

New portfolio
The Company determines PD on a collective basis by stratifying the entire portfolio into meaningful categories as discussed below.

The Company uses historical vintage information of its loan portfolio to estimate PD. Based on uncertainties and risks arising from its operations in different geographical states in the country, the Company bifurcates the entire portfolio into different states. Further the Company performs analysis of its defaults in various states over different observation periods. Such observation time frame varies depending upon the type of underlying assets analysed by the Company i.e. for Stage II, the timeframe used is more than 1 year.

In determining the above PD's, an effort is made to eliminate outliers for a particular observation period which are not likely to happen in future. Accordingly, the Company determines PD for each state depending upon the underlying classification of asset (i.e. Stage I or Stage II).

Summary of PD rates determined by the Company for its portfolio are as follows:

	April 1, 2017		March 31, 2018		March 31,2019	
State	Stage-I	Stage-II	Stage-I	Stage-II	Stage-I	Stage-II
Madhya Pradesh	0.22%	71.98%	0.27%	63.63%	0.42%	70.88%
Orissa	0.06%	66.61%	0.10%	67.60%	0.14%	80.30%
Karnataka	0.11%	36.70%	0.16%	36.08%	0.28%	43.66%
Maharashtra	0.12%	53.64%	0.23%	52.90%	0.48%	78.70%
Chhattisgarh	0.20%	80.90%	0.16%	81.69%	0.33%	84.86%
Jharkhand	0.09%	77.30%	0.35%	80.25%	0.37%	79.13%
Kerala	0.18%	45.00%	0.62%	48.43%	1.65%	72.29%
Andhra Pradesh	5.95%	57.00%	3.91%	56.90%	1.55%	56.90%
Gujarat	0.62%	78.92%	0.94%	78.92%	0.67%	82.30%
Bihar	0.00%	0.00%	0.00%	0.00%	0.02%	0.00%
Rajasthan	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Others	0% -21.48%	0% -75.54%	0% -20.56%	0% -78.04%	0% -7.73%	0% -78.04%

Based on its review of macro-economic developments and economic outlook, the Company has assessed that no adjustment is required for temporary overlays to determine qualitative impact on its PD's as at March 31, 2019 & March 31, 2018.

B) Exposure at default (EAD)

The outstanding balances as at the reporting date is considered as EAD by the Company. Considering that the PD determined above factors in amount at default, there is no separate requirement to estimate EAD.

C) Loss given default

The Company determines its expectation of lifetime loss by estimating recoveries towards its entire loan portfolio at state level through analysis of historical information. The Company determines its recovery rates by analysing the recovery trends over different periods of time after a loan has defaulted. Based on its analysis of historical trends, the Company has assessed that significant recoveries happen in the year in which default has occurred. Accordingly, it believes no significant difference arise from discounting such recoveries for determining ultimate loss rates. In estimating LGD, the Company reviews macro-economic developments taking place in the economy.

Summary of LGD rates determined by the Company are given below:

State	April 1, 2017	March 31, 2018	March 31, 2019
Madhya Pradesh	96.04%	91.53%	92.20%
Orissa	42.43%	64.70%	83.12%
Karnataka	95.34%	95.18%	93.64%
Maharashtra	96.16%	92.77%	95.79%
Chhattisgarh	97.43%	97.18%	93.07%
Jharkhand	96.28%	96.17%	77.90%
Kerala	85.81%	87.80%	77.70%
Andhra Pradesh	92.13%	91.49%	91.49%
Gujarat	98.85%	98.85%	90.39%
Bihar	0.00%	0.00%	0.00%
Rajasthan	0.00%	0.00%	0.00%
Others	0% -93.46%	0% -92.89%	0% -92.66%

Analysis of concentration risk is as follows:-

States	April 1, 2017	March 31, 2018	March 31, 2019
Madhya Pradesh	21.31%	22.12%	21.33%
Orissa	22.77%	18.86%	20.05%
Karnataka	18.61%	22.49%	13.36%
Maharashtra	13.49%	13.83%	11.49%
Chhattisgarh	9.49%	7.48%	9.08%
Jharkhand	4.94%	4.48%	5.18%
Kerala	3.53%	3.18%	4.57%
Andhra Pradesh	1.71%	3.09%	4.45%
Gujarat	2.85%	2.94%	2.99%
Bihar	0.01%	0.39%	2.63%
Rajasthan	0.00%	0.02%	2.24%
Others	1.27%	1.11%	2.63%
Total	**100.00%**	**100.00%**	**100.00%**

41.2 Liquidity Risk

Liquidity risk refers to the risk that the Company may not meet its financial obligations. Liquidity risk arises due to the unavailability of adequate funds at an appropriate cost or tenure. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company consistently generates sufficient cash flows from operating and financing activities to meet its financial obligations as and when they fall due. Our resource mobilization team sources funds from multiple sources, including from banks, financial institutions and capital markets to maintain a healthy mix of sources. The resource mobilization team is responsible for diversifying fundraising sources, managing interest rate risks and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies to ensure the liquidity risk is well addressed. In order to reduce dependence on a single lender, the Company has adopted a cap on borrowing from any single lender at 25%. The maturity schedule for all financial liabilities and assets are regularly reviewed and monitored. Company has a asset liability management (ALM) policy and ALM Committee to review and monitor the liquidity risk and ensure the compliance with the prescribed regulatory requirement. The ALM Policy prescribes the detailed guidelines for managing the liquidity risk.

The tables below provide details regarding the contractual maturities of significant financial assets and liabilities as on:-

Maturity pattern of assets and liabilities as on March 31, 2019:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings*	2,021.05	3,874.70	2,365.34	7,565.55	7,429.18	8,667.79	55.15	213.07	**32,191.83**
Other Financial Liabilities	435.21	-	-	-	-	-	-	-	**435.21**
Advances	4,911.50	4,544.09	3,553.41	10,815.35	14,485.10	9,123.83	182.90	5.79	**47,621.97**
Other Financial Assets	1,781.10	87.57	83.18	364.00	843.23	1,219.93	-	646.34	**5,025.35**

*Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

Maturity pattern of assets and liabilities as on March 31, 2018:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings*	1,488.24	1,712.42	1,710.23	5,887.33	8,533.04	6,197.46	60.00	238.22	**25,826.94**
Other Financial Liabilities	145.14	-	-	-	-	-	-	-	**145.14**
Advances	2,778.68	2,878.92	2,588.47	7,567.34	12,274.29	8,157.10	144.37	6.38	**36,395.55**
Other Financial Assets	1,050.62	0.33	-	2.84	1,131.74	557.14	-	21.00	**2,763.67**

*Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

Maturity pattern of assets and liabilities as on April 1, 2017:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings*	96.73	158.09	148.13	1,630.58	3,132.80	5,769.69	-	-	**10,936.02**
Other Financial Liabilities	259.52	-	-	-	-	-	-	-	**259.52**
Advances	1,803.87	1,693.46	1,428.65	3,320.26	2,922.02	2,538.77	123.79	-	**13,830.82**
Other Financial Assets	2,916.35	0.11	-	-	-	39.86	-	1.00	**2,957.32**

*Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

41.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Company is exposed to two types of market risks as follows:

41.3a Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. We assess and manage our interest rate risk by managing our assets and liabilities. Our Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately.

The Company has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before tax is affected through the impact on floating rate borrowings, as follows:

Finance Cost	March 31, 2019	March 31, 2018
0.50 % Increase	(16.64)	(13.11)
0.50 % Decrease	16.64	13.11

41.3b Price Risk

The Company's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surplus in the highly liquid debt funds for very short durations. The Company has a board approved policy of investing its surplus funds in highly rated debt mutual funds and other instruments having insignificant price risk, not being equity funds/ risk bearing instruments.

42: Transfer of Financial assets

a. Securitisation Transaction:

During the period, the Company has entered into securitisation arrangement with various parties. Under such arrangement, the Company has transferred a pool of loan portfolio, which does not fulfil the derecognition criteria specified under Ind AS 109 as the Company has concluded that risk and rewards with respect to these assets are not substantially transferred.

The value of Financial assets and liabilities as on :-

Particulars	March 31, 2019	March 31, 2018	April 1, 2017
Carrying amount of assets	6,638.38	6,846.03	-
Carrying amount of associated liabilities	7,719.66	7,468.08	-
Fair value of assets	6,727.73	6,832.02	-
Fair value of associated liabilities	7,804.93	7,519.92	-

b. Assignment Transaction:

During the period ended 31st Mar 2019, the company has sold some loans and advances measured at FVOCI as per assignment deals, as a source of finance. As per the terms of deal, since the derecognition criteria as per Ind AS 109, including transaction of substantially all the risks and rewards relating to assets being transferred to the buyer being met, the assets have been derecognised.

The management has evaluated the impact of the assignment transactions done during the year for its business model. Based on the future business plan, the company's business model remains to hold the assets for collecting contractual cash flows.

The table below summarises the carrying amount of the derecognised financial assets measured at fair value and the gain/(loss) on derecognition, per type of asset :-

Particulars	For the year ended 31st Mar 2019	For the year ended 31st Mar 2018
Carrying amount of derecognised financial assets	1,403.81	-
Gain/(loss) from derecognition	156.13	-

Since the company transferred the above financial asset in a transfer that qualified for derecognition in its entirety, therefore the whole of the interest spread (over the expected life of the asset) is recognised on the date of derecognition itself as interest only strip receivable and correspondingly recognised as profit on derecognition of financial asset.

43: The Supreme Court has recently delivered its ruling on the composition of basic wages for the purposes of deduction and contribution to the Employees Provident and Pension Funds. The Company, in the interest of its employees, awaits clarity on the complexities revolving around the application of the said order, the ambiguity reflected by the divergent views of the legal experts and the response/direction from the authorities, including representations made by an industry association in this regard.

44: Employee Stock Option Plan (ESOP)

The company has provided various equity settled share based payment schemes to its employees. The details are ESOP scheme are as follows.

Particulars	Grant	Number of Options granted	Vesting Period(In years)	Vesting Conditions
ESOP Scheme 2018	Grant I	3,38,854	5	20% vests every year subject to continuance of services
	Grant II	8,17,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant III	13,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services

Exercise period for all the above schemes is 9 years from the date of grant of the options.
The expense recognised for employee services received during the year is Rs.41.14 million.

a. The following table lists the input to the black scholes models used for the options granted during the year ended March 31, 2019

Particulars	Grant I	Grant II	Grant III
Date of Grant	13-Aug-18	13-Aug-18	07-Feb-19
Date of Board / Compensation/ Committee Approval	13-Aug-18	13-Aug-18	07-Feb-19
Number of Options Granted	3,38,854	8,17,500	13,500
Method of settlement	Equity	Equity	Equity
Graded Vesting Period			
Day following the expiry of 12 months from grant	20%	30%	30%
Day following the expiry of 24 months from grant	20%	30%	30%
Day following the expiry of 36 months from grant	20%	20%	20%
Day following the expiry of 48 months from grant	20%	20%	20%
Day following the expiry of 60 months from grant	20%	NA	NA
Exercise Period	9 Years from the date of grant		
Vesting conditions	Employee must be in service at the time of vesting.		
Weighted average of remaining contractual Life in Years	8.37	8.37	8.86

(Rupees in millions unless otherwise stated)

b. The details of activity under ESOP Scheme 2018 Plan with an exercise price of Rs.263.35/- for the year ended March 31, 2019 have been summarised as below:

Particulars	Grant I	Grant II	Grant III
Granted during the year	3,38,854	8,17,500	13,500
Lapsed during the year	1,76,854	1,28,500	6,000
Outstanding at the end of the year *	**1,62,000**	**6,89,000**	**7,500**

*There are no options exercisable at the end of year.

c. Details of Stock Options granted during the year

The weighted fair value of stock option granted during the year was Rs. 147.90 for Grant I , Rs.143.67 for Grant II and Rs.192.91 for Grant III. The Black -Scholes Model has been used for computing the weighted average fair value considering the following:

Grant -I	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	263.34	263.34	263.34	263.34	263.34
Exercise Price	263.35	263.35	263.35	263.35	263.35
Expected Volatility(%)	46.12%	46.12%	46.12%	46.12%	46.12%
Life of the options granted in year	5.0	5.5	6.0	6.5	7.0
Risk Free Interest Rate(%)	7.86%	7.90%	7.90%	8.02%	8.02%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	135.27	141.99	148.09	154.37	159.76

Grant -II	Tranche I	Tranche II	Tranche III	Tranche IV
Share price on the date of Grant	263.34	263.34	263.34	263.34
Exercise Price	263.35	263.35	263.35	263.35
Expected Volatility(%)	46.12%	46.12%	46.12%	46.12%
Life of the options granted in year	5.0	5.5	6.0	6.5
Risk Free Interest Rate(%)	7.86%	7.90%	7.90%	8.02%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	135.27	141.99	148.09	154.37

Grant -III	Tranche I	Tranche II	Tranche III	Tranche IV
Share price on the date of Grant	322.35	322.35	322.35	322.35
Exercise Price	263.35	263.35	263.35	263.35
Expected Volatility(%)	47.13%	47.13%	47.13%	47.13%
Life of the options granted in year	5.0	5.5	6.0	6.5
Risk Free Interest Rate(%)	7.28%	7.38%	7.38%	7.42%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	183.79	191.28	197.80	204.14

45: Disclosure of investing and financing transactions that do not require the use of cash and cash equivalents

For the year ended March 31, 2019

Name of instrument	Opening Balance	Converted into equity share capital	Premium added on conversion of preference shares into equity shares	Cash Flows	Closing Balance
CCPS Class A	2,350.00	(2,350.00)	-	-	-
CCPS Class B	7,910.08	(7,910.08)	-	-	-
CCPS Class A1	1,192.13	(1,192.13)	-	-	-
Share warrants	14.89	(14.89)	-	-	-
OCRPS (all series)	0.10	(22.70)	-	22.60	-
Equity Share capital**	297.57	277.49	11,212.30	21.28	11,808.64
Total Borrowings	23,313.77	-	-	6,137.32	29,451.09
Total	**35,078.54**	**(11,212.31)**	**11,212.30**	**6,181.20**	**41,259.73**

** Closing balance of equity share capital includes premium amount added on conversion of CCPS (all class) into equity share capital.

For the year ended March 31, 2018

(Rupees in millions unless otherwise stated)

Name of instrument	Opening Balance	Converted into equity share capital	Premium added on conversion of preference shares into equity shares	Cash Flows	Closing Balance
Total Borrowings	9,334.66	-	-	13,979.11	23,313.77

46: Additional information required by Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17

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

Particulars	March 31, 2019	March 31, 2018
CRAR (%)	39.61%	32.54%
CRAR-Tier I Capital (%)	38.57%	31.56%
CRAR-Tier II Capital (%)	1.04%	0.98%
Amount of subordinated debt raised as Tier-II capital	20.16	20.16
Amount raised by issue of Perpetual Debt Instruments	-	-

The company has considered impairment allowance towards stage I and stage II loans as 'constingent provision for standard assets' for calculating Tier II capital. The company has determined the capital adequacy ratio using the carrying value of assets and liabilities.

b. Exposure to real estate sector

Category	March 31, 2019	March 31, 2018
A. Direct exposure		
I. Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	44.47	5.94
II. Commercial Real Estate		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose Commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.	-	-
III. Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
Residential	-	-
Commercial Real Estate	-	-
A. Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
Total	44.47	5.94

c. Outstanding of loans against security of gold as a percentage to total assets is 0.39% (Mar-18: 0.54%)

d. The Company has no exposure to capital market.

e. Asset liability management:

Maturity pattern of assets and liabilities as on March 31, 2019:

Particulars	Upto 1 month	1 to 2 months	2 to 3	3 to 6 months	6 months to	1 to 3	3 to 5	Over 5 years	Total
Borrowings	70.16	256.36	107.32	470.09	482.49	763.47	-	20.00	**2,169.91**
Advances *	267.80	271.85	235.50	703.55	1,119.98	491.64	373.89	0.48	**3,464.69**
Investments	-	-	-	-	-	-	-	64.63	**64.63**

* Net of provision towards non-performing loans and advances.

(Rupees in millions unless otherwise stated)

Maturity pattern of assets and liabilities as on March 31, 2018:

Particulars	Upto 1 month	1 to 2 months	2 to 3	3 to 6 months	6 months to	1 to 3	3 to 5	Over 5 years	Total
Borrowings	66.18	95.77	87.03	350.41	494.65	469.39	-	20.00	**1,583.44**
Advances *	142.86	160.88	147.09	440.51	823.82	758.65	4.85	0.66	**2,479.32**
Investments	-	-	-	-	-	-	-	0.10	**2.1**

* Net of provision towards non-performing loans and advances.

f. Information on instances of fraud

Instances of fraud reported during the year ended March 31, 2019:

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	30	0.22	0.06	0.16
Fake Loans	29	1.83	0.74	1.09

*Includes recoveries in respect of frauds reported in earlier years

Instances of fraud reported during the year ended March 31, 2018:

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	13	0.02	0.04	-0.02
Fake Loans	9	0.65	0.07	0.58

*Includes recoveries in respect of frauds reported in earlier years

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

h. Ratings assigned by credit rating agencies and migration of ratings during the year:

Sr. No.	Instrument	Rating agency	As per final	Rating assigned	Valid up to	Borrowing
1	Long term bank facilities	ICRA	29-Mar-19	[ICRA]A- (Stable)	See Note-1	2500.00
2	Non convertible debentures programme	ICRA	29-Mar-19	[ICRA]A- (Stable)	See Note-1	821.00
3	Securitization	CARE	04-Mar-19	CARE A+ (SO)	30-Sep-19	24.15
4	Securitization	ICRA	28-Nov-18	[ICRA]A+(SO)	31-Oct-19	73.83
5	Securitization	ICRA	28-Nov-18	[ICRA] BBB+ (SO)	31-Oct-19	11.50
6	Securitization	ICRA	28-Nov-18	[ICRA]A+(SO)	31-Dec-19	62.61
7	Securitization	ICRA	28-Nov-18	[ICRA]A+(SO)	31-Jan-20	49.49
8	Securitization	ICRA	28-Nov-18	[ICRA] AA- (SO)	31-Mar-20	129.38
9	Securitization	ICRA	28-Nov-18	[ICRA] A (SO)	31-Mar-20	62.47
10	Securitization	ICRA	28-Nov-18	[ICRA] A- (SO)	31-Mar-20	0.98
11	Securitization	ICRA	28-Nov-18	[ICRA]A+(SO)	31-Oct-19	103.19
12	Securitization	ICRA	12-Feb-19	[ICRA] AA- (SO)	30-Sep-20	138.88
13	Securitization	ICRA	04-Feb-19	[ICRA]A(SO)	31-Aug-20	50.00
14	Securitization	ICRA	04-Feb-19	[ICRA] BBB+ (SO)	31-Aug-20	1.10
15	Securitization	ICRA	18-Mar-19	[ICRA]A+(SO)	30-Nov-20	223.95
16	Securitization	ICRA	08-Feb-19	[ICRA] A- (SO)	31-Oct-20	74.45
17	Securitization	ICRA	26-Mar-19	[ICRA]A(SO)	31-Jan-21	80.91
18	Securitization	ICRA	26-Mar-19	[ICRA]A-(SO)	31-Jan-21	
19	Securitization	ICRA	22-Mar-19	[ICRA]A+(SO)	31-Jan-21	106.59

Note 1: The rating is subject to annual surveillance till final repayment / redemption of rated facilities.

Previous Year

Sr. No.	Instrument	Rating agency	As per final	Rating assigned	Valid up to	Borrowing
1	Long term bank facilities	ICRA	01-Feb-18	[ICRA]BBB (Positive)	See Note-1	500.00
2	Long term bank facilities	CRISIL	19-Dec-18	CRISIL BBB (Positive)	See Note-1	2000.00
3	Non convertible debentures programme	ICRA	01-Feb-18	[ICRA]BBB (Positive)	See Note-1	585.00
4	Securitization	ICRA	05-Dec-17	[ICRA] A- (SO)	31-Dec-18	27.00
5	Securitization	ICRA	05-Dec-17	[ICRA] A- (SO)	31-May-19	30.16
6	Securitization	ICRA	01-Jan-18	[ICRA]A+(SO)	30-Jun-19	24.83
7	Securitization	ICRA	09-Jan-18	[ICRA]A+(SO)	31-Aug-19	92.63
8	Securitization	CARE	09-Feb-18	CARE A+ (SO)	30-Sep-19	49.62
9	Securitization	CARE	21-Feb-18	CARE A+ (SO)	30-Sep-19	86.15
10	Securitization	ICRA	12-Mar-18	[ICRA] A+(SO)	31-Oct-19	189.83
11	Securitization	ICRA	12-Mar-18	[ICRA] A (SO)	31-Oct-19	197.73
12	Securitization	ICRA	05-Mar-18	Provisional [ICRA] A+(SO)	31-Dec-19	147.54
13	Securitization	ICRA	26-Mar-18	Provisional [ICRA] A (SO)	31-Jan-20	98.15
14	Securitization	ICRA	12-Mar-18	[ICRA] BBB (SO)	31-Oct-19	11.50
15	Securitization	ICRA	01-Feb-18	[ICRA] BBB (SO)	30-Jun-19	2.19

Note 1: The rating is subject to annual surveillance till final repayment / redemption of rated facilities.

(Rupees in millions unless otherwise stated)

i. Disclosure of complaints

Particulars	No. of complaints	
	March 31, 2019	March 31, 2018
No. of complaints pending at the beginning of the year	18	11
No. of complaints received during the year	338	1810
No. of complaints redressed during the year	338	1803
No. of complaints pending at the end of the year	18	18

j. Concentration of Advances, Exposures and NPAs

Particulars	March 31, 2019	March 31, 2018
Concentration of Advances*		
Total advances to twenty largest borrowers	3.59	2.07
(%) of advances to twenty largest borrowers to total advances	0.09%	0.06%
Concentration of Exposures*		
Total exposure to twenty largest borrowers	3.60	2.07
(%) of exposure to twenty largest borrowers to total exposure	0.09%	0.06%
Concentration of NPAs**		
Total exposure to top four NPA accounts	0.07	0.20

* Represents amount outstanding as per contract with customers

** Represents stage III loans including interest

k. Sector wise NPAs*

* Represents stage III loans.

Sector	Percentage of NPAs to total advances in that sector	
	As at March 31, 2019	As at March 31, 2018
Agriculture and allied activities	9.94%	28.07%
MSME	8.31%	25.85%
Corporate borrowers	0.00%	0.00%
Services	8.82%	23.14%
Unsecured personal loans	0.00%	0.00%
Auto loans	9.95%	18.21%
Other personal loans	16.49%	34.82%

(Rupees in crores unless otherwise stated)

l. Movement of NPAs*

Particulars	March 31, 2019	March 31, 2018
Net NPAs to net advances (%)	0.02%	0.17%
Movement of NPAs (gross)		
1. Opening balance	858.87	881.93
2. Additions during the year	24.60	18.13
3. Reductions during the year	520.58	41.19
4. Closing balance	362.89	858.87
Movement of Net NPAs		
1. Opening balance	5.31	4.05
2. Additions during the year	0.30	8.47
3. Reductionsduring the year	4.88	7.21
4. Closing balance	0.73	5.31
Movement of provision for NPAs		
1. Opening balance	853.56	877.88
2. Provisions made during the year	24.30	9.66
3. Write off/ write back of excess provisions	515.70	33.98
4. Closing balance	362.16	853.56

* Represents stage III loans.

