janalakshmi

ANNUAL REPORT

2013-2014

CONTENTS

Message from the CHAIRMAN

Getting set for Jana 3.0

Dear shareholders

The financial year 2013-14 was an excellent one for Janalakshmi on every front. It also marks the end of what we have come to call Jana 2.0. Given that this is our first formal Annual Report, I beg your indulgence to walk you through a bit of institutional history.

Jana 2.0 was the phase between 2010 and 2014, when we took the organisation to scale. But this journey of building a '360-degree financial services company for all the needs of the urban poor' began more than 15 years ago, in 1999. What follows is a brief journey through the years, from the very beginning.

Jana 1.0: 2000 to 2010

2000 – 2005:
The beginning

Our work in urban financial inclusion first began as an incubated initiative called Saghamithra Urban Programme (SUP), housed in an outstanding microfinance institution called Sanghamitra Rural Financial Services (SRFS), set up by one of India's most respected rural NGOs called Myrada (Mysore Resettlement and Development Agency).

MYRADA had originally been set up to help settle the Tibetan refugees who had fled along with the Dalai Lama; through the 1970s and 80s, it evolved to become a more diversified rural development organization. Along the way, it developed a deep understanding of people's institutions and their centrality in the development process. MYRADA's work on applying the cooperative model had resulted in learnings about the inherent group identities among the poor, and the need to recognize these identities to allow for natural institutions of the poor to be formed and sustained. This led to the early formation of the Self Help Groups (SHGs), voluntary associations of 15-20 women of similar affinities.

In this path-breaking work to develop and strengthen women's SHGs, MYRADA established a seminal partnership with NABARD in the 1980s on an SHG-Bank Linkage pilot project that would be the foundation of the current

2000-2005

SHG-Bank linkage programme that has propagated across the country (the alternative to the Grameen-style Joint Liability Group form of microcredit). These projects resulted in many learnings about the opportunities of working with women's own institutions like SHGs, but also the significant operational challenges of bringing bank linkages to such SHGs. A great deal of experimentation, documentation and advocacy finally led to the formal recognition by the Reserve Bank of India (RBI) via its circular in the early 1990s, allowing banks to lend to Self Help Groups of poor rural women. It was a major victory for many in the rural development space, and especially so for MYRADA which had been a pivotal player in this process.

With the RBI circular, Regional Rural Banks and rural branches of Scheduled Commercial Banks began the slow and careful journey of establishing SHG-Bank linkages. After several years of this effort, in the mid to late 1990s, MYRADA felt that having its own Microfinance Institution (MFI) as a showcase of the potential of such SHG linkages would serve its larger advocacy cause well. Thus was born Sanghamithra Rural Financial Services (SRFS) as a Section 25 rural MFI company.

When my wife and I returned to India in 1998, with the aim of making a difference to Urban India, SRFS had been set up but not yet operationalized. Taken up with MYRADA's track record, professionalism and integrity, I offered my services as a volunteer to the organization, in late 1998. The Executive Director of MYRADA, Aloysius Fernandez, a Padmashree award winner for his leadership work on rural development, invited me to join the Board of Sanghamithra, and get actively engaged. I agreed, but with one condition – while I respected the work of MYRADA and vision of Sanghamithra on rural development, my own interests lay in urban issues. I asked, "Would Sanghamithra allow me to set up an urban microfinance pilot as a standalone incubated project (with a separately managed team and separately tracked financial statement that could be consolidated into the parent organization)?"

This is how Sanghamithra Urban Programme (SUP) began. Our first group loan was given in October 2000, marking one of the earliest - if not possibly the earliest - instances of urban microfinance in India. A small dedicated group of staff formed the core innovation team that went into the slums and connected with the urban poor. It took sixteen months to complete one crore rupees of lending - the goal was not to scale just for the sake of scale, but to begin with a deep understanding of the aspirations and challenges of the urban poor, and the place for financial services in enabling them. Bangalore was where these learnings took place – systematic connections to grassroots NGOs that worked in the slums, outreach to urban poor clients and awareness building about the possibilities of getting financial support if they were willing to come together in groups and help themselves.

There were many learnings over the course of the first five years between 2000 and 2005. Most important of these was the insight that the urban poor are fundamentally different from the rural poor in many ways – their occupations and livelihoods are not like that of a marginal farmer for whom, if the rains failed – the entire season's income is in jeopardy and the debt trap gets deeper. In stark contrast, there is a vast and rich diversity of livelihood opportunity amidst the urban informal economy, the true nature and scale of which Indian policy-makers are still to fully document and comprehend.

Anecdotally, these informal livelihoods are visible in every urban city and town in the country – the vegetable vendors and flower sellers, carpenters and plumbers, drivers and mechanics, tailors and security guards, domestic helpers and beauticians. Collectively, this urban informal economy is large and growing. It services the urban underclass, but also holds up the formal urban economy, thereby feeding off the structural growth of India's formal economy – even in today's slowing times with the real economy growing barely at 5%, urban India is growing at 6% - 7%, and nominally at a rate over 14% - 15%. This same rate of growth is experienced by the urban informal economy, and hence buoyancy of livelihoods is very high among the urban poor. As we have seen in the trajectory of other countries, this urban informal economy is the bulwark of the aspirational class that migrates to the city and town in search of a better life, equipped with minimal skills but a deep desire to improve one's condition.

2005-2006

2005-2006:
The Vision for a full-service financial institution

The learnings of the early years between 2000 and 2005 also showed that what these urban poor wanted was not just a group loan, but much more in terms of financial services – they wanted a place to keep their hard-earned savings, they wanted risk-mitigants in case something happened to them, they wanted access to health and life insurance, those among them who were willing to think longer term were even keen on pensions and retirement plans, they wanted financial support to grow their micro-enterprises, they wanted loans to put their children in English-medium schools. There were a whole plethora of financial needs that they clearly wanted, but were unable to access from the formal banking system due to a variety of factors – transaction sizes being very small, customized products being needed, doorstep services, much hand-holding and financial literacy, a staff that they could relate to rather than get intimidated by and so on.

We realised that what the urban poor needed was a full-service financial institution. The mainstream banking system could not deliver what they were looking for because the combination of all the specific characteristics of this customer base meant that a custom-built institutional architecture needed to be created for servicing these wide-range of needs, an institutional architecture that could address all their specific requirements, but also ensure that the core control and risk aspects of running a full-fledged bank could be done without compromise, and also that could generate adequate return on capital from such small-ticket transactions.

A vision for such a full-service financial institution became clear by early 2006. I approached Sanghamithra for permission to take the incubated entity of the urban microfinance programme into a standalone full-service model that could work to provide all the financial needs of the urban poor. This was the genesis of Janalakshmi, born of a vision to one day become a bank for the poor. Given that the urban programme had been handled as a standalone unit for all the years, with a separate team and financial statements, and this had been the original intent all along, the transition to new organization was smooth and seamless.

2005-2006

The 2-tier structure

From an institutional design standpoint, there was an important distinction in how Janalakshmi was structured. Having spent a large portion of my career in the global banking industry, I am acutely aware of the need to be able to raise capital to fuel growth. Such capital would only come if investors were confident of the company's profitability and continuing growth prospects, along with well-established controls and highest standards of ethics and corporate governance. Any company that could demonstrate that it could grow in a sustained, profitable and well-governed manner would be able to attract market-based capital. Such a market-based, for-profit structure would also help the company to attract and retain the necessary human resources to execute and grow, and deliver consistently on innovations and value to the customers. Hence, there was a strong argument to establish the company as a for-profit NBFC.

However, the for-profit structure also came with the limitation that it was fed by the essential motive of profits, which could sometimes work at cross-purposes to the idea of helping the poor. This was not an issue of individual morality, but rather of designing an institution with the correct checks and balances. For me and my wife, we have been fortunate to have secured our financial future independent of Janalakshmi – and this independence offered us the best way to harness the power of the market to provide value for the poor, while at the same time protecting from some of its corrosive effects: there had to be a higher bar for me as the promoter when compared to investors in the company.

Hence, a two-tier structure was created, with a non-profit Section 25 holding company that would hold the promoter's shares, and a for-profit company that would raise capital from investors and be run as a full-service financial services institution for the poor.

The role of the Section 25 Non-profit company was not only to be the custodian of the promoter's shares, but more importantly to undertake activities that deepened our understanding of the challenges of inclusion, address policy challenges and help customers in improving their pathways to prosperity.

2005-2006

Building Janalakshmi's foundation:
With the institutional structure in place, our focus turned to building a robust foundation for the NBFC, Janalakshmi Financial Services. In our view, there were 3 key pillars to this foundation:

1 **Industrial-strength technology:** it was very clear that being able to deliver the kinds services and products that the poor wanted could not be done without having a scalable technology platform. There were 3 key components to this technology platform: a biometric-based front-end transaction device that could ensure that all customer-facing transactions were 'digitised-at-source'; second, a back-end Core Banking System (CBS) that could be the repository of all customer financial information. Traditional MFIs and small-scale financial inclusion services had been built on low-cost and patchwork back-end systems that could not withstand the tests of scale, product diversity or customer data-protection and controls. Given the long-term vision of becoming a bank and offering a wide range of services, it was inconceivable to build the foundation of the enterprise without having a well-tested and world-class Core Banking System as the central nervous system of the organization; and third was a bridge between the front-end biometric device and the back-end CBS, that could hold not only all the customer KYC information, but also provided key insights into the families of customers, their product usage patterns and so on, so as to enable Janalakshmi to offer the widest range of financial services, but in a manner that was customized for the needs of the specific customer. This Customer-Relationship Management (CRM) system could not only as platform for deepening our understanding of customers, but also as the workflow engine for all the interim processes between customer acquisition, loan sanctioning, disbursals, collections and so on.

While there were many other aspects to the technology platform, these 3 pieces described above form the core foundation of Janalakshmi's technology platform.

2 **Field level Organisation**: A field team that was constructed to be close to the customer, but also capable of handling multiple products and services. The traditional microfinance model has a single point field person who does everything – from customer acquisition to document filling to loan application processing to disbursal and collections. This

model, while being very lean and cost-efficient, was not capable of being scaled up to becoming a full-service institution handing multiple products, and most certainly not a bank structure. In order to fulfill this larger vision, the field team at Janalakshmi was designed from the beginning to have a minimum of 3 people facing the customer – a relationship executive who was responsible for understanding the full range of customer needs; a sourcing executive who would acquire the customer and complete all the KYC, and application formalities; and a collection executive who would visit the customer at pre-defined intervals, to collect the funds as per the demand list generated by the system and available to him/her on the hand-held device.

Such a field-team was expensive to establish up-front, with only one core group loan product, but Janalakshmi management was clear that this human infrastructure was critical to the eventual success of a customer-centric multi-product, full-service financial institution. It was also felt that these organizational structure issues could not be done iteratively, with new layers being added on an ongoing basis. The projections showed that these investments in the field team would pay off in the medium to long term in terms of being able to deepen the understanding of customers and offer credible products and services from which additional revenues and fees could be raised to pay for this incremental cost.

3 **Brick-and-Mortar Branch System:** A branch infrastructure that was significant in its brick-and-mortar presence. The traditional microfinance model was very light on branch infrastructure, and formal banking was also moving away from the physical branch presence. Our work with poor clients showed us that in order for us to earn their trust and also slowly and systematically build their capacities to engage with a range of financial services, it was critical for them to be able to access these services from a physical branch location. This did not mean that they needed to come to the branch for every transaction – indeed, many of Janalakshmi's client facing activities happen at the home or workplace of the customers – but there needed to be a physical branch that the clients could access and needed to come to every once in a while. Hence, from the very beginning, a typical Janalakshmi branch would be 1000 – 1500 square feet, with a complete infrastructure as that

would be found in a typical bank branch: cashier counter, cash machine, safe, customer waiting area, access to CBS, client facing operations staff, etc. From a business model standpoint, this was a higher up-front expense than what was needed if we were only going to be providing a group loan, but our view was that this provided the platform for a fuller range of services in the future, both by acting as a distributor for other financial services, but also hopefully eventually, as a bank ourselves, as and when the regulatory opportunity arose.

There were several other critical factors, most important of which was the quality of human resources that Janalakshmi could attract, train, deploy and retain. There was a unique HR challenge that needed to be addressed: on one hand, given the large and complex nature of the financial services that we wanted to offer our clients, we clearly needed to be run like a bank, even if we were regulatorily an NBFC. This meant that the organization chart and senior management team needed to have significant banking experience across the entire spectrum of banking operations – treasury, operations, risk, audit, controls, technology, product design and so on. On the other hand, however, our clients were the poor, and our experience had taught us that the best way to engage with the poor is to have empathetic staff who came largely from the same milieu as our customers. This meant that we needed to build a very strong grassroots recruitment and training programme, along with a systematic career advancement and retention plan.

2006 – 2009:
The Challenging years

The years between 2006 and 2009 were very challenging. Almost every aspect of the basic foundation of Janalakshmi faced difficulties, and everything that could possibly go wrong did go wrong. The technology platform with its 3 components of front-end biometrics, back-end CBS and Customer-Relationship-Management platform had many teething issues. For example, the biometric devices would have the battery run out midway through the day; the authentication data for the field executive was originally being hard-coded in the device, which meant that if the field executive left, the device had to be sent back to the vendor to be re-programmed; the device could not connect via the switch to the back-end CBS in a predictable way; the CBS' interest computations were not suited for the group-loan product that was being used in microfinance; the CRM platform could not connect with the CBS to take customers' financial information and link it with the KYC forms.

Each of these challenges were serious issues with the fundamental foundation of the organization, and hence no systematic management information process with predictable MIS (Management Information Systems) reports could be generated so as to allow proper functioning of the institution. This resulted in a lot of operational challenges for the field staff, many of whom were not graduates and required simple instructions that they could execute in a predictable fashion, with good technology support, most of which was not available.

Even as we were building this foundation, the rest of the microfinance industry had raced ahead – in these interim years, many new players had not only set up operations, but also scaled these operations to a much bigger size than us. The temptation to second-guess ourselves was high, but we felt that it made little sense for Janalakshmi to abandon our path, and become a 'me-too' MFI: we would either succeed in building a unique institution that reflected our vision, or would die trying. There was no going back.

