

SPANDANA SPHOORTY FINANCIAL LIMITED
Committed to low-income households since 1998



ANNUAL REPORT

2015 - 16



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Corporate Philosophy

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.

Mission

We want to be one of the most significant microfinance service providers 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.



SPANDANA

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.

Core Values

TRICS exemplifies our core values -

Transparency - Transparency makes our actions understandable, and supports our goal-oriented behaviour throughout the company. Transparency creates reliability. We accept it as our responsibility to maintain transparency with our stakeholders, customers and employees and serve them the best we can.

Responsiveness - We constantly thrive to identify the changing needs of our existing and prospective clients. We innovate new products and services to make the ends meet. Thus we are motivated and are always ahead of our competitors.

Integrity - Integrity is the cornerstone of what makes us credible. It obliges us to keep our promises. Integrity permits only those transactions and dealings that conform to our values. We are each personally accountable for the highest standards of behaviour, including honesty and fairness in all aspects of our work. We fulfill our commitments as responsible citizens and employees. We consistently treat customers and company resources with the respect they deserve.

Commitment - We are committed and intensely focused on serving our clients to help them achieve a better living. We are committed to equitable treatment at all levels of our organisation. Commitment comes to life through being passionate about solving complex business problems and helping shape the next generation of financial services. As individuals and as an organization, we create value.

Team Spirit - Creates synergy – where the sum is greater than the parts. Fosters flexibility and responsiveness, especially the ability to respond to change. Promotes the sense of achievement, equity and camaraderie, essential for a motivated workplace.

Background

Spandana Sphoorty Financial Limited (SSFL) has been operating as a Non Banking Finance Company (NBFC) incorporated under the Companies Act, 1956 and licensed by the Reserve Bank of India under the Reserve Bank of India Act, 1934 to carry on the business of a Non Banking Financial Institution without accepting public deposits. With release of NBFC- Micro Finance Institution (NBFC-MFI) as a new category of NBFCs, the company has been reclassified as NBFC-MFI effective April 13, 2015.

The micro-credit program of Spandana started in 1997 when Spandana operated as a Society (Spandana Urban and Rural development Organisation – SRUDO). Later, it formalized itself into an NBFC (SSFL). Spandana’s lending programme is committed to strengthening the socio-economic status of low-income households – particularly women – in rural and urban areas by providing financial services on a continual basis in order to improve livelihoods, establish identity and enhance self-esteem.

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 other products – like – Farm Equipment, loans against Gold jewellery etc.

At peak, SSFL had an Asset Under Management of Rs.4,500crore (USD 1 Bn) largely funded by debt/ loan-book assignments from over 40 Banks/ FIs.

Through its 16 years history, Spandana had been funded by different Financial Institutions – like Public Sector Banks, Private Sector Banks, Foreign Banks, Development Financial Institutions and other Financial Institutions.

In Oct-2010, with restrictions imposed by the AP-MFI (prevention of money lending) legislation, the collections from the state of Andhra Pradesh had reduced. The company was not able to continue lending due to requirements of taking prior approval against each loan under the said legislation. Since the crisis, microfinance sector got support from the regulators in various forms directly benefitting the company. Adoption of Malegam Committee recommendations, greater regulatory oversight upon MFIs by RBI including the creation of separate NBFC-MFI category has helped the company in clearing the grey areas in the business environment. With the Corporate Debt Restructuring in FY12, the company has been successful in ‘holding-on’ of non-AP operations and across 10 non-AP states, it has a strong workforce and franchise with Rs.1,000 crore Good Book which can be further grown.



Spandana has been one of the largest and most seasoned MFIs in India. Through its history, it has seen two very large and debilitating crises and emerged back with resilience.

Both these crisis have raised a fundamental question on the lending model and belief on whether the low-income segment is credit worthy and lending to this segment has business proposition. In both the crisis, the common thread has been that they were in the form of mass-scale defaults and both were triggered by the ill-intentions of politicians and bureaucratic intervention part of which could not resound with the market linked approach to lending to the low-income community

Those inherent risks are now largely addressed with higher level of regulatory supervision on this sector by the Reserve bank of India, addressing some of the potential vulnerabilities – charging/ pricing, soft recovery practices, prevention of over-indebtedness of borrowers etc.

Milestones

<u>2015 - 2016</u>	PAT crossed Rs.200Cr for the second time after FY10.
<u>2014 - 2015</u>	Rs.100Cr PAT report while being in CDR and no incremental funding received from lenders.
<u>2010 - 2011</u>	Company admitted into Corporate Debt Restructuring. Spandana got the best rating of mfR1. AUM crossed Rs.4,500Cr with on roll staff of over 14,000
<u>2008 - 2009</u>	Valiant Capital invested Rs.100Cr
<u>2007 - 2008</u>	JM financial and Lok Capital invested Rs.50Cr
<u>2005 - 2006</u>	Cumulative disbursements cross Rs. 1,000 crore; CRISIL upgraded grading to mfR2.
<u>2003 - 2004</u>	AUM crosses Rs.50Cr. Spandana transforms into NBFC with license from RBI to operate as Non Banking Financial Institution.
<u>2001 - 2002</u>	M-CRIL grants Alpha rating to Spandana and considers it as the most cost efficient and highly profitable MFI in the Country.
<u>2000 - 2001</u>	Loans raised from SIDBI and ICICI Bank
<u>1999 - 2000</u>	First loan from Rashtriya Mahila Kosh (RMK). Cumulative Loan disbursement crosses Rs.1Cr.
<u>1997 - 1998</u>	Started its operations as a NGO in Guntur, Andhra Pradesh.

Glimpses into Our Clients

Namita and Rita Mangraj,

This success story is of Kodua Bareni, Orissa, Namita and Rita Mangraj, the two women from the same family had an idea brimming in their minds. Their husbands were working as a collection agent in a private firm and a bus conductor. They wanted to start a poultry farm to improve their standard of living. They tried taking loans from banks but to no success.

They took the first loan of Rs.15000/- and established a poultry farm with 50 – 80 hens this number was fair enough to start. With the 2nd and 3rd loan cycle they did pretty well in maintaining the business and with a good growth the number of hens increased to 500 – 640.



Looking at their growth Spandana offered them larger amounts of loans each year. Spandana has helped them continuously six times, with the amount they needed and will be continuing to do so. Their hard work and our financial support helped establish a great successful poultry farm in their village and now stands with 1100 and 2000 hens. The current running loan amount is Rs. 36000/- and is sure to increase the amount in future looking at their dedication towards their business and their faultless centre meetings.

Now they have become self-sufficient and their standard of living has increased to a great extent and they have nothing but words of praise to offer to our company .

Mamta Behare



This Success story is from Banki in Orissa; **Mamta Behare** belonged to below the poverty line family. When Mamta heard about Spadana and was introduced to the team, her family was in debt of Rs 10,000/- with no source of income. The family was in a grave situation with no hope for the betterment of their life.

She approached Spandana, and looking at her determination and zeal of earning. She was sanctioned a loan of Rs 10,000/-. That was all

she needed to start something of her own, with the financial support from Spandana, she bought a cow and started the business of selling milk. Her family got in the business with her and they started earning profits but to grow that business they needed more investment. Spandana again helped her by giving a loan of Rs 14000/-, with which she further owned two more cows.

Increase in Family's earning allowed her to clear the debt of Rs 14,000/-. With the same profit she further invested in her business and purchased 2 Calves. With the new addition to her Business she started selling milk products like Cottage Cheese (Paneer) and Butter. Looking at her hard work and her business growth we again helped her with a loan of Rs 24000/-.

She believes, she succeeded only because of Spandana's help at the right time. She says – "I have neither taken Loan from any other MFI, nor I am willing to but I will continue to do so from this company because of this i have become what I am today (Spandana)."

Director's Report

To

The Members of Spandana Sphoorty Financial Limited,
Your Directors have pleasure in presenting the 13th Annual Report on the business and operations of the Company together with the audited accounts of the Company for the financial year ended 31st March, 2016.

1. Financial Summary /Performance of the Company (Standalone)

Financial performance of your Company for the financial year ended 31-Mar-2016 is summarized below:

(Rupees in Crore)

Particulars	Financial year ended	
	31-Mar-16	31-Mar-15
Income from Operations	343.86	301.97
Other Income	128.83	23.43
Profit before Depreciation, Interest and Tax (PBDIT)	387.06	225.47
Depreciation	3.70	3.31
Financial charges	129.44	111.78
Profit Before Tax	243.23	105.33
Provision for Tax - Current year	-	0.78
Profit/(Loss) After Tax	243.23	104.55
Transfer to Statutory Reserves	(48.64)	(20.91)
Balance carried to Balance sheet	194.59	83.64

2. Dividends

During the period your Company has made profit. However, due to accumulated losses and its set off, the profit is inadequate to declare and make any payment as dividend, in terms of section 123 of Companies Act, 2013 read with the rules framed thereunder which become applicable with regards to any payment of dividend subsequent to March 31, 2016. Since the opening reserves of the Company are negative, Company is not eligible to declare any dividend in terms of Section 123 of Companies Act, 2013 read with the rules framed thereunder. Hence, no appropriation has been made towards the dividend payable on the OCCRPS for the current financial year. The Company has sought approval from the Ministry of Corporate Affairs ('MCA') for payment of dividend on the OCCRPS which was awaited as on March 31, 2016. However, Your Company has paid the previous years dividend to the holders of OCCRPS, subject to such approval from the MCA.

3. Brief Description of the Company's Working During the Year / State of Company's Affair

The loan portfolio of your company has declined this year, due to the conservative approach followed by the Company of limited disbursement in AP and Telangana states, however, the Company is maintaining the momentum of growth in other states. It has received the support of Investors, Lenders and Regulators in the last couple of years and sustained its operations for years. Your company continues to operate in 12 states, such as Madhya Pradesh, Andhra Pradesh, Telangana, Karnataka, Kerala, Maharashtra, Odisha, Goa, Chattisgarh, Gujarat, Jharkhand and Uttar Pradesh. The highlights are as follows:

Details	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16
No of States	11	11	11	12	12
No of Districts	185	179	182	185	184
No of Villages	96,945	77,541	77,514	71,250	70,690
No of borrowers (Rs.Lakhs)	34.4	24.7	22.4	20.1	17.83
Portfolio o/s (Rs. Crores) (Non-AP)	916	896	815	1140	1192
Portfolio o/s (Rs. Crores) (AP & TS)	1318	1327	1292	1106	827
Total Portfolio o/s (Rs.Crores)	2,233	2,223	2,107	2,246	2,019

Your Company has disbursed Rs.1,793 crores value of loans in Financial Year 2015-2016.

3.1 Securitisation:

Your Company has not booked any new securitisation deals during the Financial Year 2016.

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.



Director's Report

3.3 RBI Guidelines:

Capital to Risk Assets Ratio ('CRAR') of the Company as at March 31, 2016 continues to be lower than the minimum percentage prescribed by the RBI. The losses incurred were mainly attributable to the provision made against AP and Telangana portfolio. Your Company's Capital Adequacy Ratio is as follows:

Capital Adequacy Ratio	2015-16	2014-15
i) CAR – Tier I Capital (%)	(18.61)	(11.62)
ii) CAR – Tier II Capital (%)	0	0
Capital Adequacy Ratio (CAR)	(18.61)	(11.62)

NBFC-MFI directions issued by RBI vide its circular no.RBI/2012-13/161 DNBS (PD) CC.No.300 /03.10.038/2012-13 dated August 3, 2012 have specified that provision made towards portfolio in the state of Andhra Pradesh should be in accordance with extant NBFC prudential norms and such provision should be added back notionally to the net owned funds for the purpose of calculation of the capital to risk assets ratio ('CRAR') and would be progressively reduced by 20% each year, over 5 years i.e. from March 31, 2013 to March 31, 2017. Accordingly, 40% of provisioning as on March 31, 2016 has been added back, the CRAR as at March 31, 2016 is 18.61% (negative).

In view of the challenges being faced by your Company in maintaining the minimum NOF and CRAR as stipulated by RBI, the Company vide letter dated March 18, 2014 requested the RBI to provide an exemption from complying with the minimum NOF criteria and also for regulatory forbearance for not maintaining minimum CRAR. In response of the Company's request, the RBI vide its letter dated April 16, 2014 has provided an exemption from maintaining minimum CRAR and NOF for a period of two years till March 31, 2016, subject to the Company bringing in fresh capital of Rs.5 crores upfront. The Company has therefore issued and allotted 1,000,000 equity shares of face value of Rs.10 each at a premium of Rs.40 per share to its existing shareholders on May 16, 2014.

3.4 Auction of gold jewellery for recovery of overdue of loans against them

No Auctions happened during the financial year 2015-16

3.5 Reserve Fund:

As per section 45IC of RBI Act 1934, the Company has transferred Rs.48.64 crore in reserve fund i.e aggregating of 20% of its net profit.

4. Management Discussion & Analysis Report

Financial Year 2015-16 has been a fruitful year for Spandana. The Company is in the verge of coming out of CDR (Corporate Debt Restructuring). This year the Company has seen growth in terms of good book and recovery of bad loans.

The challenges still lie in the recovery of loan portfolios disbursed earlier in the states of AP and Telangana. The Company has followed conservative approach this year in terms of disbursement of loan in these states.

During the year, the company focused on continuous improvement of its operations. The microfinance sector itself has seen a significant growth with the penetration of the MFIs increasing across the states. While there has been only 44% growth in clients, the loan portfolio of the MFIs across the industry grew by 84% which indicates higher loan size per borrower. The average loan amount disbursed per account increased from Rs.14,731 in FY14-15 to Rs.17,805 in FY15- 16. Annual loan amount disbursed by the Microfinance Industry reached to Rs.61,860 Crore representing increase of 65%. Against this, Spandana's non-AP portfolio grew by 5%, borrowers grew by 6.9%, average loan amount disbursed per account in non-AP grew by 15% and the disbursements in non-AP grew by 4%.

The Company has taken more conservative approach by taking the following steps. Loans to the clients were given only after credit bureau check. The Company is strictly following 2 MFI rule. While the RBI has relaxed the indebtedness cap to Rs. 100,000/- and the industry association (MFIN) has kept the cap at Rs. 60,000/- level, the Company is following Rs. 50,000/- cap except in Kerala and Goa. The Company had also made Voter ID or Aadhar Mandatory. The Company has strictly maintained the exposure levels in each state within the exposure norms set by the Board.

The Company has rationalized the costs, operating cost ratio has further come down. The Company has also done one time settlement (OTS) with Citi Bank & Blue Orchard. The said settlement has resulted in one-time profit of Rs. 120/- crore as non-operating profit. As such, the Company reported Rs.243.39 crore profits after tax for FY16.

4.1 Segment-wise or product-wise performance

The Company continues to be in the business of offering financial services to low income households. The company has been extending loans to women of low income households following JLG model. There has been no change in the segment or product offerings.