Non-performing assets include amount of Rs. 358.47 crore (March 31, 2018: Rs.793.31 crore) representing portfolio in the state of Andhra Pradesh and Telangana originated prior to January 1, 2012 which has been fully provided for.

m. There has been no drawdown from reserves during the current year and previous year.

n. Investments:

Particulars	March 31, 2019	March 31, 2018
1.Value of investments		
(i) Gross value of investments		
(a) In India	64.63	2.1
(b) Outside India	-	-
(ii) Provision for depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net value of investments		
(a) In India	64.63	2.1
(b) Outside India	-	-
2.Movement of provisions held towards deprecation		
Opening balance	-	-
Add: Provision made during the year	-	-
Less: Write off/ write back	-	-
Closing balance	-	-

o. Details relating to securitisation:

During the year, the Company has sold loans through securitisation. The information on securitisation activities is as under:

Particulars	March 31, 2019	March 31, 2018
Total number of loans securitized	778911	6,58,431
Total book value of loans securitised	1101.47	957.33
Total book value of loans securitised (incl.MRR)	1240.66	1,092.69
Sale consideration received for loans securitized	1101.47	957.33
Excess interest spread recognised in the statement of Profit and loss	120.47	43.53
Credit enhancements provided and outstanding (Gross):		
Interest subordination	63.23	87.38
Principal subordination	161.35	135.35
Cash collateral	99.04	47.87
Outstanding value of loan securitized	663.83	684.6

(Rupees in millions unless otherwise stated)

Particulars	March 31, 2019	March 31, 2018
1. No. of SPVs sponsored by the NBFC for securitisation transactions during the year	14	10
2. Total amount of securitised assets as per the books of the SPVs sponsored by the NBFC as on the date of balance sheet	825.20	875.21
3. Total amount of exposures retained to comply with minimum retention requirement ('MRR') as on the date of balance sheet	-	-
a) Off balance sheet exposures		
- First loss	-	-
- Others	-	-
b) On balance sheet exposures		
- First loss (cash collateral and over collateral)	260.39	183.22
- Others	-	-
4. Amount of exposures to securitization transactions other than MRR:		
a) Off-balance sheet exposures	-	-
i) Exposure to own securitisations		
- First loss	-	-
- Others	-	-
ii) Exposure to third party securitisations		
- First loss	-	-
- Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitisations		
- First loss	-	-
- Others	-	-
ii) Exposure to third party securitisations		
- First loss	-	-
- Others	-	-

p. Details of assignment transactions undertaken

Particulars	For the year ended 31st Mar 2019	For the year ended 31st Mar 2018
No. of accounts	1,22,832	-
Aggregate value of accounts sold	197.38	-
Aggregate consideration	197.38	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain / (loss) over net book value	-	-

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

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

s. The company has not financed any products of the parent company.

t. Unsecured Advances – Refer note 7

u. Registration obtained from other financial sector regulators:
The Company is registered with the 'Ministry of Corporate Affairs' (Financial regulators as described by Ministry of Finance)

v. No penalties imposed by RBI and other regulators during current and previous year.

w. Provisions and contingencies (shown under expenditure in statement of profit and loss)

Particulars	March 31, 2019	March 31, 2018
Provision for income tax (net)	160.63	94.75
Provision for non-performing assets*	(491.43)	(24.30)
Provision for standard assets**	14.46	(11.11)
Provision for unfructified service tax liability	0.85	0.85
Provision for theft & fraud	1.49	0.69
Provision for gratuity	0.40	0.41
Provision for leave benefits	1.66	0.55
Provision for insurance claims	(0.08)	(0.11)
Provision for bonus	3.60	0.99
Provision for other assets	0.10	0.01

* Represents impairment allowance on stage III loans

** Represents impairment allowance on stage I and stage II loans

(Rupees in millions unless otherwise stated)

x. The Company has unhedged foreign currency exposure in respect of:

Particulars	As at March 31, 2019	
	USD	INR
Professional Fee	35,583	24,70,994

There was no unhedged foreign currency exposure as at Mar 31, 2018.

y. Information on Net Interest Margin

Particulars	March 31, 2019	March 31, 2018
	(%)	(%)
Average interest charged (A)	19.17%	16.78%
Average effective cost of borrowing (B)	12.84%	14.74%
Net Interest margin (A-B)	6.33%	2.04%

1. Above computation is in accordance with the method accepted by RBI vide its letter no DNBS.PD.NO.4906/03.10.038/ 2012-13 dated April 4, 2013 to Micro-finance Institutions Network (the "MFIN format") read with the FAQs issued by RBI on October 14, 2016.

2. Securitised loans qualifying for de-recognition as per RBI's "true sale" criteria and related interest income have not been considered for computation of "average interest charged" in accordance with the MFIN format. Accordingly, the purchase consideration received towards such securitisations and related finance costs have not been considered for computation of "average effective cost of borrowings". As per Ind AS 109, such loans and borrowings continue to be recognized on the balance sheet in the Ind AS financial statements.

3. Interest income considered for computation of "average interest charged" excludes loan processing fee collected from customers in accordance with para 54 (vi) of the RBI Master Directions. As per Ind AS 109, such loan processing fee forms part of interest income in the Ind AS financial statements.

4. Average loan outstanding considered for computation of "average interest charged" is gross of the impairment allowance. As per Ind AS 109, such allowance is adjusted from the loan balance in the Ind AS financial statements.

5. The average interest charged and net interest margin excluding the loan portfolio originated in the states of Andhra Pradesh/ Telangana prior to January 1, 2012 are 22.82% (PY: 23.34%) and 9.98% (PY: 8.60%) respectively.

47: CSR Expenses

Particulars	March 31, 2019	March 31, 2018
a) Gross amount required to be spent by the Company during the year	2.21	1.58
b) Amount spent during the year on purposes other than construction/acquisition of any asset	1.99	0.40
Paid	1.99	0.4
Yet to be paid	-	-
Total	1.99	0.4

48: The Company has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Company has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liability where applicable in the financial statements.

49: Standards issued but not yet effective

Ind AS 116: leases

In March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2019, notifying Ind AS 116, 'Leases'. Ind AS 116 replaces Ind AS 17 'Leases'. Ind AS 116 is effective for annual periods beginning on or after 1st April, 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees - leases of 'low value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.
The Company is evaluating the requirements of Ind AS 116 and its effect on the financial statements.

As per our report of even date

For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

Sd/-

per Shrawan Jalan
Partner
Membership No: 102102

Place: Mumbai
Date: May 24, 2019

For and on behalf of the Board of Directors of Spandana Sphoorty Financial Limited

Sd/-

Deepak Calian Vaidya
Chairman
DIN: 00337276

Sd/-

Padmaja Gangireddy
Managing Director
DIN: 00004842

Sd/-

Sudhesh Chandrasekhar
Chief Financial Officer

Sd/-

Rakesh Jhinjharia
Company Secretary
Membership No. F8325

Place: Mumbai
Date: May 24, 2019

Independent Auditor's Report

To the Members of Spandana Sphoorty Financial Limited

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS financial statements of Spandana Sphoorty Financial Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31 2019, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("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 consolidated state of affairs of the Group as at March 31, 2019, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing (SAs),as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements 'section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Emphasis of Matter

We draw attention to Note 33 of the consolidated Ind AS financial statements, which describes an uncertainty arising from an observation made by the Reserve Bank of India (RBI), in respect of the Holding Company, with regards to adherence to the pricing guidelines issued under RBI Master Directions DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, as amended ("Master Directions") and Holding Company's response thereto supported by external legal advice confirming compliance with the Master Directions. Pending outcome of the Holding Company's response to the RBI, no provision has been made in these consolidated Ind AS financial statements.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

Key audit matters	**How our audit addressed the key audit matter**
(a) Transition to Ind AS accounting framework *(as described in note 37 of the consolidated Ind AS financial statements)*	
In accordance with the roadmap for implementation of Indian Accounting Standards (Ind AS) for non-banking financial companies, as announced by the Ministry of Corporate Affairs, the Group has adopted Ind AS from April 1, 2018 with an effective date of April 1, 2017 for such transition. For periods up to and including the year ended March 31, 2018, the Group had prepared and presented its financial statements in accordance with in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 ("Indian GAAP" or "previous GAAP"). In order to give effect of the transition to Ind AS, these financial statements for the year ended March 31, 2019, together with the comparative financial information for the previous year ended March 31, 2018 and the transition date balance sheet as at April 1, 2017 have been prepared under Ind AS. The transition has involved significant changes in the Group's financial reporting policies and processes, including generation of reliable and supportable financial information. It has also required managements of the Holding Company and subsidiaries to exercise significant judgement for giving an appropriate effect of principles of First-time Adoption of Indian Accounting Standards (Ind AS 101), as at transition date and for determining impact of Ind AS on certain accounting and disclosure requirements prescribed under previous GAAP, such as: • Recognition of deferred tax asset on deductible temporary differences existing at transition date (not recognized in accordance with erstwhile Indian GAAP) • Treatment of specific disclosure requirements prescribed under extant Reserve Bank of India (RBI) directions in view of the differences between certain provision of Financial Instruments (Ind AS 109) and RBI directions In view of the material impact and complexities and significant judgement involved in implementing Ind AS, we have focused on this area in our audit.	Our audit procedures included considering the processes laid down by the Holding Company's management to implement such transition combined with procedures performed as follows: • Considered the Ind AS impact assessment performed by Holding Company's management to identify areas to be impacted on account of Ind AS transition and read the changes made to the accounting policies in light of the requirements of the new framework. • Understood the financial statement closure process (including disclosures in notes to accounts) and the controls established by the Holding Company for transition to Ind AS. • Tested the design and operating effectiveness of key controls for processes implemented by the Holding Company for preparing and presenting Ind AS financial statements. • Performed test of details in respect of the Ind AS adjustments made by the Holding Company in the equity reconciliation and the reconciliation of the statement of profit and loss reported under erstwhile Indian GAAP to Ind AS. • Evaluated management's assessment, performed as at transition date, of the availability of future taxable profits (included in the plan approved by the Holding Company's Board of Directors), against which deductible temporary differences and unabsorbed tax losses can be utilized. Tested computation of deferred tax asset recognized as at transition date. • Understood the judgements applied by the Holding Company in respect of areas where the accounting treatment adopted or the disclosures made under the new accounting framework were different from the extant RBI directions. • Read the disclosures with respect to the transition in accordance with the requirements of Ind AS 101, in respect of the previous period.

Key audit matters	How our audit addressed the key audit matter
(b) Impairment of financial instruments (including provision for expected credit losses) *(as described in note 41.1 of the consolidated Ind AS financial statements)*	
The Holding Company's impairment provision for financial assets (designated at amortised cost and fair value through other comprehensive income) is based on the expected credit loss approach laid down under 'Ind AS 109 Financial instruments'. Ind AS 109 requires the Holding Company to exercise significant judgement while applying principles and other requirements of the standard in addition to the identification and adequacy of provision for impairment of its financial instruments using the expected credit loss (ECL) approach, which involves an estimation of probability-weighted loss on the financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of its loans and advances. In the process, a significant degree of judgement has been applied by the Holding Company's management in respect of following matters: a. Defining thresholds for 'significant increase in credit risk' and 'default'. b. Grouping of loans under homogenous pools to determine probability of default on a collective basis and calculation of past default rates. c. Determining effect of less frequent past events on future probability of default. d. Estimation of management overlay for macro-economic factors which could impact the credit quality of the loans. Given the complexity and high degree of judgement involved in the estimation of expected credit losses, we have considered this area as a key audit matter.	• Our audit procedures included considering the Holding Company's accounting policies for impairment of financial instruments and assessing compliance with the policies in terms of Ind AS 109. • Evaluated the Holding Company's approach of ECL estimation, including the assumptions used for grouping and staging of loan portfolio, for determination of probability of default (PD) and loss given default (LGD). • Tested the operating effectiveness of the controls for staging of loans based on their past-due status. Tested a sample of performing (stage 1) loans to assess whether any loss indicators were present requiring them to be classified under stage 2 or 3. • Compared input data used for determining PD and LGD rates with the underlying books of accounts and records and tested the arithmetical accuracy of the computation. • Compared the disclosures included in the Ind AS financial statements in respect of expected credit losses with the requirements of Ind AS 107 and 109.
(c) IT systems and controls	
The financial accounting and reporting systems of the Group are fundamentally reliant on IT systems and IT controls to process significant transaction volumes. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Any gaps in the IT control environment could result in a material misstatement of the financial accounting and reporting records. Therefore, due to the pervasive nature and complexity of the IT environment, the assessment of the general IT controls and the application controls specific to the accounting and preparation of the financial information is considered to be a key audit matter.	In respect of the Holding Company, we performed the following procedures for testing IT general controls and for assessing the reliability of electronic data processing, assisted by specialized IT auditors: • Tested the design and operating effectiveness of IT access controls over the information systems that are critical to financial reporting. • Tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized. • Tested the Holding Company's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization. • In addition to the above, we tested the design and operating effectiveness of certain automated and IT dependent manual controls that were considered as key internal controls over financial reporting. Where deficiencies were identified, we tested compensating controls or performed alternate procedures.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis and Board's Report including Annexures to Board's Report, but does not include the consolidated Ind AS financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read such other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to comply with the relevant applicable requirements of the standard on auditing for auditor's responsibility in relation to other information in documents containing audited financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidatedstatement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

We did not audit the financial statements and other financial information, in respect of one subsidiary whose Ind AS financial statements include total assets of Rs.21.16 million as at March 31, 2019, and total revenues of Rs.1.47 million and net cash inflows of Rs.0.87 million for the year ended on that date. We did not audit the financial statements and other financial information, in respect of another subsidiary whose Ind AS financial statements include total assets of Rs.1,062.75 million as at March 31, 2019, and total revenues of Rs.88.39 million and net cash outflows of Rs.3.40 million for the period from December 27, 2018 to March 31, 2019. These Ind AS financial statement and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the report of such other auditors.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

(a) We/the other auditors, whose report we have relied upon, have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2019 taken on record by the Board of Directorsof the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies, none of the directors of the Group's companies, incorporated in India is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company and its subsidiary companies incorporated in India, refer to our separate Report in "Annexure 1" to this report;

(g) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries, incorporated in India, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Holding Company and its subsidiaries incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;

(h) 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 and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, as noted in the 'Other matter' paragraph:

i.The consolidated Ind AS financial statements disclose the impact of pending litigations on theconsolidated financial position of the Group – Refer Note 48 to the consolidated Ind AS financial statements;

ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2019;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company or its subsidiaries incorporated in Indiaduring the year ended March 31, 2019.

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

Sd/-
per Shrawan Jalan
Partner
Membership No. 102102

Mumbai
June 28, 2019

Annexure 1 referred to in paragraph 2 (f) under the heading “Report on other legal and regulatory requirements” of our report of even date

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

In conjunction with our audit of the consolidated Ind AS financial statements of Spandana Sphoorty Financial Limited as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of Spandana Sphoorty Financial Limited (hereinafter referred to as the “Holding Company”) and its subsidiary companies, which are companies incorporated in India, as of that date.

Management’s Responsibility for Internal Financial Controls

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

Auditor’s Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated Ind AS 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 consolidated Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Sd/-
per Shrawan Jalan
Partner
Membership No. 102102

Mumbai
June 28, 2019

Consolidated Balance Sheet as at March 31, 2019

(Rupees in millions unless otherwise stated)

	Notes	As At March 31, 2019	As At March 31, 2018	As At April 1, 2017
ASSETS				
Financial assets				
Cash and cash equivalents	4	1,486.12	1,045.36	2,901.17
Bank balances other than cash and cash equivalents	5	2,031.86	1,032.47	23.08
Trade receivables	6	35.49	25.03	14.64
Loan portfolio	7	42,677.59	30,896.26	11,945.49
Investments	8	1.00	1.00	1.00
Other financial assets	9	604.47	659.60	17.43
Total financial assets		**46,836.53**	**33,659.72**	**14,902.81**
Non-financial assets				
Current tax assets (net)	10	83.37	41.86	46.63
Deferred tax assets (net)	11	1,999.79	3,840.84	4,214.96
Property, plant and equipment	12	71.74	58.54	66.23
Intangible assets	12	22.21	26.03	23.85
Goodwill		173.74	-	-
Other non-financial assets	13	129.69	15.48	31.74
Total non-financial assets		**2,480.54**	**3,982.75**	**4,383.41**
Total assets		**49,317.07**	**37,642.47**	**19,286.22**
LIABILITIES AND EQUITY LIABILITIES				
Financial liabilities				
Debt securities	14	13,719.64	10,147.13	-
Borrowings (other than debt securities)	14	15,754.79	12,965.08	9,324.57
Subordinated liabilities	14	202.94	201.55	10.09
Other financial liabilities	15	444.85	145.14	259.52
Total financial liabilities		**30,122.22**	**23,458.90**	**9,594.18**
Non-financial liabilities				
Current tax liabilities (net)	16	62.83	92.98	235.84
Provisions	17	3.59	3.90	5.98
Other non-financial liabilities	18	224.85	180.33	174.53
Total non-financial liabilities		**291.27**	**277.21**	**416.35**
EQUITY				
Equity share capital	19	596.34	297.56	284.49
Other equity	20	18,298.02	13,608.80	8,991.20
Equity attributable to shareholders of the company		18,894.36	13,906.36	9,275.69
Non controlling interest	20	9.22	-	-
Total Equity		**18,903.58**	**13,906.36**	**9,275.69**
Total liabilities and equity		**49,317.07**	**37,642.47**	**19,286.22**
Summary of significant accounting policies	3			

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

Sd/-
per Shrawan Jalan
Partner
Membership No: 102102

Place: Mumbai
Date: June 28, 2019

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Sd/-
Padmaja Gangireddy
Managing Director
DIN: 00004842

Sd/-
Kartikeya Dhruv Kaji
Director
DIN: 07641723

Sd/-

Sudhesh Chandrasekhar
Chief Financial Officer

Sd/-

Rakesh Jhinjharia
Company Secretary
Membership No. F8325

Place: Mumbai
Date: June 28, 2019

Consolidated Profit and Loss statement for the year ended March 31, 2019

(Rupees in millions unless otherwise stated)

	Notes	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue from operations			
Interest income	21	9,978.74	5,730.41
Commission income		150.12	39.75
Net gain on fair value changes	22	266.76	42.15
Others	23	35.34	60.75
Total revenue from operations		**10,430.96**	**5,873.06**
Other income	24	54.33	2.25
Total income		**10,485.29**	**5,875.31**
Expenses			
Finance cost	25	3,578.65	2,317.91
Impairment on financial instruments	26	453.00	(354.09)
Employee benefit expenses	27	1,310.46	758.71
Depreciation and amortization expense	12	69.66	57.24
Other expenses	28	338.80	268.53
Total expenses		**5,750.57**	**3,048.30**
Profit before tax		**4,734.72**	**2,827.01**
Tax expense:	29		
Current tax		12.88	573.43
Deferred tax		1,602.84	374.12
Income tax expense		**1,615.72**	**947.55**
Profit for the year		**3,119.00**	**1,879.46**
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement gains/(losses) on defined benefit plans		(2.94)	(0.42)
Income tax effect		1.03	0.14
Items that will be reclassified subsequently to profit or loss			
Fair Value gain on loan portfolio		688.80	-
Income tax effect		(240.69)	-
Total other comprehensive income for the year		**446.20**	**(0.28)**
Total comprehensive income for the year		**3,565.20**	**1,879.18**
Profit for the year attributable to:			
Shareholders of the company		3,118.24	1,879.46
Non-controlling interests		0.76	-
		3,119.00	**1,879.46**
Total comprehensive income for the year attributable to :			
Shareholders of the company		3,564.44	1,879.18
Non-controlling interests		0.76	-
		3,565.20	**1,879.18**
Earnings per share (equity share, par value of Rs.10 each)			
Computed on the basis of total profit for the year			
Basic	30	53.46	42.52
Diluted	30	53.35	42.51
Nominal Value (in Rs.)		10.00	10.00
Summary of significant accounting policies	3		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date	**For and on behalf of the Board of Directors of Spandana Sphoorty Financial Limited**

For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

Sd/-

per Shrawan Jalan
Partner
Membership No: 102102

Place: Mumbai
Date: June 28, 2019

Sd/-	**Sd/-**
Padmaja Gangireddy **Managing Director** **DIN: 00004842**	**Kartikeya Dhruv Kaji** **Director** **DIN: 07641723**
Sd/-	**Sd/-**
Sudhesh Chandrasekhar **Chief Financial Officer**	**Rakesh Jhinjharia** **Company Secretary** **Membership No. F8325**

Place: Mumbai
Date: June 28, 2019

Consolidated Cash Flow Statment for the year ended March 31, 2019

(Rupees in millions unless otherwise stated)

	For the year ended March 31, 2019	For the year ended March 31, 2018
Cash flow from operating activities		
Profit before tax	4,734.72	2,827.01
Adjustments for:		
Interest on income tax	3.15	24.40
Depreciation and amortization	69.66	57.24
Share based payment to employees	41.25	-
Provision for gratuity	4.01	4.05
Net (gain)/ loss on derecognition of property, plant and equipment	0.37	(0.40)
Impairment on financial instruments	453.00	(354.09)
Net gain on fair value changes	(110.63)	(15.84)
Other provisions and write offs	23.51	19.06
Operating profit before working capital changes	**5,219.04**	**2,561.43**
Movements in working capital :		
Increase / (decrease) in other financial liabilities	285.30	(114.38)
Increase / (decrease) in other non financial liabilities	42.73	5.78
Increase / (decrease) in provisions	(7.68)	(6.55)
(Increase) / decrease in bank balances other than cash and cash equivalents	(977.74)	(1,009.39)
(Increase) / decrease in trade receivables	(10.46)	(10.39)
(Increase) / decrease in other financial assets	31.63	(661.24)
(Increase) / decrease in loan portfolio	(10,070.52)	(18,596.70)
(Increase) / decrease in other non financial assets	(109.85)	16.25
Cash used in operations	**(5,597.55)**	**(17,815.19)**
Income taxes paid	(135.88)	(735.74)
Net cash generated/ (used) in operating activities (A)	**(5,733.43)**	**(18,550.93)**
Cash flow from investing activities		
Purchase of property, plant and equipment	(69.56)	(34.87)
Purchase of intangible assets	(8.00)	(16.93)
Proceeds from derecognition of property, plant and equipment	0.08	0.48
Purchase of investments	(67,585.20)	(34,856.79)
Proceeds from sale of investments	67,695.83	34,872.64
Investment in subsidiary (net of cash acquired)	(360.95)	-
Net cash generated/ (used) in investing activities (B)	**(327.80)**	**(35.47)**
Cash flows from financing activities		
Proceeds from issue of equity shares (including securities premium)	501.00	307.87
Balance subscription of optionally convertible redeemable preference shares (all series) (including securities premium)	532.31	2,442.13
Proceeds from issue of share warrants (including securities premium)	349.03	1.49
Dividend paid on compulsory convertible preference shares (all class)	(0.13)	-
Debt securities (net)	3,572.51	10,147.13
Borrowings (other than debt securities) (net)	1,664.56	3,640.51
Subordinated liabilities (net)	(117.29)	191.46
Net cash generated/ (used) from financing activities (C)	**6,501.99**	**16,730.59**
Net increase / (decrease) in cash and cash equivalents (A + B + C)	**440.76**	**(1,855.81)**
Add: Cash and cash equivalents at the beginning of the year	1,045.36	2,901.17
Cash and cash equivalents at the end of the year (refer note 4)	**1,486.12**	**1,045.36**

For disclosure of investing and financing transactions that do not require the use of cash and cash equivalents, refer note 45.