When we began, the management of Janalakshmi expected that stabilizing such a platform would take about 12 months, when in reality it took more like 3 times that length of time. This period, while stressful, ended up being the most critical phase in Janalakshmi's evolution, since it stress-tested the entire operational infrastructure of the organization. This period also saw the senior management – a team that had been built with substantial experience in formal banking- sink their teeth into the realities of building a bottom-up financial services institution for the poor.

A great deal of the credit for this goes to Raghu Srinivasan, CEO for most of these years and now Executive Vice Chairman; and Radhakrishnan, COO for most of these years, and currently MD-CEO of Janalakshmi. They were supported in these efforts by an outstanding senior management team, bringing not only deep banking and technology experience, but also extraordinary commitment to the vision and purpose of Janalakshmi.

2010-2014

The period also saw our first round of investors – Bellwether, Michael and Susan Dell Foundation (MSDF), and Lok Capital – not only stay the course, but actually help us dig ourselves out of the hole. Two of our investors – Bellwether and MSDF – even invested additional funds in us in 2009, when we were in desperate need of capital infusion.

Jana 2.0: 2010 to 2014

We finally turned the corner in 2010, with the kind of foundation that we had wanted for Janalakshmi falling in place. It took us four years between 2006 and 2010 to build an industrial-strength technology platform that provided the backbone of scalable, small-ticket loan disbursals.

It was at this time that the microfinance crisis hit India. However, due to our outstanding management team, sound decision-making and some bit of luck, we not only weathered the crisis, but actually managed to grow our portfolio through the crisis. The RBI guidelines for NBFC-MFIs were a welcome relief to the entire sector, and Janalakshmi was also a beneficiary of this new clear regulatory regime.

In keeping with our original vision of being a full-service financial institution, we expanded our range of financial services to include micro-pensions and insurance, in addition to loan products for housing and education. We set up a new business unit called "Enterprise Financial Services' to service the needs of micro and small enterprises, whose financial needs, credit systems and delivery requirements were different from the core 'Retail Financial Services' business of group-based lending.

We raised our second round of capital raise in 2010, our third round in 2012 and a fourth in 2013. Each successive round saw new investors who added not only the strength of their financial investment, but also their intellectual capital in helping us grow towards our goals. Our investors today are Treeline, India Financial Inclusion Fund, The Rohayton Group, GAWA, Morgan Stanley Private Equity, Tata Capital, and the Gupta Family Office, founders of Havells (Please ensure that I have listed all our institutional investors here). We also established an outstanding Governing Board, made of investor directors, as well as nationally-reputed Independent Directors such as Mr S.B.Mathur, Rama

Bijapurkar, Uday Chitale and Narayan Ramachandran, who also took a personal stake as a sign of his commitment to our vision. We later added Latha Reddy to this stellar group of Independent Directors.

This period also saw the maturing of the Not-for-profit Section 25 holding company, Jana Urban Foundation (the name was changed from Janalakshmi Social Services). Over these years, Jana Foundation has grown its activities to include Financial Literacy; client analytics; education, skills and livelihood; and research and advocacy focused on deepening our understanding of the urban poor. These activities have been taken up along with institutional strengthening, led from the front by Jana Foundation's first MD-CEO, Ram Ramdas.

During this period of four years, we grew from a Bangalore headquartered MFI to a national organisation. By March 2014, we are now present in 85 cities, spread across 14 states, and servicing over 26 lakh customers across multiple financial products.

Jana 3.0 - 2014 and beyond: Looking ahead

As we move forward into the new financial year, we are at the inflection point in our journey. Janalakshmi is getting closer to its vision of being a full-service financial institution for the urban underserved. We are doing this by investing heavily on 3 major fronts: human capital; cutting-edge technology; and communications and customer-centricity. On all three fronts, we are partnering with leading global institutions to join us in this exciting journey. This chapter is what we are calling Jana 3.0, and is poised to take us past the inflection point. The most satisfying part of this process has been the validation of the 2-tier model, where we have managed to embrace the power of market forces, while remaining steadfast in our larger social purpose. Clearly, Janalakshmi is contributing to the larger global conversation on social businesses and impact investments – that tantalising intersection of markets with meaning.

We are confident that this year will be marked by more success, as well as challenges that we will successfully overcome as we continue to innovate and evolve.
What motivates us is the size of the problem that we have

set ourselves to help solve: the tsumani of urbanising India. With close to 400 million already residing in our cities and towns, India will witness the largest demographic transition in the world over the next 3 decades. By 2030, it is anticipated that India will have over 600 million people living in urban areas, and by 2050, this number will grow to over 800 million. Much of this growth will come from migration of the rural poor from the villages, and growth of rural settlements into urbanized centres – essentially, the under-served. This is happening because it is the arc of economic development – as nations develop and move away from primary to secondary and tertiary sectors, the urban share of their societies also grows: urbanization is the Siamese twin of economic development, and no nation in history has seen otherwise. In this sense, India is at the tipping point of urbanization. And Urban India is the flywheel of our economic story - over 60% of our GDP already comes from urban India, and yet it occupies only 2% of our landmass, and houses 30% of our people.

Given this economic energy, the good news is that urban India is an opportunity waiting to be harnessed, not a problem needing to be solved. There is no question that there are millions of urban poor living in terrible conditions, without access to affordable housing or basic services, but –for the most part – they have access to livelihoods that they can use to bootstrap themselves out of poverty.

At Janalakshmi, we have always believed that what truly constrains us is not government regulations – of course, regulations are major sources of unnecessary friction – but our own inability to innovate to find powerful solutions that add value to our clients. And the wellspring of this innovation is the voice of the customer.

We are excited at the beginning of this new chapter of Janalakshmi's journey – Jana 3.0!

Board of Directors

Ramesh Ramanathan	Chairman
Raghunath Srinivasan	Executive Vice Chairman
V. S. Radhakrishnan	Managing Director & CEO
Narayan Ramachandran	Independent Director
Rama Bijapurkar	Independent Director
Vijayalatha Reddy	Independent Director
Sunil Behari Mathur	Independent Director
Uday Madhav Chitale	Independent Director
Viswanatha Prasad	Director
Zaheer Abbas Sitabkhan	Director
T S Sivashankar	Director
Vikram Gandhi	Director
Akhil Shripraskash Awasthi	Director
Anil Rai Gupta	Director
Ling Wei Ong	Director
Aluri Srinivasa Rao	Alternate Director for Ling Wei Ong

Board Committees

Audit Committee
Sunil Behari Mathur (Chairman)
Uday Madhav Chitale
Narayan Ramachandran
Viswanatha Prasad
Vikram Gandhi
Raghunath Srinivasan

Asset Liability Management(ALCO) Committee
Narayan Ramachandran (Chairman)
Ramesh Ramanathan
V S Radhakrishnan
Viswanatha Prasad
Uday Madhav Chitale
Sunil Behari Mathur
T S Sivashankar
Vikram Gandhi
Zaheer Abbas Sitabkhan
Akhil Shriprakash Awasthi
Ling Wei Ong/Aluri Srinivasa Rao

Risk & Credit Committee
Narayan Ramachandran (Chairman)
Ramesh Ramanathan
V S Radhakrishnan
Viswanatha Prasad
Uday Madhav Chitale
Sunil Behari Mathur
T S Sivashankar
Vikram Gandhi
Zaheer Sitabkhan
Akhil Shriprakash Awasthi
Ling Wei Ong/Aluri Srinivasa Rao

Nomination & Remuneration Committee
Uday Madhav Chitale (Chairman)
Sunil Behari Mathur
Rama Bijapurkar
Vijayalatha Reddy
Akhil Shriprakash Awasthi
Ling Wei Ong/Aluri Srinivasa Rao

Corporate Social Responsibility Committee
Vijayalatha Reddy (Chairperson)
Ramesh Ramanathan
Rama Bijapurkar
Vikram Gandhi
Zaheer Sitabkhan

Borrowing Committee
Raghunath Srinivasan (Chairman)
Ramesh Ramanathan
Narayan Ramachandran
T S Sivashankar
V S Radhakrishnan
Vijayalatha Reddy

Management Team

CEO – Retail Financial Services :
C. P. Rangarajan
CEO – Enterprise Financial Services :
N. S. Rajan
Sr. Vice President : Strategic Initiatives
Santanu Mukherjee
Head – Risk Management:
Balasubramaniam
Vice President - Training:
Cecil Lazarus
Vice President – Audit:
H Sathyamoorthy
Vice President – Operations:
Krishna Kustagi
Vice Presdient – Strategic Planning, Product & Marketing
Saurabh Johri
Head – HR:
Thrishuli B
Vice President – IT:
Vidyasagar Bedida
Chief Financial Officer:
S. Gopalakrishnan
Company Secretary :
Richa Saxena

Statutory Auditors

Deloitte Haskins & Sells
Deloitte Centre
Anchorage II
100/2, Richmond Road
Bangalore – 560 025

Registrar & Transfer Agents

Karvy Computershare Pvt. Ltd.
17 -24 Vithal Rao Nagar,Madhapur,
Hyderabad 500 081

Bankers

Allahabad Bank
Andhra Bank
Bank of Baroda
Bank of India
Bank Of Maharashtra
BNP Paribass
Canara Bank
Central Bank
Citibank
City Union Bank
Credit Agricole
Dena Bank
Development Credit Bank
Dhanalakshmi Bank
Federal Bank
HDFC
HSBC
ICICI Bank
IDBI
Indian Overseas Bank
Indus Ind Bank
ING Vysya
Kotak Mahindra
Laxmi Vilas Bank
Oriental Bank of Commerce
Punjab and Sind Bank
SIDBI
South Indian Bank
Standard Chartered Bank
State Bank of India
State Bank of Patiala
UCO Bank
Union Bank
Yes bank

Non – Bank Funders

NCD
Debentures - Blue Orchard
Debentures - Deutsche Bank
Debentures - Responsibility
Debentures – Oikocredit
NBFC
MAS Financial Services
Maanaveeya Holding and Investments Pvt Ltd
Reliance Capital
L & T Finance Ltd

Milestones

2000

Urban Programme (SUP) founded as a separate project of Sanghamitra Rural Financial Services

2006

Janalakshmi Social Services(JSS), a not-for-profit company takes over the existing portfolio of SUP. Janalakshmi Financial Services Pvt Ltd(JFS) is registered as a company

2008

JFS commences operations as an Non-Banking Financial Company and takes over the portfolio of JSS. JFS introduces Core Banking System(CBS). JFS gets Series A equity funding from Lok Capital, Bellwether and Michael & Susan Dell Foundation (MSDF)

2012

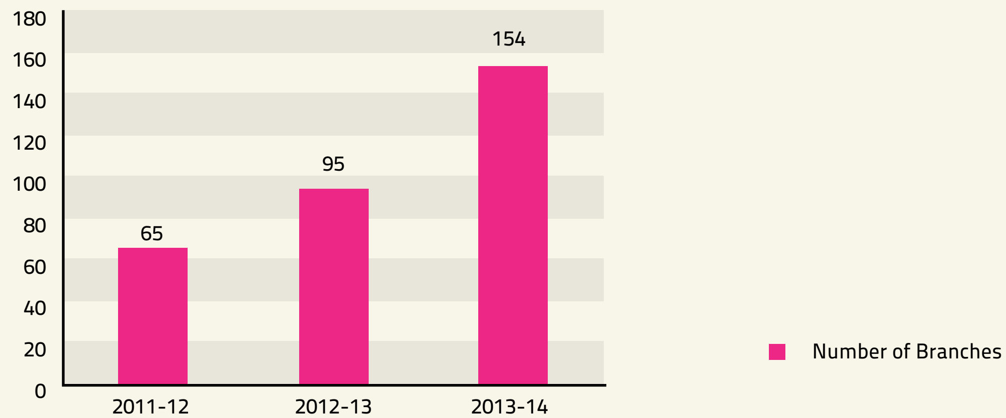
JFS gets Series C equity funding (tranche #1) from CVCI in June 2011. JFS attains INR 3,510 Mn of GLP by FY12 with 300,000+ clients across 10 states. JFS opens 400,000+savings and 200,000+ pension accounts. JFS takes a big leap in fulfilling its vision to be a One-stop-shop for all the financial needs of its customers by launching JanaOne

2013

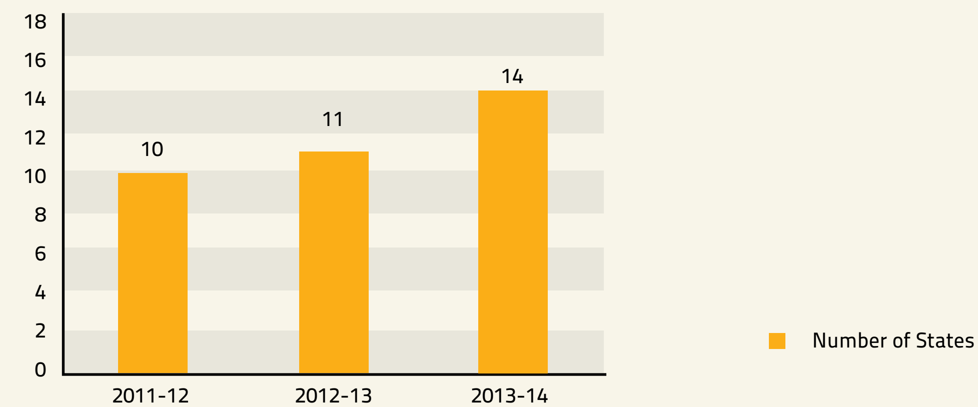
JFS receives NBFS-MFI licence, crosses 1 million loan customers and 500,000 pension customers, raises series D equity funding from Morgan Stanley Private Equity Asia, Tata Capital Growth Fund and QRG Enterprises. Best MFI award in large category in 2013