[Note: *MFIN Micrometer FY 2015 - 16]

Director's Report

4.2 Outlook

Rural economy continues to be vibrant and is growing leaps and bounds. Rural per capita income is surpassing the urban. There has been renewed confidence in the rural sector. Agriculture yields and incomes are on the increase. There has been an allocation of Rs.70 lakh crore for rural electrification in the budget. Over 300 million are expected to move up from the category of rural poor to rural lower middle class. Between 2005 and 2025, rural consumption level is anticipated to rise to the current urban levels. There is an emergence of dual income families. With all these, the demand for credit is expected to increase significantly and the opportunity for serving the low income households is increasing significantly.

4.3 Risk & Concern

Risk management is a business facilitator by making more informed decision with balanced risk-reward paradigm. The Company follows a disciplined risk management process and has been taking business decisions, ensuring growth and balancing approach on risk reward matrix.

There are mainly three types of risk associated with our business discussed as under:

i) Credit risk

A risk of loss due to failure of a borrower to meet the contractual obligation of repaying his debt as per the agreed terms, is commonly known as risk of default

Risk mitigation

- Credit risk is being managed using a set of credit norms and policies. There are defined roles and responsibilities for originators and approvers. All credit exposure limits are approved by authorized persons.
- There is a structured and standardized credit approval process to ascertain the credit worthiness of the borrower.
- Company has developed internal evaluation team to make credit decisions more robust and in line to manage collateral risk.
- Company follows a process of time- to- time revisiting the credit policy and processes, on the basis of experience and feedback.

ii) Operational risk

Any eventuality arising from the act relating to people, technology, infrastructure and external factors, which can give rise to some type of loss in the organisation is termed as

Operational Risk. Majorly it is internal and unknown therefore continuous watch and gathering the symptoms/warning signals to manage Operational risk.

iii) Market risk

This is majorly external market dynamics, which give rise to Risks like Liquidity risk, Interest Rate risk and funding risk.

Liquidity

Liquidity risk is the inability to meet financial obligations in a timely manner and without stress.

Risk mitigation

As contingency plan, Company maintains sufficient approved but un-drawn credit lines on a continuous basis as buffer to manage eventuality of liquidity constraints.

Company is compliant in terms of regulatory norms and therefore effectively manages regulatory risk.

Effective Customer Redressal mechanism and fair practices keep legal risk under control.

The Company has processes in place, to manage the risk of fraud and the suspected frauds are reported, wherever necessary.

For comprehensive and focused approach on risk management, a dedicated Risk & Fraud Control & Monitoring committee has been constituted by the Company.

Key Operational Performance Indicators

Key Business Metrics	FY 2015-16	FY 2014-15	% Increase over FY
Branch	523	787	-33.5%
Loan Disbursement	1,793.30	1,983.16	-9.6%
New Customer/ Borrowers	396,697	371,208	6.9%
Total Standard Loan Portfolio (In Cr.)	1218	1183	3%
Employees	2,740	3,415	-19.8%
Profit After Tax (In Cr.)	243.24	104.55	133%

Audit and Internal Control System/Process:

The Company has developed and put in place good Internal Control systems and processes, which looks into adherence of various policies, procedures and systems. The Internal Audit department is responsible for monitoring and evaluating the internal controls of the organization including statutory and regulatory compliances.



Director's Report

Developments in Human Resource

The Company has put in lot of efforts to build the leadership team, Company has hired senior resources for positions such as VP-HR, VP-Training, VP-Accounts & Taxation, Company Secretary & CFO. The Company is making efforts to hire COO & CEO. The Company is constantly making efforts to build in the second line management. This year, the Company recruited 70 management trainees from different colleges through campus recruitments. Operations which were taken care by the Managing Director are now being spearheaded by Senior- VP's. The leadership team across the operations has also been strengthened with internal promotions.

5. 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. However, the Company got the forbearance from RBI granting exemption on meeting NOF and CRAR for two years ended with March 31, 2016. While the company has been planning for a permanent solution to meet NOF and CRAR requirements, the company once again applied to RBI for extension of forbearance. RBI has extended the forbearance for a further period of six months till September 30, 2016.

6. Auditors

6.1 Statutory Auditors

M/s. S R Batliboi & Co. LLP, Chartered Accountants were appointed as Statutory Auditors in accordance with the provision of section 139 of the Act, for a period of four years from FY15 to FY18 from the conclusion of the 11th Annual general Meeting until the conclusion of the 16th Annual General Meeting. As per Section 139 (2) of the Act and the applicable Rules of the Act, the appointment of Statutory Auditors needs to be ratified by the members at every Annual General Meeting.

6.2 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 Mr. Y Ravi Prasad Reddy, Practicing Company Secretary, to conduct Secretarial Audit for the financial

year 2015-16. The Secretarial Audit Report for the financial year ended March 31, 2016 is annexed herewith marked as Annexure -A to this Report.

6.3 Internal Audit

The Company has its own internal audit team as per the Internal Audit Policy. Each branch is audited atleast once in 3 months. Risk areas were identified every month and branches were audited more than once wherever there were triggers of risk. AP branches are audited more frequently, atleast once in a month as the risk was perceived to be higher. Apart from this, special audit was also conducted in AP to review the operations and risks. Besides, Concurrent audit was also conducted by the Concurrent Auditors, they select branches randomly based on their own selection criteria.

7. Share Capital

Your Company had not issued and raised any share capital including sweat equity, employee stock options during the financial year under review. Your company has also not provided any money for purchase of its own shares by employees or for the benefit of employees.

However, your company has redeemed 166,08,088 OCCRPS during the year. The outstanding OCCRPS as at 31st March, 2016 is Rs.7,91,00,77,210/-

During the year, the company redeemed Rs. 209,025,000 against the total amount due for redemption of Rs. 1,331,650,000 in lieu of ongoing proposal for settlement of OCCRPS. The redemption of OCCRPS in the current and previous years has been made out of the profits for the respective years. Since such profits were inadequate for setting of the accumulated brought forwarded losses, the redemption of OCCRPS was not in compliance with provision of section 55 of the Companies Act, 2013 read with rules framed thereunder. Accordingly, the company filed an application with the regional director of Ministry of Corporate Affairs for compounding of offence under the relevant provisions of the Companies act in respect of the current and previous years. Pursuant to the order dated June 30, 2016, received by the Company, the offence has been compounded till March 31, 2016.

8. Extract of the Annual Return

The details forming part of the extract of the Annual Return in form MGT-9 is annexed herewith as "Annexure B"

Director's Report

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

The particulars required to be furnished under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are as under:

9.1 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 uses motor bikes for reaching to customer locations for client servicing. We are planning in such a way that road travel can be reduced and fuel consumption is minimized. We are also promoting use of renewable energy sources among clients at their household levels.

9.2 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.

9.3 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. This year the Company has migrated to a browser based application e-FIMO which has the accounts, loans and insurance modules integrated. During the year, all the loan accounts and banches data has been migrated from DO Module which was a window based application to e-FIMO. 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 backoffice with 100 data entry operators, team leads and managers has been set up at the HO. Branches upload the scanned copies of loan applications and KYC documents. Applications are logged on FIMO for bureau verification and processing of loans.

9.4 Foreign exchange earnings and outgo:

There was no foreign exchange earnings and outgo during the year.

10. 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 Committee comprises of the following Directors.

Sl. No.	Name	Designation
1	Mrs. Padmaja Reddy	Managing Director
2	Ms. Abanti Mitra	Independent Non Executive Director
3	Mr. Gopala Reddy	Independent Non Executive Director

The average net loss of the company for the last three years is Rs.-331.30 crore. Accordingly, no Corporate Social Responsibility (CSR) activity is reported.

11. Comments on Auditors Report

There are no qualifications, reservations or adverse remarks made by the statutory auditors in their audit report and by

Auditor's Remark	Comments of the Board
None	None

secretarial auditor in their secretarial audit report.

12. 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.

Name of Director	Category
Mrs. Padmaja Gangireddy	Managing Director
Ms. Abanti Mitra	Independent Non Executive Director
Mr. P Madhava Rao	Independent Non Executive Director
Mr. Perur Seshappa Prasad	Independent Non Executive Director
Mr. Gopala Reddy Annapureddy	Independent Non Executive Director
Mr. Natarajan Ranganathan	Nominee Director
Mr. Sundaram Ramakrishnan	Nominee Director



Director's Report

Present Directors of your Company are:

Mr. Sundaram Ramakrishnan and Mr. Natarajan Ranganathan were appointed as Nominee Directors on the Board of the Company with effect from 24th September, 2015 and 8th February, 2016 respectively.

Mr. Lakshmi Narasaiah Gunturu, Independent Director of the Company, rendered his resignation from the Board of Directors of the Company on 22nd November, 2015.

The Board places on record its profound appreciation for the contributions made by Mr. Lakshmi Narasaiah Gunturu during his tenure.

Mrs. Padmaja Gangireddy was re-appointed as Managing Director for a tenure of three years i.e. from 19th April, 2016 to 18th April, 2019 vide a resolution passed by the Board of Directors in the meeting held on April 14, 2016 subject to approval by a resolution at the ensuing Annual General Meeting

12.1 Rotation of Directors:

As per Section 152 (6) (a) of Companies Act, 2013, not less than two-thirds of the total number of directors should retire by rotation, at every AGM.

For the purpose of this section, it is explained that the total number of directors to retire by rotation shall not include "Independent Directors".

Since the Company consists of seven Directors, of which four are Independent Directors, one is Managing Director and two are Nominee Directors, hence, no Director retires by rotation. The Company is in the process of expanding its Board Strength.

12.2 Declaration by Independent Directors:

The Company has received 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.

12.3 Key Managerial Personnel:

The following changes in Key Managerial Personnel took place during the year.

- Mr. Ravi Varma Pakalapati resigned as Chief Financial Officer w.e.f 15th July, 2015.
- Mr. Ramnath Krishnan was appointed as the Chief Financial Officer w.e.f 30th July, 2015 and resigned w.e.f

14th September, 2015

- Mrs. Padmaja Gangireddy was re-appointed as Managing Director for a tenure of three years i.e. from 19th April, 2016 to 18th April, 2019 vide a resolution passed by the Board of Directors in the meeting held on April 14, 2016 subject to approval by a resolution at the ensuing Annual General Meeting.

13. Particulars of Employees and Related Disclosures

The information required under Section 197 of the Act read with rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

Name of the Employee and Age	Mrs. G. Padmaja Reddy. 48 years
Designation & Nature of duties	Managing Director
Nature of Employment	Contractual
Qualification & Experience	BCJ, MBA, >20 years
Remuneration p.a.	2,78,43,750
Date of Commencement of employment	19-Apr-2003
Last Employment	Director of Spandana Rural and Urban Development Organization

Employed throughout the year and in receipt of remuneration of Rs. 1,02,00,000/- per year and above:

14. 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.

Director's Report

Details of the Board Committees and other related information are provided here under:

Name of the Committee	Members
Audit, Compliance & Corporate Governance Committee	1. Mr. P S Prasad 2. Mr. Madhava Rao 3. Ms. Abanti Mitra 4. Mr. S Ramakrishnan
Remuneration & Nomination Committee	1. Mrs. Padmaja Gangireddy 2. Ms. Abanti Mitra 3. Mr. P S Prasad 4. Mr. Madhava Rao
Risk & Fraud Control and Monitoring Committee	1. Mrs. Padmaja Gangireddy 2. Mr. P S Prasad 3. Mr. Gopala Reddy 4. Mr. Natarajan Ranganathan
Asset Liability Management & Credit Policy Committee	1. Mrs. Padmaja Gangireddy 2. Mr. Madhava Rao 3. Mr. Gopala Reddy
Product, Process & Grievance Redressal Committee	1. Mrs. Padmaja Gangireddy 2. Ms. Abanti Mitra 3. Mr. P S Prasad
Asset Sale Committee	1. Mrs. Padmaja Gangireddy 2. Mr. Madhava Rao 3. Mr. Gopala Reddy
Executive Committee	1. Mrs. Padmaja Gangireddy 2. Ms. Gopala Reddy 3. Mr. Madhava Rao
Corporate Social Responsibility Committee	1. Mrs. Padmaja Gangireddy 2. Ms. Abanti Mitra 3. Mr. Gopala Reddy

14.1 Number of meetings of the Board of Directors:

Four board meetings were held during the financial year 2015-2016. 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
22nd July, 2015	6	4
30th July, 2015	6	5
24th November, 2015	6	5
26th February, 2016	7	6

14.2 Nomination and Remuneration Committee

The Company has constituted the Committee comprising of 4 Members namely Ms. Padmaja Gangireddy, Mr. P. S Prasad, Mr. Madhava Rao and Ms. Abanti Mitra.

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 key objectives of the committee enumerated in the policy include:

- 1.1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- 1.2. 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 Directors, key managerial personnel and other employees.
- 1.3. Formulation of criteria for evaluation of Independent Director and the Board.
- 1.4. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- 1.5. To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- 1.6. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- 1.7. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 1.8. To develop a succession plan for the Board and to regularly review the plan.
- 1.9. To assist the Board in fulfilling responsibilities.
- 1.10 To Implement and monitor policies and processes regarding principles of corporate governance.
- 1.11 To ensure implementation of fit and proper criteria for the appointment of directors and on a continuing basis.

15. 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



Director's Report

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.

16. Particulars of Loans, Guarantees or Investments Under Section 186

Your Company had not advanced any loan, guarantees or investments under section 186 during the year 2015-16.

17. Particulars of Contracts or Arrangements with Related Parties:

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 -C to this Report.

18. Risk Management Policy

Your Company is engaged in the business of micro finance providing small value unsecured loans to low-income clientele in urban and rural areas. Your Company has established a reasonably fair risk management policy. There are periodic reviews at the board level to manage, monitor and report the principal risks and uncertainties that can impact the ability of the company to achieve its objectives.

19. Directors' Responsibility Statement

In accordance with the clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, the Directors of your

Company hereby state that:-

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis.
- proper systems were devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

20. Future Outlook

The Company has been making all sorts of efforts to improve its balance sheet position and to meet the NOF and CRAR compliances. The Company is in discussion with lenders on various options. The company has also submitted a settlement proposal with all its lenders and obtained approval from 36 lenders out of 37. The CDR EG has exited Company from CDR mechanism subject to implementation of the terms and conditions as stipulated in settlement proposal.

21. 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/-
Place: Hyderabad	Padmaja Gangireddy	Gopala Reddy A
Date: 07.07.2016	Managing Director	Director
	DIN: 00004842	DIN: 02873035

Director's Report

Annexure A

Form No. MR-3

Secretarial Audit Report

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration 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.