Cash flow from operating activities includes interest received of Rs.9,515.54 million (previous year Rs. 5,347.80 million) and interest paid of Rs.3,339.58 million (previous year Rs. 1,874.69 million)

Summary of significant accounting policies

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

Sd/-

per Shrawan Jalan
Partner
Membership No: 102102

Place: Mumbai
Date: June 28, 2019

For and on behalf of the Board of Directors of Spandana Sphoorty Financial Limited

Sd/-

Padmaja Gangireddy
Managing Director
DIN: 00004842

Sd/-

Kartikeya Dhruv Kaji
Director
DIN: 07641723

Sd/-

Sudhesh Chandrasekhar
Chief Financial Officer

Sd/-

Rakesh Jhinjharia
Company Secretary
Membership No. F8325

Place: Mumbai
Date: June 28, 2019

Consolidated Statement of Changes in Equity for year ended on March 31, 2019

(Rupees in millions unless otherwise stated)

A. Equity Shares
Equity Share of Rs. 10 each issued, subscribed and fully paid

Particulars	No. of Shares	Amount
As at April 1, 2017	28,449,393	284.49
Issue of equity share capital during the year ended March 31, 2018 (refer note 19)	1,307,425	13.07
As at March 31, 2018	29,756,818	297.56
Issue of equity share capital during the year ended March 31, 2019 (refer note 19)	29,876,865	298.77
As at March 31, 2019	59,633,683	596.34

B. Other Equity

Particulars	Notes	Reserves & Surplus							Equity component of compound financial instrument	Money received against share warrants	Total Equity	Other items of comprehensive income (fair valuation on loan portfolio)	Other Equity	Non - Controlling interests	Grand Total
		Securities Premium	Retained Earnings	General Reserve	Statutory Reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)	Capital Redemption Reserve	Share options outstanding reserve	Total							
Balance as at April 1, 2017		**2,582.81**	**(5,756.87)**	**23.28**	**1,604.97**	**1,526.92**	**-**	**(18.89)**	**9,010.08**	**-**	**8,991.20**	**-**	**8,991.20**	**-**	**8,991.20**
Profit for the year		-	1,879.46	-	-	-	-	1,879.46	-	-	1,879.46	-	1,879.46	-	1,879.46
Other comprehensive income		-	(0.28)	-	-	-	-	(0.28)	-	-	(0.28)	-	(0.28)	-	(0.28)
Total comprehensive income for the year		**-**	**1,879.18**	**-**	**-**	**-**	**-**	**1,879.18**	**-**	**-**	**1,879.18**	**-**	**1,879.18**	**-**	**1,879.18**
Transfer to Statutory Reserve *		-	(343.70)	-	343.70	-	-	-	-	-	-	-	-	-	-
Issue of share capital during the year		294.80	-	-	-	-	-	294.80	2,442.13	1.49	2,738.42	-	2,738.42	-	2,738.42
Balance as at March 31, 2018	**20**	**2,877.61**	**(4,221.38)**	**23.28**	**1,948.67**	**1,526.92**	**-**	**2,155.09**	**11,452.21**	**1.49**	**13,608.80**	**-**	**13,608.80**	**-**	**13,608.80**
Profit for the year ended March 31, 2019		-	3,118.24	-	-	-	-	3,118.24	-	-	3,118.24	-	3,118.24	0.76	3,119.00
Other comprehensive income		-	(1.90)	-	-	-	-	(1.90)			(1.90)	448.11	446.21	0.00	446.21
Total comprehensive income for the year		**-**	**3,116.34**	**-**	**-**	**-**	**-**	**3,116.34**	**-**	**-**	**3,116.34**	**448.11**	**3,564.45**	**0.76**	**3,565.21**
Share of Non - Controlling interest arising on business combination		-	-	-	-	-	-	-	-	-	-	-	-	8.46	8.46
Transfer to Statutory Reserve		-	(617.50)	-	617.50	-	-	-	-	-	-	-	-	-	-
Fair value of stock option - charge for the year		-	-	-	-	-	41.25	41.25			41.25	-	41.25	-	41.25
Issue of share capital during year ended March 31, 2019	19	479.72	-	-	-	-	-	479.72	-	-	479.72	-	479.72	-	479.72
Conversion of compulsory convertible preference shares	19	11,212.29	-	-	-	-	-	11,212.29	(11,452.21)	-	(239.92)	-	(239.92)	-	(239.92)
Conversion of optionally convertible redeemable preference shares - Series A, B & C	19	509.70	-	-	-	-	-	509.70	-	-	509.70	-	509.70	-	509.70
Conversion of share warrants	19	335.64	-	-	-	-	-	335.64	-	(1.49)	334.15	-	334.15	-	334.15
Dividend on CCPS (all classes) and OCRPS (all series) (includes dividend distribution tax)	20	-	(0.13)	-	-	-	-	(0.13)	-	-	(0.13)	-	(0.13)	-	(0.13)
Balance as at March 31, 2019	**20**	**15,414.96**	**(1,722.67)**	**23.28**	**2,566.17**	**1,526.92**	**41.25**	**17,849.91**	**-**	**-**	**17,849.91**	**448.11**	**18,298.02**	**9.22**	**18,307.24**

* As determined on the basis of profit calculated under previous GAAP.
The accompanying notes are an integral part of the consolidated financial

As per our report of even date

For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

Sd/-

per Shrawan Jalan
Partner
Membership No: 102102

Place: Mumbai
Date: June 28, 2019

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Sd/-

Padmaja Gangireddy
Managing Director
DIN: 00004842

Sd/-

Kartikeya Dhruv Kaji
Director
DIN: 07641723

Place: Mumbai
Date: June 28, 2019

Sd/-

Sudhesh Chandrasekhar
Chief Financial Officer

Sd/-

Rakesh Jhinjharia
Company Secretary
Membership No. F8325

1. Corporate Information

Spandana Sphoorty Financial Limited ('the Company' or 'Holding Company' or 'Parent Company') is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on March 10, 2003.The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and got classified as Non-Banking Financial Company – Micro Finance Institution (NBFC – MFI) effective April 13, 2015.The Company is primarily engaged in the business of micro finance providing small value unsecured loans to low-income customers in semi-urban and rural areas. The tenure of these loans is generally spread over one to two years. The Holding Company together with its subsidiaries listed below hereinafter collectively referred to as the 'the Group'.

Caspian Financial Services Limited or ('CFSL') is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on October 13, 2017. The main objective of CFSL is to carry on the business of lending (other than micro finance).

Criss Financial Holdings Limited (formerly Keertana Financial Limited) ('CFL') is a public company limited by shares domiciled in India and incorporated under the provision of the Companies Act, 1956 ('the Act') on August 20, 1992.The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI'). The Company is engaged in the business of finance by providing Individual Loans, Small Business Loans, Mortgage Loans and Group Loans. On December 27, 2018, the Company acquired 95.97% of the equity shares (2,837,135 shares) of CFL, further on December 28, 2018, the Company subscribed to issue of fresh equity shares of 1,890,217 there by holding 97.54% of the total share holding.

CFSL and CFL have been collectively referred to as "the Subsidiaries".

2) Basis of preparation

a) Statement of compliance in preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and notified under section 133 of the Companies Act, 2013. The consolidated financial statements have been prepared on a going concern basis. The Group uses accrual basis of accounting except in case of significant uncertainties.

For all periods up to and including the year ended March 31, 2018, the Group had prepared its financial statements in accordance with accounting standards notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 (hereinafter referred as 'Previous GAAP'). These financial statements for the year ended March 31, 2019 are the first, the Group has prepared in accordance with Ind AS. The Group has applied Ind AS 101 - First time adoption of Indian Accounting Standards, for transition from previous GAAP to Ind AS. An explanation of how transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Group is provided in note no. 37

These consolidated financial statements have been prepared on historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments and other financial assets held for trading all of which have been measured at fair value. Further, the carrying values of recognised assets and liabilities that are hedged items in fair value hedges and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated financial statements are presented in Indian Rupees (INR). The statement of cash flows have been prepared under indirect method.

B) Presentation of Financial Statements

The Group presents its balance sheet in order of liquidity. Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

a. The normal course of business
b. The event of default
c. The event of insolvency or bankruptcy of the Group and/or its counterparties

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The consolidated financial statements are prepared using the uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, to the extent possible unless otherwise stated.

The standalone financial statements of the Company and the Subsidiaries have been combined on a line-by- line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra- group balances and intra-group transactions resulting in unrealised profits or losses.

C) Principles of consolidation

i) The consolidated financial statements incorporate the financial statements of the Parent Company and all its subsidiaries (from the date control is gained), being the entities that it controls. Control is evidenced where the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is demonstrated through existing rights that give the ability to direct relevant activities, which significantly affect the entity returns. The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies in line with accounting policies of the Parent Company.

The Parent Company holds 100% shareholding in Caspian Financial Services Limited and 97.54% of the Shareholding in Criss Financial Holdings Limited and there are no contractual arrangements which rebute the control of the Parent Company over its subsidiaries.

The financial statements of subsidiaries acquired during the year are included in the consolidated statement of profit and loss from the effective date of acquisition. Intragroup balances and transactions and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

ii) The Consolidated financial statements include results of the subsidiaries of Spandana Sphoorty Financial Limited. (Holding Company), consolidated in accordance with Ind AS 110 'Consolidated Financial Statements'.

Name of the Company	Country of Incorporation	Proportion of ownership as at reporting date	Consolidated as
Criss Financial Holdings Limited*	India	97.54%	Subsidiary
Caspian Financial Services Limited	India	100.00%	Subsidiary

* On December 27, 2018 the Company acquired 95.97% of the equity shares (2,837,135 shares) of CFL, further on December 28, 2018 the Company subscribed to issue of fresh equity shares of 1,890,217 there by holding 97.54% of the total share holding

For the preparation of Consolidated Financial Statements for FY 2018-19 the group has consolidated financials of the holding company and its subsidiaries - Caspian Financial Services Limited and Criss Financial Holdings Limited (from December 27, 2018, the date of acquisition). For the preparation of Consolidated financial statements for FY 2017-18 the group has consolidated financials of the holding company and its subsidiary Caspian Financial Services Limited (incorporated on October 13, 2017).

Figures for preparation of consolidated financial statements have been derived from the audited financial statements of the respective companies in the Group.

Disclosure in terms of Schedule III of the Companies Act, 2013

Name of the entities in the Group	Net Assets (i.e. Total Assets minus Total Liabilities)		Share in Profit or (Loss)		Share in other comprehensive income		Share In total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of consolidated total comprehensive income	Amount
Holding Company								
Spandana Sphoorty Financial Limited	97.36%	18,863.75	98.99%	3,087.48	99.98%	446.11	99.11%	3,533.59
Subsidiaries								
Criss Financial Holdings Limited	2.53%	490.64	0.98%	30.45	0.02%	0.10	0.86%	30.54
Caspian Financial Services Limited	0.11%	20.84	0.03%	1.07	0.00%	0.00	0.03%	1.07
Total	100.00%	19,375.23		3,119.00	100.00%	446.21	100.00%	3,565.20
a) Adjustments arising out of consolidation		(471.65)	100%	0.00		0.00		0.00
b) Non-controlling interests in Criss Financial Holdings Limited		(9.22)		(0.76)		0.00		(0.76)
Total		(480.87)		(0.76)		0.00		(0.76)
Total		18,894.36		3,118.24		446.21		3,564.44

3. Significant accounting olicies

a) Use of estimates, judgments and assumptions

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

ii) Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

III) Impairment of loan portfolio

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment allowance for loans and advances. In estimating these cash flows, the Group makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors such as credit quality, level of arrears etc. and actual results may differ, resulting in future changes to the impairment allowance.

IV) Provisions other than impairment of loan portfolio

Provisions are held in respect of a range of future obligations such as employee entitlements and litigation provisions. Some of the provisions involve significant judgment about the likely outcome of various events and estimated future cash flows. The measurement of these provisions involves the exercise of management judgments about the ultimate outcomes of the transactions. Payments that are expected to be incurred after more than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

V) Other estimates

These include contingent liabilities, useful lives of tangible and intangible assets etc.

Recognition of income and expense

The Group earns revenue primarily from giving loans. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) **Interest income and expense**

Interest revenue is recognized using the effective interest method (EIR). The effective interest method calculates the amortized cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit- impaired, the Group reverts to calculating interest income on a gross basis.

Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to arrangers and other expenses such as external legal costs, provided these are incremental costs that are directly related to the issue of a financial liability.

(ii) Dividend income

Dividend income is recognized when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(iii) Other income and expense

All Other income and expense are recognized in the period they occur.

c) Property, plant and equipment(PPE) and intangible asset

PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

Intangible Asset

Intangible assets represent software expenditure which is stated at cost less accumulated amortization and any accumulated impairment losses.

d) Depreciation and amortization

Depreciation

i. Depreciation on property, plant and equipment provided on a written down value method at the rates arrived based on useful life of the assets, prescribed under Schedule II of the Act, which also represents the estimate of the useful life of the assets by the management.

ii. Property, plant and equipment costing up to Rs.5,000 individually are fully depreciated in the year of purchase.

The Group has used the following useful lives to provide depreciation on its Property, plant and equipment:

Asset Category	Useful Life (in years)
Furniture & Fixtures	10
Computers & Printers	3
Office Equipment	5
Leasehold Improvements	3
Vehicles	8
Land & Buildings	60

Amotization

Intangible assets are amortized at a rate of 40% per annum on a "Written Down Value" method, from the date that they are available for use.

e) Impairment

i) Overview of principles for measuring expected credit loss ('ECL') on financial assets.
In accordance with Ind AS 109, the Group is required to measure expected credit losses on its financial instruments designated at amortized cost and fair value through other comprehensive income. Accordingly, the Group is required to determine lifetime losses on financial instruments where credit risk has increased significantly since its origination. For other instruments, the Group is required to recognize credit losses over next 12 month period. The Group has an option to determine such losses on individual basis or collectively depending upon the nature of underlying portfolio. The Group has a process to assess credit risk of all exposures at each year end as follows:

Stage I
These represent exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date. The Group has assessed that all standard exposures (i.e. exposures with no overdues) and exposure upto 30 day overdues fall under this category.In accordance with Ind AS 109, the Group measures ECL on such assets over next 12 months.

Stage II
Financial instruments that have had a significant increase in credit risk since initial recognition are classified under this stage. Based on empirical evidence, significant increase in credit risk is witnessed after the overdues on an exposure exceed for a period more than 30 days. Accordingly, the Group classifies all exposures with overdues exceeding 30 days at each reporting date under this Stage. The Group measures lifetime ECL on stage II loans.

Stage III
All exposures having overdue balances for a period exceeding 90 days are considered to be defaults and are classified under this stage. Accordingly, the Group measures lifetime losses on such exposure. Interest revenue on such contracts is calculated by applying the effective interest rate to the amortized cost (net of impairment allowance) instead of the gross carrying amount.

Methodology for calculating ECL

The Group determines ECL based on a probability weighted outcome of factors indicated below to measure the shortfalls in collecting contractual cash flows. The Group does not discount such shortfalls considering relatively shorter tenure of loan contracts.

Key factors applied to determine ECL are outlined as follows:

Probability of default (PD) - The probability of default is an estimate of the likelihood of default over a given time horizon (12-month or lifetime, depending upon the stage of the asset).

Exposure at default (EAD) – It represents an estimate of the exposure of the Group at a future date after considering repayments by the counterparty before the default event occurs.

Loss given default (LGD) – It represents an estimate of the loss expected to be incurred when the event of default occurs.

Forward Looking Information

While estimating the expected credit losses, the Group reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Group analyses if there is any relationship between key economic trends like GDP, Unemployment rates, Benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Group based on its internal data. While the internal estimates of PD, LGD rates by the Group may not be always reflective of such relationships, temporary overlays are embedded in the methodology to reflect such macro-economic trends reasonably.

Write-offs

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. All such write-offs are charged to the Profit and Loss Statement. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

II) Non Financial Assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

f) Operating Lease

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating leases. The Group has ascertained that the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases and therefore, the lease payments are recognized as per terms of the lease agreement in the Statement of Profit and Loss.

g) Foreign currency transactions

- Functional and presentation currency

  The consolidated financial statements are presented in Indian Rupees (INR), which are the functional currency of the Group and the currency of the primary economic environment in which the Group operates.

- Transaction and Balance

  Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

h) Retirement and Employee benefits

The Group participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Group's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Group's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Group. The present value of the defined benefit obligations is calculated using the projected unit credit method.

The Group operates following employee benefit plans:

i) Employee Provident Fund

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as expenditure when an employee renders the related service.

ii) Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Group provides for a lump sum payment to eligible employees, at retire ment or termination of employment based on the last drawn salary and years of employment with the Group. The Group's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation.

Net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Re-measurement, comprising of actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

iii) Leaves

The service rules of the Group do not provide for the carry forward of the accumulated leave balance and leaves to credit of employees are encashed periodically at average gross salary.

iv) Employee Stock Option Plan

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments in form of employee stock options, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black Scholes valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in Stock Option Outstanding reserves in Other equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

i) Income taxes

Current Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with The Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity).

Deferred Taxes

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognized as income tax benefits or expenses in the income statement except for tax related to the FVOCI instruments. The Group also recognizes the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Group only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Group's intention to settle on a net basis.

Minimum Alternate Tax (MAT)

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognized for MAT credit available only to the extent that it is probable that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

j) Earnings per share (EPS)

The Group reports basic and diluted earnings per share in accordance with Ind AS33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

k) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The increase in the provision due to un-winding of discount over passage of time is recognized within finance costs.

l) Contingent liabilities and assets

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Group does not have any contingent assets in the financial statements.

m) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instruments.

Financial Assets - All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

- Loan Portfolio at amortized cost
- Loan Portfolio at fair value through other comprehensive income (FVOCI)
- Investment in equity instruments and mutual funds at fair value through profit or loss
- Other financial assets atamortized cost

Loan Portfolio at amortized cost:

Loan Portfolio is measured at amortized cost where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI)on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

Loan Portfolio at FVOCI:

Loan Portfolio is measured at FVOCI where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- the financial asset is held within a business model where objective is achieved by both collecting contractual cash flows and selling financial assets.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, where the Group's objective is solely to collect the contractual cash flows from the assets, the same is measured at amortized cost or where the Group's objective is to collect both the contractual cash flows and cash flows arising from the sale of assets, the same is measured at fair value through other comprehensive income (FVOCI). If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows (i.e. measured at amortized cost) or to collect contractual cash flows and sell (i.e. measured at fair value through other comprehensive income), the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The amortized cost, as mentioned above, is computed using the effective interest rate method.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the Statement of Profit and Loss.

The measurement of credit impairment is based on the three-stage expected credit loss model described in Note: Impairment of financial assets (refer note 3(e)).

Effective interest method - The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. The amortized cost of the financial asset is adjusted if the Group revises its estimates of payments or receipts. The adjusted amortized cost is calculated based on the original or latest re-estimated EIR and the change is recorded as 'Interest and similar income' for financial assets. Income is recognized on an effective interest basis for loan portfolio other than those financial assets classified as at FVTPL.

Equity instruments and Mutual Funds

Equity instruments and mutual funds included within the FVTPL category are measured at fair value with all changes recognized in the Profit and Loss Statement.

Financial liabilities

Initial Measurement

Financial liabilities are classified and measured at amortized cost. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent Measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

De-recognition

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

A financial liability is derecognized from the balance sheet when the Group has discharged its obligation or the contract is cancelled or expires.

n) Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date using various valuation techniques.

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Group's accounting policies require, measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortized cost are required to be disclosed in the said financial statements.

The Group is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair- value-hierarchy (which reflects the significance of inputs used in the measurement).

Accordingly, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows:

- Level 1 financial instruments - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

- Level 2 financial instruments - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life.

- Level 3 financial instruments – include one or more unobservable input where there is little market activity for the asset/liability at the measurement date that is significant to the measurement as a whole.

o) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

p) Share issue expenses

Incremental costs that are directly attributable to the issue of an equity instrument (i.e. they would have been avoided if the instrument had not been issued) are deducted from equity.

q) Convertible Preference Shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract. On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity since conversion option meets Ind AS 32 criteria for fixed to fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

(Rupees in millions unless otherwise stated)

	Notes	As At March 31, 2019	As At March 31, 2018	As At April 1, 2017
4: Cash and cash equivalents				
Cash on hand		7.79	3.70	6.63
Balances with banks				
On current accounts		1,407.24	871.29	2,894.54
Deposit with original maturity of less than three months		71.09	170.37	-
		1,486.12	1,045.36	2,901.17
5: Bank balances other than cash and cash equivalents				
Deposit with remaining maturity of less than 12 months		85.22	21.67	-
Deposit with remaining maturity of more than 12 months		-	0.13	-
Margin money deposits (refer note below)		1,946.64	1,010.67	23.08
		2,031.86	1,032.47	23.08

Note: Represent margin money deposits placed to avail term loans from banks and placed as cash collateral in connection with securitization transactions.

6: Trade receivables			
Outstanding for a period less than six months from the date they are due for payment			
Unsecured, considered good	35.49	25.03	14.64
	35.49	25.03	14.64

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
7: Loan portfolio			
At fair value through OCI			
Secured (by tangible assets), considered good*	629.23	-	-
Less: Impairment Loss Allowance	-	-	-
Unsecured, considered good*	41,272.82	-	-
Less: Impairment Loss Allowance	(253.60)	-	-
Considered doubtful**	3,627.81	-	-
Less: Impairment Loss Allowance	(3,622.37)	-	-
Total	41,653.89	-	-
At amortised Cost			
Secured (by tangible assets), considered good*	63.76	245.92	239.95
Less: Impairment Loss Allowance	-	-	-
Unsecured, considered good*	960.05	30,701.51	11,882.85
Less: Impairment Loss Allowance	(0.11)	(109.07)	(220.17)
Considered doubtful**	-	8,653.53	8,868.10
Less: Impairment Loss Allowance	-	(8,595.63)	(8,825.24)
Total	1,023.70	30,896.26	11,945.49
Grand total	42,677.59	30,896.26	11,945.49
Above amount includes			
Loans provided in India	42,677.59	30,896.26	11,945.49
Loans provided outside India	-	-	-
	42,677.59	30,896.26	11,945.49

* Represents assets classified under stage I and stage II in accordance with Company's asset classification policy [refer note 3(e)(i)]

** Represents assets classified under stage III in accordance with Company's asset classification policy [refer note 3(e)(i)]

Overview of the Loan portfolio of the group

The Group is in the business of providing micro loans with its operations spread out in different parts of India.