Our Growth

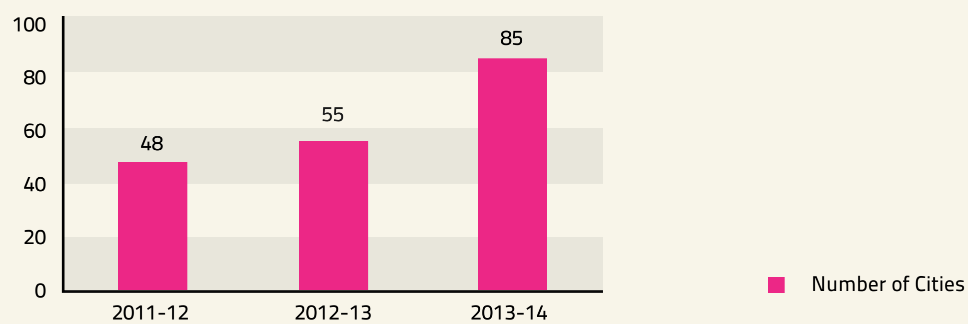
Number Of Branches



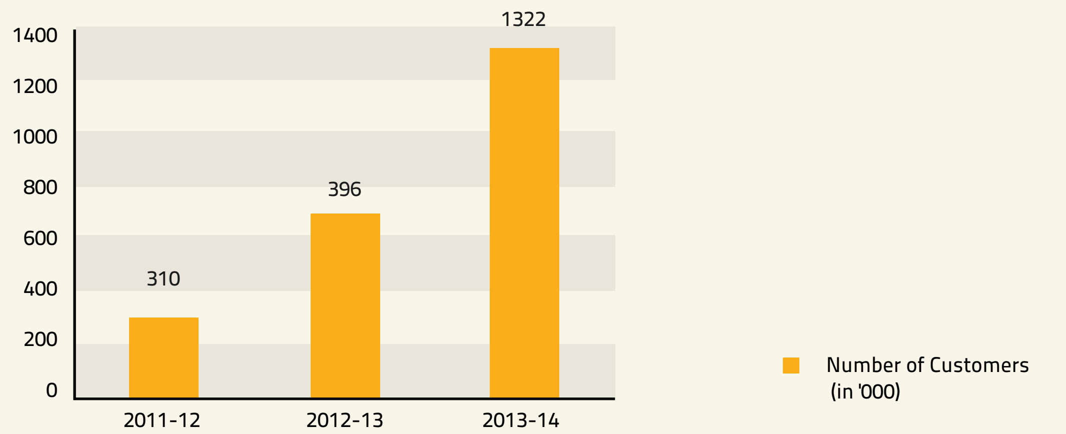
Number Of States



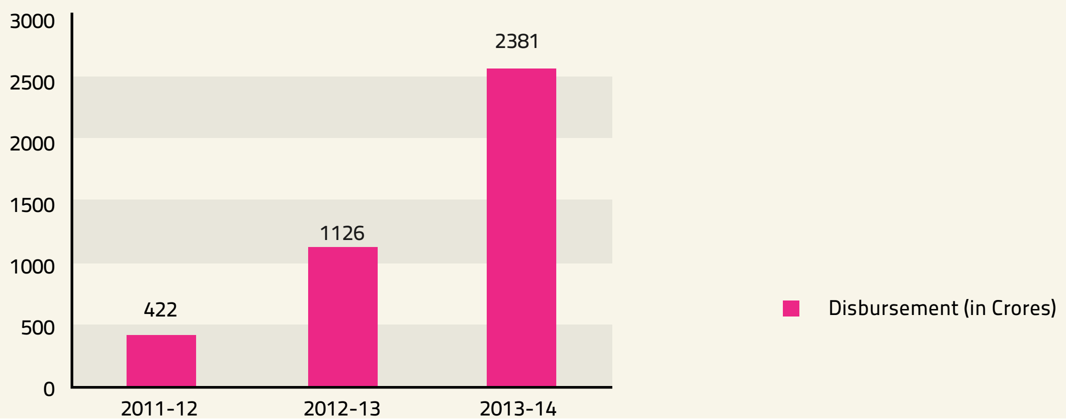
Number Of Cities



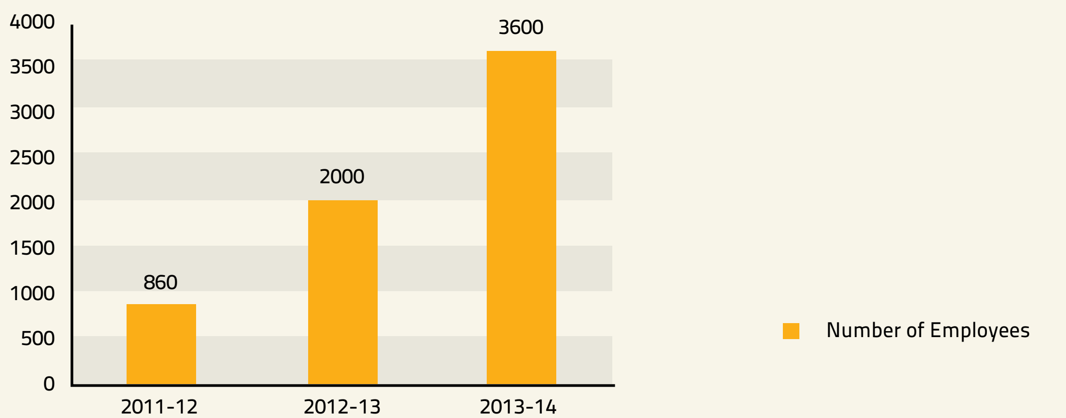
Number Of Customers (In '000)



Disbursement (in Crores)



Number Of Employees



Company Profile

Janalakshmi Financial Services is a for-profit NBFC-MFI providing financial inclusion services to the underserved customers in India.

This vision is translated into a market-based approach to financial inclusion which is defined by three distinct characteristics: first, focus on servicing the needs of the urban poor and related rural areas; second, a strong customer-centric driven approach in designing a range of financial products and services and delivery models; third, the centrality of technology driven processes as the foundation of a scalable enterprise.

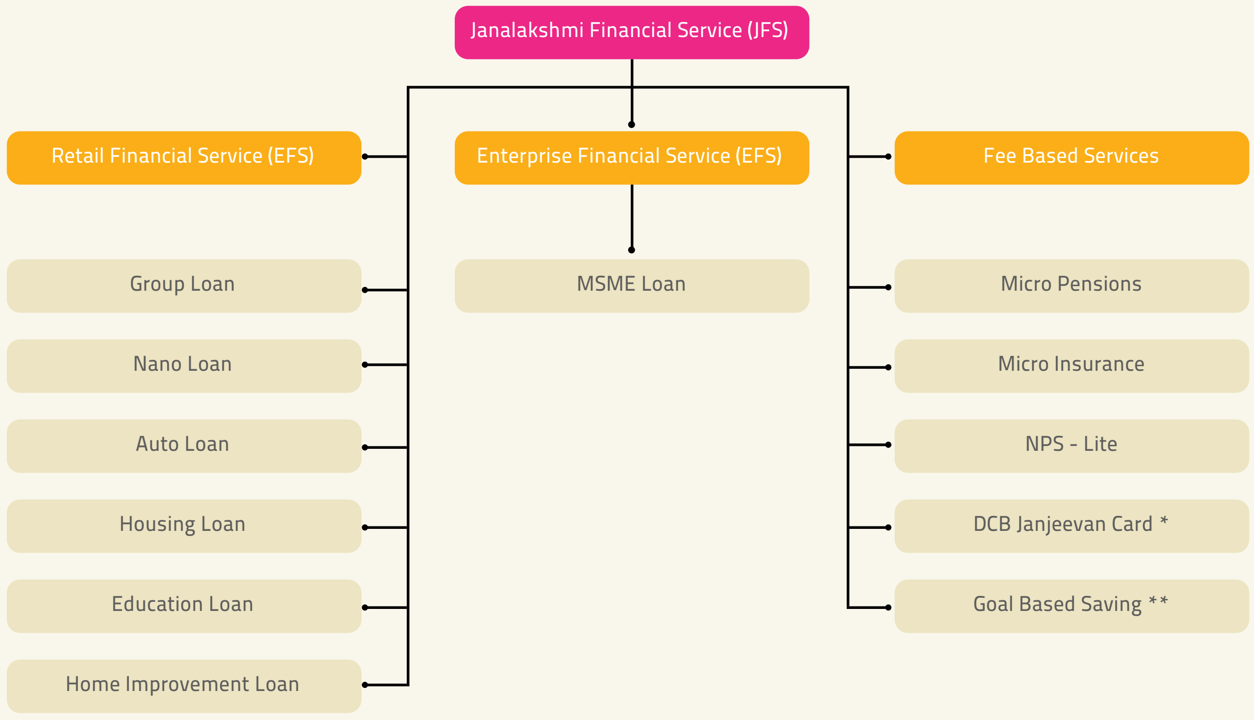
Target customer includes the commonly defined poor as well as the large segment of people who are technically not "below-the poverty line" but have difficulty in accessing formal financial services. This overarching definition of the unbanked is core to Janalakshmi's financial inclusion work. Janalakshmi aspires to develop selected micro-finance customers as independent MSME customers through a graduation strategy.

To align its social spirit with the for-profit focus, promoter stakes of Janalakshmi are held in a not-for-profit holding (Section 25) company called Jana Urban Foundation (earlier known as Janalakshmi Social Services). The Foundation is focused on various social dimensions of the financial inclusion problem such as financial literacy and advisory services, skills and livelihoods etc., besides undertaking client centric research and analytics, to better understand the financial inclusion needs of the target customer base.

Janalakshmi Financial Services (JFS) was registered as a Private Limited Company in July 2006. It acquired a NBFC-MFI license in September 2013 from the Reserve Bank of India. Today, JFS has operations across 154 branches, in 85 cities and spread across 14 states. In addition to these branches, it has setup 42 JanaOne centers which focus on delivering greater share of wallet services to individual families.

Business Model

The picture below shows the three lines of business that JFS currently pursues. Of these, the retail financial services forms the bulk of the business and is the oldest business, with the group loan (JLG model) accounting for over 91.27% of the portfolio.



*JFS provides technology, branch infrastructure and administrative services to JUF which is a business correspondent of DCB

** GBS product is serviced through JUF

CUSTOMER PROFILE

Janalakshmi Financial Services is a **customer centric** institution that puts the customer at the centre of decision making process.

Janalakshmi through its holding company, Jana Urban Foundation has an in-house dedicated team focused on understanding the underserved, poor and also the entrepreneurs within the universe of underserved poor and their trajectories and drawing insights from such fundamental research to help formulate policy and interventions, both within the Jana Group and at the ecosystem level.

Amongst other studies, JUF embarked on a longitudinal study in 2010, christened as “Pathways to Prosperity” undertaken along with eminent academic researchers in the space. The study aims at identifying and analyzing the various points of inflection in the lives of the poor and reasoning how a household moves across the different social stages. It uses the 'Stages of Progress' methodology—that tracks the households' movements over a period of time. The aim of the P2P in Janalakshmi is to understand the base of the pyramid population better and identify innovations related to financial inclusion.

While the study in its initial years focused on investigating the social mobility of urban slum dwellers in an environment where opportunity and inequality have both been rising, the insights on understanding the urban poor were prolific.

74% of the households have 2-3 earning members even while **55%** of the individuals are uneducated.

- Slum dwellers have advanced economically, but the extent of improvement is small in the majority of cases, and there are many reversals of fortune.
- The majority have lived in slums for multiple generations.
- Slum residents typically work hard, often taking up multiple jobs, limiting family size, and investing heavily in their children's education, the highest-priority expenditure. Informal occupations predominate where sons tend to follow fathers or uncles into informal and mostly low-skilled low wage occupations.
- While living in the city, slum residents are thus not of the city; disconnections from diverse institutions constitute a critical underlying feature of life within slums. Institutions and linkages that make the city a source of economic dynamism and upward mobility for many others are not accessible by slum residents in anywhere near the same degree,whether it is their inability to access a city's universities, bureaucrats, courts, press, public services at large. Because they cannot usually gain access to resources including information, credit, contacts, skills training, safety nets, and the like – from institutions (such as banks, NGOs, and government agencies), slum residents are forced back upon what they can individually muster from friends, family, and personal networks, resulting in limited prospects.

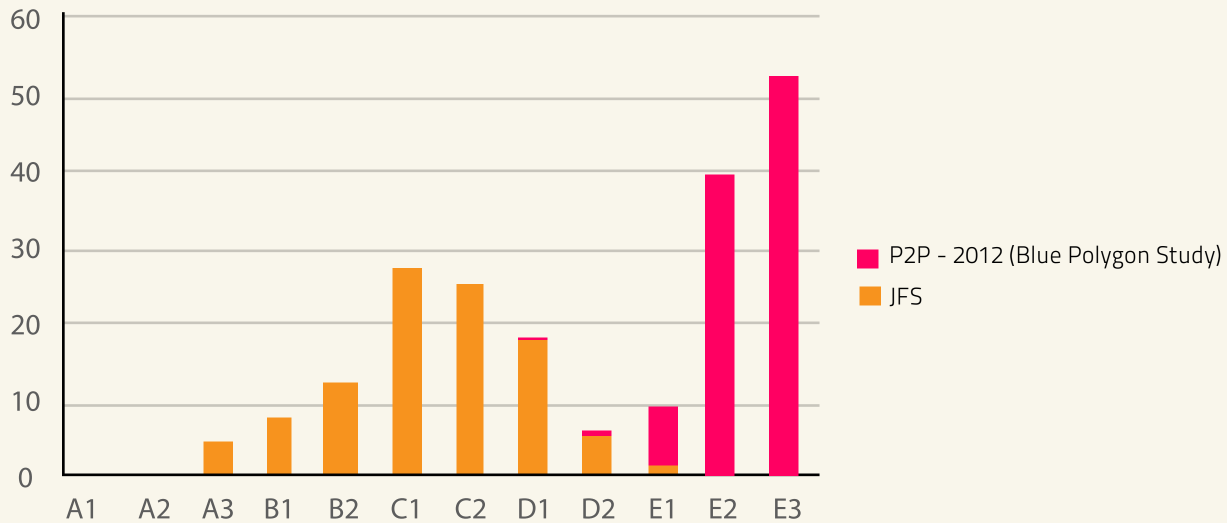
In 2012, the team discovered the presence of new migrant settlements living in blue tarps/tents and focused the study on their migration story, past events that led to migration, ties to native town, household finances and aspirations. Some of the salient findings from the preliminary analysis are highlighted below.