I 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 me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my 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, I hereby report that in my opinion, the Company has, during the audit period covering the "Financial Year" ended on March 31st, 2016, (i.e from April 01st, 2015 to March 31st, 2016) 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:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31st, 2016 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 Company being unlisted, the Regulations and Guidelines prescribed under Securities and Exchange Board of India (SEBI) are not applicable.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI).
- (ii) The Company being unlisted, the Listing Norms under SEBI are not applicable.

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

I 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.

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

Adequate notice is given to all directors to schedule the board meetings, agenda and detailed notes on agenda were sent 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.



Director's Report

Majority of decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the respective meetings. I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

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

- Conducted 4 (four) Board Meetings on 22nd July 2015, 30th July 2015, 24th November 2015, and 26th February 2016.
- Conducted 3 (three) Audit Committee Meetings on 30th July 2015, 24th November 2015 and 26th February 2016.
- Conducted the meetings of Asset Sale Committee, Executive Committee, Risk & Fraud Control and Monitoring Committee, Product Process and Grievance Redressal Committee, Audit Compliance & Corporate Governance Committee and Remuneration & Nomination Committee.
- The 12th Annual General Meeting of the Company was held on 30th September, 2015.
- There was no fresh issue of equity shares during the financial year 2015-16.
- The following appointments were made during the year on the Board :
 1. Mr. Ramnath Krishnan was appointed as the Chief Financial Officer w.e.f 30th July, 2015.
 2. Mr. Sundaram Ramakrishnan was appointed as the Nominee Director w.e.f 24th September, 2015.
 3. Mr. Natarajan Ranganathan was appointed as the Nominee Director w.e.f 8th February, 2016.
- **The following resignations have taken place during the financial year 2015-16:**
 1. Mr. Ravi Varma Pakalapati resigned as the Chief Financial Officer w.e.f 15th July, 2015
 2. Mr. Lakshmi Narasaiah Gunturu resigned as the Director w.e.f 22nd November, 2015.
 3. Mr. Ramnath Krishnan resigned as the Chief Financial Officer w.e.f 14th September, 2015.

- Related Party Transactions were carried out based on necessary approvals.

The charges satisfied by the Company for the F.Y 2015-16 are as follows:

Name of the Lender	Amount (in Rs)	Type	CHG-4 (satisfaction) filed on
Citi Bank N.A.	24,00,00,000	Book Debts	29/06/2015
Citi Bank N.A.	97,00,00,000	Book Debts	29/06/2015

Place: Hyderabad

Date: 14.06.2016

Sd/-

Y. Ravi Prasada Reddy
Company Secretary



Director's Report

Annexure B

Form No. MGT 9

Extract of Annual Return

As on financial year ended on 31.03.2016

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company
(Management & Administration) Rules, 2014.

I. Registration & Other Details:		
1	CIN	U65929TG2003PLC040648
2	Registration Date	10/03/2003
3	Name of the Company	Spandana Sphoorty Financial Limited
4	Category/Sub-category of the Company	Company Limited by shares Indian Non- Government Company
5	Address of the Registered office & contact details	Plot No: - 31 & 32, Ramky Selenium Towers, Tower A Ground Floor, Financial Dist, Nanakramguda, Hyderabad, Telengana- 500032
6	Whether listed company	Unlisted
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Karvy Computershare Private Limited Karvy Selenium, Tower- B, Plot No 31 & 32., Financial district, Nanakramguda, Serilingampally Mandal, Hyderabad, 500032, India. Tel: +91 04 67161500. Toll Free No: 18003454001. Email Id : einward.ris@karvy.com

II. Principal Business Activities of the Company

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Financial service activities, except insurance and pension funding	6499	100

III. Particulars of Holding, Subsidiary and Associate Companies

Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
N.A.	N.A.	N.A.	N.A.	N.A.

IV. Share Holding Pattern

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2015]				No. of Shares held at the end of the year [As on 31-March-2016]			
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares
A. Promoters								
(1) Indian								
a) Individual/ HUF	7,673,489	-	7,673,489	37.65%	7,673,489	755	7,674,244	37.65%
b) Central Govt	-	-	-	0.00%	-	-	-	0.00%
c) State Govt(s)	-	-	-	0.00%	-	-	-	0.00%
d) Bodies Corp.	-	-	-	0.00%	-	-	-	0.00%
e) Banks / FI	-	-	-	0.00%	-	-	-	0.00%
f) Any other	-	-	-	0.00%	-	-	-	0.00%
Sub Total (A) (1)	7,673,489	-	7,673,489	37.65%	7,673,489	755	7,674,244	37.65%
(2) Foreign								
a) NRI Individuals	-	-	-	0.00%	-	-	-	0.00%
b) Other Individuals	-	-	-	0.00%	-	-	-	0.00%
c) Bodies Corp.	-	-	-	0.00%	-	-	-	0.00%
d) Any other	-	-	-	0.00%	-	-	-	0.00%
Sub Total (A) (2)	-	-	-	0.00%	-	-	-	0.00%
TOTAL (A)	7,673,489	-	7,673,489	37.65%	7,673,489	755	7,674,244	37.65%
B. Public Shareholding								
1. Institutions								
a) Mutual Funds	-	-	-	0.00%	-	-	-	0.00%
b) Banks / FI	-	50,000	50,000	0.25%	-	50,000	50,000	0.25%
c) Central Govt	-	-	-	0.00%	-	-	-	0.00%
d) State Govt(s)	-	-	-	0.00%	-	-	-	0.00%
e) Venture Capital Funds	-	-	-	0.00%	-	-	-	0.00%
f) Insurance Companies	-	-	-	0.00%	-	-	-	0.00%
g) FIs	654,998	5,162,118	5,817,116	28.54%	654,998	5,162,118	5,817,116	28.54%
h) Foreign Venture Capital Funds	-	-	-	0.00%	-	-	-	0.00%
i) Others (specify)	6,582,276	-	6,582,276	32.30%	6,582,276	-	6,582,276	32.30%
Sub-total (B)(1):-	7,237,274	5,212,118	12,449,392	61.08%	7,237,274	5,212,118	12,449,392	61.08%
2. Non-Institutions								
a) Bodies Corp.								
i) Indian	-	-	-	0.00%	-	-	-	0.00%
ii) Overseas	-	-	-	0.00%	-	-	-	0.00%
b) Individuals								
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	6,843	10,755	17,598	0.9%	6843	10,000	16,843	0.8%
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	228,788	11,500	240,288	1.18%	228,788	11,500	240,288	1.18%
c) Others (specify)								
Non Resident Indians	-	-	-	0.00%	-	-	-	0.00%
Overseas Corporate Bodies	-	-	-	0.00%	-	-	-	0.00%
Foreign Nationals	-	-	-	0.00%	-	-	-	0.00%
Clearing Members	-	-	-	0.00%	-	-	-	0.00%
Trusts	-	-	-	0.00%	-	-	-	0.00%
Foreign Bodies - D R	-	-	-	0.00%	-	-	-	0.00%
Sub-total (B)(2):-	235,631	22,255	257,886	1.27%	235,631	21,500	257,131	1.26%
Total Public (B)	7,472,905	5,234,373	12,707,278	62.35%	7,472,905	5,233,618	12,706,523	62.35%
C. Shares held by Custodian for GDRs & ADRs	-	-	-	0.00%	-	-	-	0.00%
Grand Total (A+B+C)	15,146,394	5,234,373	20,380,767	100.00%	15,146,394	5,234,373	20,380,767	100.00%

Director's Report

(ii) Shareholding of Promoters

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year		
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares
1	Padmaja Gangireddy	6,193,506	30.39%	0	6,194,261	30.39%	0
2	Vijaya Siva Rami Reddy Vendidandi	1,479,983	7.26%	0	1,479,983	7.26%	0

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

SN	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year
				No. of shares	% of total shares	No. of shares
1	At the beginning of the year	01/04/2015		7,673,489	37.65%	
2	Changes during the year	30/01/2016	Transfer	755	0.00%	
3	At the end of the year	31/03/2016		7,674,244	37.65%	7,674,244





Director's Report

(iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

SN	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year
				No. of shares	% of total shares	No. of shares
1	JM Financial Trustee Co. Pvt. Ltd					
	At the beginning of the year	01/4/2015		6,582,276	32.30%	
	Changes during the year			-	0.00%	
	At the end of the year	31/03/2016		6,582,276	32.30%	6,582,276
2	Valiant Mauritius Partners FDI Ltd					
	At the beginning of the year	01/04/2015		3,981,780	19.54%	
	Changes during the year			-	0.00%	
	At the end of the year	31/03/2016		3,981,780	19.54%	3,981,780
3	Helion Venture Partners LLC					
	At the beginning of the year	01/04/2015		731,136	3.59%	
	Changes during the year			-	0.00%	-
	At the end of the year	30/03/2016		731,136	3.59%	731,136
4	Helion Venture Partners II LLC					
	At the beginning of the year	01/04/2015		785,135	3.85%	
	Changes during the year			-	0.00%	
	At the end of the year	30/03/2016		785,135	3.85%	785,135
5	LOK Capital LLC					
	At the beginning of the year	01/04/2015		319,065	1.57%	
	Changes during the year			-	0.00%	
	At the end of the year	30/03/2016		319,065	1.57%	319,065
6	Koteswaramma Enumula					
	At the beginning of the year	01/04/2015		228,788	1.12%	
	Changes during the year			-	0.00%	
	At the end of the year	30/03/2016		228,788	1.12%	228,788
7	SIDBI					
	At the beginning of the year	01/04/2015		50,000	0.25%	
	Changes during the year			-	0.00%	
	At the end of the year	30/03/2016		50,000	0.25%	50,000
8	Venkata Ramanareddy Godi					
	At the beginning of the year	01/04/2015		11,500	0.06%	
	Changes during the year			-	0.00%	
	At the end of the year	30/03/2016		11,500	0.06%	11,500
9	Bala Deepti Gangireddy					
	At the beginning of the year	01/04/2015		10,000	0.05%	
	Changes during the year			-	0.00%	
	At the end of the year	30/03/2016		10,000	0.05%	10,000
10	Reddymasu Rajasekhar					
	At the beginning of the year	01/04/2015		6,843	0.03%	
	Changes during the year			-	0.00%	
	At the end of the year	30/03/2016		6,843	0.03%	6,843

Director's Report

(v) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Padmaja Gangireddy						
	At the beginning of the year	01/04/2015		6,193,506	30.39%		0.00%
	Changes during the year	30/01/2016	Transfer	755	0.00%		0.00%
	At the end of the year	31/03/2016		6,194,261	30.39%	6,194,261	30.39%

V. Indebtedness

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

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	102,323.07	-	-	102,323.07
ii) Interest due but not paid	4,838.33	-	-	4,838.33
iii) Interest accrued but not due	286.27	-	-	286.27
Total (i+ii+iii)	107,447.67	-	-	107,447.67
Change in Indebtedness during the financial year				
* Addition	37,738.31	-	-	37,738.31
* Reduction	46,772.54	-	-	46,772.54
Net Change	84,510.84	-	-	84,510.84
Indebtedness at the end of the financial year				
i) Principal Amount	91,879.63	-	-	91,879.63
ii) Interest due but not paid	6,501.82	-	-	6,501.82
iii) Interest accrued but not due	32.00	-	-	32.00
Total (i+ii+iii)	98,413.45	-	-	98,413.45



Director's Report

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

SN.	Particulars of Remuneration	Name of Director	Total Amount
		Padmaja Gangireddy	(Rs/Lac)
		Designation: Managing Director	
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	270.00	270.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		-
2	Stock Option		-
3	Sweat Equity		-
4	Commission		-
	- as % of profit	-	-
	- others, specify	-	-
5	Others, please specify	-	-
	Total (A)	270.00	270.00
	Ceiling as per the Act		1,216.94

B. Remuneration to other Directors

SN.	Particulars of Remuneration	Name of Directors							Total Amount (Rs/Lac)
		Perur Seshappa Prasad	Natarajan Ranganathan	Madhava Potturi	Abanti Mitra	Sundaram Ramakrishnan	Lakshmi Narsiah	Annapurna Gopala Reddy	
1	Independent Directors								
	Fee for attending board committee meetings	3.20	-	2.60	2.60	-	-	2.40	10.80
	Commission	-	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-
	Total (1)	3.20	-	2.60	2.60	-	-	2.40	10.80
2	Other Non-Executive Directors								-
	Fee for attending board committee meetings	-	-	-	-	-	-	-	-
	Commission	-	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-	-	-
	Total (B)=(1+2)	3.20	-	2.60					10.80
	Total Managerial Remuneration								280.80
	Overall Ceiling as per the Act								2,677.27



Director's Report

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

SN.	Particulars of Remuneration	Name of Key Managerial Personnel			Total Amount (Rs/Lac)
			Ramnath Krishnan		
		CEO	CFO	CS	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	4.86	-	4.86
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission				
	- as % of profit	-	-	-	-
	- others, specify	-	-	-	-
5	Others, please specify	-	-	-	-
	Total	-	4.86	-	4.86

VII. Penalties / Punishment/ Compounding of Offences:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY:					
Penalty	N.A.	N.A.	N.A.	N.A.	None
Punishment	N.A.	N.A.	N.A.	N.A.	None
Compounding	Section 55 (2) (a) of the Companies Act, 2013	The company filed for ratification with the appropriate authorities for the OCCRPS redemption carried out during the FY 2013/14 and 2014/15 for having contravened the laws and rules applicable	Rs. 10000 per year	RD	Appeal was made to RD for compounding of the offence made under relevant provisions of the Companies Act, 2013

B. DIRECTORS

Penalty		N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	None
Punishment		N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	None
Compounding		N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	None
C. OTHER OFFICERS IN DEFAULT									
Penalty		N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	None
Punishment		N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	None
Compounding		N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	None

Director's Report

Annexure C
Form No. AOC-2
Extract of Annual Return
As on financial year ended on 31.03.2016

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: NIL

(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 Organization (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. 5,74,350. b) Total area of 12,684 sq.ft at a monthly rental of Rs. 1,08,918.
	(e)	Amount paid as advances, if any:	Rs. 30,89,586 as rent advance

Director's Report

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
	(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 (scanners), Reimbursement of expenses.
	(e)	Amount paid as advances, if any:	Nil

2c	(a)	Name(s) of the related party and nature of relationship:	Criss Financial Holdings Limited - Enterprises where key managerial personnel exercise significant influence
	(b)	Nature of contracts/arrangements/transactions:	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:	Reimbursement of expenses, Payment towards portfolio purchased.
	(e)	Amount paid as advances, if any:	Nil

2d	(a)	Name(s) of the related party and nature of relationship:	Mrs. Padmaja Gangireddy - Key Managerial Person
	(b)	Nature of contracts/arrangements/transactions:	Rent , Shared Services Cost and Managerial Remuneration
	(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 – 1301 sq.ft at a monthly rent of 18,000/- b) Total area – 1336 sq.ft at a monthly rental of 24,200/- c) Remuneration
	(e)	Amount paid as advances, if any:	Rs. 1,14,000 as security deposit



Director's Report

2e	(a)	Name(s) of the related party and nature of relationship:	Spandana Employee Welfare Trust (SEWT) - Enterprises where key managerial personnel exercise significant influence
	(b)	Nature of contracts/arrangements/transactions:	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:	Reimbursement of expenses to Spandana
	(e)	Amount paid as advances, if any:	Nil

2f	(a)	Name(s) of the related party and nature of relationship:	Spandana Mutual Benefit Trust (SMBT) - Enterprises where key managerial personnel exercise significant influence
	(b)	Nature of contracts/arrangements/transactions:	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:	Reimbursement of expenses to Spandana
	(e)	Amount paid as advances, if any:	Nil

For & on behalf of the Board of Directors

Sd/-
Padmaja Gangireddy
Managing Director
DIN: 00004842

Sd/-
Gopala Reddy A
Director
DIN: 02873035





Auditor's Report

Independent Auditor's Report

To the Members of Spandana Sphoorty Financial Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Spandana Sphoorty Financial Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, its profit, and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;



Auditor's Report

- (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 2 to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 4.29 to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company

For S.R. BATLIBOI & CO. LLP

ICAI Firm's Registration Number: 301003E/E300005

Chartered Accountants

Sd/-

per Viren H. Mehta

Partner

Membership No.: 048749

Mumbai

July 7, 2016

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

Re: SpandanaSphoorty Financial Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
 - (c) According to the information and explanations given by the management, the title deeds of immovable properties included in fixed assets are held in the name of the company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company and hence not commented upon.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the products/services of the Company.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other material 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, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.