On October 15, 2010, the then Government of Andhra Pradesh promulgated "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Ordinance 2010" which was subsequently enacted as "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Act, 2011" ('AP MFI Act'). The AP MFI Act, inter alia, imposed several restrictions on the operations of the MFIs operating in the then state of Andhra Pradesh, including a change in repayment frequency for loan repayments from a 'weekly' to a 'monthly' basis.

As a result recoveries from the loan portfolio in the states of Andhra Pradesh and Telangana were adversely affected resulting in significant defaults. Such portfolio is hereinafter referred as the 'old AP portfolio'. Accordingly, all such loans have been categorized under Stage III considering significant uncertainty with respect to their recoveries. All other exposures have been referred as 'new portfolio'.

The table below discloses credit quality of the Company's exposures (net of impairment loss allowance) as at reporting date:

Portfolio classification as at March 31, 2019

Particulars	Stage I	Stage II	Stage III	Total
Considered good				
New portfolio	42,606.88	65.27	-	42,672.15
Considered doubtful				
New portfolio	-	-	5.44	5.44
Old AP portfolio*	-	-	-	-
Total	42,606.88	65.27	5.44	42,677.59

*Old AP portfolio is fully provided for, hence net exposure is Nil.

Portfolio classification as at March 31, 2018

Particulars	Stage I	Stage II	Stage III	Total
Considered good				
New portfolio	30,835.62	2.51	-	30,838.13
Considered doubtful				
New portfolio	-	-	58.13	58.13
Old AP portfolio*	-	-	-	-
Total	30,835.62	2.51	58.13	30,896.26

*Old AP portfolio is fully provided for, hence net exposure is Nil.

Portfolio classification as at April 1, 2017

Particulars	Stage I	Stage II	Stage III	Total
Considered good				
New portfolio	11,736.43	166.24	-	11,902.67
Considered doubtful				
New portfolio	-	-	42.82	42.82
Old AP portfolio*	-	-	-	-
Total	11,736.43	166.24	42.82	11,945.49

*Old AP portfolio is fully provided for, hence net exposure is Nil.

Gross Portfolio Movement for the year ended March 31, 2019

Particulars		Stage I	Stage II	Stage III	Total
Gross carrying amount as at April 1, 2018					
New portfolio		30,940.84	6.59	720.43	31,667.86
Old AP portfolio		-	-	7,933.10	7,933.10
Total	(A)	30,940.84	6.59	8,653.53	39,600.96
Inter-stage movements					
New portfolio					
Stage I		0.01	(0.01)	-	-
Stage II		(150.21)	150.21	-	-
Stage III		(43.39)	(1.27)	44.66	-
Old AP portfolio		-	-	-	-
Total	(B)	(193.59)	148.93	44.66	-
Write offs**					
New portfolio		-	(60.73)	(836.11)	(896.84)
Old AP portfolio		-	-	(4,320.57)	(4,320.57)
Total	(C)	-	(60.73)	(5,156.68)	(5,217.41)
New assets originated, repaid and derecognised during the year*					
New portfolio		11,339.59	55.42	114.13	11,509.15
Old AP portfolio		-	-	(27.83)	(27.83)
Total	(D)	11,339.59	55.42	86.30	11,481.31
Fair Value on loan portfolio	(E)	688.80	-	-	688.80
Gross carrying amount as at March 31, 2019					
New portfolio		42,775.64	150.21	43.11	42,968.96
Old AP portfolio		-	-	3,584.70	3,584.70
Total (A+B+C+D+E)		42,775.64	150.21	3,627.81	46,553.66

** The contractual amount of loans written-off during the year are not subject to enforcement activity / legal proceedings.
* New assets originated, repaid and derecognised includes portfolio of Subsidiary (Criss Financial Holdings Limited) on the day of acquisition of control by the Parent Company.

Notes:

1. In the course of its review of the risk management strategy during September 2018, the Parent Company has decided to implement a regular programme of asset sale for certain portfolio. Accordingly, the Parent Company has changed its business model from Hold to Collect (amortized cost) to collect both the contractual cash flows and cash flows arising from the sale of assets from September 30, 2018 (FVOCI). Therefore, the Parent Company w.e.f. from October 1, 2018 has measured the portfolio at Fair Value Through Other Comprehensive Income. The gross amount of such portfolio as at October 1, 2018 was Rs.45,603.31 million. The changes in fair value resulting from such change in the business model as at 1st October 2018 amounts to Rs.711.76 million and the changes in fair value from 1st October 2018 to 31st March 2019 amounts to Rs. (22.96) million.

2. Total ECL provision recorded as at March 31, 2019 through Other Comprehensive Income within the fair value change amounted to Rs.3,875.96 million. Impairment charge reclassified from OCI to profit and loss amounts to Rs. 304.88 million during the year after effecting such change.

(Rupees in millions unless otherwise stated)

Gross Portfolio Movement for the year ended March 31, 2018

Particulars		Stage I	Stage II	Stage III	Total
Gross carrying amount as at April 1, 2017					
New portfolio		11,764.05	358.75	892.56	13,015.36
Old AP portfolio		-	-	7,975.54	7,975.54
Total	(A)	11,764.05	358.75	8,868.10	20,990.90
Inter-stage movements					
New portfolio					
Stage I		0.95	(0.85)	(0.10)	-
Stage II		(1.18)	1.24	(0.06)	-
Stage III		(48.29)	(118.21)	166.50	-
Old AP portfolio		-	-	-	-
Total	(B)	(48.52)	(117.82)	166.34	-
Write offs **					
New portfolio		-	-	-	-
Old AP portfolio		-	-	-	-
Total	(C)	-	-	-	-
New assets originated, repaid and derecognised during the year					
New portfolio		19,225.31	(234.34)	(338.47)	18,652.50
Old AP portfolio		-	-	(42.43)	(42.43)
Total	(D)	19,225.31	(234.34)	(380.90)	18,610.07
Gross carrying amount as at March 31, 2018					
New portfolio		30,940.84	6.59	720.43	31,667.86
Old AP portfolio		-	-	7,933.10	7,933.10
	Total (A+B+C+D)	30,940.84	6.59	8,653.53	39,600.96

** The contractual amount of loans written-off during the year are not subject to enforcement activity / legal proceedings.

ECL movement during the year ended March 31, 2019:

Particulars	Stage I	Stage II	Stage III	Total
Opening Balance	105.09	3.98	8,595.63	8,704.70
Provision made/ (reversed) during the year	63.68	116.23	(245.55)	(65.64)
Write off	-	(35.27)	(4,727.71)	(4,762.98)
Closing Balance	168.77	84.94	3,622.37	3,876.08

Note :
a) ECL for Stage I has increased primarily on account of new assets originated during the year.
b) ECL for Stage II has increased primarily on account of new assets originated during the year.
c) ECL for stage III has declined on account of recoveries/collections and write off made by the Group during the year.

ECL movement during the year ended March 31, 2018:

Particulars	Stage I	Stage II	Stage III	Total
Opening Balance	27.67	192.50	8,825.24	9,045.41
Provision made/ (reversed) during the year	77.42	(188.52)	(229.61)	(340.71)
Write off	-	-	-	-
Closing Balance	105.09	3.98	8,595.63	8,704.70

Note :-
a) ECL for Stage I has increased primarily on account of new assets originated during the year.
b) ECL for stage II has declined on account of transfers to Stage III during the year.
c) ECL for stage III has declined on account of recoveries/collections made by the Company during the year.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

(Rupees in millions unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
8: Investments			
Others (at fair value through profit & loss)	-		
100,000 (March 31, 2018: 100,000, April 01, 2017: 100,000) equity shares of Rs.10 each fully paid up in Alpha Micro Finance Consultants Private Limited	1.00	1.00	1.00
	1.00	**1.00**	**1.00**
Less: Impairment loss allowance	-	-	-
Total	**1.00**	**1.00**	**1.00**
Above amount includes			
Investment in India	1.00	1.00	1.00
Investment Outside India	-	-	-
Total	**1.00**	**1.00**	**1.00**

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
9: Other financial assets (at amortised cost)			
A. Security deposits			
Unsecured, considered good	22.00	17.98	15.89
(A)	**22.00**	**17.98**	**15.89**
B.Loans and advances to related parties			
Inter corporate advances	395.00	543.14	-
(B)	**395.00**	**543.14**	**-**
C. Other Assets			
Amount receivable from banks and non banking financial companies	0.38	-	0.54
Term deposits placed with non banking financial companies#	83.64	90.62	-
Retained interest on asset assigned	91.93	-	-
Other assets	11.52	7.86	1.00
(C)	**187.47**	**98.48**	**1.54**
Total (A+B+C)	**604.47**	**659.60**	**17.43**

Represent margin money deposits placed to avail term loans from non banking financial companies.

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
10: Current Tax Assets (net)			
Advance income tax (net of provision)	83.37	41.86	46.63
	83.37	**41.86**	**46.63**

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
11: Deferred Tax Assets (net)			
Effects of deferred tax assets/ liabilities :			
Deferred Tax Assets			
Impairment of financial instruments	1,401.69	2,984.50	3,117.20
Unabsorbed carry forward Loss	-	-	859.40
Provisions allowable on payment basis	49.40	46.42	43.02
Differences of written down value of Property, plant and equipment	46.02	38.21	30.91
MAT Credit entitlement	774.35	763.71	218.27
Others	42.28	86.10	-
	2,313.74	**3,918.94**	**4,268.80**
Deferred Tax Liabilities			
Others	313.95	78.10	53.84
	313.95	**78.10**	**53.84**
Net deferred tax assets/(liabilities)	**1,999.79**	**3,840.84**	**4,214.96**

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

(Rupees in millions unless otherwise stated)

12: Property, plant & equipment

Particulars	Land & Building#	Leasehold improvements	Furniture & Fixtures	Office Equipment	Vehicles	Computers	Total
Gross block							
At April 1 2017	-	95.40	46.23	10.53	4.16	100.87	257.19
Addition	2.01	-	8.86	4.67	-	19.33	34.88
Disposals	-	-	0.10	0.02	0.64	0.25	1.02
At March 31, 2018	2.01	95.40	54.99	15.18	3.52	119.95	291.05
Addition*	-	-	16.32	14.22	2.07	42.48	75.09
Disposals	-	-	0.23	0.23	-	1.53	1.99
At March 31, 2019	2.01	95.40	71.07	29.17	5.59	160.90	364.15
Depreciation							
At April 1 2017	-	62.77	26.41	9.27	3.15	89.36	190.97
Charge for the year	0.05	20.61	10.59	1.34	0.31	9.60	42.51
Disposals	-	-	0.09	0.02	0.59	0.24	0.94
At March 31, 2018	0.05	83.38	36.91	10.59	2.87	98.72	232.54
Charge for the year**	0.10	7.59	17.98	6.20	0.36	28.34	60.57
Disposals	-	-	0.26	0.11	-	0.33	0.70
At March 31, 2019	0.15	90.97	54.63	16.67	3.23	126.73	292.41
Net carrying amount							
At April 1 2017	-	32.62	19.82	1.26	1.01	11.51	66.23
At March 31, 2018	1.96	12.02	18.08	4.59	0.65	21.23	58.54
At March 31, 2019	1.86	4.43	16.45	12.49	2.36	34.17	71.74

Mortgaged as security against secured non-convertible debentures.

Intangible assets

Particulars	Computer Software	Total
Gross block		
At April 1 2017	78.93	78.93
Purchase	16.93	16.93
Disposals	-	-
At March 31, 2018	95.86	95.86
Addition*	9.48	9.48
Disposals	0.03	0.03
At March 31, 2019	105.31	105.31
Amortization		
At April 1 2017	55.08	55.08
Charge for the year	14.75	14.75
Disposals	-	-
At March 31, 2018	69.83	69.83
Charge for the year**	13.28	13.28
Disposals	0.01	0.01
At March 31, 2019	83.10	83.10
Net carrying amount		
At April 1, 2017	23.85	23.85
At March 31, 2018	26.03	26.03
At March 31, 2019	22.21	22.21

* Addition includes gross block of Subsidiary (Criss Financial Holdings Limited) on the day of acquisition of control by the Parent Company.

** charge for the year includes depreciation charge on gross block of Subsidary (Criss Financial Holdings Limited) for the period December 27, 2018 to March 31, 2019

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
13: Other non-financial assets			
Unsecured, considered good			
Prepaid expenses	1.78	1.57	2.15
Capital advances	0.63	2.17	-
Advance against sum assured	24.03	9.61	3.73
Other advances	103.26	2.13	25.86
Unsecured, considered doubtful			
Employee loans	1.70	1.70	1.70
Amounts deposited with courts	5.89	4.84	4.74
Advance against sum assured	10.50	11.31	12.40
Other advances	-	-	15.05
Less: Allowance for doubtful debts	(18.10)	(17.85)	(33.89)
	129.69	**15.48**	**31.74**

(Rupees in millions unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
14: (a) Debt Securities (at amortised cost)			
i) Debentures			
Secured			
325 (March 31, 2018: 325), 13.15% Secured, Redeemable, Non-convertible Debentures of face value of Rs. 1 million each redeemable at par at the end of Seventy Two months from the date of allotment i.e. October 31, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of Thirty Six months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	342.30	342.20	-
180,000,000 (March 31, 2018: 180,000,000) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Re.1 each. redeemable at the end of Thirty Six Months from the date of allotment i.e. October 26, 2017	178.41	177.07	-
120,000,000 (March 31, 2018: 120,000,000) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Re.1 each, redeemable at the end of Thirty Six months from the date of allotment i.e. August 21, 2017	119.13	118.22	-
4,000 (March 31, 2018: 4,000), 12.90% Partly-paid Secured, Redeemable, Non-convertible Debentures of face value of Rs. 1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. September 28, 2017 (subject to exercise of put option by the lender at the end of Twelve or Twenty Four months from the date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	2,157.01	827.84	-
1,000 (March 31, 2018: 1,000), 14% Secured, Redeemable, Non-convertible Debentures of face value of Rs. 1 million each redeemable at par at the end of Seventy Two months from the date of allotment i.e. September 18, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of Thirty Six months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	1,003.18	1,002.18	-
1,500 (March 31, 2018: Nil), 12.20% Secured, Redeemable, Non-convertible Debentures of face value of Rs. 1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. May 31, 2018 (subject to exercise of put option by the lender at the end of Twelve months or Eighteen months or Twenty Four months or Thirty months or call option by the Company at the end of Eighteen months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	1,136.76	-	-
820 (March 31, 2018: Nil), 12.40% Secured, Redeemable, Non-convertible Debentures of face value of Rs. 1,000,000 each redeemable at par at the end of Thirty Six months from the date of allotment i.e. December 7, 2018 .	851.09	-	-

Nature of security

The above debentures are secured by way of first and exclusive charge over eligible book debts of the Company. NCDs issued on September 18, 2017 are also secured by a first charge on land and building.

(Rupees in millions unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Unsecured			
200 (March 31, 2018: 200), 13.30% Fully paid up Senior Unsecured, Redeemable, Non-Convertible Debentures of face value of Rs. 1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. September 26, 2017 (subject to exercise of put option by the lender at the end of 367 days or Twenty Four months). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	212.10	211.54	-
Borrowing under securitisation arrangement			
From Banks	7,719.66	6,975.47	-
From non-banking financial companies	-	492.61	-
Total Debt Securities	**13,719.64**	**10,147.13**	**-**
(b) Borrowings (Other than Debt Securities at amortised cost)			
Secured Term Loan			
Indian rupee loan from banks	10,297.00	9,704.30	9,324.57
Indian rupee loan from non-banking financial companies	5,457.79	3,260.38	-
Cash credit from bank (secured)*	-	0.40	-
Total Borrowings (Other than Debt Securities)	**15,754.79**	**12,965.08**	**9,324.57**

*Cash credit from bank is secured by hypothecation of book debts.

Cash credit from bank carries interest rate @ 11.70% pa with monthly interest repayment

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
(c) Subordinated Liabilities (at amortised cost)			
Unsecured Term Loan			
Indian rupee loan from non-banking financial company	202.94	201.46	-
Loans and advances from related party (unsecured) (Loans from related party carries interest rate @ 13.00% pa with monthly interest repayment)	-	-	10.00
Preference shares other than those that qualify as Equity			
OCRPS (all series)	-	0.09	0.09
Total Subordinated Liabilities	**202.94**	**201.55**	**10.09**
	29,677.37	**23,313.77**	**9,334.66**
Above amount includes			
Secured borrowings	29,262.33	22,900.68	9,324.57
Unsecured borrowings #	415.04	413.09	10.09
Net amount	**29,677.37**	**23,313.77**	**9,334.66**
Borrowings in India	29,677.37	23,313.77	9,334.66
Borrowings outside India	-	-	-
Total	**29,677.37**	**23,313.77**	**9,334.66**

* The secured borrowings are secured by hypothecation of book debts and margin money deposits.

\# The Unsecured borrowings are in the nature of subordinated debt and non-convertible debentures.

14A. Terms of principal repayment of borrowings as at March 31, 2019

(Rupees in millions unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
Debt Securities										
Monthly										
1-3 years	9.01%-9.50%	12	868.80	5	197.06	-	-	-	-	1,065.86
		12	673.33	5	135.77	-	-	-	-	809.10
		3	254.74	-	-	-	-	-	-	254.74
		5	198.02	-	-	-	-	-	-	198.02
		7	310.08	-	-	-	-	-	-	310.08
		6	374.18	-	-	-	-	-	-	374.18
		7	251.06	-	-	-	-	-	-	251.06
	9.51%-10.00%	12	602.35	-	-	-	-	-	-	602.35
		6	625.76	-	-	-	-	-	-	625.76
		11	1,826.03	-	-	-	-	-	-	1,826.03
		4	89.50	-	-	-	-	-	-	89.50
		12	366.00	1	5.88	-	-	-	-	371.88
	10.01%-10.50%	1	2.30	-	-	-	-	-	-	2.30
	11.01%-11.50%	9	950.36	-	-	-	-	-	-	950.36
Quarterly										
1-3 years	12.51%-13.00%	2	2,161.25	-	-	-	-	-	-	2,161.25
	12.01%-12.50%	1	1,125.00	-	-	-	-	-	-	1,125.00
Half Yearly										
1-3 years	13.01%-13.50%	-	-	2	410.00	2	410.00	-	-	820.00
Annually										
1-3 years	12.51%-13.00%	1	200.00	-	-	-	-	-	-	200.00
Bullet										
1-3 years	12.01%-12.50%	-	-	1	180.00	-	-	-	-	180.00
		-	-	1	120.00	-	-	-	-	120.00
	13.01%-13.50%	-	-	1	325.00	-	-	-	-	325.00
	13.51%-14.00%	-	-	1	1,000.00	-	-	-	-	1,000.00
Borrowings (Other than Debt Securities)										
Monthly										
1-3 Years	10.01%-10.50%	12	250.00	4	83.33	-	-	-	-	333.33
		12	250.00	5	104.17	-	-	-	-	354.17
	10.51%-11.00%	12	97.80	12	109.12	2	19.38	-	-	226.30
		12	203.34	4	72.89	-	-	-	-	276.23
		8	137.53	-	-	-	-	-	-	137.53
		12	78.58	12	87.67	6	47.57	-	-	213.82
		12	450.00	12	450.00	-	-	-	-	900.00
		10	170.39	-	-	-	-	-	-	170.39
		12	199.71	6	108.15	-	-	-	-	307.86
	11.01%-11.50%	12	130.43	1	10.87	-	-	-	-	141.30
		12	130.43	1	10.87	-	-	-	-	141.30
		12	782.61	1	65.22	-	-	-	-	847.83
		12	1,500.00	8	1,000.00	-	-	-	-	2,500.00
		5	73.65	-	-	-	-	-	-	73.65
		12	150.00	12	150.00	-	-	-	-	300.00
		12	150.00	12	150.00	-	-	-	-	300.00
		12	150.00	12	150.00	-	-	-	-	300.00
		12	103.17	12	79.93	-	-	-	-	183.10
		7	159.68	-	-	-	-	-	-	159.68

14A. Terms of principal repayment of borrowings as at March 31, 2019

(Rupees in millions unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
1-3 Years	11.51%-12.00%	2	60.07	-	-	-	-	-	-	60.07
		-	-	10	833.33	2	166.67	-	-	1,000.00
		11	217.90	3	63.68	-	-	-	-	281.58
		12	71.06	11	73.22	-	-	-	-	144.28
		12	150.00	3	37.50	-	-	-	-	187.50
		4	25.00	-	-	-	-	-	-	25.00
		5	20.83	-	-	-	-	-	-	20.83
		12	250.00	2	41.67	-	-	-	-	291.67
		5	88.56	-	-	-	-	-	-	88.56
		12	100.00	9	75.00	-	-	-	-	175.00
		12	181.82	12	181.82	8	121.21	-	-	484.85
		12	79.99	12	79.99	9	60.02	-	-	220.00
	12.51%-13.00%	12	50.97	4	18.51	-	-	-	-	69.48
		12	29.40	7	20.60	-	-	-	-	50.00
	13.51%-14.00%	2	67.78	-	-	-	-	-	-	67.78
		4	14.86	-	-	-	-	-	-	14.86
		12	333.33	3	83.33	-	-	-	-	416.67
	14.01%-14.50%	9	33.33	-	-	-	-	-	-	33.33
	14.51%-15.00%	2	5.56	-	-	-	-	-	-	5.56
		12	66.67	-	-	-	-	-	-	66.67
Quarterly										
1-3 Years	10.51%-11.00%	4	228.57	-	-	-	-	-	-	228.57
		4	125.00	2	62.50	-	-	-	-	187.50
		4	914.29	-	-	-	-	-	-	914.29
		4	500.00	2	250.00	-	-	-	-	750.00
		3	375.00	-	-	-	-	-	-	375.00
	11.01%-11.50%	4	125.00	4	125.00	-	-	-	-	250.00
	11.51%-12.00%	4	500.00	-	-	-	-	-	-	500.00
	12.51%-13.00%	2	214.29	-	-	-	-	-	-	214.29
		4	83.33	4	83.33	-	-	-	-	166.66
		4	250.00	2	125.00	-	-	-	-	375.00
	13.01%-13.50%	4	109.09	1	27.27	-	-	-	-	136.36
Bullet										
1-3 years	10.51%-11.00%	1	125.00	-	-	-	-	-	-	125.00
Subordinated Liabilities										
Bullet										
Above 3 years	14.51%-15.00%	-	-	-	-	-	-	1	200.00	200.00
Total		**527**	**21,442.78**	**222**	**7,187.71**	**29**	**824.84**	**1**	**200.00**	**29,655.31**
Impact of Effective interest rate										22.06
Grand Total										**29,677.37**

Notes to Consolidated Financial Statements for the year ended March 31, 2019

(Rupees in millions unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
15: Other Financial liabilities			
Expenses payable	31.89	15.80	163.04
Employee benefits payable	242.68	123.04	87.43
Creditors for capital goods	-	6.30	0.42
Other payable	170.28	-	8.63
	444.85	**145.14**	**259.52**
16: Current Tax Liabilities (net)			
Provision for Tax (net of advance tax)	62.83	92.98	235.84
	62.83	**92.98**	**235.84**
17: Provisions			
Provision for employee benefits			
Gratuity (net of contribution)	3.59	3.90	5.98
	3.59	**3.90**	**5.98**
18: Other Non-Financial liabilities			
Other payables	38.09	20.59	30.43
Unfructified service tax liability [net of amount paid under protest Rs.9.93 millions (March 31, 2018: Rs. 9.93 millions, April 1, 2017: Rs. 9.93 millions)]	141.36	132.83	124.30
Statutory dues payable	45.40	26.91	19.80
	224.85	**180.33**	**174.53**

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
19: Equity Share capital			
Authorized			
900,000,000 (March 31, 2018: 900,000,000, April 1, 2017: 900,000,000) equity shares of Rs.10 each	9,000.00	9,000.00	9,000.00
	9,000.00	**9,000.00**	**9,000.00**
Issued, subscribed and paid-up			
59,633,683 (March 31, 2018: 29,756,818, April 1, 2017: 28,449,393) equity shares of Rs.10 each fully paid up	596.34	297.56	284.49
Total	**596.34**	**297.56**	**284.49**

(a) Terms / rights attached to equity shares

The Parent Company has only one class of equity shares of par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Parent Company declares and pays dividends in Indian rupees.