In terms of the demographic profile, most of the households (96.8%) were first generation migrants, wherein 86.1% are majority population of the country with bulk of coming from minority communities like SC and ST.(41.3%). 74% of the households have 2-3 earning members even while 55% of the individuals are uneducated. 57% of the households migrated to the city because of their debts. While 58% reported not receiving help financially or otherwise from any source before migration, 68% did not receive any help after migration.65% of the households have stayed in the same

Only **29%** of households have savings wherein **63%** save at home, **14%** save in chit funds and only **13%** have savings in the bank

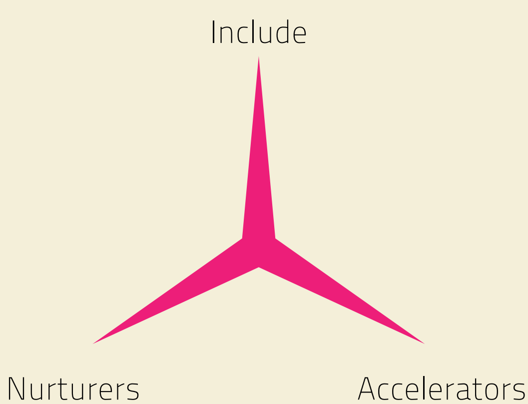
home ever since they moved to the city and 57% of those who shifted homes were forced to leave by the landlord. The main asset ownership includes pre-paid mobile phone and house with common bathroom, but none of the households possessed legal documentation to establish house ownership. Asset ownership is higher in native place than in the city. In terms of financial transactions, only 29% of households have savings wherein 63% save at home, 14% save in chit funds and only 13% have savings in the bank. 52% of the households send money to native place every month.

Given the current level of understanding of the urban poor, it appears that JFS's customers profile is representative of the low income-poor household description at large. But acomparison of JFS customers (as of March 31st 2014) to the 2012 New Migrant Householdsstacks the base as distinctly different.



*Figures in percentages

Janalakshmi, at its very inception made a clear distinction of different layers at the bottom of the pyramid which is today, clustered into **three** segments



Having contextualized where in the landscape of the urban poor at large does the Janalakshmi customer fit in, the profile of who JFS targets needs to be understood. It is a documented fact that much of microfinance has evolved narrowly around only microcredit and micro insurance to poor in the rural areas. It was ignorant of the growing urbanization, technology, economic developments and changing life styles in urban India until the early 1990s. The trend of migration and the widening gap between the rich and the poor paved the way for Janalakshmi to build a 'microfinance++' business model in the urban space.

Janalakshmi, at its very inception made a clear distinction of different layers at the bottom of the pyramid which is today, clustered into three segments – "Include" segment, "Nurturers" and "Accelerators". Each segment has different capacities, aspirations and needs in relation to financial inclusion services.

To service each of these segments, Janalakshmi envisioned itself to be a multi-product MFI as against the traditional single product company. This led to the introduction of a wide range of products – beyond micro credit, micro insurance such as individual loan products, savings and investment products. The "Include" segment is in simple terms a segment of people below the poverty line. Inculcating a savings habit is vital for this profile of clients. The central idea is that while it helps build pools of savings, overtime it could enable JFS to service the credit needs of such clients who may otherwise have no access to credit services from formal banks and even MFIs, based on the demonstrated savings behaviour.JFS targets this customer base by offering an Urban Bank No Frill Account (UBFRL) through which they can deposit their small savings. Out of the 5 lakh savings accounts which JFS helped opening, over three lakh customers have evolved to become small group loan customers.

A level above the Include segment is the "Nurturers" segment,whom Janalakshmi brings into its fold, by extending Small Group loans. About 60% of Small Group customers have been residing in same city for more than 10 years with an average age of the customer being 37 years. According to the Socio Economic Classification based on Education level and number of durables owned, over 80% of our customers fall between B2 to D1. The loans are initially

About **60%** of Small Group customers have been residing in same city for more than **10** years with an average age of the customer being **37** years.

availed by customers to establish/setup the micro enterprises, approximately 65% of them being self employed (inclusive of primary and secondary customers). This profile as mentioned above is akin to the urban poor profile sketched at large. This customer base is involved in a wide variety of occupations, varying from cleaners/coolies, construction workers, drivers, tailors, vegetable and fruit sellers, home based business to teachers, nurses and office related clerical works. Incidence of ownership of basic consumer durables such as gas connection, Television and Fans is over 90%. Almost 80% of our customer base also confirms owning their residence but a very few confirm land ownership with documentations.

At the top of the bottom of the pyramid, lies the "Accelerator" segment, who are customers graduated from the small group loans, in need of higher range of products and services than what is being availed of, through the group model. This strategy has been in implantation for over an year and out of the 9,000 customers who have graduated from group model, data shows that over 75% of them fall in A3 to C1 category as per the SEC – a possible sign of customers moving to higher levels, increase in the level of education and number of durables owned and also the income levels. The income level of these graduated customers range from Rs. 15,000 to 30,000 only from their business. Apart from these the income generated by other family members and other sources of income contribute to the graduation in the life style and economic conditions of the family.

In line with the vision of financial inclusion initiative to bring unbanked customer base under the formal banking structure, JFS has made leaps and bounds to provide financial advisory services along with financial assistance. A lot of time and effort has been invested by our staff to educate customers in all segments in relation to business, financial savings, guiding customers to draw the road map, understand the goals and aspirations, etc. This service is enabled to all customers and one-on-one to only to those customers graduating out of the group model into individual household relationships.

The Enterprise Financial Services (EFS) initiative is our answer to the financial hurdle faced by urban micro entrepreneurs. These enterprises are in the so-called "missing middle," i.e., enterprises that have become too large to tap traditional microfinance, and are unable to conveniently access conventional banks. Customer segments include small scale manufacturers/ fabricators, small contractors, service providers and select retail operators.

JFS realizes that even within the bottom part of the income pyramid, there are great differences between customer needs. Dissecting the bottom pyramid distinguishes JFS in providing products and services that are customized and more tailored. Based on certain criteria, a customer will fall under one of the three classifications and will have access to those services that will best enable them improve their lifestyles.

Management Discussion & Analysis

Janalakshmi has continued its journey on a growth trajectory by achieving a gross loan portfolio (including managed portfolio) growth rate of 115% over the previous financial year. Adding to the successful growth of core microfinance business has been the launch of well thought out product offerings covering both the asset and liability business. The centre of our business model is customers with multiple products in partnership with third parties to meet all the financial requirements of the customer.

Key Operational and financial snapshots

Business Achievements: Janalakshmi disbursed Rs 2381 Cr in the FY 2013-14, an increase of 111% over FY 2012-13. Including the managed portfolio, the loan book size reached Rs 2052.94 Cr an increase of 115% over the last financial year.

Customer Base: Janalakshmi's customer base surpassed 14 lacs in March 2014, an increase of 103% over FY 2012-13.

New Branches: Janalakshmi continued its geographical expansion by opening 59 new branches across India in 2013-14 taking the total branches to 154. Earlier this year, JFS opened an East zone with headquarter in Kolkata. This expansion was planned to ensure diversification across the country in North, East, West and South zones.

Operating Efficiency: Janalakshmi's operating expense ratio reduced to 10.85% from 12.17% of FY 2012-13 while opening 59 new branches which required significant investments. The decrease in Opex validates Janalakshmi model of large branches which scale up to reduce the overall operating expense ratio through economies of scale.

Accreditation: Janalakshmi received the highest grading of 'mfR1' from Crisil.

The organisation also received the highest rating of 5 in GIIRS (Global Impact Investing Rating System). GIIRS provides impact investor with ratings for the social and environmental impact (but not the financial performance) of companies and funds.

These accreditations are testament to Janalakshmi's strong governance and management team, proven track record of execution, and superior financial performance while fulfilling wider social objectives.

Awards and Accolades: Janalakshmi bagged several national level awards in the past year, notably, Micro finance India Award 2013 (Microfinance India Organisation of the year for Large category), XLRI- Innovation for Impact Award, Banking Frontiers-Finnoviti 2013.

Profitability: Janalakshmi made a pre-tax profit of Rs 73.96 Cr compared to Rs 23.61 Cr last year. The growth in profitability is a testament to Janalakshmi's diversified product suite and superior execution of the business plan.

Reduction in Interest Rates: Janalakshmi revised its lending rates for group loans to 25% for new customers and 23% for repeat customers effective from February 2014. Subsequently Interest rates have been revised to 24.3% for all group loans.

Industry Outlook

The microfinance institutions (MFIs) sector in India has gone through significant changes since the Andhra Pradesh microfinance crisis of October 2010 (AP Crisis). The RBI commissioned the Malegam committee report in Jan 2011 to study the microfinance sector and to recommend measures to regulate the industry.

There are several changes implemented by RBI including recent notification that MFIs can charge interest rates based on the cost of funds plus margin as per earlier notifications, or the average base rate of the five largest commercial banks by assets multiplied by 2.75, whichever is lower. The involvement and supervision of RBI has brought regulatory clarity to the entire sector. The fact that one of the leading Micro Finance firm has been selected as bank is an indication of the regulator's confidence in the sector.

This year, the MFI sector is expected to grow 30-40 per cent, said Alok Prasad, chief executive officer, Microfinance Institutions Network.

As per MFIN, loan disbursals by MFIs rose 48% in FY13-14 as compared to FY 12-13. The aggregate gross loan portfolio of the industry jumped 35% compared to the FY 12-13. NBFC-MFIs (other than those under CDR) grew their gross loan portfolio by 51%. The data also reflect the growing confidence of investors in the industry as Funding to the NBFC-MFIs (during FY 13-14) grew by 49% compared with FY 12-13. The top four states that accounted for 62 per cent of the portfolio were West Bengal, Karnataka, Maharashtra and Andhra Pradesh. PAR figures for non-AP MFIs remained under 1% for FY 13-14. For the first time, the number of clients in Tamil Nadu and West Bengal has exceeded those in AP.

There are indicators that MFIs are expanding the scope of services. Life insurance coverage has grown all time to over 30 mn clients with sum insured of Rs. 508.2 bn, extended through NBFC-MFIs. Pension services have been extended over to 1.2 mn clients through the NBFC-MFI network. As all of you are aware, JFS alone had nearly 2.5 mn credit insurance customers and had over 5.6 lakh pension customers as on 31st March 2014.

Savings And Payments Update

On 29th March, Reserve Bank notified the norms regarding issuance of pre-paid payment instruments and capped their maximum value at Rs 50,000. All issuers are required to comply with the strict money laundering laws and all the relevant KYC norms. The name of the issuer shall be visible prominently on the payment instrument. The new norms also extend the definition of pre-paid card by including Internet wallets, mobile accounts, mobile wallets, paper vouchers and any such instrument which can be used to access the pre-paid amount. The guidelines were drafted in 2009 and notified formally in March. At Janalakshmi, we believe that prepaid cards are of immense value to the customers as it allows customers the use of ATMs and towards safety and security of money. The cards also allow customers to start connecting with the payment eco-system for money transfers, bill payment, etc.

The Aadhaar now covers 367 million Indians. A year after direct benefit transfer (DBT) was implemented, the government has disbursed over Rs 3,120 Cr through this channel, and out of this, Rs 2,575 Cr was towards LPG subsidy launched in June 2013. If LPG is taken out, total transfers under the scheme would stand at Rs 550 crore. Janalakshmi expects that the Government will join hands with NGOs and MFIs for last last mile connectivity. During the financial year 2013-14 , the total claims settled is Rs. 5,34,50,000/- (no. of claims 2434) under life insurance cover to help families come of the distress due to the loss of the bread winner(JFS Covers both the women borrower and the spouse under life insurance).

Our Reach

Janalakshmi Currently operates in 84 cities all over India, with 154 branches as on 31 Mar 2014, serving 14,12,738 Customers.

South Region

Karnataka

Agarha HSR Layout
Bannerghatta Road
Belgaum
Bijapur
Channadevi Agrahara (Rural)
Chapparadakallu
Davangere
Dharwad
Gulbarga
Hoskote
Hubli
K B Sandra
Malathahalli
Maralakunte Branch (Rural)
Nealmangala
Mysore
Peenya
Ramamurthy Nagar
S.R Nagar*
Sathyavara
Shimogga
Yelhanka New Town

Tamil Nadu

Alandur
Ambattur
Chengalpattu
Erode*
Hosur
Madurai
Nallagundanapalyam
NSN Palya
Paliikaranai
Perambur
Pollachi
Pondicherry
Porur*
Punjai Pulliampatti
Royapuram
Coimbatore*
Salem*
Singanallur
Tirunelveli
Tiruverumbur
Trichy
Urapakkam - Chennai

* EFS business also offered in these branches

East Region

Madhya Pradesh

Bhopal – 1
Bhopal – 2 Bittal Market
Bhopal – 3 Mandideep
Dewas
Gwalior
Indore – Kelani nagar
Indore – Rau
Indore – RNT Marg
Jabalpur
Katni
Ratlam
Sagar
Ujjain

Chattisgarh

Bhilai Durg
Korba
Raipur

Bihar

Bhagalpur
Gaya
Muzzafarpur
Patna – Dhanapura
Patna – Machutoli

Jharkhand

Ranchi
Jamshedpur

West Bengal

Kolkata – Belaighata
Kolkata – Dunlop Branch
Kolkata - Shyambazar

West Region

Maharashtra

Ahmednagar
Akola
Amaravati
Ambernath
Andheri
Aurangabad
Borivali East*
Buttiburi
Chembur
Ghatkoper
Hadapsar
Jalgaon
Kalewadi
Kalyan
Kolhapur
Latur
Nagpur*
Nanded
Nigadi
Pavnar
Pune – Satara Road*
Sion
Solapur
Thane*
Mankapur

Gujrat

Ahmedabad*
Bhavnagar
Gandhinagar
Ghatlodiya
Jamnagar
Junagadh
Mani Nagar
Mavdi – Rajkot
Naroda
Rajkot
Surat – Adajan
Surat – Sachin
Surat – Varachha
Surendra Nagar
Vadodara*
Zadeshwar - Baruch

North Region

New Delhi

Malviya Nagar
Mangolpuri*
Mayur Vihar
Narela
Sahadra
Uttam Nagar

Haryana

Ballabhgargh
Dehradun
Faridabad*
Gurgaon – 1
Yamuna Nagar

Punjab

Amritsar
Jalandhar
Ludhiana*

Rajasthan

Ajmer
Alwar
Beawar
Bhilwara
Jaipur*
Jobner
Jodhpur
Jodhpur – Pouta
Jothwara
Udaipur*

Uttar Pradesh

Agra*
Agra-Tundla
Aligarh
Allahabad
Bareily
Behat
Chhutmalpur
Chaziabad
Gorkhpur
Hapur
Meerut - 1
Meerut – 2
Rajpur Chungi
Rampur
Saharanpur
Salempur
Sarsawa
Varanasi

Uttarakhand

Dehradun
Roorkee

Product & Services

Janalakshmi Financial Services today offers a wide range of financial and non financial products and we are getting closer to our vision to emerge as a full scale financial services provider and thereby move our customers towards total financial inclusion.