Auditor's Report

(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	8,000,000	Financial years 2006-07 to 2011-12	Customs Excise & Service Tax Appellate Tribunal ('CESTAT')

* Excluding interest and penalty, as applicable.

**The Company has paid this amount under protest.

(viii) According to the information and explanations given by the management, the Company has delayed in repayment of dues to financial institutions and banks during the year aggregating Rs.7,535,797,115and Rs.3,258,512,178of such dues were in arrears as on the balance sheet date. The lender wise details are tabulated as under:

Particulars	Overdues as of Balance Sheet date (Rs.)	Delay in Repayment since*
Andhra Bank	73,927,512	15-Aug-15
Axis Bank	54,460,448	15-Oct-15
Bank of Baroda	45,684,654	15-Nov-14
Bank of India	17,487,791	30-Jun-15
BNP Paribas	35,763,412	31-Mar-12
Central Bank of India	123,706,471	31-Oct-15
Corporation Bank	42,272,229	31-Jul-15
Dhanalakshmi Bank	1,655,376	15-Nov-14
HDFC Bank	122,463,059	15-Aug-15
HSBC Bank	29,572,949	15-Feb-15
ICICI Bank	315,255,902	15-Dec-15
IDBI Bank	158,218,834	15-Jul-15
Indian Overseas Bank	211,590,353	31-Jul-15
Indian Overseas Bank	101,705,834	15-Jan-15
IndusInd Bank	53,033,477	30-Nov-15
Kotak Mahindra Bank	49,185,281	15-Sep-15
Jammu & Kashmir Bank	48,010,799	15-Dec-15
Karnataka Bank	8,823,899	15-Oct-15
KarurVysya Bank	5,042,971	15-Feb-14
Lakshmi Vilas Bank	2,499,621	31-Dec-15
Manaveeya Holdings Private Limited	28,368,864	15-Feb-15
Oriental Bank of Commerce	20,625,223	15-Sep-15
Punjab and Sind Bank	91,340,447	31-Dec-15
Punjab National Bank	205,856,074	31-Aug-15
Rabo India Finance	50,306,314	15-Jan-15
SIDBI	374,054,927	15-Dec-15
South Indian Bank	64,991,769	15-May-15
Standard Chartered Bank	188,556,909	15-Jun-15
State Bank of Hyderabad	36,826,862	15-Oct-15
State Bank of Mysore	38,697,165	15-Feb-14
State Bank of Patiala	30,166,223	15-Oct-15
State Bank of Travancore	82,934,798	15-Jul-15
Syndicate Bank	338,448,524	15-Feb-15
Tata Capital Limited	82,057,490	31-Oct-15
Vijaya Bank	66,553,712	15-Feb-15
Yes Bank	58,366,005	15-Dec-15
Total	3,258,512,178	

* Date since principal or interest is overdue



Auditor's Report

- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer or further public offer, hence not commented upon.
- Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or 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 not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

For S.R. BATLIBOI & CO. LLP

ICAI Firm's Registration Number: 301003E/E300005

Chartered Accountants

Sd/-

per Viren H. Mehta

Partner

Membership No.: 048749

Mumbai

July 7, 2016



Auditor's Report

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

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

To the Members of SpandanaSphoorty Financial Limited

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

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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



Auditor's Report

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

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

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

Sd/-
per Viren H. Mehta
Partner
Membership No.: 048749
Mumbai
July 7, 2016





Auditor's Report

Balance sheet as at March 31, 2016

	Notes	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)
Equity and liabilities			
Shareholders' funds			
Share capital	4.1	8,113,884,880	8,279,965,760
Reserves and surplus	4.2	(6,272,989,319)	(8,641,815,526)
		1,840,895,561	(361,849,766)
Non-current liabilities			
Long-term borrowings	4.3		3,752,492,541
Other long term liabilities	4.4	17,636,235	652,053,628
Long-term provisions	4.5	8,001,321,483	10,541,467,949
		8,018,957,718	14,946,014,118
Current liabilities			
Other current liabilities	4.6	11,023,610,091	8,828,194,542
Short-term provisions	4.5	115,482,854	112,339,460
		11,139,092,945	8,940,534,002
TOTAL		20,998,946,224	23,524,698,354
Assets			
Non-current assets			
Fixed assets			
Tangible fixed assets	4.7.1	121,778,187	42,666,604
Intangible fixed assets	4.7.2	22,905,744	13,272,266
Capital work-in-progress	4.7.3	-	55,941,594
Non-current investments	4.8	1,000,000	1,000,000
Loan portfolio	4.9	8,514,643,108	11,472,590,143
Other long-term loans and advances	4.10	170,776,179	179,644,217
Other non-current assets	4.11	20,878,017	32,944,921
		8,851,981,235	11,798,059,745
Current assets			
Trade receivables	4.12	18,339,713	18,566,498
Cash and bank balances	4.13	353,264,361	590,899,870
Loan portfolio	4.9	11,673,626,443	10,989,375,021
Other short-term loans and advances	4.10	14,846,600	30,256,132
Other current assets	4.11	86,887,872	97,541,088
		12,146,964,989	11,726,638,609
TOTAL		20,998,946,224	23,524,698,354
Summary of significant accounting policies	3.1		
The accompanying notes are an integral part of the financial statements			

As per our report of even date

For S. R. BATLIBOI & CO. LLP
ICAI Firm registration number : 301003E
Chartered Accountants

Sd/-
per Viren H. Mehta
Partner

Membership No.048749
Place: Mumbai
Date: July 7th, 2016

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

Sd/-
Padmaja Gangireddy
Managing Director

Sd/-
Santosh Kumar Jha
Company Secretary

Sd/-
Madhava Rao P
Director



Auditor's Report

Statement of Profit and Loss for the Year ended March 31, 2016

	Notes	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)
Revenue			
Revenue from operations	4.14	3,438,618,524	3,019,717,136
Other income	4.15	1,288,388,422	234,351,144
Total revenue (I)		4,727,006,946	3,254,068,280
Expenses			
Employee benefit expenses	4.16	570,872,217	709,381,102
Finance cost	4.17	1,294,402,490	1,117,750,723
Other expenses	4.18	285,546,655	289,962,341
Depreciation and amortization expense	4.7	37,011,072	33,130,234
Provision and write offs	4.19	106,821,766	50,525,032
Total expenses (II)		2,294,654,200	2,200,749,432
Profit before tax (III) = (I)-(II)		2,432,352,746	1,053,318,848
Tax expenses:		-	-
Current tax		-	-
Deferred tax		-	-
Adjustment of tax relating to earlier periods		-	7,832,394
Profit for the year		2,432,352,746	1,045,486,454
The accompanying notes are an integral part of the financial statements			
Earnings per share		119.35	51.61
Basic (computed on the basis of total profit for the year)	4.21	2.94	1.16
Diluted (computed on the basis of total profit for the year)	4.21	10.00	10.00
Nominal value			
Summary of significant accounting policies	3.1		
The accompanying notes are an integral part of the financial statements			

As per our report of even date

For S. R. BATLIBOI & CO. LLP
ICAI Firm registration number : 301003E
Chartered Accountants

Sd/-
per Viren H. Mehta
Partner
Membership No.048749

Sd/-
Padmaja Gangireddy
Managing Director

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

Sd/-
Gopal Reddy A
Director



Auditor's Report

Cash flow statement for the period ended March 31, 2016

	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)
Cash flow from operating activities		
Profit before tax	2,432,352,746	1,053,318,848
Adjustments to reconcile profit before tax to net cash flows:		
Income recognized on SIDBI grant	-	(7,000,000)
Depreciation and amortization	37,011,072	33,130,234
of ancillary borrowing cost (Profit) / loss on sale of fixed assets	20,363,239	9,586,066
Contingent provision against standard assets	9,458,637	(793,486)
Excess provision for non-performing assets	109,267	30,243,367
Portfolio loans written off	(2,537,023,660)	(1,527,313,446)
Loss on assigned loans	2,643,736,159	1,407,595,111
Dividend from mutual funds	-	140,000,000
Excess provisions no longer required	(4,629,094)	(4,735,166)
Other provisions and write offs	(1,246,242,139)	(189,608,693)
Unrealized foreign exchange loss	33,781,048	11,182,047
	350,871	1,079,261
Operating profit before working capital changes	1,389,268,147	956,684,143
Movements in working capital :		
Increase / (decrease) in other current liabilities	762,278,033	80,221,065
Increase / (decrease) in other long term liabilities	(634,417,393)	(28,364,114)
Decrease / (increase) in trade receivables	226,785	(16,953,318)
Decrease / (increase) in loans and advances	(381,706,854)	(2,818,623,273)
Decrease / (increase) in other current and non-current assets	4,068,632	2,826,314
Cash generated from / (used in) operations	1,139,717,349	(1,824,209,183)
(Direct taxes paid) / Refunds	(362,618)	5,665,166
Net cash flow (used in) / from operating activities (A)	1,139,354,731	(1,818,544,017)
Cash flows from investing activities		
Purchase of fixed assets (including capital work in progress and capital advances)	(104,073,333)	(77,583,411)
Proceeds from sale of fixed assets	5,447,740	1,140,083
Purchase of current investments	(1,790,000,000)	(2,690,000,000)
Sale of current investments	1,790,000,000	2,690,000,000
Dividend from mutual funds	4,629,094	4,735,166
Margin money deposits (net)	(1,711,751)	1,533,688
Net cash flow (used in) / from investing activities (B)	(95,708,250)	(70,174,474)
Cash flows from financing activities		
Redemption of OCCRPS (including premium on redemption)	(700,404,599)	(1,065,043,356)
Proceeds from issue of equity shares	-	50,000,000
Repayment of long-term borrowings	(4,160,715,651)	(3,111,048,638)
Receipt of long-term borrowings	3,579,838,260	6,372,956,548
Receipt of short-term borrowings	-	60,000,000
Repayment of short-term borrowings	-	(85,000,000)
Net cash flow from / (used in) financing activities (C)	(1,281,281,990)	2,221,864,554
Net decrease in cash and cash equivalents (A + B + C)	(237,635,509)	333,146,062
Cash and cash equivalents at the beginning of the year	590,899,870	257,753,808
Cash and cash equivalents at the end of the year (refer note 4.13)	353,264,361	590,899,870
Summary of significant accounting policies	3.1	
The accompanying notes are an integral part of the financial statements		

As per our report of even date

For S. R. BATLIBOI & CO. LLP

ICAI Firm registration number : 301003E

Chartered Accountants

Sd/-

per Viren H. Mehta

Partner

Membership No.048749

Place: Mumbai

Date: July 7th, 2016

Sd/-

Padmaja Gangireddy

Managing Director

Place : Hyderabad

Date July 7th, 2016

Sd/-

Gopal Reddy A

Director

Sd-

Santosh Kumar Jha

Company Secretary

Auditor's Report

1. Corporate information

Spandana Sphoorty Financial Limited ("SSFL" or the Company) is a public company domiciled in India and incorporated under the provision of the Companies Act, 1956 (the Act) 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 has got classified as Non-Banking Financial Company – Micro Financial Institution (NBFC – MFI) effective April 13, 2015.

The Company is engaged in the business of micro finance providing small value unsecured loans to low-income clientele in urban and rural areas. The tenure of these loans is generally spread over one to two years. The Company provides individual loans, small business loans, tractor loans and loans against gold as collateral.

2. Regulatory and Company updates

a) The Government of Andhra Pradesh promulgated "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Ordinance 2010" on October 15, 2010, subsequently enacted the same as "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Act, 2011 (Act 1 of 2011)" on December 31, 2010 and notified by Gazette on January 1, 2011 ('AP MFI Act'). In compliance with the said Ordinance/Act, the frequency of the JLG loan repayments in the state of Andhra Pradesh changed from a 'weekly' to a 'monthly' basis.

These directions significantly affected the recoveries for all MFIs in Andhra Pradesh, including the Company, which had a serious impact of the Company's ability to continue its operations in Andhra Pradesh. Though the AP MFI Act did not directly affect the operations in other states, the additional funding from the financial institutions was severely restricted. As a result, the Company incurred substantial losses in the previous financial years and faced liquidity constraints for servicing its loan borrowings.

b) Therefore, the Company entered into a Master Restructuring Agreement (MRA) under the Corporate Debt Restructuring (CDR) arrangement with its lenders on September 24, 2011 (refer to notes 4.1 and 4.3 for details of the CDR package).

c) Further, due to the losses incurred, the Company was unable to maintain the minimum amount of net owned funds ("NOF"), 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"). Also, the Capital to Risk Assets Ratio ("CRAR") of the Company reduced below the minimum percentage prescribed by the RBI.

d) In view of the challenges being faced by the Company, the RBI had given an exemption to the Company for not maintaining minimum NOF and a regulatory forbearance for not maintaining minimum CRAR for a period of two years till March 31, 2016.

e) In order to comply with the NOF and CRAR requirements by March 31, 2016, the Company proposed a plan to the CDR – Empowered Group ("CDR-EG") and lenders for pre-closure of its debt and exit from CDR. The said proposal, salient features of which are as given below, has been approved by the CDR-EG vide sanction letter dated February 25, 2016:

- The Company would identify and engage with a bank („the Investor") willing to purchase the standard/ performing loan portfolio of the Company in the states other than Andhra Pradesh and Telangana, through a direct assignment transaction.
- The Investor would also provide a term loan equivalent of the amount of standard loan portfolio not eligible for direct assignment under "minimum holding period" criteria.
- Utilising the proceeds from direct assignment and term loan, the Company would pre-close the outstanding debt (comprising restructured term loans and priority debt) and settle all overdues (including interest and other charges) accrued upto repayment date.
- The investor would acquire all outstanding Optionally Convertible Cumulative Redeemable Preference Shares ("OCCRPS") from the existing OCCRP holders at an agreed discount to the face value. The OCCRP holders would waive the accrued redemption premium with no further premium payable post March 31, 2016.