In the event of liquidation of the Group, the holders of equity shares will be entitled to receive remaining assets of the Group, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(b) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year:

Particulars	**March 31, 2019**		**March 31, 2018**		**April 1, 2017**	
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**
Outstanding at the beginning of the year	29,756,818	297.56	28,449,393	284.49	28,449,393	284.49
Issued upon conversion of preference shares and share warrants*	27,749,295	277.49	-	-	-	-
Issued during the year	2,127,570	21.28	1,307,425	13.07	-	-
Outstanding at the end of the year	**59,633,683**	**596.34**	**29,756,818**	**297.56**	**28,449,393**	**284.49**

* During the year, the Parent Company converted its preference shares (all classes) and share warrants into equity shares as per the terms of issuance of each class of securities. Accordingly, the Parent Company issued 27,749,295 number of equity shares of face value of Rs.10 each upon conversion of preference shares and share warrants into equity shares as follows:

Particulars	**No. of convertible securities**	**No. of equity shares issued upon conversion**	**Nominal value of equity share issued**	**Premium***
Class A 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each	234,999,997	9,979,615	99.80	2,250.20
Class A1 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each	119,212,760	5,062,542	50.63	1,141.50
Class B 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each	791,007,721	8,948,425	89.48	7,820.59
Series C 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each	1,135,085	1,135,085	11.35	254.85
FY18 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each	283,771	283,771	2.84	63.71
FY18 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each	283,771	283,771	2.84	63.71
FY19 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each	283,771	283,771	2.84	63.71
FY19 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each	283,771	283,771	2.84	63.71
Share warrants	1,488,544	1,488,544	14.89	335.64
Total	**1,148,979,191**	**27,749,295**	**277.51**	**12,057.62**

* Total premium on OCRPS @ Rs. 225.48 per share aggregates to Rs. 511.88 million (includes Rs. 2.18 million called and paid up during the year ended March 31, 2017 @ Re.0.96 per share and balance Rs. 509.70 million called and paid up in the current year @ Rs. 224.52 per share, indicated in the table above).

Terms of conversion:

	Number of Class A CCPS proposed to be converted x Face value of Class A CCPS
Class A CCPS	Fair market value of equity shares of the Parent Company as on the date of acquisition of Class A CCPS
	Number of Class A1 CCPS proposed to be converted x Face value of Class A1 CCPS
Class A1 CCPS	Fair market value of equity shares of the Parent Company as on the date of acquisition of Class A1 CCPS
Class B CCPS	Number of Class B CCPS proposed to be converted x 2.7 Fair market value of equity shares of the Parent Company as on the date of acquisition of Class B CCPS
OCRPS (all series)	To be converted into equal number of equity shares upon being fully paid

The Parent Company has paid dividend on preference shares during the year upon conversion as per the terms of issuance of the respective securities. The dividend is paid from the date of allotment of preference shares till the date of conversion of the same into equity shares.

Details of shareholders holding more than 5% in the Parent Company:

As per the records of the Parent Company, including register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the shareholding given below represents both legal and beneficial ownership of shares.

Name of the shareholder	March 31, 2019		March 31, 2018		April 1, 2017	
	Number of shares	% of holding	Number of shares	% of holding	Number of shares	% of holding
Equity shares						
Kangchenjunga Limited (Holding Company)*	35,270,269	59.14%	10,942,328	36.77%	7,896,937	27.76%
Padmaja Gangireddy	11,670,067	19.57%	5,879,366	19.76%	6,194,261	21.77%
Valiant Mauritius Partners FDI Limited	4,632,570	7.77%	4,632,570	15.57%	3,981,780	14.00%
JM Financial Products Limited	909,887	1.53%	2,976,821	10.00%	-	-
JM Financial Trustee Company Private Limited	-	-	1,744,303	5.86%	6,582,276	23.14%
Vijaya Sivarami Reddy Vendidandi	1,491,483	2.50%	1,491,483	5.01%	1,491,483	5.24%

* Holding Company with effect from May 15, 2018

(Rupees in millions unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
20: Other Equity			
Authorized			
1,250,000,000 (March 31, 2018: 1,250,000,000); April 1, 2017: 1,100,000,000) preference shares of Rs.10 each	12,500.00	12,500.00	11,000.00
	12,500.00	12,500.00	11,000.00
Issued, subscribed and paid-up			
Nil (March 31, 2018: 791,007,721; April 1, 2017: 791,007,721) Class B 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each fully paid up	-	7,910.08	7,910.08
0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each fully paid up	-	2,350.00	1,100.00
Nil (March 31, 2018: 119,212,760; April 1, 2017: Nil) Class A1 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each fully paid up		1,192.13	-
	-	**11,452.21**	**9,010.08**
Money received against share warrants	**-**	**1.49**	**-**
Securities premium			
Balance as per the last financial statements	2,877.61	2,582.81	761.32
Add: Premium on conversion of Class B 0.001% Compulsory Convertible preference shares (CCPS) (refer note 19)	7,820.59	-	-
Add: Premium on conversion of Class A 0.001% Compulsory Convertible preference shares (CCPS) (refer note 19)	2,250.20	-	-
Add: Premium on conversion of Class A1 0.001% Compulsory Convertible preference shares (CCPS) (refer note 19)	1,141.50	-	-
Add: Premium on conversion of Optionally Convertible Redeemable preference shares (OCRPS) - Series A, B & C (refer note 19)	509.70	-	-
Add: Premium on conversion of share warrants (refer note 19)	335.64	-	-
Add: Premium on issue of OCRPS (all series)	-	-	2.18
Add: Premium on issue of equity shares	479.72	294.80	1,819.31
Closing balance	**15,414.96**	**2,877.61**	**2,582.81**
General reserve	**23.28**	**23.28**	**23.28**
Stock options outstanding reserve	**41.25**	**-**	**-**
Capital redemption reserve	**1,526.92**	**1,526.92**	**1,526.92**
Statutory reserve			
Balance as per the last financial statements	1,948.67	1,604.97	1,499.07
Add: Amount transferred from surplus of profit and loss	617.50	343.70	105.90
Closing balance	**2,566.17**	**1,948.67**	**1,604.97**
Deficit in the statement of profit and loss			
Balance as per the audited financial statements	(4,221.38)	(5,756.87)	-
Add: Profit for the year	3,118.24	1,879.46	-
Add: Other Comprehensive Income (Re-measurement gains/(losses) on defined benefit plans)	(1.90)	(0.28)	-
Less: Transfer to Statutory Reserve [@ 20% of profit after tax as required by Section 45-IC of Reserve Bank of India Act, 1934]	(617.50)	(343.70)	-
Less: Dividend on CCPS all class (includes dividend distribution tax)	(0.13)	-	-
Net deficit in the statement of profit and loss	**(1,722.67)**	**(4,221.38)**	**(5,756.87)**
Other comprehensive income (Fair valuation on loan portfolio)			
Opening balance	-	-	-
Add: Fair Value change during the year	901.11	-	-
Less: Impairment loss allowance transferred to statement of profit and loss	(453.00)	-	-
Closing balance	**448.11**	**-**	**-**
Total other equity	**18,298.02**	**13,608.80**	**8,991.20**
Non Controlling Interest	**9.22**	**-**	**-**

Notes to Consolidated Financial Statements for the year ended March 31, 2019

(Rupees in millions unless otherwise stated)

	For year ended March 31, 2019	For year ended March 31, 2018
21: Interest Income		
Measured at fair value		
Interest on loan portfolio	9,661.56	-
Measured at amortised cost		
Interest on loan portfolio	85.10	5,675.12
Interest on fixed deposits	5.64	1.59
Interest on inter corporate advances	120.85	16.94
Interest on margin money deposits*	105.59	36.76
	9,978.74	**5,730.41**

*Represent margin money deposits placed to avail term loans from banks, non banking financial companies and placed as cash collateral in connection with securitization transactions.

22: Net gain on fair value changes		
Net gain on fair value changes of investments	110.63	42.15
Net gain on derecognition of loan portfolio designated at FVOCI	156.13	-
	266.76	**42.15**
Fair value Changes		
Realised	175.46	42.15
Unrealised	91.30	-
Total net gain on fair value changes	**266.76**	**42.15**
23: Others		
Recovery against loans written off	35.34	44.23
Incentive income	-	16.52
	35.34	**60.75**
24: Other income		
Net gain on derecognition of property, plant and equipment	-	0.40
Advertisement income	51.15	-
Miscellaneous income	3.18	1.85
	54.33	**2.25**
25: Finance cost		
Interest		
On Debt Securities	1,474.00	409.97
On Borrowings (Other than Debt Securities)	2,089.00	1,797.84
On Subordinated Liabilities	11.81	24.32
On income tax	3.15	31.17
Other finance cost	0.69	54.61
	3,578.65	**2,317.91**
26: Impairment on financial instruments		
Measured at fair value		
Impairment on loan portfolio	(4,769.68)	-
Loan portfolio written off	5,223.85	-
Measured at amortised cost		
Impairment on loan portfolio	(1.50)	(354.09)
Loan Portfolio written off	0.33	-
	453.00	**(354.09)**
27: Employee benefits expense		
Salaries, wages and bonus	1,223.97	735.18
Contribution to provident fund and other funds	20.27	19.57
Expenses on employee stock option plan	41.25	-
Staff welfare expenses	24.97	3.95
	1,310.46	**758.71**
28: Other expenses		
Rent (refer note 39)	36.66	47.23
Rates and taxes	2.31	2.61
Bank charges	16.91	5.99
Office maintenance	36.70	20.46
Computers and network maintenance	8.60	2.91
Electricity charges	12.32	9.38
Travelling expenses	115.43	70.51
Communication expenses	6.73	6.22
Credit Bureau Expenses	6.25	6.48
Printing and stationery	10.95	8.75
Legal and professional charges	9.68	36.54
Directors sitting fees	9.08	3.06
Auditors remuneration (refer details below)	10.32	6.78
Recruitment and training	1.10	6.26
Subscription fees	7.50	4.74
Other provisions and write off	23.51	19.06
Net loss on derecognition of property, plant and equipment	0.37	-
Security charges	0.40	1.54
Pre-incorporation expenses	-	0.51
CSR expenses	21.08	4.01
Miscellaneous expenses	2.90	5.49
	338.80	**268.53**

(Rupees in millions unless otherwise stated)

	For year ended March 31, 2019	For year ended March 31, 2018
Payment to auditors		
As auditor:		
Audit fee	9.65	5.53
Certification fee	-	0.59
Out of pocket expenses	0.67	0.66
	10.32	**6.78**
29: Income Tax Expense		
A. Income tax expense in the statement of profit and loss consists of:		
Current Income Tax:		
Income Tax	12.88	573.43
Deferred Tax	1,602.84	374.12
Income Tax expense reported in the statement of profit or loss	**1,615.72**	**947.55**
Income tax recognised in other comprehensive income		
Deferred tax arising on re-measurement gains/(losses) on defined benefit plans	(1.03)	0.14
Deferred tax arising on fair value gain on loan portfolio	240.69	-
Total income tax recognised in other comprehensive income	**239.66**	**0.14**
Total	**1,855.38**	**947.69**
B. The reconciliation between the provision of Income Tax of the Company and amounts computed by applying the Indian statutory Income Tax rate to profit before taxes is as follows:		
Profit before tax	5,420.58	2,826.59
Enacted tax rates in India *	34.90%	34.61%
Computed tax expense	1,891.73	978.23
Effect of :		
Non-deductible expenses	7.95	8.31
Additional tax allowances	(26.72)	(4.70)
Difference on account of change in tax rate	(16.69)	(29.59)
Others	(0.89)	(4.56)
Total Income Tax expense	**1,855.38**	**947.69**

* As per Income Tax act 1961, the Parent Company and the Subsidaries fall in different tax brackets, weighted average tax rate has been used.

	For year ended March 31, 2019	For year ended March 31, 2018
30: Earning per Share		
Net profit after tax as per Statement of Profit and Loss	3,119.00	1,879.46
Less: Dividend on OCRPS (all series) and tax thereon	-	-
Net profit for calculation of basic earnings per share	**3,119.00**	**1,879.46**
Net profit as above	3,119.00	1,879.46
Add: Dividend on CCPS (all class) & OCRPS (all series) and tax thereon	-	-
Net profit for calculation of diluted earnings per share	**3,119.00**	**1,879.46**
Calculation of weighted average number of equity shares for basic EPS		
Equity shares		
Opening No. of shares	29.76	28.45
Add: Issued during the year	1.66	0.09
	31.41	**28.54**
Instrument compulsorily convertible into equity		
Share Warrants	1.16	-
OCRPS	1.77	-
CCPS Class B	8.95	8.95
CCPS Class A	9.98	6.39
CCPS Class A1	5.06	0.33
Weighted average number of equity shares for basic EPS	**58.34**	**44.21**
Effect of dilution		
Conversion of OCRPS	0.00	0.01
Employee stock option plan	0.12	-
Weighted average number of equity shares for diluted EPS	**58.46**	**44.22**
Basic earnings per share (In rupees)	**53.46**	**42.52**
Diluted earnings per share (In rupees)	**53.35**	**42.51**

Nominal value per share: Rs.10 (Previous year: Rs.10)

31: Segment Reporting

The Group operates in a single business segment i.e. lending to customers who have similar risks and returns for the purpose of Ind AS 108 on 'Operating Segments' notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

32: Related parties under Ind AS 24 with whom transactions have taken place during the year.

I. Holding Company

Kangchenjunga Limited (w.e.f. May 15, 2018)

II. Other related party in accordance with Ind AS 24 with whom transactions have taken place

a) Spandana Rural and Urban Development Organization
b) Abhiram Marketing Services Limited
c) Spandana Employee Welfare Trust
d) Spandana Mutual Benefit Trust

III. Key Management Personnel

a) Mrs. Padmaja Gangireddy - Managing Director
b) Mr. Deepak Goswami – Chief Financial Officer
c) Mr. Rakesh Jhinjharia – Company Secretary
d) Mr. Nitin Prakash Agrawal – Chief Risk Officer (w.e.f. May 28, 2018)
e) Mr. Abdul Feroz Khan – Chief Strategy Officer (w.e.f. May 15, 2018)
f) Mr. Bharat Shah (Independent Director)
g) Mr. Deepak Vaidya (Independent Director)
h) Mr. Jagdish Capoor (Independent Director)
i) Ms. Abanti Mitra (Independent Director)
j) Mr.Sunish Sharma (Nominee Director)
k) Mr.Karthikeya Dhruv Kaji (Nominee Director)
l) Mr.Darius Dinshaw Pandole (Nominee Director)
m) Mr.Amit Sobti (Nominee Director)
n) Mr.Ramachandra Kasargod Kamath (Nominee Director)

IV. Relative of Key Management Personnel

a) Mr. Revan Saahith
b) Mr. Vijaya Sivarami Reddy Vendidandi
c) Mrs. Hina Ansari

Related party transactions during the year:

S. No	Related Party	Nature of Transactions	Transactions during year ended March 31, 2019	Transactions during year ended March 31, 2018	(Payable)/Receivable		
					March 31, 2019	March 31, 2018	April 01, 2017
1	Spandana Rural and Urban Development Organization	Rent expense	9.69	8.90	(0.29)	(0.25)	(0.24)
		Rent deposit	-	-	3.09	3.09	3.09
		Expense reimbursement	0.04	0.66	0.00	0.00	4.36
		Short Term Borrowing	-	-	-	-	(10.00)
		Short Term Borrowing Repaid	-	10.00	-	-	-
		Unsecured Loan	218.40	-	-	-	-
		Interest Expense	14.19	0.23	(0.95)	-	(0.02)
2	Criss Financial Holdings Limited	Expense reimbursement (net)	-**	0.11	-**	0.01	(0.28)
		Inter-corporate advances (net)		331.10		331.00	-
		Interest income		13.58		3.31	-
		Purchase of portfolio		230.10		-	-
3	Abhiram Marketing Services Limited	Commission income	159.52	54.32	29.52	5.36	-
		Incentive income	-	16.53	-	19.17	-
		Expense reimbursement (net)	34.95	25.04	6.85	0.48	0.00
		Inter-corporate advances (net)*	187.34	207.66	395.00	207.66	-
		Interest income	51.16	3.35	-	1.18	-
		Unsecured Loan	75.00	-	-	-	-
		Interest Expense	0.40	-	-	-	-
		Purchase of fixed assets & goods	32.14	4.23	(0.68)	-	-
		Others	94.89	-	(0.14)	-	-
4	Kangchenjunga Limited	Dividend on CCPS (all class)	0.11	-	-	-	-
		Issue of Preference shares (class A) of Parent Company	-	1,223.40	-	-	-
		Issue of Preference shares (class A1) of Parent Company	-	1,166.76	-	-	-
5	Mr. Deepak Goswami	Remuneration#	7.65	1.85	(2.08)	(0.73)	-
6	Mr. Rakesh Jhinjharia	Remuneration#	1.87	1.09	(0.01)	(0.10)	-
		Equity shares issued pursuant to stock option scheme	0.62	-	-	-	-

S. No	Related Party	Nature of Transactions	Transactions during year ended March 31, 2019	Transactions during year ended March 31, 2018	(Payable)/Receivable		
					March 31, 2019	March 31, 2018	April 01, 2017
7	Mr. Nitin Prakash Agrawal	Remuneration#	8.97	-	(1.49)	-	-
8	Mr. Bharat Shah	Sitting fee	2.00	-	-	-	-
9	Mr. Deepak Vaidya	Sitting fee	1.67	-	-	-	-
10	Mr. Jagdish Capoor	Sitting fee	1.67	-	-	-	-
11	Mr. K. R. Kamath	Sitting fee	2.00	1.83	-	-	-
12	Ms. Abanti Mitra	Sitting fee	1.00	0.92	-	-	-
		Subscription to equity shares of Parent Company	1.00	-	-	-	-
13	Mr. P. S. Prasad	Sitting fee	-	0.01	-	-	(0.14)
14	Mr. Gopala Reddy A	Sitting fee	-	-	-	-	(0.04)
15	Mr. P Madhava Rao	Sitting fee	-	0.03	-	-	(0.14)
16	Mr. Sundaram Ramakrishnan	Sitting fee	-	0.01	-	-	(0.11)
17	Mr. Abdul Feroz Khan	Equity shares issued pursuant to stock option scheme	3.00	-	-	-	-
		Remuneration#	6.39	4.08	(1.87)	(0.83)	-
		Subscription to equity shares of Parent Company	17.05	-	-	-	-
18	Mrs. Padmaja Gangireddy	Balance subscription received on share warrants of Parent Company	349.03	1.49	-	-	-
		Balance subscription received on OCRPS (all series) of Parent Company	532.31	-	-	-	-
		Subscription to equity shares	478.49	17.65	-	-	-
		Purchase of CFHL Shares	270.49	-	-		
		Dividend on OCRPS	0.00	-	-	-	-
		Remuneration#	53.75	30.00	(4.58)	(3.49)	(2.73)
		Rental Deposit received	-	0.11	-	-	0.11
		Rent paid	0.67	0.03	(0.08)	-	-
19	Mr. Revan Saahith	Remuneration#	0.76	-	(0.20)		
		Purchase of CFHL Shares	61.82	-	-	-	-
20	Mr. Vijaya Sivarami Reddy Vendidandi	Purchase of CFHL Shares	26.10	-	-	-	-
21	Mrs. Hina Ansari	Purchase of CFHL Shares	13.33	-	-	-	-
22	Spandana Employee Welfare Trust	Expense reimbursement	-	0.03	-	-	0.00
		Issue of Equity shares	-	9.07	-	-	-
		Unsecured Loan	8.80	-	-	-	-
		Interest Expense	4.43	-	(0.27)	-	-
23	Spandana Mutual Benefit Trust	Unsecured Loan	51.90	-	-	-	-
		Interest Expense	2.77	-	(0.17)	-	-
		Expense reimbursement	-	0.23	-	-	0.00

** Transactions with Criss Financial Holdings Limited are not considered as it became subisdiary in current year.

*Of the ICDs given aggregating Rs. 288.62 million, the Parent Company has received repayment of Rs. 101.28 million including previous year outstanding (March 31, 2018: ICDs given aggregating Rs.207.66 million the Parent Company has received repayment of Rs.Nil) from Abhiram Marketing Services Limited.

#As the provision for gratuity is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.
Transactions during the year are shown net of service tax/GST and inclusive of TDS.

33. Contingent liabilities not provided for

a. Claims against the Company not acknowledged as debt:

Particulars	March 31, 2019	March 31, 2018	April 1, 2017
Service tax open assessments	48.66	48.66	49.23
Total	48.66	48.66	49.23

b. Other contingent Liability:

RBI has conducted annual inspection of the Parent Company for FY18 and shared their concerns vide its letter dated March 28, 2019. One of the supervisory concerns mentioned in their letter is that the Parent Company overcharged interest rate violating pricing guidelines prescribed under paragraph 54 of the Master Directions DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, as amended, (the 'Master Directions'). The RBI has further advised the parent company to initiate the refund process.