To us at Janalakshmi Financial Services, financial inclusion means providing personal Loans, affordable housing, business loans including micro enterprise loans and also addressing the family's financial security by offering life insurance and savings - both short term and long term - to our customers.

The financial needs of customers belonging to the bottom of the Pyramid are growing and there is a huge gap between demand and supply. The most important aspect of bridging the gap is acquiring an understanding of the customers' requirements and getting the design of our products right, followed by the acceptance by our customers.

Janalakshmi works on variety of products addressing financial inclusion as a whole and not limiting ourselves to micro-lending. Therefore, JFS products are divided into Retail Financial Services (RFS) and Enterprise Financial Services (EFS).

Below is the snap shot of different products offered by us.

RETAIL FINANCIAL SERVICES

Retail Financial Services is divided into Retail Savings (Liabilities) products and Retail Assets.

RETAIL LIABILITIES PRODUCTS

1 **Micro Pension**

This is a long term savings product which enables customers to save for their old age. Janalakshmi has partnered with Invest India Micro Pension Services (IIMPS) to enable our customers to contribute towards the UTI- Retirement Benefit Pension Fund.

- Fund: UTI- Retirement Benefit Pension Fund
- Contribution: Rs 100/ Rs 200/ Rs 500
- Frequency: Monthly

2 **Sarve Shakti Suraksha (SSS) – short term endowment plan**
In order to assist its customers to fulfil their financial goals and save for varied need of their future, JFS offers SSS, an insurance cum savings product from Bajaj Allianz Life Insurance Company Customers get the benefit of life insurance and growth of their investment over time. SSS is a short term endowment plan under group insurance plan.

3 **National Pension System-Lite (NPS-Lite)**
National Pension System is contribution based pension scheme launched by the Govt of India to provide retirement benefits to the unorganized sector or people who do not have the option of availing the pension after retirement. PFRDA is the prudential regulator for the NPS.
The Special benefit to the customer availing NPS-Lite is that the Government will contribute Rs.1000 to each NPS account if the customer contributes minimum of Rs.1000 to maximum Rs.12000 pa which is called as NPS-Lite Swavalamban.

4 **DCB Janajeevan Card**
The DCB Janajeevan Co-branded Prepaid Cards between DCB & Jana Urban Foundation are open-loop reloadable cards that will be handed over to the customer across the counter by way of a card kit that are stored at Janalakshmi branches.

The initial load on the card will be the disbursal of the microfinance loan by Janalakshmi Financial Services to their customers. Incremental loads will be by way of customer reloads.

Card kit will also contain pin required for usage of card in the ATM & POS.

RETAIL ASSETS

1 **Small Batch Loan**
Janalakshmi has changed its small group loan structure to Meeting centre concept. Every meeting centre should have a minimum of 5 to maximum of 25 customers. Every meeting centre will have Meeting centre leader and alternate meeting centre leader. A batch size will range from min 3 to max 25 for first loan cycle and for repeat customers from

min 2 to max 25. The loan is given to individuals in the batch and each member guarantees the other.

2. **Education Loan**
Education loan is given to the existing members of Small batch loan product who have children studying in school. The following expenses are considered for the loan – tuition fee, admission fee, examination fee, library fee, purchase of text books, uniforms and other related equipments.

3. **Housing Loan**
This loan is extended to the existing customers of JL, Non - JL customers and JFS employees for purchase of units in builder based projects. These customers have been categorized into salaried class and professional or self employed. The aim of JFS is to provide affordable housing units to its customers who are living in rented houses.

4. **JanaOne - Auto Rickshaw Loan**
This loan is given to the existing Small Batch loan customer whose family member is an auto rickshaw driver for at least 3 years. The member of SB loan is preferred to be the co-applicant. The driver should have a valid commercial vehicle license, a badge issued by the local jurisdictional police station and a valid auto driving permit.

5. **JanaOne - Nano Loans**
As part of JFS strategy, JFS serves individual customers evolved from the batch loan structure by supporting their income enhancement needs. The Nano loans are given to fulfil working capital needs and for equipment purchase for / capital investment of their existing business.

6. **JanaOne - Loan Against Property (LAP)**
LAP is an initiative to provide financial support to the existing customers. The target customer is salaried persons, small business owners, self employed and professionals who have been in occupation for at least 3 years.

INSURANCE PRODUCTS

1 Group Term Life Insurance Plans

i. Group Term Life Insurance – GTLI
In order to secure the lives of the loan customers during the term of the loan, JFS covers the lives of both borrowers and co-borrowers of its batch loan and other individual loans with Bajaj Allianz Life Insurance Company Ltd's (BALIC) Group Term Life Insurance plan. The coverage is against death due to natural or accidental reasons during the period of SB loan. This is compulsory for all the batch members of SB loan product and for other products. GTLI is applicable for loans with tenure 2 years or less. JFS is the Master Policy Holder and loan customers are enrolled as members of the Master policy.

ii. Group Credit Protection Plan (GCPP)
In order to secure the lives of the individual loan customers during the term of the loan with tenure more than 2 years, JFS covers both borrowers and co-borrowers of individual loans with BALIC's GCPP. The premium is determined by the premium calculator provided by BALIC for this purpose.

2 General Insurance

National insurance company Ltd ("NIC") provides group property insurance plan for customers of JFS' housing finance product. All housing finance customers of JFS will be required to participate in this group property insurance plan. A one-time premium will be routed through JFS to NIC on the date of the last instalment of loan disbursement, so as to coincide with customer possession of the flats. The term of insurance is: minimum 10 years and maximum up to 20 years.

ENTERPRISE FINANCIAL SERVICES

Currently, we extend two types of loans to qualifying MSEs: Working capital demand loans with 12 months to 36 month tenors, in case of composite loans both for working capital and equipment purchase may go up from 48 to 60 months and term loans with 36 months to 60 month tenors. Typical loan ticket sizes range from Rs.1,00,000 to Rs.25,00,000 and repayment is via ECS for the EMI amount. We take a security interest in the underlying assets financed by us, as well as some form of tangible collateral security. Enterprise Financial Services(EFS) also provides Long term business loan (LTBL) , loan ranging from 5 lakh to 25 lakhs and period ranging from 5 years to 10 years given for long term business requirement of the firms like expansion of business, additional construction, long term capital infusion to strengthen promoter's margin requirements, acquisition of new assets, etc. The underlying security would be the self occupied property of the applicant supported by panel advocate and two valuers report on ownership and present average market value of the property, respectively.

All EFS loans, except LTBLs are covered under the life insurance policy of Kotak Life Insurance Policy (KLI), with cover taken on the life of the principal promoter/man/woman behind the show of the firm/business.

Funding & Treasury Management

The company has diversified its funding base over the last financial year, both in terms of numbers and variety, to meet with the ever growing need for funds. The company uses equity, bank loans – public sector banks, Indian private banks and foreign banks, loans from NBFCs, securitization and NCDs to raise funds. The company has existing funding relationships with 18 Public Sector Banks, 11 Private Sector Banks, 5 Foreign Banks and 4 NBFCs. JFS has also issued 2 debentures during this FY. The total funds raised for the FY 14 is Rs 1860 crore through term loans and securitisation, apart from Rs. 325 crores raised through equity infusion.

Human Resources

JFS is an equal opportunity employer and believes that financial inclusion has to happen starting from its own employees. The company lays emphasis in providing opportunities for the employable members of the community it serves and then provide them with a robust training and education plan to groom them to become young manager growing up the hierarchy in a very fast and successive manner.

Education, Training and providing opportunities for its employees is a major focus area for the company's employees. We provide a comprehensive induction and training for freshers with the help of an arrangement with Manipal University and the e-learning portal we have.

Enabling information to all the team members through the digital platform and building a culture of appreciation is key to our employee engagement initiatives where the culture of the organization is lived up on a day to day basis.

Balance Scored Card is broken up into simpler and trackable measures like HR/Training dashboard and goal sheets for performance measures.

Leadership development and grooming the talent for future leaders is being taken up considering the future in mind and the growth the company is envisaging. The company's top management consists of members well experienced in financial services industry.

The company employees more than 3600 staff as on 31st March 2014.

JFS is committed to ensure the growth of its staff in all respects. Academic achievement is key to career progress after a certain level. In today's world, many of our staff due to family circumstances or otherwise could have discontinued their education. JFS is willing to support them by a tie-up with Manipal University (on identified courses) and giving financial assistance (loan) to them to study. If the employee does well and passes the course, the interest on the loan will be waived and there on (after completion of course) the principle amount will be recovered in EMI amounts but repaid back to him if the staff continues to work with us. This makes the education free to the staff member. Staff can take up studies through IGNOU too for identified courses.

Further such staff after their graduation would also be eligible for a Housing Loan at nominal rates of interest. Thus the name – Naukri Degree and Makaan (NDM)

Risk Management & Compliance

The ALCO, Risk and Credit Committee of the Board is responsible for owning and managing Credit, Operational, Market, External and strategic risks through policies, processes and controls. Risk management below the Board is managed by the Risk Committee (Members: Vice Chairman, MD &CEO, Head - Risk Management, Management Consultant and the Head – Operations) on a monthly basis. The risk function that was being managed informally through a Risk Committee process has been made a formal independent function in 2013. The function has been enlarged to cover activities relating to regulatory compliance. The Risk Management and Compliance department uses the three line of defence model i.e. Business Units, Risk Management & Compliance, Internal Audit to manage risk. JFS is confident that the risk management practices adopted will enable it to manage issues arising out of unforeseen events.

Policies

Whistle blower policy : JFS has a whistle blowing procedure, through which serious and sensitive issues, based on factual information can be raised directly to the MD&CEO.

Anti-Sexual Harassment Policy : JFS as an organization is committed to provide a workplace free of sexual harassment. Sexual harassment of any kind is considered unacceptable behavior by any employee and will attract appropriate disciplinary action. Based on the Supreme Court guidelines on prevention and deterrence of Sexual Harassment and the parliament enacted the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act in 2013, a clear policy has been formulated and implemented.

Internal Audit

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Janalakshmi Financial Services Private Limited (JFS). It assists JFS in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, internal control.

Responsibilities

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization’s stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the organization’s strategic objectives
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets
- Evaluating the effectiveness and efficiency with which resources are employed
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned
- Monitoring and evaluating governance processes
- Monitoring and evaluating the effectiveness of the organization's risk management processes
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization
- Reporting periodically on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board
- Evaluating specific operations at the request of the Board or management, as appropriate

Internal Control process adopted by JFS

There are five interrelated components that define any internal control framework: control environment, risk assessment, control activities, information and communication, and monitoring. These components make up the minimum level of internal control any enterprise needs to have in place and are the basis against which internal control is evaluated. To effectively implement this framework, JFS has laid down detailed policies, procedures, and practices to fit its operations and are an integral part of operations. JFS has implemented this framework in its planning efforts and also into its daily processes to achieve better control at optimal cost.

Corporate Governance Report

Vision :

Adoption of best corporate practices to increase the confidence of investors and other stakeholders.
Ensure adherence with all the applicable statutory regulations relating to Corporate Governance.

Implementation :

- An Audit Committee of the Board of Directors is constituted in accordance with the requirements of RBI Circular on Corporate Governance, as may be stipulated from time to time and as per the provisions of Companies Act 2013. The Audit Committee is reviewing such matters as are required by RBI and Companies Act as well.
- A Nomination Committee of the Board of Directors is constituted in accordance with the requirements of RBI Circular on Corporate Governance, as may be stipulated from time to time and as per the provisions of Companies Act 2013. The Committee is ensuring the 'fit and proper' criteria of the proposed / existing Directors along with other matters as are required by statutory authorities. The Committee has been named as "Nomination and Remuneration Committee".
- An Asset Liability Management Committee (ALCO) of the Board of Directors is constituted in accordance with the requirements of RBI Circular on Corporate Governance, as may be stipulated from time to time, with regard to monitoring of market risk, the asset liability gap and strategic action to mitigate the risk associated. A risk management Committee also been formed in addition to the ALCO to manage integrated risk.
- All transactions with related parties are on an arm's length basis and that such credits are clearly identifiable, effectively monitored and appropriate steps are taken to control the quantitative limits or mitigate risks.
- All transactions with related parties are subject to the approval of the Audit Committee including the limits, terms and conditions, if any, imposed thereon.
- Periodic reports are placed before the Board of Directors to ensure conformity with corporate governance standards like composition of various committees, their roles and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

Board Meetings

During the year, four Board meetings were held. The dates on which the Board meeting were held are 3-May-2013; 23-Jul-2013; 31-Oct-2013 and 4-Feb-2014. Details of attendance at the Board meeting are as follows:

Name of the Director	No. of meetings held during the year	Attended
Ramesh Ramanathan	4	4
Raghunath Srinivasan	4	3
V. S. Radhakrishnan	4	4
Narayan Ramachandran	4	4
Rama Bijapurkar	4	2
Sunil Behari Mathur	4	3
Uday Madhav Chitale	4	4
Viswanatha Prasad	4	4
Zaheer Abbas Sitabkhan	4	-
T S Sivashankar	4	4
Vikram Gandhi	4	2
Akhil Shriprakash Awasthi(wef 14-Aug-2013)	4	2
Anil Rai Gupta(wef 14-Aug-2013)	4	-
Ling Wei Ong(wef 14-Aug-2013)/ Aluri Srinivasa Rao	4	2
Vijayalatha Reddy(wef 2-Jan-2014)	4	1

Details of the General Body meetings held in the last three years are given below:

General Body Meeting	Date, Time & Venue	No. of Special Resolution passed
Extra – Ordinary General Meeting	24-Dec-2013 at 09:30 a.m. at the registered office address : "Rajashree Saroja Plaza", #34/1,Andree Road, Shanthinagar, Bangalore – 560 024	3
Extra – Ordinary General Meeting	14-Aug-2013 at 2:00 p.m. at the registered office address : "Rajashree Saroja Plaza", #34/1,Andree Road, Shanthinagar, Bangalore – 560 024	2
Extra – Ordinary General Meeting	12-Aug-2013 at 10:30 a.m. at the registered office address : "Rajashree Saroja Plaza", #34/1,Andree Road, Shanthinagar, Bangalore – 560 024	2
Extra – Ordinary General Meeting	10-Aug-2013 at 10:30 a.m. at the registered office address : "Rajashree Saroja Plaza", #34/1,Andree Road, Shanthinagar, Bangalore – 560 024	-
Extra – Ordinary General Meeting	2-Aug-2013 at 10:30 a.m. at the registered office address : "Rajashree Saroja Plaza", #34/1,Andree Road, Shanthinagar, Bangalore – 560 024	2
7th Annual General Meeting	7-Jun-2013 at 12:00 p.m. at the registered office address : "Rajashree Saroja Plaza", #34/1,Andree Road, Shanthinagar, Bangalore – 560 024	Nil
Extra – Ordinary General Meeting	7-Jul-2012 at 10:00 a.m. at the registered office address : "Rajashree Saroja Plaza", #34/1,Andree Road, Shanthinagar, Bangalore – 560 024	3
6th Annual General Meeting	15-Jun-2012 at 5:00 p.m. at the registered office address: "Rajashree Saroja Plaza", #34/1,Andree Road, Shanthinagar, Bangalore – 560 024	Nil
Extra – Ordinary General Meeting	7-Jul-2011 at 02:00 p.m. at the registered office address : "Rajashree Saroja Plaza", #34/1,Andree Road, Shanthinagar, Bangalore – 560 024	4
5th Annual General Meeting	14-May-2011 at 10:30 a.m. at the registered office address: "Rajashree Saroja Plaza", #34/1,Andree Road, Shanthinagar, Bangalore – 560 024	Nil

Shareholding pattern :

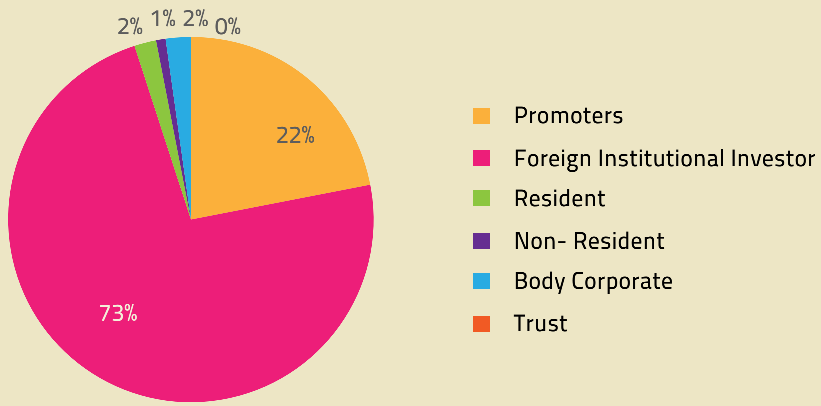
S.No	Equity Shareholders	Class	No. of shares	% of Holding post capital infusion
1	Jana Urban Foundation (earlier known as Janalakshmi Social Services) (Section 25 Company)	Class A	674,040	21.86%
2	MSPEA Platinum Pte Ltd	Class A	580,373	18.83%
3	Client Rosehill Limited	Class A	519,676	16.86%
4	Alpha TC Holdings Pte Ltd	Class A	302,803	9.82%
5	CVCI GP II Employee Rosehill Limited	Class A	291,049	9.44%
6	Treeline Asia Master Fund (Singapore) Pte. Ltd.	Class A	216,088	7.01%
7	India Financial Inclusion Fund (IFIF)	Class A	213,000	6.91%
8	GAWA Microfinance Fund I	Class A	120,088	3.90%
9	Vallabh Bhansali	Class A	47,764	1.55%
10	Narayan Ramachandran	Class A	36,901	1.20%
11	QRG Enterprises Limited	Class A	29,646	0.96%
12	Enam Shares & Securities Private Limited	Class A	27,292	0.89%
13	Badri Narayan Pilinja	Class A	23,039	0.75%
14	CVCI GP II Shiv Shankar Trust	Class A	693	0.02%
15	CVCI GP II Ajay Tandon Trust	Class A	297	0.01%
16	R. Srinivasan	Class A	9	0.00029%
17	V.S. Radhakrishnan	Class A	1	0.00003%
	Total		3,082,759	100.00%

0.0001% Compulsorily convertible Preference Share Capital (CCPS)

S.No	Preference Shareholder	Class	No. of shares	% of Holding
1	MSPEA Platinum Pte Ltd	Class B	24,729,130	40.89%
2	Alpha TC Holding Pte Ltd	Class C	17,467,430	28.88%
3	CVCI GP II Client Rosehill Ltd	Class D	9,672,741	15.99%
4	CVCI GP II Employee Rosehill Ltd	Class E	5,417,339	8.96%
5	India Financial Inclusion Fund (IFIF)	Class A	3,143,830	5.20%
6	QRG Enterprises Limited	Class F	50,000	0.08%
	Total CCPS		60,480,470	100.00%

Shareholding Distribution (Equity Shares)

Category	No. of shares	% to Equity
Promoters	674,040	21.86%
Foreign Institutional Investor	2,243,077	72.76%
Resident	70,813	2.30%
Non Residents	36,901	1.20%
Body Corporate	56,938	1.85%
Trust	990	0.03%



Directors' Report

To

The Shareholders,

Your Directors have pleasure in presenting the Eighth Annual Report of the Company for the year ended 31st March 2014.

Particulars	2013-2014	2012-2013
Total Income	4,089,946,303	1,694,741,488
Total Expenditure	3,350,336,384	1,458,639,755
Profit/ (Loss) before Tax	739,609,919	236,101,733
Provision for Tax	233,333,780	55,481,918
Profit/ (Loss) after Tax	506,276,139	180,619,815

The total income earned during the year under review is Rs. 4,089,946,303/- compared to Rs. 1,694,741,488/- earned during the previous year, which is an increase of Rs. 2,395,204,815/- over the previous year. The Total expenditure incurred during the year under review is Rs. 3,350,336,384/- as against Rs. 1,458,639,755/- incurred during the previous year. Your Company has earned a Net Profit after tax of Rs. 506,276,139/- for the year under review. Your Board of Directors of the Company is confident of continuing this growth in performance during the current year.

The other operational highlights for the financial year ended 31st March 2014:
- 154 Branches across 14 states
- Customer base of 1,412,738 and cumulative disbursement of Rs. 23,811,119,301/-
- Portfolio outstanding is Rs. 18,711,158,326/-

Dividend:
The Board of Directors recommended the payment of Dividend at the rate of 100% for the year 2013-14.

Transfer to Statutory Reserve :
As per Section 45-IC of the Reserve Bank of India Act, 1934, the Company has transferred an amount of Rs. 101,255,228/-to the Statutory Reserve.

Directors responsibility Statement:
Pursuant to the provisions of the Section 134(5) of the Companies Act, 2013, the Directors hereby confirm that:

a) In the preparation of the annual accounts, the applicable accounting standard had been followed along with the proper explanations to the material departures;

b) The Directors had selected the 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 ;

c) The Directors had taken proper and efficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) The Directors had prepared the annual accounts on a "going concern" basis and

e) The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Directors:

Mr. Akhil Shriprakash Awasthi, Mr. Anil Rai Gupta and Mr. Ling Wei Ong were appointed as Directors on 14th August 2013. Mr. Aluri Srinivasa Rao was appointed as an alternate Director to Mr. Ling Wei Ong on 31st October 2013. Further Ms. Vijayalatha Reddy was appointed as an Additional Director on 2nd January 2014. Her tenure as an Additional Director ceases at the conclusions of the ensuing Annual General Meeting. Since she is eligible to get appointed as a Director of the Company at the ensuing Annual General Meeting of the Company, your Board of Directors recommends her appointment.

During the year, your Board met for four times.

The Company has received declaration from all the independent directors under the provisions of Section 149(7).

Statutory Auditors:

M/s. Deloitte Haskins & Sells, Chartered Accountants, who are the Statutory Auditors of the Company hold their office up to the conclusion of the ensuing Annual General Meeting and have communicated that they are willing to get re-appointed at the ensuing Annual General Meeting. Since the Statutory Auditors are eligible to get re-appointed at this Annual General Meeting your Board of Directors recommends their re-appointment.

Fixed Deposits:

During the year under review, the Company has not issued or accepted any deposits from the public.

Particulars of Employees:

Pursuant to the Companies (Particulars of Employees) Amendment Rules, 2011, there are no employees whose remuneration is equal to or more than that prescribed under the said Amendment Rules. Hence no disclosure is made under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975:

Conservation of Energy , Technology Absorption , Foreign Exchange Earnings and Outgo :
The particulars as prescribed under the section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable to the Company and hence the same is not reported.

During the year under review, the Foreign Exchange Earnings was NIL and Foreign Exchange Expenditure was Rs. 22,012,913/-.

Acknowledgement:
Your Board of Directors wishes to thank all the customers, shareholders, suppliers bankers and other stakeholders for their continuous co-operation and support extended to the Company.

On behalf of the Board
For Janalakshmi Financial Services Pvt. Ltd.,

Place : Bangalore	sd/-	sd/-
Date : 2-May-2014	Ramesh Ramanathan	V.S. Radhakrishnan
	Chairman	CEO & Managing Director

Auditors' Report

Deloitte
Haskins & Sells

Chartered Accountants
Deloitte Centre
Anchorage II
100/2 Richmond Road
Bangalore - 560 025
INDIA

Tel : + 91 80 66276000
Fax: + 91 80 66276011

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF JANALAKSHMI FINANCIAL SERVICES PRIVATE LIMITED

1.0 Report on the Financial Statements

We have audited the accompanying financial statements of **JANALAKSHMI FINANCIAL SERVICES PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014 , the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2.0 Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of the financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control 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.

3.0 Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, 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 audit opinion.

DELOITTE HASKINS & SELLS CHARTERED ACCOUNTANTS

4.0 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:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;

(b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5.0 Report on Other Legal and Regulatory Requirements

5.1 As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

5.2 As required by Section 227(3) of the Act, we report that:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
(c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
(d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs).
(e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

for **DELOITTE HASKINS & SELLS**
Chartered Accountants
Firm's Registration No. 008072S

S. Ganesh

S. Ganesh
Partner
Membership No. 204108

Place: Bangalore
Date: May 2, 2014

DELOITTE HASKINS & SELLS
CHARTERED ACCOUNTANTS
BANGALORE

Deloitte Haskins & Sells

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 5.1 of our report of even date)

(i) Having regard to the nature of the Company's business/activities/results during the year, clauses ii, vi, viii, ix (b), xii, xiii, xiv and xx of paragraph 4 of the Order are not applicable to the Company.

(ii) In respect of its fixed assets:

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

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) The Company has granted loan aggregating Rs.28, 909,997/- to one party during the year. At the year-end, the outstanding balances of such loan aggregated Rs.21,900,000/- and the maximum amount involved during the year was Rs. 47,339,613/- (number of party - 1).

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Company.

(c) The receipts of principal amounts and interest have been regular/as per stipulations.

(d) There are no overdue amounts of Rs. 1 lakh remaining outstanding as at the year-end.

In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) The Company has taken loans aggregating to Rs Nil during the year. At the year-end, the outstanding balance of such loans taken aggregated Rs. 39,000,000/- (number of parties - 3) and the maximum amount involved during the year was Rs. 39,346,193- (number of parties - 3).

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Company.

(c) The payments of principal amounts and interest in respect of such loans are regular/as per stipulations.

DELOITTE HASKINS & SELLS CHARTERED ACCOUNTANTS BANGALORE

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system. There are no transactions with respect to purchase of inventories and sale of goods.

(v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

(b) Where each of such transactions is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are, *prima facie*, reasonable having regard to the prevailing market prices at the relevant time.

(vi) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.

(vii) According to the information and explanations given to us in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears for a period of more than six months from the date they became payable.

(viii) The company does not have accumulated losses at the end of financial year and has not incurred cash losses during the financial year and in the immediately preceding financial year.

(ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions and debenture holders.

(x) The Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.

(xii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.

(xiii) The Company has not made preferential allotment of shares to parties and Companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

DELOITTE HASKINS & SELLS CHARTERED ACCOUNTANTS BANGALORE

(xiv) According to the information and explanations given to us, during the period covered by our audit report, the Company had issued 115 non-convertible debentures of Rs. 10,000,000 each aggregating to Rs 1150, 000,000. The Company has created security in respect of such debentures issued.