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- Thereafter, the Company shall file a scheme of capital reduction under the relevant provisions of the Companies Act whereby the face value of the OCCRPS shall stand reduced with a corresponding credit to the capital reduction account such that it supports in complying with minimum NOF and CRAR criteria, subject to stipulations of the scheme.

f) Although, the above proposal has received the consent of the CDR-EG as at March 31, 2016, the transaction is expected to be accomplished in the period subsequent to balance sheet date. Since the forbearance granted by RBI for non-maintenance of minimum NOF and CRAR was valid till March 31, 2016, the Company has sought and obtained an extension of the regulatory forbearance for a further period of six months up to September 30, 2016 from the RBI vide its letter dated June 2, 2016.

3. Basis of preparation

a) The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under section 133 of Companies Act, 2013 (the "Act"), read with Rule 7 of Companies (Accounts) Rules, 2014 and provisions of the RBI as applicable to a NBFC-MFI and Systemically Important NBFC-ND (NBFC-ND-SI). The financial statements have been prepared on an accrual basis and under historical cost convention, except as detailed in note 3.1.

As mentioned above, the NOF and CRAR as at March 31, 2016 continues to be lower than the minimum threshold prescribed by the RBI. However, the RBI has granted a further extension of the regulatory forbearance till September 30, 2016. The proposed transaction, described in note 2(e) above, is expected to materialize before expiry of such extended period of regulatory forbearance.

Further, the Company has a plan approved by the CDR-EG for exit from CDR within next twelve months, which would help the Company bring the business back to normalcy. The Company's business projections also indicate an availability of adequate resources to sustain operations for at least twelve months following March 31, 2016.

In view of these considerations, the accompanying financial statements have been prepared on a going concern basis and no adjustments have been made to the carrying values of balance sheet accounts.

b) The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

3.1 Summary of significant accounting policies

a) Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

b) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured.

i. Interest income on loans given is recognized under the internal rate of return method.

Income or any other charges on non-performing asset is recognized only when realized and any such income recognized before the asset became non-performing and remaining unrealized is reversed.

ii. Interest income on deposits with banks is recognized on a time proportion accrual basis taking into account the amount outstanding and rate applicable.

iii. Loan processing fees collected from borrowers are recognised over the tenure of the loan on straight-line basis.

iv. Amounts received against loans written-off are recognized on receipt basis. v. All other income is recognized on an accrual basis.



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c) Tangible fixed assets

All fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price and directly attributable cost of bringing the asset to its working condition for the intended use.

d) Intangible assets

Software expenditure is capitalized in accordance with AS-26 "Intangible Assets" and amortised using the written down value method at a rate of 40% per annum.

e) Depreciation

i. Depreciation on fixed assets is provided on a written down value method at the rates arrived at 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. Fixed assets costing up to Rs.5,000 individually are fully depreciated in the year of purchase.

f) Impairment

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

g) Leases (where the Company is the lessee)

Leases where the lessor effectively retains, substantially all

the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

h) Foreign currency transactions

i. All foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction.

ii. Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.

iii. Exchange differences arising on the settlement of monetary items or on the restatement of Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognized as income or expenses in the year in which they arise.

i) Retirement and other employee benefits

i. 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 liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains and losses for defined benefit plans are recognized in full in the period in which they occur in the statement of profit and loss.

iii. 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.

j) Income taxes

i. Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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ii. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

iii. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

iv. The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which the deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

v. Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence 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 in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the MAT Credit Entitlement asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

k) Earnings per share

Basic earnings per share are 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.

l) Provisions

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not 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.

n) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and cash in hand, and short-term investments with an original maturity of three months or less.

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o) Investments

Investments, which are readily realizable and intended to be held for not more than a year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis except for investments in the units of mutual funds in the nature of current investments that have been valued at the net asset value declared by the mutual fund in respect of each particular scheme, in accordance with the NBFC Prudential Norms. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. On disposal of an investment, the difference between the carrying amount and disposal proceeds are charged or credited to the statement of profit and loss.

p) Borrowing costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Ancillary borrowing costs are amortized over the tenure of the loan on a straight line basis.

q) Classification of loan portfolio

Unsecured loan portfolio is classified as standard and non-performing assets in accordance with the NBFC-MFI Directions, as amended.

All other loans and advances are classified as standard, sub-standard, doubtful and loss assets in accordance with the Systemically Important Non – Banking financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 issued vide Notification No. DNBR (PD) CC.No.043/03.10.119/2015-16 dated July 01, 2015 (updated as on April 11, 2016) Master Circular – “Systemically Important Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015

r) Provisioning policy for loan portfolio

i. Unsecured loan portfolio is provided for in accordance with the NBFC-MFI Directions as amended from time to time. These Directions require the total provision to be higher of:

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

ii. All other loans and advances are provided for in accordance with the NBFC-ND-SI Prudential Norms. The provisioning prescribed under these norms is summarized below:

Asset classification	Rate of provision
Standard asset	0.3%
Sub-standard (NPA up to 15 months)	
- Sub-standard asset	10%
Doubtful (Sub-standard after 15 months) – (Secured)	
- Doubtful asset up to 1 year	20%
- Doubtful asset over 1 year to 3 years	30%
- Doubtful asset over 3 years	50%
- Doubtful asset not covered by realizable security – (Unsecured)	100%
Loss assets	Write off

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Notes to financial statements for the period ended March 31, 2016

(Amount in Rupees unless otherwise stated)

	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)
4.1 Share capital Authorized		
Equity shares		
900,000,000 (Previous year: 900,000,000) equity shares of Rs.10 each	9,000,000,000	9,000,000,000
Preference shares		
1,100,000,000 (Previous year: 1,100,000,000) preference shares of Rs.10 each	11,000,000,000	11,000,000,000
	20,000,000,000	20,000,000,000
Issued, subscribed and paid-up		
Equity shares		
20,380,767 (Previous year 20,380,767) equity shares of Rs.10 each fully paid up	203,807,670	203,807,670
Preference shares		
791,007,721 (Previous year: 807,615,809) 0.001% Optionally convertible cumulative redeemable preference shares (OCCRPS) of Rs.10 each fully paid up	7,910,077,210	8,076,158,090
	8,113,884,880	8,279,965,760

(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. As per the Master Restructuring Agreement ('MRA'), the Company, without prior written approval of CDR - Empowered Group, shall not declare / pay any dividend on any shares. Pursuant to MRA, the shares held by promoters are pledged against CDR lenders. 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.

(b) Terms / rights attached to OCCRPS

As per the Master Restructuring Agreement ('MRA') dated September 24, 2011 entered into with the lenders of the Company for restructuring of the total debt (net of fixed deposits) aggregating to Rs.2,163.90 crores, an amount of Rs.940.6 crores was converted into Optionally Convertible Cumulative Redeemable Preference Shares ('OCCRPS') on pro-rata basis to the lenders. Accordingly, the Company issued 906,000,000 0.001% OCCRPS of Rs.10 each as fully paid-up to the lenders in tranches upto March 31, 2015. OCCRPS carry a dividend of 0.001% p.a. and a redemption premium of 12% p.a., as specified in the MRA.

The holders of OCCRPS have an unqualified right to convert the entire / part of the outstanding amount of OCCRPS along with cumulative dividend and redemption premium into equity shares of the Company in case of occurrence of an event of default as defined in the MRA. Also, the lenders,

based upon a written request from the Company may, at their sole discretion, convert the entire / part outstanding amount of OCCRPS along with cumulative dividend, redemption premium into equity shares of the Company to enable the Company to comply with the regulatory norms regarding capital adequacy. The conversion price shall be based on the reports of two independent valuation firms appointed by the Monitoring Institution ('MI') as identified in the MRA.

Each holder of OCCRPS is entitled to one vote per share on resolutions placed before the Company, which directly affects the rights attached to the OCCRPS. 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 before conversion / redemption of OCCRPS, the holders of OCCRPS will have priority over equity shares in the payment of dividend and repayment of capital.

The OCCRPS were redeemable starting from financial year 2013-14, the amount of redemption being 5%, 10%, 15%, 15% and 55% in five years, in a manner as to yield a return of 12% p.a. to the holders of OCCRPS. However, in the current year, the Company has not redeemed OCCRPS as per the terms of the MRA in view of the ongoing proposal to settle the OCCRPS at a discount to face value. In terms of the said proposal, which is more fully described under note 2 (e), the face value of the OCCRPS will stand reduced pursuant to a scheme of capital reduction. The Company has received an in-principle approval of the CDR-EG for the proposed settlement.

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4.1 Share capital (continued)

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

Particulars	31-Mar-16		31-Mar-15	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	20,380,767	203,807,670	19,380,767	193,807,670
Issued during the year	-	-	1,000,000	10,000,000
Outstanding at the end of the year	20,380,767	203,807,670	20,380,767	203,807,670

(d) Reconciliation of the number of OCCRPS at the beginning and at the end of the year :

Particulars	31-Mar-16		31-Mar-15	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	807,615,809	8,076,158,090	893,570,000	8,935,700,000
Issued during the year	-	-	3,100,000	31,000,000
Redeemed during the year [refer note (i) and (ii) below]	16,608,088	166,080,880	89,054,191	890,541,910
Outstanding at the end of the year	791,007,721	7,910,077,210	807,615,809	8,076,158,090

Note on redemption of OCCRPS

During the year, the Company redeemed OCCRPS of Rs.209,025,000 against the total amount due for redemption of Rs.1,331,650,000 in view of the ongoing proposal for settlement of OCCRPS referred to in note 4.1 (b) above. The Company also paid an amount of Rs.233,575,000 in the current year against the amount due for redemption, but not paid, as at March 31, 2015 of Rs.276,519,120. The balance amount of Rs.42,944,120 has been reinstated as share capital from current liabilities as no further scheduled repayments are to be made towards OCCRPS. Thus, the redemption value, shown in the above table, is net of adjustment in respect of previous year unpaid dues.

The redemption of OCCRPS in the current and previous years has been made out of the profits for the respective years. Since, such profits were inadequate for setting off the accumulated brought forward losses, the redemption of OCCRPS was not in compliance with the provisions of section 55 of the Companies Act, 2013 read with rules framed thereunder. Accordingly, the Company filed an application with the Regional Director of Ministry of Company Affairs (MCA) for compounding of offence under the relevant provisions of the Companies Act in respect of the current and previous years. Pursuant to the order dated June 30, 2016 received by the Company, the offence has been compounded till March 31, 2016.

(e) Details of shareholders holding more than 5% equity shares in the Company:

Name of the shareholder	31-Mar-16		31-Mar-15	
	Number of shares	% of holding	Number of shares	% of holding
Equity shares				
JM Financial Trustee Company Private Limited	6,582,276	32.30%	6,582,876	32.30%
Padmaja Gangireddy	6,194,261	30.39%	6,193,506	30.39%
Valiant Mauritius Partners FDI Limited	3,981,780	19.54%	3,981,780	19.54%
Vijaya Sivarami Reddy Vendidandi	1,479,983	7.26%	1,479,983	7.26%

(f) Details of shareholders holding more than 5% of OCCRPS in the Company:

Name of the shareholder	31-Mar-16		31-Mar-15	
	Number of shares	% of holding	Number of shares	% of holding
ICICI Bank Limited	98,068,750	12.40%	102,595,000	12.70%
Small Industries Development Bank of India	93,155,000	11.78%	102,170,000	12.65%
Syndicate Bank	65,162,500	8.24%	68,170,000	8.44%
Industrial Development Bank of India	43,265,000	5.47%	43,265,000	5.36%

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



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Notes to financial statements for the period ended March 31, 2016

(Amount in Rupees unless otherwise stated)

4.2 Reserves and surplus	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)
Securities premium account		
Balance as per the last financial statements	824,847,785	1,264,962,000
Add: Received during the year	-	40,000,000
Less: Utilization towards premium on OCCRPS [refer note 4.2 (a)]	(63,526,540)	(480,114,215)
Closing balance	761,321,245	824,847,785
General reserve	23,280,656	23,280,656
Capital redemption reserve		
Balance as per the last financial statements	1,360,841,914	470,300,000
Add: Amount transferred from surplus in the statement of profit and loss [refer note 4.2 (b)]	166,080,880	890,541,910
Closing balance	1,526,922,794	1,360,841,910
Statutory reserve		
Balance as per the last financial statements	1,012,606,840	803,509,549
Add: Amount transferred from surplus to profit and loss	486,470,549	209,097,291
Closing balance	1,499,077,389	1,012,606,840
Surplus/(deficit) in the statement of profit and loss		
Balance as per the last financial statements	(11,863,392,720)	(11,805,668,841)
Add: Profit for the year after tax	2,432,352,746	1,045,486,454
Less: Transfer to Statutory Reserve [@ 20% of profit after tax as required by Section 45-IC of Reserve Bank of India Act, 1934]	(486,470,549)	(209,097,291)
Less: Adjustment of carrying amount of tangible assets in accordance with schedule II of Companies Act, 2013	-	(3,571,129)
Less: Transfer to Capital redemption reserve	(166,080,880)	(890,541,910)
Net deficit in the statement of profit and loss	(10,083,591,403)	(11,863,392,717)
Total reserves and surplus	(6,272,989,319)	(8,641,815,526)

(a) As mentioned under note 4.1 (b), the OCCRPS are redeemable at a premium of 12% p.a. Such premium on redemption is provided out of the balance in securities premium account. The amount of premium paid and adjusted in respect of current year redemption is Rs.74,165,523. Further, of the redemption premium provided as at March 31, 2015 of Rs.194,249,569, an amount of Rs.183,639,027 has been paid in the current year and the balance has been reinstated in the securities premium account for the reasons stated in note 4.1 (d). Thus, the utilisation of securities premium account, shown in the above table, is net of adjustment in respect of previous year unpaid dues.

Up to March 31, 2015, the amount of premium due as per MRA has been provided for out of the balance in securities premium account. However, pursuant to the approval granted by the CDR-EG, as mentioned in note 2 (e), the Company is not required to make any payment of redemption premium subsequent to March 31, 2016. Also, no further redemption of OCCRPS is possible in the absence of adequate profits, post compounding of non-compliance with section 55 of the Companies Act, 2013 referred to in 4.1 (d).