The Parent Company is of the opinion that the pricing of qualifying loans is very much in line with para 54 of the Master Directions. An independent legal opinion has been obtained substantiating that the Parent Company's method of determining the pricing of qualifying MFI loans is in compliance with the Master Directions. The Parent Company is in the process of submitting its response to the RBI to this effect. Pending the outcome of the Parent Company's submission to the RBI and given that the amount required to be refunded, if any, cannot be measured with sufficient reliability, no provision in this regard has been recorded as at March 31, 2019.

34: Fair Value

The carrying value and fair value of financial instruments by categories are as follows:

Particulars	Carrying Value as at			Fair Value as at		
	March 31, 2019	March 31, 2018	April 1, 2017	March 31, 2019	March 31, 2018	April 1, 2017
Financial Assets measured at FVOCI						
Loan Portfolio at FVOCI	41,653.89	-	-	41,653.89	-	-
Financial Assets measured at FVTPL						
Investment in equity shares	1.00	1.00	1.00	1.00	1.00	1.00
Financial Assets measured at cost						
Loan Portfolio	1,023.70	30,896.26	11,945.49	1,033.85	31,673.72	12,425.37
Cash and cash equivalents	1,486.12	1,045.36	2,901.17	1,486.12	1,045.36	2,901.17
Bank Balances other than cash and cash equivalents	2,031.86	1,032.47	23.08	2,031.86	1,032.47	23.08
Trade Receivables	35.49	25.03	14.64	35.49	25.03	14.64
Other financial assets	604.47	659.60	17.43	604.47	659.60	17.43
Total Financial Assets	**46,836.53**	**33,659.73**	**14,902.81**	**46,846.68**	**34,437.19**	**15,382.69**
Financial liabilities						
Debt securities	13,719.64	10,147.13	-	13,856.50	10,273.71	-
Borrowings (other than debt securities)	15,754.79	12,965.08	9,324.57	15,787.19	12,970.57	9,324.68
Subordinated liabilities	202.94	201.55	10.09	230.18	226.52	10.09
Other financial liabilities	444.85	145.14	259.52	444.85	145.14	259.52
Total Financial Liabilities	**30,122.22**	**23,458.90**	**9,594.18**	**30,318.73**	**23,615.94**	**9,594.29**

The management assessed that carrying value of financial asset (except loan portfolio) and financial liabilities (except debt securities, borrowings other than debt securities and subordinated liabilities) approximate their fair value largely due to short term maturities of these instruments.

35: Fair Value Hierarchy of assets and liabilities

Fair value measurement

I. The carrying amount and fair value measurement hierarchy for assets and liabilities as at March 31, 2019 is as follows:

Assets

Particulars	Fair value through profit and loss					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Investment in equity shares	1.00	1.00	-	-	1.00	1.00
Total	1.00	1.00	-	-	1.00	1.00

Particulars	**At Fair Value through OCI**					
	Carrying Value	**Fair Value**	**Level -1**	**Level - 2**	**Level-3**	**Total**
Loan Portfolio	41,653.89	41,653.89	-	41,653.89	-	41,653.89
Total	41,653.89	41,653.89	-	41,653.89	-	41,653.89

Particulars	**At amortised cost**					
	Carrying Value	**Fair Value**	**Level -1**	**Level - 2**	**Level-3**	**Total**
Loan Portfolio	1,023.70	1,033.85	-	1,033.85	-	1,033.85
Total	1,023.70	1,033.85	-	1,033.85	-	1,033.85

Liabilities

Particulars	**At amortised cost**					
	Carrying Value	**Fair Value**	**Level -1**	**Level - 2**	**Level-3**	**Total**
Debt securities	13,719.64	13,856.50	-	13,856.50	-	13,856.50
Borrowings (other than debt securities)	15,754.79	15,787.19	-	15,787.19	-	15,787.19
Subordinated liabilities	202.94	230.18	-	230.18	-	230.18
Total	29,677.37	29,873.88	-	29,873.88	-	29,873.88

II. The carrying amount and fair value measurement hierarchy for assets as at March 31, 2018 is as follow:

Assets

Particulars	**Fair value through profit and loss**					
	Carrying Value	**Fair Value**	**Level -1**	**Level - 2**	**Level-3**	**Total**
Investment in equity shares	1.00	1.00	-	-	1.00	1.00
Total	1.00	1.00	-	-	1.00	1.00

Particulars	**At amortised cost**					
	Carrying Value	**Fair Value**	**Level -1**	**Level - 2**	**Level-3**	**Total**
Loan Portfolio	30,896.26	31,673.72	-	31,673.72	-	31,673.72
Total	30,896.26	31,673.72	-	31,673.72	-	31,673.72

Liabilities

Particulars	At amortised cost					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Debt securities	10,147.13	10,273.71	-	10,273.71	-	10,273.71
Borrowings (other than debt securities)	12,965.08	12,970.57	-	12,970.57	-	12,970.57
Subordinated liabilities	201.55	226.52	-	226.52	-	226.52
Total	23,313.77	23,470.81	-	23,470.81	-	23,470.81

III. The carrying amount and fair value measurement hierarchy for assets as at April 1, 2017 is as follow:

Assets

Particulars	Fair value through profit and loss					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Investment in equity shares	1.00	1.00	-	-	1.00	1.00
Total	1.00	1.00	-	-	1.00	1.00

Particulars	At amortised cost					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Loan Portfolio	11,945.49	12,425.37	-	12,425.37	-	12,425.37
Total	11,945.49	12,425.37	-	12,425.37	-	12,425.37

Liabilities

Particulars	At amortised cost					
	Carrying Value	Fair Value	Level -1	Level - 2	Level-3	Total
Debt securities	-	-	-	-	-	-
Borrowings (other than debt securities)	9,324.57	9,324.68	-	9,324.68	-	9,324.68
Subordinated liabilities	10.09	10.09	-	10.09	-	10.09
Total	9,334.66	9,334.77	-	9,334.77	-	9,334.77

Valuation technique used

For Loan Portfolio

The scheduled future cash flows (including principal and interest) are discounted using the lending rate prevailing as at the Balance sheet date. The discounting factor is applied assuming the cash flows will be evenly received in a month. Further the overdue cash flows upto 90 Days (upto stage 2) are discounted assuming they will be received in the third month. Fairvalue of cash flows for stage 3 loans are assumed as carrying value less provision for expected credit loss.

For Borrowing

The fair value of fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rate being charged for new borrowings. The fair value of floating rate borrowing is deemed to equal its carrying value.

For Investment in Equity Instruments

Other equity instruments, the company has assessed the carrying value as an approximation of the fair value.

There have been no transfer between Level 1, 2 and 3 during the year ended March 31, 2019 and March 31, 2018.

36: Capital Management

The Group's objective for capital management is to maximize shareholders' value, safeguard business continuity, meet the regulatory requirement and support the growth of the Company. The Group determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through borrowings, retained earnings and operating cash flows generated.

As an NBFC, the RBI requires us to maintain a minimum capital to risk weighted assets ratio ("CRAR") consisting of Tier I and Tier II capital of 15% of our aggregate risk weighted assets. Further, the total of our Tier II capital cannot exceed 100% of our Tier I capital at any point of time. The capital management process of the Company ensures to maintain a healthy CRAR at all the times.

The Group has a board approved policy on resource planning which states that the resource planning of the Group shall be based on its Asset Liability Matching (ALM) requirement. The policy of the Group on resource planning will also cover the objectives of the regulatory requirement. The policy prescribes the sources of funds, threshold for mix from various sources, tenure, manner of raisingthe funds etc.

Regulatory Capital

Spandana Sphoorty Financial Limited. (Parent Company)

(Rupees in millions unless otherwise stated)

Particulars	**March 31, 2019**	**March 31, 2018**
Teir I Capital	16,842.07	10,038.16
Teir II Capital	455.02	310.64
Total Capital	17,297.09	10,348.80
Risk weighted assets	43,670.96	31,808.26
Teir I CRAR	38.57%	31.56%
Teir II CRAR	1.04%	0.98%
Total CRAR	39.61%	32.54%

Criss Financial Holdings Limited. (Subsidiary Company)

Particulars	**31-Mar-19**
Teir I Capital	4,885.68
Teir II Capital	14.84
Total Capital	4,900.52
Risk weighted assets	10,246.85
Teir I CRAR	47.68%
Teir II CRAR	0.14%
Total CRAR	47.82%

37. First Time adoption :

The Group has prepared its Ind AS compliant financial statements for year ended on March 31, 2019, the comparative period ended on March 31, 2018 and an opening Ind AS balance sheet as at April 1, 2017 (the date of transition), as described in the summary of significant accounting policies. This note explains the principal adjustments made by the Group in restating its previous GAAP financial statements, including the balance sheet as at April 1, 2017 and the financial statements as at and for the year ended March 31, 2018.

For years ended upto the year ended March 31, 2018, the Group had prepared its financial statements in accordance with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP).

Exemption availed:

Optional exemption

1. Lease arrangements

Appendix C to Ind AS 17 requires entity to assess whether contract or arrangement contains a lease. In accordance with same, this assessment should be carried out at the inception of arrangement. However, the Group has used exemption under Ind AS 101 and assessed all arrangements based on conditions in place as on date of transition.

2. Property, plant, equipment & intangible assets

On transition to Ind AS, the Group has elected to continue with the carrying value of all of its property, plant and equipment and intangible assets as at March 31, 2017, measured as per the Indian GAAP and use that carrying value as the deemed cost of the property, plant and equipment and intangible assets as on April 1, 2017.

Mandatory exemptions

1. Estimates

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies).

2. Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to IND AS.

Reconciliation of Equity under Ind AS and previous GAAP	Note below	March 31, 2018	April 1, 2017
Total equity as per previous GAAP		9,842.12	5,372.36
OCRPS included in other liabilities	E	(0.09)	(0.09)
Borrowings			
Measurement of financial liabilities at amortised cost using EIR method	C	115.00	235.45
Loan Portfolio			
Measurement of financial assets at amortised cost using EIR method	A	(216.61)	(78.47)
Interest income recognised on Stage III loan portfolio	B	64.95	48.80
Measurement of expected credit losses	B	180.40	(531.90)
Others			
Re-recognition of securitization arrangement (net)	D	79.75	-
Recognition of Deferred Tax Asset	F	3,840.84	4,214.97
Adjustment of prior period items to the relevant period*		-	14.57
Total equity as per Ind -AS		**13,906.36**	**9,275.69**

*pertains to commission income less accrued in financial year 2016-17 which was recorded in financial year 2017-18 under previous GAAP. The same is posted in the period to which it relates to under Ind AS

Reconciliation of Profit under Ind AS and previous GAAP	March 31, 2018
Profit as per previous GAAP	1,718.27
Loan Portfolio	
Measurement of financial assets at amortised cost using EIR method	(138.14)
Impairment of Financial Assets	663.50
Interest income recognised / (reversal) on Stage III loan portfolio	64.95
Borrowings	
Measurement of financial liabilities at amortised cost using EIR method	(120.46)
Others	
Re-recognition of securitization arrangement (net)	79.74
Recognition of Deferred tax charge	(374.11)
Adjustment of prior period items to the relevant period	(14.57)
Total Profit as per Ind-AS	**1,879.18**

Notes to Reconciliation of the previous GAAP and Ind AS:

Loan portfolio:

A. Under previous GAAP, loan processing fees received in connection with loan portfolio is recognized upfront and credited to profit or loss for the year.

B. Under the Ind AS, allowance is provided on the loans given to customers on the basis of percentage obtained by evaluating the loss of the previous years and management expectations for future losses. Under the previous GAAP the allowance is provided on the basis of percentage decided by the management. Under Ind AS, interest income is also recognized on Stage III loans, whereas under previous GAAP, interest is not recognized on Stage III loans.

Borrowings:

C. Under previous GAAP, transaction costs incurred in connection with borrowings are recognised upfront and charged to profit or loss for the year. Under Ind AS, transaction costs are included in the initial recognition amount of financial liability and charged to profit or loss using the effective interest method.

Securitisation Arrangement:

D. The Parent Company has entered into securitization transaction. The Parent Company has de-recognized the securitised assets under previous GAAP as the same meets the de-recognition criteria as per previous GAAP. However, as per Ind AS, as the Parent Company has not transferred substantially all the risks and rewards, the securitized asset has been recognised in the books and a corresponding liability is also recognized. The transferred asset and the corresponding liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.

Optionally Convertible Redeemable Preference Shares (OCRPS):

E. Under previous GAAP, the Parent Company had recognised balance in OCRPS as equity. Based on assessment of terms associated with such OCRPS, the instruments do not meet the condition of an equity instrument as per Ind AS 32 and accordingly have been classified as financial liability as at April 1, 2017 and March 31, 2018.

Deferred Tax Asset (DTA):

F. The Group has recognized Deferred Tax Asset in view of reasonable certainty of future taxable profits prescribed under Ind AS as against the condition of virtual certainty of future taxable profits supported by convincing evidence which was required to be fulfilled under previous GAAP.

38. Defined Benefit Plan :

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity, on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of Rs.2,000,000 as per The Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

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

Movement in defined benefit obligations

Particulars	March 31, 2019	March 31, 2018
Defined benefit obligation as at the beginning of the year	21.87	19.18
Current service cost	3.72	3.58
Interest on defined benefit obligation	1.63	1.34
Remeasurements- Actuarial (gain)/ Loss on total liabiities	3.62	0.53
Benefits paid	(3.04)	(2.98)
Defined benefit obligation as at the end of the year	27.80	21.65

Movement in plan assets

Particulars	March 31, 2019	March 31, 2018
Fair value of plan assets as at the beginning of the year	17.75	13.19
Actual return on plan assets	2.00	1.04
Actuarial gains	-	-
Employer contributions	7.50	6.50
Benefits paid	(3.04)	(2.98)
Fair value of plan assets as at the end of the year	24.21	17.75

Balance Sheet

Amount recognised in balance sheet

Particulars	March 31, 2019	March 31, 2018	April 1,2017
Present value of obligations	27.80	21.65	19.18
Fair value on plan assets	24.21	17.75	13.19
Net defined benefit liability recognised in balance sheet	3.59	3.90	5.99

Expenses charged to the statement of profit and loss

Particulars	March 31, 2019	March 31, 2018
Current service cost	3.72	3.58
Interest Cost	0.31	0.42
Total	4.03	4.00

Remeasurement gains/(losses) in the other comprehensive income

Particulars	March 31, 2019	March 31, 2018
Remeasurements- Actuarial Gain / (Loss)	(2.94)	(0.41)
Amount recognised under Other Comprehensive Income	(2.94)	(0.41)

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

Category of Assets	March 31, 2019	March 31, 2018	April 1,2017
Fund managed by Insurer	100%	100%	100%
Total	100%	100%	100%

Summary of Actuarial Assumptions

Particulars	March 31, 2019	March 31, 2018
Discount rate	7.05% -7.48%	7.44%
Expected return on plan assets	7.44%	7.00%
Rate of Increase in compensation levels	5.00% -10.00%	10.00%
Retirement age (years)	58	58

A quantitative sensitivity analysis for significant assumptions as at the balance sheet date are as shown below:

Particulars	March 31, 2019	March 31, 2018
Discount rate (+0.5%)	(0.33)	(0.25)
Discount rate (-0.5%)	0.35	0.25
Salary Inflation (+1%)	0.64	0.47
Salary Inflation (-1%)	(0.62)	(0.45)
Withdrawal Rate (+5%)	(0.89)	(0.54)
Withdrawal Rate (-5%)	1.09	0.67

Projected plan cash flow

Particulars	March 31, 2019	March 31, 2018
Year 1	7.30	5.92
Year 2	5.82	4.69
Year 3	4.63	3.74
Year 4	3.80	2.96
Year 5	3.15	2.35
After year 5	9.33	6.80

Discount rate: The discount rate is based on the 5 years government bond yields as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

39. Leases:

Operating lease where the Group is a lessee

The Group's significant leasing arrangements are in respect of operating leases of office premises (Head office and branch office). The branch office premises are generally rented on cancellable term of eleven months with or without escalation clause, however none of the branch lease agreement carries non-cancellable lease periods. The head office premises have been obtained on a lease term of nine to eleven years with an escalation clause of fifteen percent at a three years interval. There are no sub-leases.

Lease payments during the period are charged to statement of profit and loss.

Particulars	March 31, 2019	March 31, 2018
Operating lease payments recognized in the Statement of Profit & Loss	36.66	47.23

Minimum Lease obligations

Particulars	March 31, 2019	As at March 31, 2018	As at April 1, 2017
Not later than one year	6.61	9.54	14.67
Later than one year and not later than five years	3.85	10.46	5.69
Later than five years	-	-	-

40. Amount payable to micro small and medium enterprises :

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

As at March 31, 2019, March 31, 2018 & April 01, 2017, no supplier has intimated the Group about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

41. Risk Management and financial objectives:

Risk is an integral part of the Group's business and sound risk management is critical to the success. As a financial intermediary, the Group is exposed to risks that are particular to its lending and the environment within which it operates and primarily includes credit, liquidity and market risks. The Group has a risk management policy which covers risks associated with the financial assets and liabilities. The risk management policy is approved by the Board of Directors.

The Group has identified and implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the Company. The risk management process is continuously reviewed, improved and adapted in the context of changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis.

The Group has an elaborate process for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

41.1. Credit Risk

Credit risk is the risk of loss that may occur from defaults by our Borrowers under our loan agreements. In order to address credit risk, we have stringent credit assessment policies for client selection. Measures such as verifying client details, online documentation and the usage of credit bureau data to get information on past credit behaviour also supplement the efforts for containing credit risk. We also follow a systematic methodology in the opening of new branches, which takes into account factors such as the demand for credit in the area; income and market potential; socio- economic and law and order risks in the proposed area. Further, our client due diligence procedures encompass various layers of checks, designed to assess the quality of the proposed group and to confirm that they meet our criteria.

The Group is a rural focused NBFC with a geographically diversified presence in India and offer income generation loans under the joint liability group model, predominantly to women from low- income households in Rural Areas. Further, as we focus on providing micro-loans in Rural Areas, our results of operations are affected by the performance and the future growth potential of microfinance in rural India. Our clients typically have limited sources of income, savings and credit histories and our loans are typically provided free of collateral. Such clients generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions and natural calamities. In addition, we rely on non-traditional guarantee mechanisms rather than tangible assets as collateral, which may not be effective in recovering the value of our loans.

In order to mitigate the impact of credit risk in the future profitability, the Group makes reserves basis the expected credit loss (ECL) model for the outstanding loans as balance sheet date.

The below discussion describes the Group's approach for assessing impairment as stated in note 3(e) of the significant accounting policies.

A) Probability of default (PD)

Old AP Portfolio

Considering that the old AP portfolio has already defaulted, there is no further requirement to estimate any probability of default. Accordingly, the Parent Company is carrying a 100% loss reserve against the Old AP portfolio.

New portfolio

The Group determines PD on a collective basis by stratifying the entire portfolio into meaningful categories as discussed below.

The Group uses historical vintage information of its loan portfolio to estimate PD. Based on uncertainties and risks arising from its operations in different geographical states in the country, the Group bifurcates the entire portfolio into different states. Further the Group performs analysis of its defaults in various states over different observation periods. Such observation time frame varies depending upon the type of underlying assets analysed by the Group i.e. for Stage II, the timeframe used is more than 1 year.

In determining the above PD's, an effort is made to eliminate outliers for a particular observation period which are not likely to happen in future. Accordingly, the Group determines PD for each state depending upon the underlying classification of asset (i.e. Stage I or Stage II).

A. Summary of PD rates determined by the Group for its portfolio are as follows:

	Parent Company						Subsidiary Company (Criss Financial Holdings Limited)	
	April 1, 2017		March 31, 2018		March 31,2019		March 31,2019	
State	**Stage-I**	**Stage-II**	**Stage-I**	**Stage-II**	**Stage-I**	**Stage-II**	**Stage-I**	**Stage-II**
Madhya Pradesh	0.22%	71.98%	0.27%	63.63%	0.42%	70.88%	-	-
Orissa	0.06%	66.61%	0.10%	67.60%	0.14%	80.30%	-	-
Karnataka	0.11%	36.70%	0.16%	36.08%	0.28%	43.66%	-	-
Maharashtra	0.12%	53.64%	0.23%	52.90%	0.48%	78.70%	-	-
Chhattisgarh	0.20%	80.90%	0.16%	81.69%	0.33%	84.86%	-	-
Jharkhand	0.09%	77.30%	0.35%	80.25%	0.37%	79.13%	-	-
Kerala	0.18%	45.00%	0.62%	48.43%	1.65%	72.29%	-	-
Andhra Pradesh	5.95%	57.00%	3.91%	56.90%	1.55%	56.90%	0.01%	0.00%
Gujarat	0.62%	78.92%	0.94%	78.92%	0.67%	82.30%	-	-
Bihar	0.00%	0.00%	0.00%	0.00%	0.02%	0.00%	-	-
Rajasthan	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-
Others	0% -21.48%	0% -75.54%	0% -20.56%	0% -78.04%	0% -7.73%	0% -78.04%	0.02%	20.54%

Based on its review of macro-economic developments and economic outlook, the Company has assessed that no adjustment is required for temporary overlays to determine qualitative impact on its PD's as at March 31, 2019

B) Exposure at default (EAD)

The outstanding balances as at the reporting date is considered as EAD by the Group. Considering that the PD determined above factors in amount at default, there is no separate requirement to estimate EAD.

C) Loss given default

The Group determines its expectation of lifetime loss by estimating recoveries towards its entire loan portfolio at state level through analysis of historical information. The Group determines its recovery rates by analysing the recovery trends over different periods of time after a loan has defaulted. Based on its analysis of historical trends, the Group has assessed that significant recoveries happen in the year in which default has occurred. Accordingly, it believes no significant difference arise from discounting such recoveries for determining ultimate loss rates. In estimating LGD, the group reviews macro-economic developments taking place in the economy.