(xv) To the best of our knowledge and according to the information and explanations given to us, no fraud by the company was noticed or reported during the year except for fraud against the Company by employees for which the management has estimated loss aggregating to approximately Rs.11,000,000/-. The management is investigating this fraud and necessary steps are being taken to recover this amount from such employees. Also, material losses if any, will be recognised after the completion of the investigation.

for **DELOITTE HASKINS & SELLS**
Chartered Accountants
Firm's Registration No. 008072S

S. Ganesh

S. Ganesh
Partner
Membership No. 204108

Place: Bangalore
Date: May 2, 2014

DELOITTE HASKINS & SELLS
CHARTERED ACCOUNTANTS
BANGALORE


Audited
Financials
2013-14

		PARTICULARS		NOTE NUMBER	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
I.	EQUITY AND LIABILITIES					
1	Shareholders' funds					
	(a)	Share capital		3	635,632,290	74,148,870
	(b)	Reserves and surplus		4	4,504,016,295	1,832,802,843
		Total			5,139,648,585	1,906,951,713
2	Non-current liabilities					
	(a)	Long - term borrowings		5	6,897,034,033	3,829,442,446
	(b)	Other Long term liabilities		6	13,933,636	-
	(c)	Long - term provisions		7	62,374,821	17,968,229
		Total			6,973,342,490	3,847,410,675
3	Current liabilities					
	(a)	Short - term borrowings		8	265,822,689	131,088,223
	(b)	Trade payables		9	158,157,631	115,660,623
	(c)	Other current liabilities		10	12,350,775,578	4,600,700,474
	(d)	Short - term provisions		11	218,931,197	77,349,556
		Total			12,993,687,095	4,924,798,876
			TOTAL		25,106,678,170	10,679,161,264
II.	ASSETS					
1	Non-current assets					
	(a)	Fixed Assets				
		(i)	Tangible assets	12	289,101,327	81,717,721
		(ii)	Intangible assets	13	21,283,529	10,026,410
	(b)	Non-current investments		14	1,000,000	1,000,000
	(c)	Deferred tax asset		26s	68,584,302	25,218,082
	(d)	Long-term loans and advances		15	4,602,900,187	1,813,720,293
	(e)	Other non-current assets		16	892,505,355	472,557,861
		Total			5,875,374,700	2,404,240,367
2	Current assets					
	(a)	Current investments		17	-	16,744,905
	(b)	Cash and cash equivalents		18	4,833,754,573	1,608,583,708
	(c)	Short-term loans and advances		19	55,713,658	72,578,548
	(d)	Other current assets		20	14,341,835,239	6,577,013,736
					19,231,303,470	8,274,920,897
			TOTAL		25,106,678,170	10,679,161,264

See accompanying notes forming part of the financial statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

sd/-
S. Ganesh
Partner

Place: Bangalore
Date : 2nd May 2014

For and on Behalf of the Board of Directors

sd/-
Ramesh Ramanathan
Chairman

sd/-
V.S. Radhakrishnan
Managing Director & CEO

sd/-
Richa Saxena
Company Secretary

sd/-
S. Gopalakrishnan
Chief Financial Officer

Place: Bangalore
Date : 2nd May 2014

Janalakshmi Financial Services Private Limited
Statement of Profit and Loss for the year ended 31 March 2014

	PARTICULARS	NOTE NUMBER	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
I.	Revenue from operations	**21**	3,837,617,771	1,587,405,283
II.	Other income	**22**	252,328,532	107,336,205
III.	**Total Revenue**		**4,089,946,303**	**1,694,741,488**
IV.	Expenses:			
	Employee benefits expense	**23**	676,213,770	389,819,384
	Finance costs	**24**	1,603,967,045	651,436,868
	Depreciation and amortization expense	**12&13**	76,921,552	29,102,450
	Other expenses	**25**	993,234,017	388,281,053
	Total expenses		**3,350,336,384**	**1,458,639,755**
V	**Profit for the year before Tax**		**739,609,919**	**236,101,733**
VI	**Tax expense:**			
	(1) Current tax		276,700,000	80,700,000
	(2) Deferred tax (Refer Note 26.s)		(43,366,220)	(25,218,082)
VII	**Profit for the year after Tax**		**506,276,139**	**180,619,815**
VIII	Earnings per equity share (Face value of Rs. 10/- each):			
	(1) Basic		200.11	126.26
	(2) Diluted		187.70	122.37
	(Refer Note 26.l)			

See accompanying notes forming part of the financial statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

sd/-
S. Ganesh
Partner

Place: Bangalore
Date : 2nd May 2014

For and on Behalf of the Board of Directors

sd/-
Ramesh Ramanathan
Chairman

sd/-
V.S. Radhakrishnan
Managing Director & CEO

sd/-
Richa Saxena
Company Secretary

sd/-
S. Gopalakrishnan
Chief Financial Officer

Place: Bangalore
Date : 2nd May 2014

Janalakshmi Financial Services Private Limited
Cash Flow Statement for the year ended 31 March 2014

	PARTICULARS		AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
A.	**Cash flow from Operating activities**			
	Net Profit before tax		739,609,919	236,101,733
	Add: Depreciation and amortisation		76,921,552	29,102,450
	Add: Provision in respect of standard assets		145,698,695	27,386,170
	Add: Provision/(Reversal) for non performing assets		(7,820,531)	(12,135,742)
	Add: Provision/(Reversal) for credit enhancement		11,931,718	3,749,940
	Add: Loss on sale of asset		800,443	22,040
	Less: Earnings from bank interest		(107,648,212)	(43,564,336)
	Less: Dividend from mutual funds		(63,421,628)	(11,815,397)
	Less: Profit from sale of mutual funds		(385,149)	(90,571)
	Operating profit before working capital changes		795,686,807	228,756,287
	Changes in working capital			
	(Increase) / Decrease in receivables under financing activity		(10,429,521,124)	(5,273,500,619)
	(Increase) / Decrease in long term loans and advances		(26,232,723)	(93,205,542)
	(Increase) / Decrease in short term loans and advances		16,864,892	(22,345,573)
	(Increase) / Decrease in other current assets		(68,656,950)	7,155,895
	(Increase) / Decrease in other non-current assets		(27,464,542)	(18,321,232)
	(Increase) / Decrease in balances held as margin money		(641,338,621)	(284,400,106)
	Increase /(Decrease) in trade payables		42,497,008	75,692,591
	Increase / (Decrease) in other current liabilities		569,382,364	16,589,257
	Increase/(Decrease) in provisions		24,869,910	(2,186,959)
	Net change in working capital		(10,539,599,786)	(5,594,522,288)
	Cash generated from operations		(9,743,912,979)	(5,365,766,001)
	Direct taxes paid / (refund received)		265,322,889	74,176,086
	Net cash from / (used in) operating activities	**(A)**	(10,009,235,868)	(5,439,942,087)
B.	**Cash flow from investing activities**			
	Purchase of portfolio		-	(28,384,795)
	Purchase of fixed assets		(296,486,369)	(42,179,185)
	Sale of fixed assets		123,648	24,000
	PTCs - Series A2 - Investment in Trust		16,744,905	(16,744,905)
	Proceeds from investments in mutual funds (Net)		385,149	90,571
	Earnings from bank interest		60,394,478	33,019,945
	Dividend from mutual fund		63,421,628	11,815,397
	Net cash from / (used in) investing activities	**(B)**	**(155,416,561)**	**(42,358,972)**
C.	**Cash flow from financing activities**			
	Proceeds from issue of share capital		561,483,420	64,293,940
	Share premium received		2,267,910,520	737,291,724
	Share issue expenses		(66,905,760)	(12,522,699)
	Proceeds from long term borrowings		17,389,510,001	7,875,000,000
	(Repayment) of long term borrowings		(7,163,359,485)	(2,408,047,184)
	Proceeds of short term borrowings		832,932,063	1,577,618,477
	(Repayment) of short term borrowings		(698,197,596)	(1,674,309,320)
	Net cash from / (used in) financing activities	**(C)**	**13,123,373,163**	**6,159,324,938**

Janalakshmi Financial Services Private Limited
Cash Flow Statement for the year ended 31 March 2014

PARTICULARS		AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Net Increase/(Decrease) in cash and cash equivalents during the year	**(A) + (B) + (C)**	**2,958,720,734**	**677,023,879**
Cash and cash equivalents at the beginning of the year		1,429,599,495	752,575,616
Cash and cash equivalents at the end of the year		**4,388,320,229**	**1,429,599,495**
Reconciliation of Cash and cash equivalents with the Balance Sheet:			
Cash and cash equivalents as per Balance Sheet (Refer Note 18)		4,833,754,573	1,608,583,708
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements		445,434,344	178,984,213
Net Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) included in Note 18		**4,388,320,229**	**1,429,599,495**
Cash and cash equivalents at the end of the year*		**4,388,320,229**	**1,429,599,495**
* Comprises:			
(a) Cash on hand		168,808,664	131,377,841
(b) Balances with banks			
(i) In current accounts		1,095,460,270	968,221,654
(ii) In deposit accounts with original maturity of less than 3 months		3,124,051,295	330,000,000

See accompanying notes forming part of the financial statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

sd/-
S. Ganesh
Partner

Place: Bangalore
Date : 2nd May 2014

For and on Behalf of the Board of Directors

sd/-
Ramesh Ramanathan
Chairman

sd/-
V.S. Radhakrishnan
Managing Director & CEO

sd/-
Richa Saxena
Company Secretary

sd/-
S. Gopalakrishnan
Chief Financial Officer

Place: Bangalore
Date : 2nd May 2014

Note 1
Corporate Information

The Company was incorporated on July 24, 2006 to carry on the business of providing financial services including granting loans, advances, trade credits, etc as may be permitted by the Reserve Bank of India, and the other related activities. The Company has been registered as a Non-Banking Financial Company with the Reserve Bank of India from 4th March 2008.
The Company has been registered as a NBFC-MFI effective 5 September 2013.

Note 2
Significant Accounting Policies

1 - Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 (Accounting Standards) Rules, 2006 (as amended) ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Companies Act, as applicable 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year

The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by the Reserve Bank of India for Systemically Important Non-deposit taking Non-Banking Finance Companies - MFI (NBFC-ND-SI-MFI).

2 - Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of income and expenditure during the year reported. Actual results could differ from those estimates. Any provision to accounting estimates is recognized prospectively in the current and future periods.

3 - Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

4 - Tangible assets and depreciation

Tangible assets are carried at cost less depreciation. Cost includes purchase price and other costs incurred towards acquisition and installation of the asset. Specific grant received for acquisition of fixed assets are reduced from the cost of the asset.

Tangible assets are depreciated under the written down value method at the rates specified in Schedule XIV of the Companies Act, 1956 except leasehold improvements which are amortized over the period of Lease.

5 - Intangibles and amortisation

Acquired intangibles are capitalized and amortised as follows.
Marketing and Distribution Network – 5 years
Software - 3 years

6 - Revenue recognition

Interest on loans granted: Interest income from Loan for Financial Assistance granted to Large Group (Formerly Self Help Groups (SHGs)), Small Group (Formerly Mutual Guarantee Groups (MGGs)), Individuals and others including income arising out of securitization, are recognized on accrual basis. Interest income included in the Equated Monthly Installments from Self Help Groups and Individuals (Family Loans) is determined on Monthly rest based on the principal outstanding. Interest income is not recognized on loan accounts that are overdue for more than 90 days in view of the uncertainty in recovering the sums and are recognized in the year of receipt of such income.

Loan Processing & Registration Charges: Loan processing and registration charges are recognized on registration of the Groups and Individuals with the Company.

Interest on Fixed Deposits: Interest income on fixed deposits with banks is recognized on a time proportionate basis at the applicable interest rates.

7 - Investments

Long-term Investments are carried at cost. Provision for diminution in value of long term investments is made to recognize a decline, which is other than temporary. Current investments are carried at lower of cost and fair value. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss.

8 - Employee benefits

Defined contribution plan

Contributions to the Regional Provident Fund Commissioner to secure retiral benefits in respect of Employees' Provident Fund and Employees Family Pension Fund, based on the statutory provisions as per the Employee Provident Fund Scheme, are charged to revenue.

Defined benefit plan & long term compensated absences

Expenditure for defined benefit gratuity plan and long term accumulated compensated absences is calculated as at the balance sheet date in a manner that distributes expenses over the employees working lives. These commitments are valued at the present value of expected future payments and with consideration for calculated future salary increases.

The Company accounts for its liability for long term unfunded compensated absences and funded gratuity based on actuarial valuation, as at the Balance Sheet date, determined every year by an independent actuary using the Projected Unit Credit Method.

Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur. Past Service Cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Short term employee benefits

Short – term employee benefits expected to be paid in exchange for the services rendered by the employees is recognized during the period when the employee renders service.

9 - Accounting for lease

Finance Lease : Assets under finance lease are capitalized at fair market value or present value of minimum lease payments, whichever is lower. Finance lease payments are apportioned between finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as an expense in the Statement of Profit and Loss.

Operating Lease : Lease rentals on assets under operating lease is charged off to the Statement of Profit and Loss for the year.

10 - Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

11 - Taxes

Direct Taxes

Income tax comprises the current tax provision and the net change in the deferred tax asset or liability during the year.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised.

However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Indirect Taxes

Service Tax input credit is accounted for in the books in the period when the underlying service received is accounted and when there is no uncertainty in availing or utilizing the same.

12- Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

13 - Foreign currency transactions

Foreign currency transactions are recorded at the rate of exchange prevailing, on the date of the transaction. Outstanding foreign currency monetary assets and liabilities are restated at year end rates. Gains/Losses arising on restatement / settlement are adjusted to the Statement of profit and loss as applicable.

14 - Provisions, contingent liabilities and contingent assets

A provision is recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balances sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are not recognised and, if any, are adequately disclosed in the notes to accounts.

Contingent assets are not recognized in the financial statements since they may result in the recognition of income that may never be realized.

15 - Provisioning norms for loans

The aggregate loan provision to be maintained by the Company at any point of time shall not be less than the higher of
- 1% of the outstanding loan portfolio OR
- 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more.

16 - Loan processing and syndication charges

Prepaid Loan Processing and Syndication charges represent ancillary costs incurred in connection with the arrangement of borrowings and is amortized on straight line basis over the tenure of respective borrowings. Unamortised borrowing cost, if any, is fully expensed off as and when the related borrowing is prepaid / cancelled.

17 - Borrowing costs

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan.

18 - Grants

Grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. The grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

Note 3
Share capital

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Authorised		
Equity		
5,000,000 (31 March 2013: 3,000,000) Class 'A' Equity Shares of Rs.10/- each with voting rights	50,000,000	30,000,000
Nil (31 March 2013: 1,000,000) Class 'B' Equity Shares of Rs.10/- each with voting rights	-	10,000,000
Nil (31 March 2013: 1,000,000) Class 'C' Equity Shares of Rs.10/- each with no voting rights	-	10,000,000
	50,000,000	50,000,000
Preference		
70,000,000 (31 March 2013: 20,000,000) Preference Shares of Rs.10 each	700,000,000	200,000,000
Issued, Subscribed and Fully Paid- up		
3,082,759 (31 March 2013: 1,599,355) Class 'A' Equity Shares of Rs.10 each fully paid up with voting rights	30,827,590	15,993,550
Nil (31 March 2013: 5,815,532) 0.001% Compulsorily Convertible Preference Shares of Rs.10/- each	-	58,155,320
3,143,830 (31 March 2013: Nil) 0.0001% Class A Compulsorily Convertible Preference Shares of Rs. 10/- each	31,438,300	-
24,729,130 (31 March 2013: Nil) 0.0001% Class B Compulsorily Convertible Preference Shares of Rs. 10/- each	247,291,300	-
17,467,430 (31 March 2013: Nil) 0.0001% Class C Compulsorily Convertible Preference Shares of Rs. 10/- each	174,674,300	-
9,672,741 (31 March 2013: Nil) 0.0001% Class D Compulsorily Convertible Preference Shares of Rs. 10/- each	96,727,410	-
5,417,339 (31 March 2013: Nil) 0.0001% Class E Compulsorily Convertible Preference Shares of Rs. 10/- each	54,173,390	-
50,000 (31 March 2013: Nil) 0.0001% Class F Compulsorily Convertible Preference Shares of Rs. 10/- each	500,000	-
TOTAL	**635,632,290**	**74,148,870**

Note (a) Reconciliation of the no. of shares outstanding at the beginning and at the end of the year:	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Equity shares of Rs.10 each fully paid up		
No. of Shares as at the beginning of the year		
Class A	1,599,355	714,810
Class B	-	222,853
Class C	-	47,830
Converted to Class 'A' Equity shares of Rs.10 each fully paid up		
Class A*	18,422	270,683
Class B	-	(222,853)
Class C	-	(47,830)
Add: Issued during the year		
Class A	1,464,982	613,862
Class B	-	-
Class C	-	-
No. of shares as at the end of the year		
Class A	3,082,759	1,599,355
Class B	-	-
Class C	-	-
Preference shares of Rs. 10 each fully paid up		
No. of Shares as at the beginning of the year	5,815,532	-
Less: converted to equity during the year*	(5,815,532)	-
Add: Issued during the year	60,480,470	5,815,532
No. of Shares as at the end of the year	60,480,470	5,815,532

* During the year 2013-14, 5,815,532 Preference Shares of Rs. 10/- each were converted into 18,422 Class A Equity Shares.