Considering the factors mentioned above, the amount of premium due in the current year of Rs.975,958,058 has not been provided for.

(b) In accordance with section 55 of the Companies Act, 2013, the Company has transferred an amount equivalent of the nominal value of OCCRPS redeemed during the year, to the Capital Redemption Reserve. Also refer note 4.1 (d).

(c) Since the opening reserves of the Company are negative, the Company is not eligible to declare any dividend in terms of section 123 of Companies Act, 2013 read with the rules framed there under. Hence, no appropriation has been made towards the dividend payable on the OCCRPS for the current financial year. The Company has sought an approval from the Ministry of Corporate Affairs („MCA“) for payment of dividend on the OCCRPS which is awaited as at March 31, 2016. The Company has paid the previous year dividend to the holders of OCCRPS, subject to such approval from the MCA. Such payment has been treated as an advance in the books of account.



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Notes to financial statements for the period ended March 31, 2016

(Amount in Rupees unless otherwise stated)

4.3 Long-term borrowings	Non-current portion		Current portion	
	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)
Term loans				
Indian rupee loan from banks (secured)	-	3,070,873,830	7,553,031,694	5,505,106,411
Indian rupee loan from financial institutions (secured)	-	467,356,897	1,222,023,008	778,294,251
Indian rupee loan from non-banking financial companies (secured)	-	214,261,814	412,908,006	196,413,845
	-	3,752,492,541	9,187,962,708	6,479,814,507
Above amount includes				
Secured borrowings	-	3,752,492,541	9,187,962,708	6,479,814,507
Amount disclosed under the head "Other current liabilities" (refer note 4.6)	-	-	(9,187,962,708)	(6,479,814,507)
Net amount	-	3,752,492,541		

(a) Information on CDR package

The Company has received an approval for the Corporate Debt Restructuring („CDR“) package with the lenders under the Master Restructuring Agreement („MRA“) dated September 24, 2011. The key features of the CDR are as follows:

Of the total debts outstanding as at April 1, 2011, an amount of Rs.2,163.90 crores (net of fixed deposits available with individual lenders), was restructured under the MRA. Of the total debt outstanding, Rs.940.60 crores was reconstituted as Optionally Convertible Cumulative Redeemable Preference Shares („OCCRPS“) and the balance amount of Rs.1,223.30 crores was reconstituted as rupee term loans.

Pursuant to the approval of CDR committee vide its letter dated December 30, 2013, it was agreed that CDR lenders shall make available a rupee term loan facility to the Company for an aggregate amount of Rs.1,150.25 crores to the Company. Accordingly, the Company has entered into a loan agreement dated April 29, 2014 with the participating lenders. This fresh line of credit provided by the participating lenders is referred to as "priority debt".

The restructured rupee term loans carry a fixed rate of interest of 12% p.a., payable on a monthly basis, with effect from April 1, 2011. Principal amount on the said rupee term loans is repayable starting from financial year 2012-13, the proportion of repayment being 20%, 25%, 25%, 15%, 10% and 5% over six years respectively. The priority debt carries a fixed rate of interest of 13% p.a., payable on a monthly basis.

Principal amount of priority debt would be repayable in 18 equal monthly installments subsequent to a moratorium of 6 months from draw-down of each tranche.

Details of security available to the CDR lenders in respect of the rupee term loans outstanding are as follows:

- As part of the MRA, security interest created by the Company is available to all the lenders to secure the restructured term debt, working capital term loans and all amounts payable under the restructuring documents and the security interests so created, rank paripassu among the lenders.
- Additional security is made available to the CDR lenders by pledging of entire unencumbered shares held by the promoters. The promoters shall also pledge any additional shares allotted to the promoters as rights/ bonus shares/ preferential allotment, in future during the currency of the package.
- The additional security mentioned above shall also be made available to each lender who accedes to the MRA to secure the loan or facility advanced by such lender to the Company.

(b) Repayment to lenders

There has been delay in repayment of principal and interest to the CDR lenders and the overdue principal and interest remaining unpaid as at March 31, 2016 is Rs.2,674,909,398 (March 31, 2015: Rs. 677,832,959), Rs.270,877,003 (includes Rs. 6,661,479 towards penal interest) (Previous year: Rs.190,099,998) respectively

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(c) Reconciliation of closing balances (CDR Lenders)

There are certain differences in the closing balances of amounts payable to CDR lenders as per books of account and the balances as per the confirmation/ statement of account received from these lenders. The Company has accounted for all the adjustments in accordance with the terms of the CDR package/priority debt loan arrangements and is in process of identifying the reasons for the differences noted. However, such differences are not material on a net basis.

(d) In view of the proposed transaction whereby the Company shall pre-close the debt and exit from CDR, the total borrowings of the Company are expected to mature within twelve months of the balance sheet date. Accordingly, the entire balance of borrowings outstanding as at March 31, 2016 has been considered as current maturities of long-term borrowings.

Notes to financial statements for the period ended March 31, 2016

(Amount in Rupees unless otherwise stated)

4.4 Other long term liabilities	Non-current portion		Current portion	
	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)
Unamortized loan processing fees Other payables	17,636,235	31,053,628	-	-
	-	621,000,000	-	-
	17,636,235	652,053,628	-	-
4.5 Provisions				
Provision for gratuity (net of contribution) (refer note 4.24)	778,453	867,133		
Contingent provision against standard assets (refer note 4.26)	5,086,208	8,120,335	115,482,854	112,339,460
Provision for non-performing assets (refer note 4.26)	7,995,456,822	10,532,480,481	-	-
	8,001,321,483	10,541,467,949	115,482,854	112,339,460
4.6 Other current liabilities				
Employee benefits payable			95,977,532	83,979,225
Payable towards asset assignment transactions			768,893,675	956,746,883
Expenses payable			31,914,815	37,399,416
Creditors for capital goods			5,019,924	26,897,790
Other payables			28,017,634	35,894,951
Other liabilities				
Current maturities of long-term borrowings (refer note 4.3)			9,187,962,708	6,479,814,507
Guarantee fee payable			-	27,388,469
Unfructified service tax liability (net of amount paid under protest Rs.9,200,000)			118,025,350	97,637,969
Amounts payable on redemption of OCCRPS [refer notes 4.1 (d) and 4.2 (a)]			-	470,797,179
Interest accrued but not due on borrowings			4,819,922	28,626,916
Interest accrued and due on borrowings			648,561,897	483,833,107
Statutory dues payable (including penal damages levied by ESIC)			9,095,024	12,708,481
Unamortized income				
Unamortized loan processing fees			125,321,609	86,469,649
			11,023,610,091	8,828,194,542



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Notes to financial statements for the period ended March 31, 2016

(Amount in Rupees unless otherwise stated)

4.7.1	Tangible Assets					
Particulars	Lease hold improvements	Furniture & Fixtures	Office Equipment	Vehicles	Computers & Printers	Total
Gross block						
At April 1, 2014		84,621,056	35,269,949	4,402,541	124,532,525	248,826,070
Addition		2,579,622	553,326	-	32,686,812	35,819,760
Disposals		2,196,418	450,381	640,702	5,524,354	8,811,855
Other adjustments	-	-	-	-	-	-
At March 31, 2015	-	85,004,259	35,372,893	3,761,839	151,694,983	275,833,974
Addition	92,198,325	23,860,393	977,440	-	4,348,757	121,384,915
Disposals Other adjustments	-	68,242,191	25,719,668	834,185	57,739,006	152,535,049
At Mar 31, 2016	92,198,325	40,622,461	10,630,665	2,927,654	98,304,734	244,683,840
Depreciation						
At April 1, 2014	-	67,158,240	24,802,151	3,586,421	115,014,108	210,560,920
Charge for the year	-	7,798,801	5,299,046	388,680	13,944,387	27,430,914
Disposals	-	2,145,679	338,688	594,739	5,316,487	8,395,593
Other adjustments	-	-	1,581,209	-	1,989,920	3,571,129
At March 31, 2015	-	72,811,362	31,343,718	3,380,362	125,631,929	233,167,370
Charge for the year	11,307,267	4,298,345	448,751	143,791	11,102,067	27,300,221
Disposals	-	59,195,241	22,348,958	834,185	55,183,553	137,561,937
Other adjustments (Refer note 4.2)	-	-	-	-	-	-
At Mar 31, 2016	11,307,267	17,914,465	9,443,511	2,689,967	81,550,443	122,905,654
Net Block						
At March 31, 2015	-	12,192,897	4,029,175	381,477	26,063,054	42,666,604
At Mar 31, 2016	80,891,057	22,707,995	1,187,154	237,687	16,754,291	121,778,186

All assets have been recognized at cost

4.7.2	Intangible assets	Software	Total
Particulars			
Gross block			
At April 1, 2014		32,013,566	32,013,566
Purchase		12,789,513	12,789,513
Disposals		-	-
At March 31, 2015		44,803,079	44,803,079
Purchase		19,344,330	19,344,330
Disposals		-	-
At Mar 31, 2016		64,147,409	64,147,409
Amortization			
At April 1, 2014		25,831,493	25,831,493
Charge for the year		5,699,320	5,699,320
Deductions		-	-
At March 31, 2015		31,530,813	31,530,813
Charge for the year		9,710,851	9,710,851
Deductions		-	-
At Mar 31, 2016		41,241,664	41,241,664
Net block			
At March 31, 2015		13,272,266	13,272,266
At Mar 31, 2016		22,905,744	22,905,744
4.7.3	Capital work - in - progress	31 - Mar - 16 (Rupees)	31 - Mar - 15 (Rupees)
	Supply of material	-	46,554,594
	Civil works	-	9,387,000
		-	55,941,594
4.7.4	Capital commitment	-	61,299,833



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Notes to financial statements for the period ended March 31, 2016

(Amount in Rupees unless otherwise stated)

	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)
4.8 Non-current investments				
(Valued at cost unless otherwise stated)				
Non-trade investments				
Investments in equity instruments (unquoted)				
100,000 (Previous year: 100,000) equity shares of	1,00,000	1,00,000	-	-
Rs.10 each fully paid up in Alpha Micro Finance				
Consultants Private Limited				
	1,00,000	1,00,000		
	1,00,000	1,00,000		
Aggregate amount of unquoted investments				
4.9 Loan portfolio				
Joint liability group loans				
Unsecured, considered good*	502,038,066	809,751,504	11,458,460,616	10,603,464,452
Unsecured, considered doubtful**	7,067,490,759	9,387,447,466	-	-
	7,569,528,825	10,197,198,970	11,458,460,616	10,603,464,452
Individual loans				
Unsecured, considered good*	4,399,160	6,412,292	35,038,535	61,215,754
Unsecured, considered doubtful**	927,617,628	1,206,751,759	-	-
Secured, considered good*	2,459,588	25,632,598	180,127,293	324,694,815
Secured, considered doubtful**	10,637,907	36,594,524	-	-
	945,114,283	1,275,391,173	215,165,828	385,910,569
Total	8,514,643,108	11,472,590,143	11,673,626,443	10,989,375,021
* Represents standard assets in accordance with Company's asset classification policy				
** Represents non-performing assets in accordance with Company's asset classification policy				
4.10 Loans and advances A.				
Security deposits				
Unsecured, considered good	15,541,709	24,781,563		
	15,541,709	24,781,563		
B. Other loans and advances				
Unsecured, considered good				
Advance income tax (net of provision)	151,652,165	151,289,547	-	-
Advance with service provider	1,000,000	3,600,000	820,201	-
Prepaid expenses	-	-	28,738	2,988,257
Advance against sum assured	-	-	10,938,928	21,149,538
Capital advances	-	-	181,545	2,706,994
Other advances	-	-	2,877,188	3,411,343
Unsecured, considered doubtful				
Employee loans	1,905,153	1,960,694	-	-
Amounts deposited with courts	5,034,622	5,019,622	-	-
Other advances	10,170,315	3,983,372	-	-
Advance against sum assured	16,385,744	12,306,863	-	-
	186,147,999	178,160,098	14,846,600	30,256,133
	(30,913,529)	(23,297,444)		
	155,234,470	154,862,654	14,846,600	30,256,133
Total (A+B)	170,776,179	179,644,217	14,846,600	30,256,133
4.11 Other assets				
Non-current bank balances (refer note 4.13)				
Unamortized Ancillary borrowing costs	20,878,017	19,166,266	-	-
Interest accrued but not due on portfolio	-	13,778,655	19,477,762	12,798,547
loans Interest accrued and due on	-	-	64,480,199	81376764
portfolio	-	-	2,358,572	2712565
loans Interest accrued on term deposits	-	-	571,339	653212
	20,878,017	32,944,921	86,887,872	97,541,088



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Notes to financial statements for the period ended March 31, 2016

(Amount in Rupees unless otherwise stated)

	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)
4.12 Trade receivables				
Outstanding for a period less than six months from the date they are due for payment	-	-	-	-
Unsecured, considered good	-	-	18,339,713	18,566,498
			18,339,713	18,566,498
4.13 Cash and bank balances				
Cash and cash equivalents				
Balances with banks				
On current accounts	-	-	351,219,491	580,429,418
Cash on hand	-	-	2,044,870	10,470,452
			353,264,361	590,899,870
Other bank balances				
Cash collateral against borrowings				
Margin money deposit (refer note below)	20,878,017	19,166,266		
	20,878,017	19,166,266		
Amount disclosed under non-current assets (refer note 4.11)	(20,878,017)	(19,166,266)		

	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)
4.14 Revenue from operations		
Interest income on portfolio loans	3,282,673,341	2,827,948,938
Other operating revenue		
Loan processing fees	148,161,219	153,162,324
Recovery against loans written off	6,012,773	37,013,493
Interest on margin money deposits	1,771,191	1,592,381
	3,438,618,524	3,019,717,136
4.15 Other Income		
Interest on fixed deposits	-	28,767
Dividend from mutual funds	4,629,094	4,735,166
Profit on sale of fixed assets (net)	-	793,486
Provisions no longer required, written back	1,246,242,139	189,608,693
Interest on income tax refund	3,460	832,818
Commission income	32,501,829	30,518,027
Miscellaneous income	5,011,900	7,834,187
	1,288,388,422	234,351,144
4.16 Employee benefits expense		
Salaries, wages and bonus (refer note 4.20)	546,508,632	666,981,519
Contribution to provident fund	12,422,205	14,710,240
Contribution to Employees State Insurance Corporation	2,108,602	2,860,655
Leave benefits	7,900,908	8,201,520
Gratuity expense (refer note 4.26)	(88,680)	14,422,763
Staff welfare expenses	2,020,550	2,204,405
	570,872,217	709,381,102
4.17 Finance costs		
Interest		
On term loans from banks	1,035,998,400	903,038,418
On term loans from financial institutions	154,010,973	116,437,581
On term loans from non-banking financial companies	52,236,458	46,235,097
Other finance cost	44,512,399	45,104,618
Bank charges	7,644,259	6,935,009
	1,294,402,490	1,117,750,723