A summary of LGD rates determined by the Group are given below:

	Parent Company			Subsidiary Company (Criss Financial Holdings Limited)
State	**April 1, 2017**	**March 31, 2018**	**March 31, 2019**	**March 31, 2019**
Madhya Pradesh	96.04%	91.53%	92.20%	-
Orissa	42.43%	64.70%	83.12%	-
Karnataka	95.34%	95.18%	93.64%	-
Maharashtra	96.16%	92.77%	95.79%	-
Chhattisgarh	97.43%	97.18%	93.07%	-
Jharkhand	96.28%	96.17%	77.90%	-
Kerala	85.81%	87.80%	77.70%	-
Andhra Pradesh	92.13%	91.49%	91.49%	100.00%
Gujarat	98.85%	98.85%	90.39%	-
Bihar	0.00%	0.00%	0.00%	-
Rajasthan	0.00%	0.00%	0.00%	-
Others	0% -93.46%	0% -92.89%	0% -92.66%	58.24%

Analysis of concentration risk of Group is as follows:

	Parent Company			Subsidiary Company (Criss Financial Holdings Limited)
States	April 1, 2017	March 31, 2018	March 31, 2019	March 31, 2019
Madhya Pradesh	21.31%	22.12%	21.33%	-
Orissa	22.77%	18.86%	20.05%	-
Karnataka	18.61%	22.49%	13.36%	-
Maharashtra	13.49%	13.83%	11.49%	-
Chhattisgarh	9.49%	7.48%	9.08%	-
Jharkhand	4.94%	4.48%	5.18%	-
Kerala	3.53%	3.18%	4.57%	-
Andhra Pradesh	1.71%	3.09%	4.45%	88.88%
Gujarat	2.85%	2.94%	2.99%	-
Bihar	0.01%	0.39%	2.63%	-
Rajasthan	0.00%	0.02%	2.24%	-
Telangana	0.02%	0.13%	0.43%	11.12%
Others	1.25%	0.98%	2.20%	-
Total	100.00%	100.00%	100.00%	100.00%

41.2. Liquidity Risk

Liquidity risk refers to the risk that the Group may not meet its financial obligations. Liquidity risk arises due to the unavailability of adequate funds at an appropriate cost or tenure. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group consistently generates sufficient cash flows from operating and financing activities to meet its financial obligations as and when they fall due. Our resource mobilization team sources funds from multiple sources, including from banks, financial institutions and capital markets to maintain a healthy mix of sources. The resource mobilization team is responsible for diversifying fundraising sources, managing interest rate risks and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies to ensure the liquidity risk is well addressed. In order to reduce dependence on a single lender, the Group has adopted a cap on borrowing from any single lender at 25%. The maturity schedule for all financial liabilities and assets are regularly reviewed and monitored. Group has a asset liability management (ALM) policy and ALM Committee to review and monitor the liquidity risk and ensure the compliance with the prescribed regulatory requirement. The ALM Policy prescribes the detailed guidelines for managing the liquidity risk

The tables below provided details regarding the contractual maturities of significant financial assets and liabilities as on:

Maturity pattern of assets and liabilities as on March 31, 2019:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings*	2,041.39	3,896.11	2,383.92	7,620.43	7,519.38	8,708.32	55.15	213.07	32,437.77
Other Financial Liabilities	442.48	-	-	2.39	-	-	-	-	444.87
Advances	5,063.01	4,692.35	3,675.27	11,155.60	14,797.08	9,177.43	204.79	5.82	48,771.35
Other Financial Assets	1,813.13	91.72	83.18	364.00	573.67	1,231.43	0.81	1.00	4,158.94

Maturity pattern of assets and liabilities as on March 31, 2018:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings*	1,488.24	1,712.42	1,710.23	5,887.33	8,533.04	6,197.46	60.00	238.22	25,826.94
Other Financial Liabilities	145.14	-	-	-	-	-	-	-	145.14
Advances	2,778.68	2,878.92	2,588.47	7,567.34	12,274.29	8,157.10	144.37	6.38	36,395.55
Other Financial Assets	1,070.91	0.33	-	2.84	1,131.21	557.19	-	1.00	2,763.48

Maturity pattern of assets and liabilities as on April 1, 2017:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings*	96.73	158.09	148.13	1,630.58	3,132.80	5,769.69	-	-	10,936.02
Other Financial Liabilities	259.52	-	-	-	-	-	-	-	259.52
Advances	1,803.87	1,693.46	1,428.65	3,320.26	2,922.02	2,538.77	123.79	-	13,830.82
Other Financial Assets	2,916.35	0.11	-	-	-	39.86	-	1.00	2,957.32

*Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

41.3. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Group is exposed to two types of market risks as follows:

41.3a Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. We assess and manage our interest rate risk by managing our assets and liabilities. Our Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately.

The Group has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before tax is affected through the impact on floating rate borrowings, as follows:

	March 31, 2019	March 31, 2018
Finance Cost		
0.50 % Increase	(16.79)	(13.11)
0.50 % Decrease	16.79	13.11

41.3b Price Risk

The Parent Company's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surpluses in the highly liquid debt funds for very short durations. The Parent Company has a board approved policy of investing its surplus funds in highly rated debt mutual funds and other instruments having insignificant price risk, not being equity funds/ risk bearing instruments.

42: Transfer of Financial assets

a. Securitization Transaction:

During the current and previous year, the Parent Company has entered into securitisation arrangement with various parties. Under such arrangement, the Parent Company has transferred a pool of loan portfolio, which does not fulfil the derecognition criteria specified under Ind AS 109 as the Parent Company has concluded that risk and rewards with respect to these assets are not substantially transferred.

Following such transfer, the Parent Company's involvement in these assets is as follows:

- As a servicer of the transferred assets
- To the extent of credit enhancements provided to such parties

The value of Financial assets and liabilities as on :

Particulars	March 31, 2019	March 31, 2018	April 1, 2017
Carrying amount of assets	6,638.38	6,846.03	-
Carrying amount of associated liabilities	7,719.66	7,468.08	-
Fair value of assets	6,727.73	6,832.02	-
Fair value of associated liabilities	7,804.93	7,519.92	-

b. Assignment Transaction:

During the year ended March 31, 2019, the Parent Company has sold some loans and advances measured at amortised cost as per assignment deals, as a source of finance. As per the terms of deal, since the derecognition criteria as per Ind AS 109, including transaction of substantially all the risks and rewards relating to assets being transferred to the buyer being met, the assets have been derecognised.

The management has evaluated the impact of the assignment transactions done during the year for its business model. Based on the future business plan, the company's business model remains to hold the assets for collecting contractual cash flows.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain/(loss) on derecognition, per type of asset

Particulars	For the year ended 31st Mar 2019	For the year ended 31st Mar 2018
Carrying amount of derecognised financial assets	1,403.81	-
Gain/(loss) from derecognition	156.13	-

Since the Parent Company transferred the above financial asset in a transfer that qualified for derecognition in its entirety, therefore the whole of the interest spread (over the expected life of the asset) is recognised on the date of derecognition itself as interest only strip receivable and correspondingly recognised as profit on derecognition of financial asset.

43: For the year ended March 31, 2019: The Supreme Court has recently, delivered its ruling on the composition of basic wages for the purposes of deduction and contribution to the Employees Provident and Pension Funds. The Group, in the interest of its employees, awaits clarity on the complexities revolving around the application of the said order, the ambiguity reflected by the divergent views of the legal experts and the response/direction from the authorities, including representations made by an industry association in this regard.

44: Employee Stock Option Plan (ESOP)

The Group has provided various equity settled share based payment schemes to its employees. The details are ESOP scheme are as follows.

Particulars	Grant	Number of Options granted	Vesting Period (In years)	Vesting Conditions
ESOP Scheme 2018	Grant I	338,854	5	20% vests every year subject to continuance of services
	Grant II	817,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant III	13,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services

Exercise period for all the above schemes is 9 years from the date of grant of the options. The expense recognised for employee services received during the year is Rs.41.14 million.

a. The following table lists the input to the black scholes models used for the options granted during the year ended March 31, 2019

Particulars	Grant I	Grant II	Grant III
Date of Grant	13-Aug-18	13-Aug-18	07-Feb-19
Date of Board / Compensation/ Committee Approval	13-Aug-18	13-Aug-18	07-Feb-19
Number of Options Granted	338,854	817,500	13,500
Method of settlement	Equity	Equity	Equity
Graded Vesting Period			
Day following the expiry of 12 months from grant	20%	30%	30%
Day following the expiry of 24 months from grant	20%	30%	30%
Day following the expiry of 36 months from grant	20%	20%	20%
Day following the expiry of 48 months from grant	20%	20%	20%
Day following the expiry of 60 months from grant	20%	NA	NA
Exercise Period	9 Years from the date of grant		
Vesting conditions	Employee must be in service at the time of vesting.		
Weighted average of remaining contractual Life in Years	8.37	8.37	8.86

b. The details of activity under ESOP Scheme 2018 Plan with an exercise price of Rs.263.35/- for the year ended March 31, 2019 have been summarised as below:

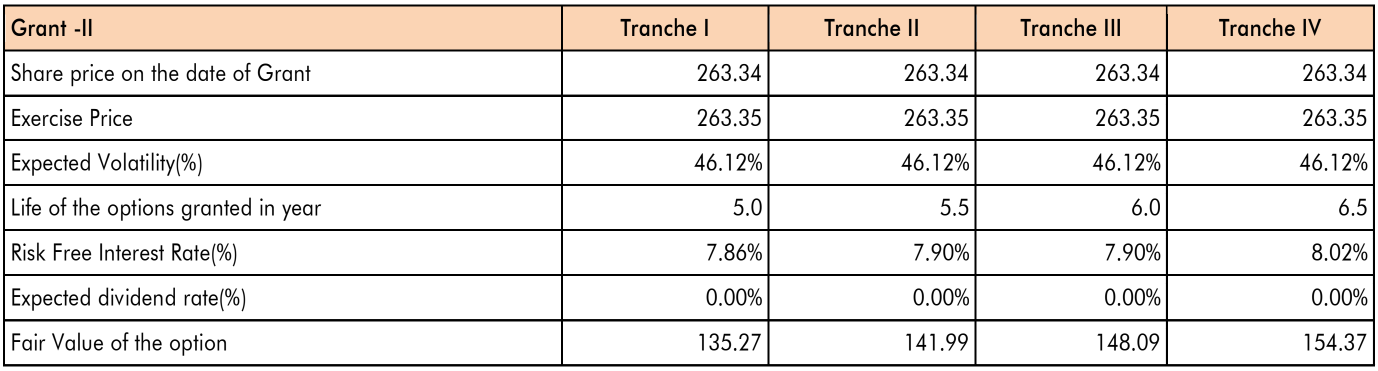
Particulars	Grant I	Grant II	Grant III
Granted during the year	338,854	817,500	13,500
Lapsed during the year	176,854	128,500	6,000
Outstanding at the end of the year *	162,000	689,000	7,500

*There are no options exercisable at the end of year.

c. Details of Stock Options granted during the year

The weighted fair value of stock option granted during the year was Rs. 147.90 for Grant I , Rs.143.67 for Grant II and Rs.192.91 for Grant III. The Black -Scholes Model has been used for computing the weighted average fair value considering the following:

Grant -I	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	263.34	263.34	263.34	263.34	263.34
Exercise Price	263.35	263.35	263.35	263.35	263.35
Expected Volatility(%)	46.12%	46.12%	46.12%	46.12%	46.12%
Life of the options granted in year	5.0	5.5	6.0	6.5	7.0
Risk Free Interest Rate(%)	7.86%	7.90%	7.90%	8.02%	8.02%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	135.27	141.99	148.09	154.37	159.76



Grant -II	Tranche I	Tranche II	Tranche III	Tranche IV
Share price on the date of Grant	263.34	263.34	263.34	263.34
Exercise Price	263.35	263.35	263.35	263.35
Expected Volatility(%)	46.12%	46.12%	46.12%	46.12%
Life of the options granted in year	5.0	5.5	6.0	6.5
Risk Free Interest Rate(%)	7.86%	7.90%	7.90%	8.02%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	135.27	141.99	148.09	154.37

Grant -III	Tranche I	Tranche II	Tranche III	Tranche IV
Share price on the date of Grant	322.35	322.35	322.35	322.35
Exercise Price	263.35	263.35	263.35	263.35
Expected Volatility(%)	47.13%	47.13%	47.13%	47.13%
Life of the options granted in year	5.0	5.5	6.0	6.5
Risk Free Interest Rate(%)	7.28%	7.38%	7.38%	7.42%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	183.79	191.28	197.80	204.14

45: Disclosure of investing and financing transactions that do not require the use of cash and cash equivalents

For the year ended March 31, 2019

Name of instrument	Opening Balance	Converted into equity share capital*	Premium added on conversion of preference shares into equity shares	Cash Flows	Closing Balance
CCPS Class A	2,350.00	(2,350.00)	-	-	-
CCPS Class B	7,910.08	(7,910.08)	-	-	-
CCPS Class A1	1,192.13	(1,192.13)	-	-	-
Share Warrants	14.89	(14.89)	-	-	-
OCRPS (all series)	0.10	(22.70)	-	22.61	-
Equity Share capital**	297.57	277.49	11,212.30	21.28	11,808.64
Total Borrowings	23,313.77	-	-	6,363.60	29,677.37
Total	35,078.54	(11,212.31)	11,212.30	6,407.49	41,486.01

** Closing balance of equity share capital includes premium amount added on conversion of CCPS (all class) into equity share capital.

For the year ended March 31, 2018

Name of instrument	Opening Balance	Converted into equity share capital*	Premium added on conversion of preference shares into equity shares	Cash Flows	Closing Balance
Total Borrowings	9,334.66	-	-	13,979.11	23,313.77

46. Business Combinations:

On December 27, 2018, the Group acquired 95.97% of the voting shares (2,837,135 shares) of Criss Financial Holdings Limited, a non-listed NBFC based in India for a purchase consideration of Rs.375.24 million. Further, the Group has invested Rs.250.00 million on December 28, 2018 in lieu for fresh issue of 1,890,217 equity of shares by Criss Financial Holdings Limited. Thereafter, Group holds 97.54% of the voting shares of Criss Financial Holdings Limited. Goodwill has been recorded since the Group considers equity interest in Criss Financial Holdings Limited as long term strategic business with no intention to liquidate in the near future.

Non Controlling Interest has been calculated based on the proportionate share in Fair value of Net Assets acquired.

(Rupees in millions unless otherwise stated)

Details of acquisition transaction

Particulars	Amount	Amount
Components of consideration paid		
Cash		375.24
Market value of asset acquired:		1,518.64
Cash and Cash Equivalents	14.29	
Bank Balances other than cash and cash equivalent	21.64	
Loan Portfolio (Note (i) below)	1,475.01	
Deferred Tax Assets (net)	1.41	
Property, Plant and Equipment	1.17	
Intangible Assets	0.76	
Other Non Financial Assets	4.36	
Market value of Liabilities acquired:		(1,308.68)
Borrowings (Other than Debt Securities)	1,125.15	
Subordinated Liabilities	118.68	
Other Financial Liabilities	14.45	
Current Tax Liabilities (net)	48.19	
Provisions	0.43	
Other Non Financial liabilities	1.79	
Non Controlling Interest		(8.46)
Goodwill (Note (ii) below)		173.74
Total		375.24

a. The revenue and net profit of the acquiree since the date of acquistion included in the consolidated statement of Profit or loss for the FY 2018-19 are Rs.88.39 million and Rs.30.46 million respectively and consolidated revenue and net profit of the combined entity for FY 2018-19 are Rs.10,485.29 million and Rs.3,119.00 million respectively

b. The revenue and net profit of the combined entity for the current reporting period as though the acquisition date for the business combination that occured during the year had been as of the beginning of the annual reporting period are Rs. 10,727.15 million and Rs. 3,226.47 million respectively.

Notes:

i. Loan portfolio

Particulars	Amount
Fair value of the loan portfolio	1,475.01
Gross contractual amounts receivable	1,476.64
The best estimate at the acquisition date of the contractual cash flows not expected to be collected	1.63

ii. Based upon the assessment performed with respect to Parent Company's investment in Subsidiary, no adjustment on account of impairment is required to be effected to the carrying value of goodwill.

47. CSR Expenses:

Particulars	31-Mar-19	31-Mar-18
a) Gross amount required to be spent by the Group during the year	23.25	15.78
b) Amount spent during the year on purposes other than construction/acquisition of any asset	19.93	4.01
Paid	19.93	4.01
Yet to be paid	1.15	-
Total	21.08	4.01

48: The Group has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Group has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liability where applicable in the financial statements.

49: Standards issued but not yet effective
Ind AS 116: leases
In March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2019, notifying Ind AS 116, 'Leases'. Ind AS 116 replaces Ind AS 17 'Leases'. Ind AS 116 is effective for annual periods beginning on or after 1st April, 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees - leases of 'low value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.
The Group is evaluating the requirements of Ind AS 116 and its effect on the financial statements.

As per our report of even date

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

Sd/-
per Shrawan Jalan
Partner
Membership No.102102

Place: Mumbai
Date: June 28, 2019

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Sd/-
Padmaja Gangireddy
Managing Director
DIN: 00004842

Sd/-
Kartikeya Dhruv Kaji
Director
DIN: 07641723

Sd/-
Sudhesh Chandrasekhar
Chief Financial Officer

Sd/-
Rakesh Jhinjharia
Company Secretary
Membership No. F8325

Place: Mumbai
Date: June 28, 2019

Notice for AGM

SPANDANA SPHOORTY FINANCIAL LIMITED
Plot No: - 31 & 32, Ramky Selenium Towers, Tower A, Ground Floor, Financial Dist,
Nanakramguda, Hyderabad, Telengana-500032
Website: www.spandanaindia.com, CIN: U65929TG2003PLC040648
Ph No. 040-48126666

NOTICE

Notice is hereby given that the Sixteenth (16th) Annual General Meeting of the Members of the Company of Spandana Sphoorty Financial Limited will be held on Thursday, 11th July, 2019 at 10:00 A.M. at the Registered Office of the Company at Plot No: - 31 & 32, Ramky Selenium Towers, Tower A, Financial Dist, Nanakramguda, Hyderabad, Telangana -500032 to transact the following business:

ORDINARY BUSINESS:

Item No. 1 – Consider and Adoption of Financial Statements:

(a) To receive, consider and adopt the audited Standalone Financial Statements of the Company for the Financial Year ended 31st March, 2019 together with the Reports of the Board of Directors and the Auditors thereon; and

(b) To receive, consider and adopt the audited Consolidated Financial Statements of the Company for the financial year ended 31st March, 2019 together with the Report of the Auditors thereon.

Item No. 2 – Rotation of Director:

To appoint a Director in place of Mr. Darius Dinshaw Pandole, (DIN: 00727320) who retires by rotation and, being eligible, offers himself for re-appointment.

Item No. 3 – Rotation of Director:

To appoint a Director in place of Mr. Ramachandra Kasargod Kamath, (DIN: 01715073), who retires by rotation and, being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

Item No. 4 – To accord the approval for issue of Non Convertible Debentures (NCDs) on private placement basis:

To consider and if thought fit to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION:**

"**RESOLVED THAT** in supersession to the earlier resolution passed by the Members at the Extra-Ordinary General Meeting of the Company held on 4th August, 2017 and 14th June, 2018, and in accordance with Section 42 and 71 and other applicable provisions, if any, of the Companies Act, 2013 and in accordance with Rule 14(2) and other applicable provisions of Companies (Prospectus and Allotment of Securities) Rules, 2014, Companies (Share Capital and Debentures) Rules, 2014, SEBI (Issue & Listing of Debt Securities) Regulations, 2008, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, Guidelines Issued by Reserve Bank of India for Raising Money through Private Placement of Non-Convertible Debentures (NCDs) by NBFCs and all other rules, regulations, guidelines, notifications, clarifications and circulars, if any, issued by any Statutory/Regulatory Authority, as may be applicable and the memorandum and articles of association of the Company and subject to the consents, approvals, permissions and sanctions of the concerned statutory and regulatory authorities, if and to the extent necessary, consent of the members be and is hereby accorded to the Board of Directors of the Company (the "Board", which term shall include any committee constituted / may be constituted by the Board to exercise its powers including the powers conferred under this Resolution) for making offer(s) or invitation(s) to subscribe to and allot unsubordinated or subordinated, perpetual or non-perpetual, listed or unlisted, secured or unsecured, non-convertible debentures (hereinafter collectively referred as "Securities") on a private placement basis during a period of one year from the date of passing of this resolution up to an amount not exceeding INR 2000,00,00,000/- (Indian Rupees Two thousand crores only) on such terms and conditions, at par, premium or discount, in one or more tranches to such person or persons including one or more companies, bodies corporate(s), statutory corporations, commercial banks, lending agencies, financial institutions, insurance companies, mutual funds, alternative investment funds, pension/provident funds and individuals as the case may be, as the Board may decide in its absolute discretion."

"**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorized to determine and consider terms that are proper and most beneficial to the Company including, without limitation, the terms of issue including the class of investors to whom the Securities are to be issued, time, securities to be offered, the number of securities, tranches, issue price, tenor, interest rate, premium/ discount, listing, utilization of the issue proceeds and to do all such acts and things and deal with all such matters and take all such steps as may be necessary and to sign and execute any deeds/ documents/ undertakings/ agreements/ papers/ writings, as may be required in this regard and matters connected therewith or incidental thereto."

Item No. 5 – To accord the approval for granting loan(s)/advance(s) and guarantee to Abhiram Marketing Services Limited, a Group Company:

To consider and if thought fit to pass with or without modifications, the following resolution as **SPECIAL RESOLUTION:**

"**RESOLVED THAT** pursuant to the provisions of Section 185 and 186 (as amended by the Companies (Amendment) Act, 2017), and other applicable provisions of the Companies Act, 2013, if any, (**"Companies Act")** read with the Companies (Meetings of Board and its Powers) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), and enabling provisions of Memorandum of Association (MOA) and Articles of Association (AOA) of the Company and all other rules, regulations, guidelines, notifications, clarifications and circulars, if any, issued by any Statutory/Regulatory Authorities, as may be applicable, the consent of members be and is hereby accorded to the Board of Directors of the Company (the "Board", which term shall include any committee constituted / may be constituted by the Board to exercise its powers including the powers conferred under this Resolution) to grant loan(s)/advance(s) including any loan represented by way of a Book debt (including any loans or advances provided or to be provided) to Abhiram Marketing Services Limited, a Group Company (AMSL), and to give Guarantee in connection with any Loan(s) or advance(s) taken or to be taken by AMSL; upto an aggregate amount, which shall not exceed 2% of the Gross Assets Under Management (AUM) of the Company (as defined in the explanatory statement as annexed to this Notice convening this meeting), in one or more tranches, and on such terms and conditions as may be mutually agreed upon."

"**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution."

Item No. 6 –To amend the existing Articles of Association of the Company:

To consider and if thought fit to pass with or without modifications, the following resolution as **SPECIAL RESOLUTION**:
"**RESOLVED THAT** pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013 read with Companies (Incorporation) Rules, 2014 (including any statutory modification or re-enactment thereof for the time being in force), the Articles of Association of the Company be and is hereby amended in the manner as set out below:

The following amendments shall be made in **PART I** of Article of Association:

(i) In Article 2. A (tt), the definition of "Seal" shall be Omitted.

(ii) Article 15.(d), shall substituted with the following:

"A certificate, signed by two directors or by a director and the Company Secretary, specifying the shares held by any Person shall be prima facie evidence of the title of the Person to such shares. Where the shares are held in depository form, the record of Depository shall be the prima facie evidence of the interest of the beneficial owner."

(iii) In Article 28.(d), the word ' by instrument under seal' shall be omitted.

The following amendments shall be made in **PART II** of Article of Association:

(i) In Article 1. 1.1, the definition of "Group Companies" shall be substituted with the following:

"**Group Companies**" means Abhiram Marketing Services Limited and such other Companies which becomes Group Company, from time to time, in terms of the various laws applicable to the Company."
(ii) In Article 6.2, the word 'be issued under the seal of the Company and shall' shall be omitted.

"**RESOLVED FURTHER THAT** any of the Directors of the Company be and are hereby severally authorized to do all such acts, deeds and things as may be required with regard to the aforesaid resolution."

Item No. 7 – To continue the directorship of Mr. Jagdish Capoor (DIN: 00002516) as an Independent Director for the remaining period of the term:

To consider and if thought fit to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

"**RESOLVED THAT** pursuant to the provisions of Regulation 17(1A) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended, and all other applicable provisions, if any, consent of the members of the Company be and is hereby accorded for continuation of Directorship of Mr. Jagdish Capoor (DIN: 00002516), who has attained the age of 75 years, for the remaining period of his existing term of Directorship as an Independent Director of the Company."

"**RESOLVED FURTHER THAT** Mrs. Padmaja Gangireddy, Managing Director (DIN: 00004842) and Mr. Rakesh Jhinjharia, Company Secretary (Membership No. F8325) of the Company be and are hereby severally authorized to file the necessary forms with the Registrar of Companies, Hyderabad and do all such acts, deeds and things as may be considered necessary or incidental to give effect to the above resolution."

Item No. 8 – To approve the payment of Annual Fees to Non-Executive Directors (including the Independent Directors) of the Company:

To consider and if thought fit to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

"**RESOLVED THAT**, pursuant to the applicable provisions of the Companies Act, 2013, and pursuant to the Memorandum and Articles of Association of the Company, approval of the members of the Company, be and is hereby accorded, that each of the Non-executive Directors (including Independent Directors) of the Company, including both present and future, be paid annually, for each of the financial years a fee (including any fee already paid or to be paid) as the Board of Directors ('the Board', which term shall also include any committee thereof) may determine based on performance and guidelines framed by the Board for this purpose, which will be inclusive of the sitting fees for attending the meetings of the Board or any Committee thereof, subject to a limit of Rs. 20,00,000/- p.a., for each Non-executive Director (including Independent Directors), provided however that the aggregate fee paid in a financial year shall not exceed one per cent of the net profits of the Company, in terms of Section 197 of the Companies Act, 2013, or any amendment thereto or re-enactment thereof ('the Act'), and computed in the manner referred to in Section 198 of the Act."

By order of the Board of Directors
For Spandana Sphoorty Financial Limited

Sd/-
Rakesh Jhinjharia
Company Secretary
Membership No.: F8325

Place: Mumbai,
Date: 28th June, 2019

Notes:

a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. FORM MGT-11 i.e. A FORM OF PROXY IS ENCLOSED HEREWITH

b) A proxy form, duly completed and stamped, must reach the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

c) An Explanatory Statement as required by section 102 of the Companies Act, 2013 and under other provisions and rules as may be applicable setting out material facts, in respect of special business as set out in the Notice is annexed hereto.

d) Members are requested to notify the change in the Registered Address, if any, along with the Pin code number immediately to the Company.

e) Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the Compa ny a certified copy of the Board resolution authorizing their representative to attend and vote on their behalf at the meeting.

f) In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

g) Only bonafide members of the Company whose names appear on the Register of Members/Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The Company reserves its right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.

h) Members/proxies/authorised representatives are requested to bring the duly filled Attendance Slip enclosed herewith to attend the meeting.

i) Shorter notice consent is attached with this notice for approval of members to call this meeting at shorter notice as required under the Companies Act, 2013 and the Articles of the Company. Members are requested to send the same on or before 11th July, 2019, to enable the Company to hold the said meeting on 11th July, 2019, (if the consent is received from 95% of members who are entitled to vote at the meeting) as required under proviso to Section 101(1) of the Companies Act, 2013 and the Revised Secretarial Standard issued by the Institute of Company Secretaries (ICSI) and as mandated with effect from 1st October, 2017 as per section 118 of the Companies Act 2013.

Explanatory Statement to notice of Annual General meeting (Pursuant to Section 102 of the Companies Act, 2013)

Item No. 4:

As per Section 71 of the Companies Act, 2013 a Company may issue debentures in terms of Section 42 of the Companies Act, 2013 and Rule 14(1) of the Companies (Prospectus & Allotment of Securities) Rules, 2014 states that a Company shall not make a private placement of its securities unless the proposed offer of securities or invitation to subscribe securities has been previously approved by the shareholders of the Company, by a Special Resolution, for each of the offers or invitations. Second Proviso to Rule 14(1) states that in case of offer or invitation for non-convertible debentures, it shall be sufficient if the Company passes a previous special resolution only once in a year for all the offers or invitation for such debentures during the year.

Members at the Extra-ordinary General Meeting of the Company held on 14th June, 2018, had accorded their approval by way of Special Resolution to the Board of Directors of the Company for issue of unsubordinated or subordinated, listed or unlisted, secured or unsecured, non-convertible debentures (hereinafter collectively referred as "Securities") upto an aggregate amount of Rs. 2,000 Crore under private placement basis, for the period of one year. The said approval was expired on 13th June 2019.

Pursuant to Section 71 and Section 42 (2) read with Rule 14 of the Companies (Prospectus & Allotment of Securities) Rules, 2014, the approval of the members is sought by way of special resolution for issue and allot unsubordinated or subordinated, perpetual or non-perpetual listed or unlisted, secured or unsecured, non-convertible debentures under private placement, in one or more tranches, for an amount not exceeding INR 2,000 crores, and as per the terms to be decided by the Board of Directors of the Company (the "Board", which term shall include any committee constituted / may be constituted by the Board to exercise its powers including the powers conferred under this Resolution), during the period of one year from the date of passing of the Special Resolution set out at item 4 of the AGM Notice

Approval of the Shareholders is being sought as required in terms of Section 71 of the Companies Act, 2013, by way of Special Resolution.

The Directors recommends the resolution for members' approval as Special Resolution. None of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested, financially or otherwise, in this resolution.

Item No. 5:

Members are being further informed that the Company has received a request from Abhiram Marketing Services Limited (AMSL), for granting of Loan(s)/advance(s) and give Guarantee for loan(s) to be availed by it, in one or more tranches and on such terms and condition including the rate of interest as may be mutually agreed, which shall be utilised for the expansion of business of the Company.

Members are being informed that Abhiram Marketing Services Limited, hereinafter referred to as "AMSL", is a Group Company and was incorporated on May 26, 2004 under the Companies Act, 1956 as a public limited company and received its certificate of commencement of business on May 26, 2004. The registered office of Abhiram Marketing is located at Plot No. 31 and 32, Ramky Selenium Towers, Tower A, Ground Floor, Financial District, Nanakramguda, Hyderabad 500 032, Telangana, India. AMSL is engaged in the business of purchasing, selling and otherwise dealing in all kinds of consumer durables, utilities, food stuff, appliances, building material, agriculture inputs, etc.

In terms of Section 185 of the Companies Act, 2013 ("the Act") (as amended by Companies (Amendment) Act, 2017 and notified by Ministry of Corporate Affairs vide notification dated May 7, 2018), granting of loan(s)/advance(s) including any loan represented by way of a Book debt (including any loans or advances provided or to be provided), and to give Guarantee in connection with any Loan(s) or advance(s) take or to be taken, to or in favour of any other person in which Directors are interested requires the approval of the members of the Company by way of a Special Resolution.

The Board at its meeting held on June 28, 2019, subject to approval of the shareholders, approved the proposal of granting of loan(s)/advance(s) including any loan represented by way of a Book debt (including any loans or advances provided or to be provided) to AMSL, and to give Guarantee in connection with any Loan(s) or advance(s) taken or to be taken by AMSL, upto an amount which shall not exceed 2% of the Gross Asset Under Management (Gross AUM) of the Company. Further the Gross AUM as on the end of previous quarter shall be considered for the purpose of calculating the overall limit for the aforesaid loans /advances and guarantee given to AMSL.

Further the term "Gross AUM" shall mean total portfolio loans outstanding comprising the outstanding of loan portfolio held by the Company as well as the outstanding of loan portfolio which have been transferred by the Company by way of securitization or assignment as at the end of the relevant period.

The Board seek consent of the members by way of a special resolution set out at Item No. 5.

Except Mrs. Padmaja Gangireddy, Managing Director, and Mr. Abdul Feroz Khan, Chief Strategy Officer, being a Director and shareholders of AMSL and her relatives, none of the Promoter, Directors, Key Managerial Personnel of the Company and their relatives are deemed to be concerned or interested financially or otherwise in the said resolution.

Item No. 6:
The members are being informed that it is proposed to amend the existing Articles of Association of the Company, in order to align with the Section 9 of Companies Act, 2013 in which the word, "and a common seal" has been Omitted by the Companies (Amendment) Act, 2015 (21 of 2015), notified on 26th May, 2015, with effect from 29th May 2015.

The members are being further informed that the definition of Group Companies is proposed to be substituted as the Board of Directors at its meeting held on 28th June, 2019 has identified, its Group Companies by excluding Criss Financial Holdings Limited from its purview of Group Companies as it became a subsidiary of the Company. Further, the scope of definition of Group Companies has been widen to include such other Companies which shall be identified as Group Companies from time to time, in terms of the various laws applicable to the Company.

As per the provisions of Section 14 of the Companies Act, 2013 read with the Companies (Incorporation) Rules, 2014, approval of members of the Company by way of an special resolution is required amending the Articles of Association of the Company.

The Directors recommend the same for approval of the Shareholders by passing Special Resolution as set out in Item No. 6.

None of the Directors / Key Managerial Persons of the Company or including their relatives are concerned or interested, either directly or indirectly, financially or otherwise, in the aforesaid resolutions.

Item No. 7:
The Members are being informed that in terms of Regulation 17 (1A) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, (LODR) effective from 1st April, 2019 consent of the members by way of Special Resolution is required for continuation of a Non-Executive Director beyond the age of 75 years.

Mr. Jagdish Capoor (DIN: 00002516), was appointed as an Independent Director of the Company at the Extra-Ordinary General Meeting held on 14th June, 2018, to hold office for a term of 5 (five) years up to 5th June, 2023. He has already attained the age of seventy five years and in terms of aforesaid provisions of LODR, for continuation of his office as an Independent Director of the Company beyond the age of seventy five years would require the approval of Members by a special resolution.

Justification for continuation of the directorship of Mr. Jagdish Capoor is stated below:

Mr. Jagdish Capoor aged 80 years, holds a bachelors' degree in commerce and a masters' degree in Commerce from Agra University. He has previously worked as the deputy governor of the Reserve Bank of India for more than four years. He also serves as a director on the board of directors of HDFC Securities Limited, LIC Housing Finance Limited, LIC Pension Fund Limited, LICHFL Trustee Company Private Limited, Manappuram Finance Limited, NEL Holdings Limited (Formerly known as Nitesh Estates Limited), Quantum Trustee Company Private Limited and on the Board of the Company since 6th June, 2018.

Mr. Capoor has been an active member of the Board and its Committees of which he is a member. He brings independent judgment on the Board of the Company and his continued association will be valuable and positive. Hence, it is recommended to continue his appointment till the completion of the remaining period of the present term. The details of Mr. Jagdish Capoor in pursuance of the provisions of the Secretarial Standards are mentioned in Annexure to this notice.

Approval of the Shareholders is being sought as required in terms of Regulation 17 (1A) of LODR, by way of Special Resolution as set out in Item No. 7.

Except Mr. Jagdish Capoor, none of the Directors or Key Managerial Personnel of the Company or their relatives is in any way concerned or interested, financially or otherwise, in this resolution.

Item No. 8:
The Members are being informed that the Board of Directors of your Company ('the Board') at its meeting held on 28th June, 2019 recommended for the approval of the Members, payment of remuneration by way of fee, as may be decided by the Board (including any committee thereof), subject to a limit of Rs. 20,00,000/- to the Non-Executive Directors (including Independent Directors) of the Company, to commensurate with the time devoted and the contribution made by them.

Approval of the members is sought for payment of remuneration/fee already paid or to be paid to the Non-executive Directors (including Independent Directors) of the Company.

The Non-Executive Directors (including Independent Directors) of your Company may be deemed to be interested in this Special Resolution. None of the other Directors or Key Managerial Personnel of the Company or their relatives is interested, financially or otherwise, in this Special Resolution. The Board recommends the same for approval of the Shareholders by passing Special Resolution as set out in Item No. 8.

Annexure to the Notice of 16th Annual General Meeting:

Details of Directors who are being appointed or re-appointed as per the Secretarial Standards:

Name	**Mr. Darius Dinshaw Pandole**	**Mr. Ramachandra Kasargod Kamath**	**Mr. Jagdish Capoor**
Age	53 years	63 years	80 years
Qualification	- MBA from the Graduate School of Business at the University of Chicago, and a Bachelors of Arts (BA - Economics) from Harvard University	Bachelors Degree from University of Mysore	Fellow member of Indian Institute of Banking and Finance and holds a Masters degree in Commerce
Experience	More than 25 years	More than 40 years	55 years
Terms and Conditions of appointment or re-appointment along with the details of remuneration sought to be paid	To be re-appointed as Nominee Director, no remuneration is proposed to be paid	To be re-appointed as Nominee Director, Annual fee of Rs. 20,00,000/- is proposed to be paid for the FY 2019-20.	To continue the directorship as an Independent Director for the remaining period of the term. Annual fee of Rs. 20,00,000/- is proposed to be paid for the FY 2019-20.
Remuneration last drawn	-	Rs. 20.00 lakh (in FY 2018-19)	Rs. 16.67 lakh (in FY 2018-19)
Date of first appointment on the Board	19.05.2017	04.05.2017	06.06.2018
Shareholding in the Company	NIL	NIL	Nil
Relationship with other Directors, Managers and other Key Managerial Persons of the Company	N.A.	N.A.	N.A
The number of meetings of the Board attended during the year	7	7	3
Directorship in other Companies	4	6	7
Membership/Chairmanship of Committees of the other Board	Chairmanship - 2 Membership - 5	Chairmanship - 1 Membership - 4	Chairmanship - 6 Membership - 8

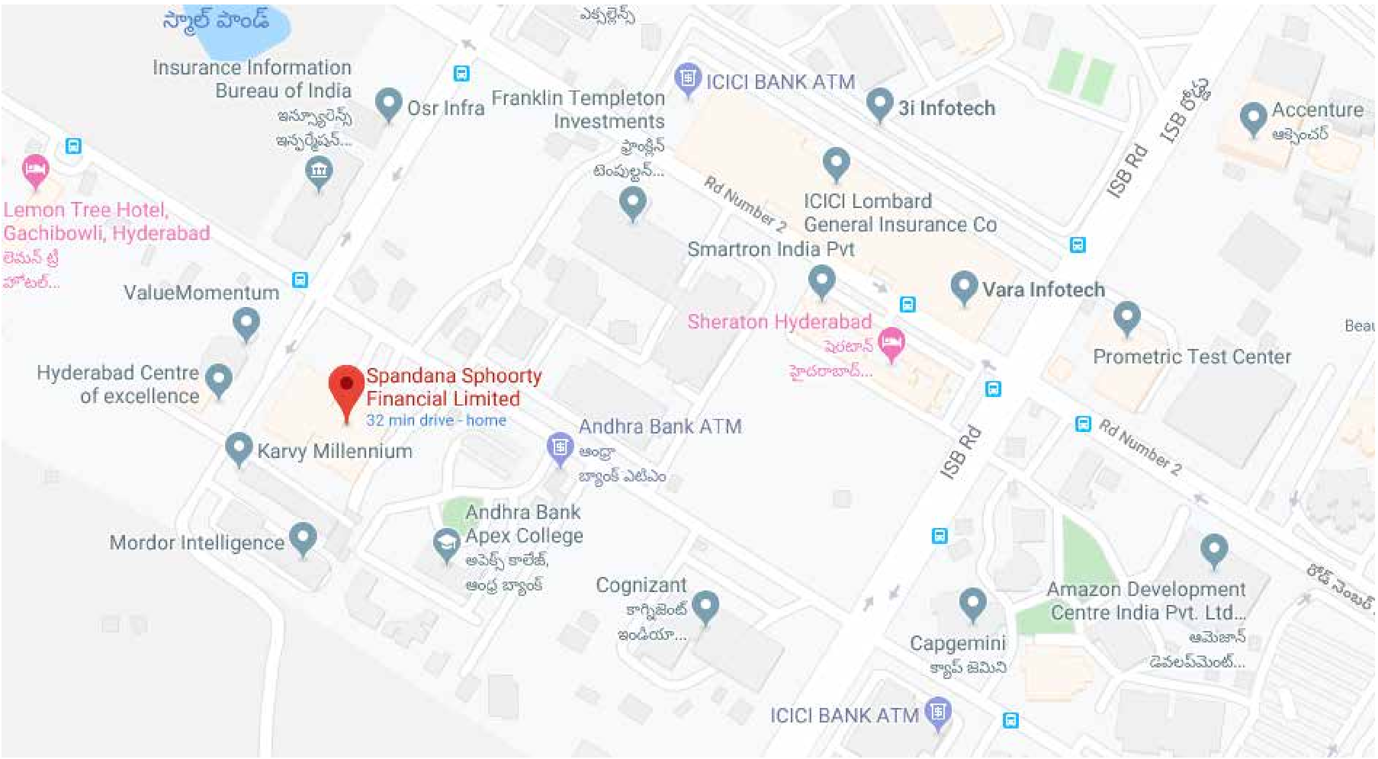
By order of the Board of Directors
For Spandana Sphoorty Financial Limited

Sd/-
Rakesh Jhinjharia
Company Secretary
Membership No.: F8325

Place: Mumbai,
Date: 28th June, 2019

VENUE OF AGM:

Plot No: - 31 & 32, Ramky Selenium Towers, Tower A, Second Floor, Financial Dist, Nanakramguda, Gachibowli, Hyderabad, Telangana -500032:



SPANDANA SPHOORTY FINANCIAL LIMITED
Regd. Office: Plot No: - 31 & 32, Ramky Selenium Towers, Tower A Ground
Floor, Financial Dist, Nanakramguda, Hyderabad, TG, 500032, IN.
|Tel: 040-48126666 |E-mail:secretarial@spandanaindia.com| Website:
www.spandanaindia.com
CIN: U65929TG2003PLC040648

ATTENDANCE SLIP

16TH ANNUAL GENERAL MEETING TO BE HELD ON THURSDAY, 11TH JULY, 2019 AT 10:00 A.M.

I hereby record my presence at the 16th Annual General Meeting of the Company held on Thursday, 11th July, 2019 at 10:00 a.m. at Plot No. 31 & 32, Ramky Selenium Towers, Tower A, 2nd Floor, Financial Dist., Nanakramguda, Hyderabad, 500032.

Name of the Shareholder	
Name of the Proxy	
DPID NO./ CLIENT ID NO.	
Number of Equity Shares held	
Signature of Shareholder/ Proxy/ Authorized Representative	

Notes:

1. Only Member/Proxyholder can attend the Meeting.
2. Please complete the Folio No./DP ID No., Client ID No. and name of the Member/Proxy holder, sign this Attendance Slip and hand it over, duly signed, at the entrance of the Meeting Hall.
3. A Member/Proxyholder attending the meeting should bring copy of the Annual Report for reference at the meeting.

SPANDANA SPHOORTY FINANCIAL LIMITED
Regd. Office: Plot No: - 31 & 32, Ramky Selenium Towers, Tower A Ground
Floor, Financial Dist, Nanakramguda, Hyderabad, TG, 500032, IN.
|Tel: 040-48126666 |E-mail:secretarial@spandanaindia.com| Website:
www.spandanaindia.com
CIN: U65929TG2003PLC040648

Form No. MGT 11

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of
Companies (Management and Administration) Rules, 2014]

Venue of the meeting: Plot No. 31 & 32, Ramky Selenium Towers, Tower A, Financial District, Nanakramguda, Gachibowli, Hyderabad, Telangana- 500 032

Date & Time: 11th July, 2019 & 10:00 a.m.

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE

Name	
Address	
DP Id*	
Client Id*	
Folio No	
No. of shares held	

*Applicable for investors holding shares in Electronic form.

I/We being a member/members of Spandana Sphoorty Financial Limited hereby holding ____________________ shares, hereby appoint

Name	
Address	
E-mail ID	
Signature	

or failing him

Name	
Address	
E-mail ID	
Signature	

or failing him

Name	
Address	
E-mail ID	
Signature	

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 16th Annual General Meeting of the Company, to be held on Thursday, 11th day of July, 2019 at 10:00 a.m. at Plot No: - 31 & 32, Ramky Selenium Towers, Tower A, Financial Dist, Nanakramguda, Hyderabad, Telangana -500032 and at any adjournment thereof in respect of such resolutions as are indicated below:

1. To receive, consider and adopt the audited Standalone and Consolidated Financial Statements of the Company for the Financial Year ended 31st March, 2019 together with the Reports of the Board of Directors and the Auditors thereon; and
2. Rotation of Director
3. Rotation of Director
4. To accord the approval for issue of Non Convertible Debentures (NCDs) on private placement basis.
5. To accord the approval for providing loan(s)/advance(s) and guarantee to Abhiram Marketing Services Limited, a Group Company.
6. To amend the existing Articles of Association of the Company.
7. To continue the directorship of Mr. Jagdish Capoor (DIN: 00002516) as an Independent Director for the remaining period of the term.
8. To approve the payment of Annual Fees to Non-Executive Directors (including the Independent Directors) of the Company

Signed this .... day of 2019

Affix
Revenue
Stamp
Rs.1

Signature of the Member

Notes: The proxy form to be effective, should be duly stamped, completed, signed and must be returned so as to reach the Registered Office of the Company, not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a Member of the Company.

Awards & Recognition

Strategy Leader
of the year
2019

Chief Strategy Officers
Summit by Morpheus

Best
Entrepreneur Award
2019

CII Entrepreneur Awards

Most Admired
Leader of Asia
2018

Herald Global and
BARC Asia

Women Leadership
Award for Excellence in
Banking & Finance,
2018

CMO Asia,Singapore

The Most Trusted
Micro Financial
Company of the Year
2018

APS Research & Media,
National ICON Awards, New Delhi

Outstanding
Achievement Award for
Excellence in Banking &
Finance

International Achievers
Conference, Thailand

The Best
Micro Finance
Company of the Year
2017

The Golden Star Awards,
Delhi

Chief Executive Officer
of the year
2017

Times Network

Telangana's Best
Employer Brand for the
Year 2017

World HRD Congress,
Hyderabad

Pride of Telangana
Award for the Year
2017

World HRD Congress,
Hyderabad

Notes

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SPANDANA

Notes

Committed to low income households in India

Fostering the spirit of entrepreneurship; partnering in their growth and success

Creating millions of smiles

SPANDANA

Spandana Sphoorty Financial Limited
CIN – U65929TG2003PLC040648
Plot No.31 & 32, Ramky Selenium Towers, Tower A,
Financial District, Nanakramguda, Hyderababd – 500 032
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