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Notes to financial statements for the period ended March 31, 2016

(Amount in Rupees unless otherwise stated)

	31-Mar-16 (Rupees)	31-Mar-15 (Rupees)
4.18 Other expenses (refer note 4.20)		
Rent (refer note 4.25)	77,487,667	81,126,627
Rates and taxes	1,058,205	7,187,356
Office maintenance	11,911,398	7,372,395
Computers and network maintenance	2,996,306	8,431,051
Electricity charges	8,798,667	10,005,525
Travelling expenses	65,958,722	90,286,718
Communication expenses	12,361,729	18,716,890
Printing and stationery	7,491,935	8,377,549
Legal and professional charges	29,298,910	19,575,767
Directors sitting fees	1,159,000	1,276,574
Auditors remuneration (refer details below)	5,560,430	6,794,382
Recruitment and training	792,315	1,516,480
Subscription fees	2,457,792	500,000
Other provisions and write off	33,781,048	11,182,047
Security charges	7,301,314	10,829,910
Foreign exchange loss	350,871	1,079,261
Loss on sale of fixed assets (net)	9,458,637	-
Miscellaneous expenses	7,321,710	5,703,809
	285,546,655	289,962,341
Payment to auditors		
As auditor:		
Audit fee	4,560,615	5548186
Certification fee	150,000	457804
Out of pocket expenses	849,815	788392
	5,560,430	6,794,382
4.19 Provisions and write offs		
Contingent provision against standard assets (refer note 4.26)	109,267	30,243,367
Provision for non-performing assets (refer note 4.26)	(2,537,023,660)	(1,527,313,446)
Loss on assigned portfolio against credit enhancements provided & others	-	140,000,000
Interest & Portfolio written off	2,643,736,159	1,407,595,111
	106,821,766	50,525,032

4.20 Earnings per share (EPS)

Particulars	31-Mar-16	31-Mar-15
Net profit/ (loss) after tax as per Statement of Profit and Loss	2,432,352,746	1,045,486,454
Less: Dividend on OCCRPS and tax thereon	(95,204)	(100,501)
Net profit/ (loss) for calculation of basic earnings per share	2,432,257,542	1,045,385,953
Net profit/(loss) as above	2,432,257,542	1,045,385,953
Add: Dividend on OCCRPS and tax thereon	95,204	100,501
Net profit/ (loss) for calculation of diluted earnings per share	2,432,352,746	1,045,486,454
Weighted average number of equity shares in calculating basic EPS	20,380,767	20,254,740
Effect of dilution		
Conversion of OCCRPS**	807,562,168	835,267,721
Weighted average number of equity shares in calculating diluted EPS	827,942,935	898,054,985
Basic earnings per share	119.34	51.61
Diluted earnings per share	2.94	1.16
Nominal value per share: Rs.10 (Previous year: Rs.10)		

**conversion of OCCRPS to equity is assumed at face value of equity share

4.21 Segment Reporting

The Company operates in a single reportable segment which have similar risks and returns for the purpose of AS 17 on 'Segment Reporting' specified under Section 133 of the Act read with rule 7 of the Companies' (Accounts) Rules, 2014. The Company operates in a single geographical segment i.e. domestic.

4.22 Related parties

1. Enterprises where key management personnel exercise significant influence

- Spandana Rural and Urban Development Organization
- Criss Financial Holdings Limited
- Abhiram Marketing Services Limited
- Spandana Employee Welfare Trust
- Spandana Sphoorty Chit Funds Private Limited
- Spandana Mutual Benefit Trust

2. Key Management Personnel

Mrs. Padmaja Gangireddy - Managing Director

3. Relative of Key Management Personnel

Mrs.E.Koteshwarama



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Related party transactions during the year:

Sr. No	Name of the related party	Nature of transactions	31-Mar-16		31-Mar-15	
			Transactions during 2015-16	(Payable)/ Receivable	Transactions during 2014-15	(Payable)/ Receivable
1	Spandana Rural and Urban Development Organization	Rent expense	7,354,719	(124,712)	2,588,125	(33,354)
		Rent deposit	217,836	3,089,586	2,871,750	2,871,750
		Reimbursement of expenses	107,931	(12,869)	-	-
2	Abhiram Marketing Services Limited	Rent income	1,500,350	-	2,160,000	180,000
		Commission income	32,501,829	16,010,219	30,518,027	19,341,027
		Security services	-	-	698,335	-
		Purchase of stationery	3,628,953	(639,329)	2,827,759	(817,410)
		Other purchases	-	-	94,415	128,129
		Reimbursement of expenses	5,003,135	2,498,349	4,045,467	39,167
		Sale of gold in auction	-	-	511,277	(404)
		Purchase of fixed asset	1,669,959	(41,234)	1,127,311	(336,511)
3	Cris Financial Holdings Limited	Reimbursement of expenses	709,318	408,891	77,979	188,121
		Purchase of asset	-	-	180,402	-
		Payment towards portfolio purchased	7,352,420	-	7,523,125	1,805,170
4	Mrs. Padmaja Gangireddy	Rent paid	574,204	(70,010)	489,620	(22,519)
		Rent deposit given	-	114,000	-	114,000
		Remuneration	27,843,750	(37,23,950)	27,843,750	(4,253,477)
5	Spandana Employee Welfare Trust	Reimbursement of expenses	36,241	36,241	-	-
6	Spandana Mutual Benefit Trust	Reimbursement of expenses	30,001	30,001	-	-

4.23 Contingent liabilities not provided for

Particulars	March 31, 2016	March 31, 2015
(a) Claims against Company not acknowledge as debts:		
Service tax open assessments	4,86,66,369	189,281,470
(b) Dividend payable on OCCRPS and tax there on		
(i) Arrears of dividend on OCCRPS not provided for		
- FY 2012-13	94,060	94,060
- FY2013-14	90,533	90,533
- FY 2014-15	83,424	83,424
- FY 2015-16	79,101	-
(ii) Tax on OCCRPS dividend	47,075	30,972
Total	52,425,986	193,478,987

4.24 Employee benefit plan

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.



Auditor's Report

The following tables set out the status of the gratuity plan as required under AS 15 (Revised) Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Change in defined benefit obligation

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Balance as at April 1, 2015	21,113,905	8,305,367
Current service cost	1,853,241	4,725,385
Interest cost	1,689,112	664,429
Actuarial loss/(Gain)	(3,543,421)	10,749,077
Benefits paid	(5,411,250)	(3,330,353)
Balance at March 31, 2016	15,701,587	21,113,905

Change in the fair value of plan assets

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Balance at April 1, 2015	20,246,772	21,860,997
Expected return on plan assets	1,615,109	1,684,311
Actuarial gains	(1,527,497)	31,817
Employer contributions	-	-
Benefits paid	(5,411,250)	(3,330,353)
Balance at March 31, 2016	14,923,134	20,246,772

Balance Sheet

Details of provision for gratuity:

Particulars	March 31, 2016	March 31, 2015
Present value of funded obligations	15,701,587	21,113,905
Fair value on plan assets	14,923,134	20,246,772
Net (liability)/asset	(778,453)	(867,133)

Statement of profit and loss

Net employees benefit expense (recognized in employees benefit expense):

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Current service cost	1,853,241	4,725,385
Interest on defined benefit obligation	1,689,112	664,429
Expected return on plan assets	(1,544,148)	(1,684,311)
Net actuarial loss/(gain) recognized in the year	(2,015,924)	10,717,260
Amount included in Personnel expenses	(17,718)	14,422,763

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, 2016	March 31, 2015
Insurer managed funds	14,923,134	20,246,772
Total	14,923,134	20,246,772

Auditor's Report

Summary of Actuarial Assumptions

Particulars	March 31, 2016	March 31, 2015
Discount rate	7.60%	8.00%
Expected return on plan assets	7.60%	8.00%
Salary escalation rate (p.a.)	10.00%	10.00%
Attrition rate	40.00%	10.00%
Retirement age (years)	60	60

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities 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 takes into account the inflation, seniority, promotion and other relevant factors.

Amounts for the current and previous four periods are as follows

Particulars	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
Defined benefit obligation	15,701,587	21,113,905	8,305,367	10,318,383	26,719,410
Fair value of plan assets	14,923,134	20,246,772	21,860,997	23,793,267	25,779,689
Surplus/(deficit) in the plan	(778,453)	(867,133)	13,555,630	13,474,884	(449,721)
Experience adjustments on plan liabilities	3,543,421	(10,749,077)	(931,271)	(14,995,954)	(8,089,454)
Experience adjustments on plan assets	(1,527,497)	31,817	(345,737)	810,911	142,316

4.25 Leases

Operating lease where the Company is a lessee

Head office and branch office premises are acquired on operating lease. The branch office premises are generally rented on cancellable term of eleven months with or without escalation clause. The head office premises have been obtained on a lease term of six to nine years with an escalation clause of five to ten percent at agreed intervals. There are no non-cancellable sub-leases.

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

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Operating lease payments recognized during the year	80,477,935	81,126,627
Minimum lease obligations		
No later than one year	13,410,588	13,410,588
Later than one year and not later than five years	20,371,017	33,781,585
Later than five years	-	-

Sub-lease payments received (or receivable) recognized in the statement of profit and loss

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Sub-lease lease payments recognized during the year	1,699,491	2,160,000

Auditor's Report

4.26 Loan portfolio and provision for standard and non-performing assets:

(Rupees in Crores)

Asset Classification	Portfolio Loan outstanding (Gross)		Provision for Standard and Non Performing assets			Portfolio Loan outstanding (Net)		
	Asset Mar-16	Asset Mar-15	Asset Mar-15	Addition in FY15-16	Written back in Fy15-16	Asset Mar-16	Asset Mar-16	Asset Mar-15
Un Secured Loan Portfolio								
Standard	1200.21	1,148.08	11.48	0.52	-	12.00	1,188.21	1,136.60
Non-Performing	799.29	1,059.42	1,052.77	-	253.48	799.29	-	6.65
Sub Total (A)	1,999.50	2,207.50	1,064.25	0.52	253.48	811.29	1,188.21	1,143.25
Secured Loan Portfolio								
Standard	18.26	35.03	0.57	-	0.51	0.05	18.20	34.47
Sub-Standard	0.38	3.02	0.30	-	0.26	0.04	0.35	2.71
Doubtful	0.68	0.64	0.18	0.04	-	0.22	0.46	0.47
Sub Total (B)	19.32	38.69	1.04	0.04	0.77	0.31	19.01	37.65
Total (A+B)	2,018.82	2,246.19	1,065.29	0.56	254.25	811.60	1,207.22	1,180.90

Bifurcation of assets and provision stated in above table in to AP and Non AP is as follows:

	Portfolio Loan outstanding (Gross)		Provision for Standard and Non Performing assets		Portfolio Loan outstanding (Net)	
	Mar-16	Mar-15	Mar-16	Mar-15	Mar-16	Mar-15
Andhra Pradesh – Old Portfolio	799.29	1052.70	799.29	1052.79	-	-
Andhra Pradesh – other than old portfolio	27.60	53.08	0.34	1.05	27.26	52.03
Non Andhra Pradesh Portfolio	1191.93	1140.41	11.97	11.45	1179.96	1128.87
Total	2018.82	2246.19	811.6	1065.29	1207.22	1180.90

4.27 Amounts 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.

For the year ended March 31, 2016, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

4.28 Additional information required by RBI

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

Particulars	March 31, 2016	March 31, 2015
CRAR (%)	-18.61%	-11.62%
CRAR-Tier I Capital (%)	-18.61%	-11.62%
CRAR-Tier II Capital (%)	-	-
Amount of subordinated debt raised as Tier-II capital	-	-
Amount raised by issue of Perpetual Debt Instruments	-	-

The modifications to the NBFC-MFI directions issued by RBI vide its circular no.RBI/2012-13/161 DNBS (PD) CC.No.300 /03.10.038/2012-13 dated August 3, 2012 have specified that provision made towards portfolio in the state of Andhra Pradesh should be in accordance with extant NBFC prudential norms and such provision should be added back notionally to the net owned funds for the purpose of calculation of the capital to risk assets ratio ('CRAR') and would be progressively reduced by 20% each year, over 5 years i.e. from March 31,

2013 to March 31, 2017. As per the progressive reduction 40% of provisioning made towards portfolio in the state of Andhra Pradesh has been notionally reckoned as a part of net own funds.

The CRAR of the Company is lower than the minimum CRAR prescribed by the RBI. However, the Company has obtained regulatory forbearance for not maintaining minimum CRAR. Refer note 2(d) and 2(f).



Auditor's Report

b. Exposure to real estate sector

(Rupees in Crores)

Category		For the year ended March 31, 2016	For the year ended March 31, 2015
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;	5,653,420	11,451,733
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	-	-
B	Indirect exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
	Total	5,653,420	11,451,733

c. Outstanding of loans against security of gold as a percentage to total assets is 0.89% (Previous year: 1.61%)

d. Exposure to Capital Market

The Company has no exposure in capital market.

e. Asset liability management:

Maturity pattern of assets and liabilities as on March 31, 2016:

Particulars	Up to 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
Liabilities									
Borrowings from banks	-	-	-	754.47	-	-	-	-	754.47
Market borrowings	-	-	-	163.49	-	-	-	-	163.49
Foreign currency liabilities	-	0.26	-	-	-	-	-	-	0.26
Assets									
Advances *	149.17	141.76	134.36	334.64	409.41	65.32	2.71	0.57	1237.94
Investments	-	-	-	-	-	-	-	0.10	0.10
Foreign currency assets	-	-	-	-	-	-	-	-	-

* Net of provision towards doubtful advances.

Borrowings have been consider as current materilised in view of the proposal settlement as described note 2(e)

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

Particulars	Up to 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
Liabilities									
Borrowings from banks	145.89	26.76	29.63	102.52	245.70	307.09	-	-	857.60
Market borrowings	13.24	5.43	5.43	19.85	53.52	68.16	-	-	165.63
Foreign currency liabilities	-	-	-	-	-	-	-	-	-
Assets									
Advances *	191.30	124.23	119.25	309.57	357.62	99.67	12.31	-	1,213.95
Investments	-	-	-	-	-	-	-	0.10	0.10
Foreign currency assets	-	-	-	-	-	-	-	-	-

* Net of provision towards doubtful advances.

Auditor's Report

f. Information on instances of fraud

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

(Rupees in Crores)

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount provided
Cash Embezzlement	69	1,816,180	469,114	1,347,066
Fake Loans	10	4042118	264,982	3,777,136

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

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount provided
Cash Embezzlement	98	3,041,370	901,635	2,139,735
Fake Loans	10	1,465,135	434,078	1,031,057

*Recovery includes fraud relating to 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:

Instrument	Name of the rating agency	Date of rating	Rating assigned	Valid up to	Borrowing limit or conditions imposed by rating agency
Long-term Debt	CRISIL	12-Aug-15	CRISIL D	11-Aug-16	1750.00

i. Disclosure of complaints

Particulars	No. of complaints
No. of complaints pending at the beginning of the year	1
No. of complaints received during the year	329
No. of complaints redressed during the year	306
No. of complaints pending at the end of the year *	24

* Resolved subsequent to balance sheet date

j. Concentration of Advances, Exposures and NPAs

Particulars	March 31, 2016	March 31, 2015
Concentration of Advances		
Total advances to twenty largest borrowers	2.20	1.85
(%) of advances to twenty largest borrowers to total advances	0.11%	0.08%
Concentration of Exposures		
Total exposure to twenty largest borrowers/customers	2.23	1.91
(%) of exposure to twenty largest borrowers/customers to total exposure	0.11%	0.08%
Concentration of NPAs		
Total exposure to top four NPA accounts	0.14	0.38

k. Sector wise NPAs

Sector	Percentage of NPAs to total advances in that sector	
	As at March 31, 2016	As at March 31, 2015
Agriculture and allied activities	18%	21%
MSME	13%	15%
Corporate borrowers	-	-
Services	5%	6%
Unsecured personal loans	-	2%
Auto loans	2%	2%
Other personal loans	1%	1%

* Non performing assets include amount of Rs. 799.29 crores (previous year : 1052.70 Crore) representing portfolio in the states of Andhra Pradesh and Telangana which have been fully provided for.



Auditor's Report

I. Movement of NPAs

(Rupees in Crores)

Particulars	March 31, 2016	March 31, 2015
Net NPAs to net advances (%)		
Movement of NPAs (gross)		
1. Opening balance	1063.08	1,209.49
2. Additions during the year	5.62	9.94
3. Reductions during the year	268.13	156.35
4. Closing balance	800.57	1,063.08
Movement of Net NPAs		
1. Opening balance	9.90	3.51
2. Additions during the year	5.37	9.30
3. Reductions during the year	14.24	2.91
4. Closing balance	1.03	9.90
Movement of provision for NPAs (excl. standard assets)		
1. Opening balance	1053.25	1,205.99
2. Provisions made during the year	0.19	0.71
3. Write off/ write back of excess provisions	253.89	153.45
4. Closing balance	799.55	1,053.25

* Closing balance of NPAs include amount of Rs. 799.29 crores . Previous year Rs.1052.70 crores Representing Portfolio in the state of Andhrapradesh and Telengana which had been fully Provided for

m. Drawdown from reserves:

There has been no drawdown from reserves during the year ended March 31, 2016, except those stated in note 4.2

n. Investments:

Particulars	March 31, 2016	March 31, 2015
(1) Value of investments		
(i) Gross value of investments		
(a) In India	0.10	0.10
(b) Outside India	-	-
(ii) Provision for depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net value of investments		
(a) In India	0.10	0.10
(b) Outside India	-	-
(2) Movement of provisions held towards deprecation		
(i) Opening balance	-	-
(ii) Add: Provision made during the year	-	-
(iii) Less: Write off/ write back	-	-
(iv) Closing balance	-	-

o. Details of financial assets sold to securitisation / reconstruction company for asset reconstruction:

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

p. Details of assignment transactions undertaken:

The Company has not undertaken assignment transactions in the current and previous year.

Auditor's Report

q. Details of non-performing financial assets purchased / sold:

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

r. Details of financing of parent company products:

This disclosure is not applicable as the Company does not have any holding / parent company.

s. Unsecured Advances – Refer note 4.9

t. 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)

u. Disclosure of penalties imposed by RBI and other regulators:

No penalties were imposed by RBI and other regulators during current and previous year.

v. Provisions and contingencies (shown under the head expenditure in statement of profit and loss)

(Rupees in Crores)

Particulars	March 31, 2016	March 31, 2015
Provision for income tax (net)	-	0.78
Provision for non-performing assets	(253.70)	(152.73)
Provision for standard assets	0.01	3.02
Provision for theft & fraud	0.62	0.40
Provision for gratuity	(0.01)	1.47
Provision for leave benefits	0.79	0.82
Provision for insurance claims	0.15	(0.44)
Provision for employee loans	(0.01)	(0.02)
Provision for bonus	1.72	0.28

w. Un-hedged foreign currency

The Company has un-hedged foreign currency exposure in respect of:

Particulars	As at March 31, 2016		As at March 31, 2015	
	USD	INR	USD	INR
Guarantee fee payable	-	-	433,438	27,388,469
Creditors for purchase of assets	39,464	2,617,762	124,867	10,724,852

4.29 Net Interest Margins

Particulars	March 31, 2016 (%)	March 31, 2015 (%)
Average interest charged	14.57	12.75
Average effective cost of borrowing	13.22	12.90
Net Interest margin	1.35	-0.15

4.30 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 (refer note 4.24) where applicable in the financial statements.

4.31 Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.

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

Sd/-

Padmaja Gangireddy
Managing Director

Sd/-

Gopal Reddy P
Director

Sd/-

Santosh Kumar Jha
Company Secretary

Place: Hyderabad

Date: July 7, 2016



Auditor's Report

Notice of Annual General Meeting

Notice is hereby given that the Thirteenth (13th) Annual General Meeting of the members of the Company of Spandana Sphoorty Financial Limited will be held on Friday, 19th August, 2016 at 11.00 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 – Adoption of Financial Statements

To receive, consider and adopt:

a) the audited Standalone Financial Statements of the Company for the Financial Year ended 31st March, 2016 and the Reports of the Board of Directors and the Auditors thereon; and

Item No. 2 – Ratification of appointment of Statutory Auditors

To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of the Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed there under, as amended from time to time, the Company hereby ratifies the appointment of M/s. S R Batliboi & Co. LLP (Firm No 301003E), Chartered Accountants, Hyderabad as Auditors of the company, to hold office from the conclusion of this AGM till the conclusion of the next AGM to be held for the financial year 2016-17, at such remuneration as may be mutually agreed between the Board of directors of the Company and the Auditors.”

Item No. 3 - Directors liable to be retire by rotation

During the year the Company has seven Directors, of which four are Independent directors, one is Managing Director and two are Nominee directors. Hence no Director is liable to retire by rotation.

SPECIAL BUSINESS:

Item No. 4 – Re-appointment of Mrs. Padmaja Gangireddy as the Managing Director of the Company

To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to recommendation of the Nomination and Remuneration Committee, and approval of the Board and subject to the provisions of Sections 196, 197, 198, 203 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory

modification or re-enactment thereof) read with Schedule-V of the Companies Act, 2013, approval of the members of the Company be and is hereby accorded to re-appoint Mrs. Padmaja Gangireddy (DIN 00004842) as the Managing Director of the Company for a period of three years effective from April 19, 2016 to April 18, 2019 on the following remuneration:

Gross Salary: Rs. 22,50,000/- (Rupees Twenty Two Lakh Fifty Thousand) per month

Other Benefits:

1. Entitlement of Leave and its encashment as per rules of the Company
2. Contribution to Provident Fund: As per rules of the Company
3. Gratuity: As per rules of the Company
4. Company (owned and maintained) car and telephone (both mobile and land lines), fax and internet at residence for official and personal use.
5. Provision of security guard at residence.
6. Provision of personal secretary.
7. The Managing Director is not being subject to retire by rotation.

“RESOLVED FURTHER THAT any one of the Director or Company Secretary of the Company be and are hereby severally authorized to file the necessary forms with the Registrar of Companies and to do all such acts, deeds and things as may be required or considered necessary for this purpose”

Date : 07.07.2016

Place: Hyderabad

By Order of the Board of Directors
For Spandana Sphoorty Financial Limited

Sd/-

Mr. Santosh Kumar Jha
Company Secretary

Notes :

- a) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself/herself and the proxy need not be a member
- 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.

Auditor's Report

c) Members are requested to communicate their change of address, addressing the Company, Spandana Sphoorty Financial Limited, Plot No: - 31 & 32, Ramky Selenium Towers, Tower A Ground Floor, Financial Dist, Nanakramguda, Hyderabad, Telengana- 500032.

d) Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the Company a certified copy of the Board resolution authorizing their representative to attend and vote on their behalf at the meeting.

e) 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.

f) Members/proxies/authorised representatives are requested to bring the duly filled Attendance Slip enclosed herewith to attend the meeting.

Explanatory statement pursuant to section 102 of the companies act, 2013

The following statement sets out all material facts relating to Special Business mentioned in the accompanying Notice:

Item No. 4

Mrs. Padmaja Gangireddy was appointed as Managing Director in the Board Meeting held on 21stFeb 2013 for a period of 5 years with effect from 19thApril, 2013 to 18thApril, 2018 with a gross salary of Rs.22,50,000/- per month. This was approved in the EGM held on 22ndMarch, 2013.

Subsequently in the Board Meeting held on 6thAugust, 2014, the Board revised the appointment for 3 years ending on 18th April, 2016.

It was informed to the Board that the Nomination and Remuneration Committee in its meeting held on 14th April, 2016 recommended the re-appointment of Mrs. Padmaja Gangireddy as the Managing Director of the Company for a further period of three years i.e., from 19th April, 2016 to 18th April, 2019 to the Board.

The Board of Directors unanimously appreciated the Managing Director for bringing the remarkable turnaround of the Company and bringing the Company to the present level through her sheer hard work despite the challenges faced by the Company. The Board of Directors also noted and there has been no revision in the remuneration of the Managing Director for the last three years.

The Board of directors decided to re-appoint Mrs. Padmaja Gangireddy as Managing Director of the Company for a further period of three years

None of the Directors or their respective relatives except Mrs. Padmaja Gangireddy, Director of the Company is concerned or interested in the Resolution mentioned at Item No. 2 of the Notice.

The Board recommends the resolution set forth in Item No. 4 to be passed as Special Resolution.

Date : 07.07.2016

Place: Hyderabad

By Order of the Board of Directors
For Spandana Sphoorty Financial Limited

Sd/-

Mr. Santosh Kumar Jha

Company Secretary

Venue of AGM: Plot No: - 31 & 32, Ramky Selenium Towers, Tower A, Second Floor, Financial Dist, Nanakramguda, Gachibowli, Hyderabad, Telangana - 500 032.



Auditor's Report

Attendance Slip

13th Annual General Meeting

At Plot No. 31 & 32, Ramky Selenium Towers, Tower A, Financial District, Nanakramguda, Gachibowli, Hyderabad, Telangana- 500 032

Folio No.:	DP ID No.:	Client ID No.:
------------	------------	----------------

I/ We hereby record my/our presence at the THIRTEENTH ANNUAL GENERAL MEETING of the Company at _____ Hyderabad, at _____, 2016.

Name of the Member _____	Signature _____
Name of the Proxy holder _____	Signature _____

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/Proxyholder, 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.



Auditor's Report

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:

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 _____ of _____ being a member/
members of Spandana Sphoorty Financial Limited hereby appoint the following as my/our Proxy to attend vote (for me/us and
on my/our behalf at the 13th Annual General Meeting of the Company to be held on _____ 2016 at _____ pm and
at any adjournment thereof) in respect of such resolutions as are indicated below;

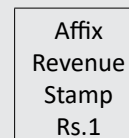
Name	
Address	
E-mail ID	
Signature	

or failing him

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 13th Annual General Meeting of the company, to be
held on _____ the _____, 2016 at _____ pm at _____ and
at any adjournment thereof in respect of such resolutions as are indicated below :

1. Adoption of the audited Balance Sheet as at March 31, 2016, the Statement of Profit and Loss for the financial year ended on that date and the reports of the Board of Directors and auditors thereon.
2. Ratification of appointment statutory auditors of the Company.
3. Appointment of Managing Director of the Company.

Signed this day of 2016



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.

Company Information

Registered Office

Plot No.31 &32, Ramky Selenium, Tower A, Ground Floor,
Financial District, Nanakramguda, Hyderabad, Telengana
Pin: 500032.

Board of Directors

Mrs. G. Padmaja Gangireddy, Managing Director,
Ms. Abanti Mitra, Independent Non-Executive Director
Mr. P Madhava Rao, Independent Non-Executive Director
Mr. Perur Seshappa Prasad, Independent Non-Executive Director
Mr. Gopala Reddy Annapureddy, Independent Non-Executive Director
Mr. Natarajan Ranganathan, Nominee Director
Mr. Sundaram Ramakrishnan, Nominee Director

Company Secretary

Mr. Santosh Kumar Jha

Statutory Auditors

M/s. S R Batliboi & Co, LLP
(Firm Registration No.301003E), Hyderabad

Website

www.spandanaindia.com

Registrars & Transfer Agent

Karvy Computershare Private Limited,
Karvy Selenium, Tower- B, Plot No 31 &
32., Financial district, Nanakramguda,
Serilingampally Mandal, Hyderabad,
500032, India. Tel: +91 04 67161500,
Toll Free No: 18003454001.
Email Id :einward.ris@karvy.com

Bankers and Investors

Banks

- | | | |
|--------------------------|-------------------------------|------------------------------|
| 1. IDBI Bank Ltd. | 12. Indian Overseas Bank | 23. State Bank of Hyderabad |
| 2. ICICI Bank Ltd. | 13. ING Vysya Bank Ltd. | 24. State Bank of Mysore |
| 3. Andhra Bank | 14. Jammu & Kashmir Bank | 25. State Bank of Patiala |
| 4. Axis Bank | 15. Karnataka Bank Ltd. | 26. State Bank of Travancore |
| 5. Bank of Baroda | 16. KarurVysya Bank | 27. Syndicate Bank |
| 6. Bank of India | 17. Lakshmi Vilas Bank | 28. Vijaya Bank |
| 7. Central Bank of India | 18. Oriental Bank of Commerce | 29. Yes Bank |
| 8. Corporation Bank | 19. Punjab National Bank | 30. UCO Bank |
| 9. Dhanalaxmi Bank | 20. Punjab & Sind Bank | 31. Union Bank of India |
| 10. HDFC Bank | 21. South Indian Bank | 32. BNP Paribas |
| 11. HSBC | 22. Standard Chartered Bank | 33. Citi Bank |

Financial Institutions

- Small Industries Development Bank of India
- Manaveeya Holdings & Investments Pvt. Ltd.
- Rabo India Finance
- Tata Capital Limited

Investors

- JM Financial Trustee Company Private Limited
- Valiant Mauritius Partners FDI Limited
- Helion Venture Partners LLC
- Lok Capital LLC
- SIDBI



SPANDANA

Spandana Sphoorty Financial Limited

CIN : U65929TG2003PLC040648

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