Note (b)

Number of Equity shares held by each shareholder holding more than 5% shares in the company are as follows:

As at 31 March 2014 Shareholder	Class A	Total	% of Holding
Jana Urban Foundation (Formerly Janalakshmi Social Services)	674,040	674,040	21.86%
MSPEA Platinum Pte Ltd	580,373	580,373	18.83%
CVCI GP II Client Rosehill Limited	519,676	519,676	16.86%
CVCI GP II Employee Rosehill Limited	291,049	291,049	9.44%
Alpha TC Holding Pte Ltd	302,803	302,803	9.82%
Treeline Asia Master Fund (Singapore) Pte. Ltd.	216,088	216,088	7.01%
India Financial Inclusion Fund	213,000	213,000	6.91%

As at 31 March 2013 Shareholder	Class A	Total	% of Holding
Janalakshmi Social Services	407,491	407,491	25.48%
CVCIGP II Client Rosehill Limited	255,059	255,059	15.95%
Treeline Asia Master Fund (Singapore) Pte. Ltd.	216,088	216,088	13.51%
India Financial Inclusion Fund	163,757	163,757	10.24%
CVCIGP II Employee Rosehill Limited	142,848	142,848	8.93%
GAWA Microfinance Fund	120,088	120,088	7.51%
Bellwether Microfinance Fund Private Limited	109,128	109,128	6.82%

Note (c)

Key Terms / rights attached to Equity Shares

Particulars	Class A Shares
Voting Rights	One voting right per share held
Dividend	Same rights and preferences with respect to receipt of dividend
Bonus Shares	Equal bonus rights

Key Terms / rights attached to Preference Shares

Class of Preference Shares	Class A Shares	Voting	Conversion
Class A Class B Class C Class D Class E Class F	The Preference Shares shall rank pari passu with Class A Equity Shares of the Company without any preference or priority over them except in respect of dividends.	Preference Shares shall carry no voting rights	Refer Note C(1) Below

Note (c) (i)

Class A	The Class A Preference Shares shall carry no voting rights Class A Preference Shares shall unless converted earlier into Class A Equity Shares be compulsorily converted, upon the tenth anniversary of Completion The holders of the Class A Preference Shares shall have the right to convert the Class A Preference Shares into Class A Equity Shares without any additional payment to the Company for such conversion - - at any time (but within the Class A Preference Shares Conversion Date) in which case all the Class A Preference Shares shall convert to 1 (One) Class A Equity Share - on the occurrence of a Liquidity Event, in which case all the Class A Preference Shares shall convert to 1 (One) Class A Equity Share. - on the occurrence of a Dilutive Issuance, in which case the Class A Preference Shares would convert into Class A Equity Shares based on the formula prescribed in shareholders agreement, subject to a maximum of 16,993 Class A Equity Shares

Class B	The Class B Preference Shares shall carry no voting rights The Class B Preference Shares shall unless converted earlier into Class A Equity Shares be compulsorily converted, upon the tenth anniversary of Completion The holders of the Class B Preference Shares shall have the right to convert the Class B Preference Shares into Class A Equity Shares without any additional payment to the Company for such conversion - at any time (but within the Class B Preference Shares Conversion Date) in which case all the Class B Preference Shares shall convert to 1 (One) Class A Equity Share - on the occurrence of a Liquidity Event, in which case all the Class B Preference Shares shall convert to 1 (One) Class A Equity Share. - on the occurrence of a Dilutive Issuance, in which case the Class B Preference Shares would convert into Class A Equity Shares based on the formula prescribed in shareholders agreement, subject to a maximum of 133,670 Class A Equity Shares
Class C	The Class C Preference Shares shall carry no voting rights The Class C Preference Shares shall unless converted earlier into Class A Equity Shares be compulsorily converted, upon the tenth anniversary of Completion The holders of the Class C Preference Shares shall have the right to convert the Class C Preference Shares into Class A Equity Shares without any additional payment to the Company for such conversion - at any time (but within the Class C Preference Shares Conversion Date) in which case all the Class C Preference Shares shall convert to 1 (One) Class A Equity Share - on the occurrence of a Liquidity Event, in which case all the Class C Preference Shares shall convert to 1 (One) Class A Equity Share. - on the occurrence of a Dilutive Issuance, in which case the Class C Preference Shares would convert into Class A Equity Shares based on the formula prescribed in shareholders agreement, subject to a maximum of 94,418 Class A Equity Shares
Class D	The Class D Preference Shares shall carry no voting rights The Class D Preference Shares shall unless converted earlier into Class A Equity Shares be compulsorily converted, upon the tenth anniversary of Completion The holders of the Class D Preference Shares shall have the right to convert the Class D Preference Shares into Class A Equity Shares without any additional payment to the Company for such conversion - at any time (but within the Class D Preference Shares Conversion Date) in which case all the Class D Preference Shares shall convert to 1 (One) Class A Equity Share - on the occurrence of a Liquidity Event, in which case all the Class D Preference Shares shall convert to 1 (One) Class A Equity Share. - on the occurrence of a Dilutive Issuance, in which case the Class D Preference Shares would convert into Class A Equity Shares based on the formula prescribed in shareholders agreement, subject to a maximum of 52,285 Class A Equity Shares

Class E	The Class E Preference Shares shall carry no voting rights The Class E Preference Shares shall unless converted earlier into Class A Equity Shares be compulsorily converted, upon the tenth anniversary of Completion The holders of the Class E Preference Shares shall have the right to convert the Class E Preference Shares into Class A Equity Shares without any additional payment to the Company for such conversion - at any time (but within the Class E Preference Shares Conversion Date) in which case all the Class E Preference Shares shall convert to 1 (One) Class A Equity Share - on the occurrence of a Liquidity Event, in which case all the Class E Preference Shares shall convert to 1 (One) Class A Equity Share. - on the occurrence of a Dilutive Issuance, in which case the Class E Preference Shares would convert into Class A Equity Shares based on the formula prescribed in shareholders agreement, subject to a maximum of 29,282 Class A Equity Shares
Class F	The Class F Preference Shares shall carry no voting rights The Class F Preference Shares shall unless converted earlier into Class A Equity Shares be compulsorily converted, upon the tenth anniversary of Completion - at any time (but within the Class F Preference Shares Conversion Date) in which case all the Class E Preference Shares shall convert to 100 Class A Equity Share - on the occurrence of a Liquidity Event, in which case all the Class F Preference Shares shall convert to 100 Class A Equity Share. - on the occurrence of a Dilutive Issuance, in which case the Class F Preference Shares would convert into Class A Equity Shares based on the formula prescribed in shareholders agreement, subject to a maximum of 50,000 Class A Equity Shares

Note 4
Reserves and surplus

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Securities premium account		
Opening balance	1,759,637,329	1,034,868,304
Add: Additions during the year	2,267,910,520	737,291,724
Less: Utilised for adjustment of share issue expenses during the year	(66,905,760)	(12,522,699)
Closing balance	**3,960,642,089**	**1,759,637,329**
Statutory reserve*		
Opening balance	38,567,525	2,443,562
Add: Transfer from Statement of Profit and Loss	101,255,228	36,123,963
Closing balance	**139,822,753**	**38,567,525**
General reserve		
Opening balance	18,061,982	-
Add: Transfer from Statement of Profit and Loss	50,627,614	18,061,982
Closing balance	**68,689,596**	**18,061,982**
Excess/(Deficit) in Statement of Profit and Loss		
Opening balance	16,536,007	(91,309,272)
Add: Profit during the year	506,276,139	180,619,815
Less: Transfer to Statutory Reserve *	(101,255,228)	(36,123,963)
Less: Dividend to Preference Share holders	(605)	(419)
Less: Dividend proposed to be distributed to equity shareholders - Rs.10/- (31 March 2013: Rs. 10/- per share)"	(30,827,590)	(15,993,550)
Less: Dividend distribution tax	(5,239,252)	(2,594,622)
Less: Transfer to General Reserve	(50,627,614)	(18,061,982)
Closing balance	**334,861,857**	**16,536,007**
Total	**4,504,016,295**	**1,832,802,843**

* The company has transferred 20% of the profit after tax to statutory reserves in accordance with the provisions of section 45IC Reserve Bank of India, 1934.

Note 5
Long term borrowings

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Secured		
(a) Non-convertible debentures		
65 Nos, 14.40% (31 March 2013: Nil) Non Convertible Debentures of Rs. 10,000,000/- each redeemable at par in May 2019.	650,000,000	-
50 Nos, 14% (31 March 2013: Nil) Non Convertible Debentures of Rs. 10,000,000/- each redeemable at par in December 2015.	500,000,000	-
27 Nos, 14.45% (31 March 2013: 27) Non Convertible Debentures of Rs. 10,000,000/- each redeemable in 4 equal installments together with the accrued coupon which are due during June 2016, December 2016, June 2017 and December 2017. The Company has option to buy back all the Debentures on the Coupon Reset Date (December 2015) and the Debenture Trustee and/ the Debenture Holders have the option to redeem the Debentures on the Coupon Reset Date.	270,000,000	270,000,000
NIL (31 March 2013: 30) 14.50% Non Convertible Debentures of Rs. 10,000,000/- each redeemable at par during December 2016 or on exercise of Put Option at the exercise date (December, 2014) by the debenture trustee on behalf of debenture holders or on exercise of Call Option at the exercise date by the Company.	-	300,000,000
Secured by: (Secured by exclusive charge on receivables)		
(b) Term loans (refer Note below)		
i) From banks	4,568,981,283	2,842,519,576
ii) From others	883,052,750	416,922,870
Note: Loans availed from Banks and Others are secured by exclusive charge on receivables arising out of loans disbursed and cash margin of Rs. 699,968,004/- (31 March 2013: Rs. 610,261,975/-)		
Unsecured		
Term Loans from others	25,000,000	-
Total	**6,897,034,033**	**3,829,442,446**

Note 6
Other Long term Liabilities

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Unamortised Gain on Securitisation (Refer Note 26a)	13,933,636	-
Total	**13,933,636**	-

Note 5
Long Term Borrowings

Janalakshmi Financial Services Private Limited
Notes Annexed to and Forming Part of the Balance Sheet

Terms of Repayment - Term Loans
As at 31 March 2014

	Terms of Repayment and Interest		Amount Outstanding (₹)	
Rate of Interest	Maturity	Instalments	Current	Non Current
Borrowings From Banks				
Repayable in Monthly Instalments				
Base Rate + (0.5% - 2%)	< 1 Year	17	116,666,666	
	1-2 Years	1		6,250,000
Base Rate + (2% - 3%)	< 1 Year	83	1,376,333,270	
	1-2 Years	35		472,700,465
Base Rate+(3%-4%)	< 1 Year	281	3,604,586,160	
	1-2 Years	159		1,764,276,697
	2-3 Years	44		282,448,688
Base Rate +(4%-5%)	< 1 Year	19	140,301,394	
	1-2 Years	12		83,400,000
	2-3 Years	12		83,400,000
	3-4 Years	1		6,750,000
Fixed	< 1 Year	60	1,741,536,046	
	1-2 Years	23		318,750,008
Repayable in Quarterly Instalments				
Base Rate + (2%-3%)	< 1 Year	4	72,727,274	
	1-2 Years	4		72,727,273
	2-3 Years	1		18,181,817
Base Rate +(3%-4%)	< 1 Year	32	813,503,035	
	1-2 Years	26		684,590,502
	2-3 Years	17		479,490,909
Base Rate + (4% to 5%)	< 1 Year	8	165,599,387	
	1-2 Years	4		83,514,924
Base Rate+Margin	< 1 Year	12	992,500,000	
	1-2 Years	2		112,500,000
Fixed	< 1 Year	7	137,500,000	
	1-2 Years	4		100,000,000
Repayable in Bullet				
Fixed	< 1 Year	1	300,000,000	
Total			**9,461,253,232**	**4,568,981,283**
Borrowings from Others				
Repayable in Monthly Instalments				
Fixed	< 1 year	116	1,710,101,987	
	1-2 Years	27		826,386,082
	2-3 Years			
Repayable in Quarterly Instalments				
Fixed	< 1 year	12	73,333,334	
	1-2 Years	10		56,666,669
	2-3 Years	5		24,999,999
Total			**1,783,435,321**	**908,052,750**
TOTAL			**11,244,688,553**	**5,477,034,033**

As at 31 March 2013

	Terms of Repayment and Interest		Amount Outstanding (₹)	
Rate of Interest	Maturity	Instalments	Current	Non Current
Borrowings From Banks				
Repayable in Monthly Instalments				
Base Rate	< 1 Year	58	578,557,774	
	1-2 Years	23		304,174,057
Base Rate + (0.5% - 2%)	< 1 Year	26	174,169,252	
	1-2 Years	17		116,485,845
	2-3 Years	1		6,250,000
Base Rate + (2% - 3%)	< 1 Year	52	506,114,712	
	1-2 Years	36		359,983,775
	2-3 Years	9		84,451,659
Base Rate+(3% - 4%)	< 1 Year	142	1,154,078,177	
	1-2 Years	134		1,098,159,912
	2-3 Years	64		319,149,711
	3-4 Years	13		64,995,700
Base Rate + (4% - 5%)	< 1 Year	22	162,460,000	
	1-2 Years	8		64,073,965
Repayable in Quarterly Instalments				
Base Rate	< 1 Year	4	100,000,000	
Base Rate + Margin	< 1 Year	8	220,000,000	
	1-2 Years	4		117,500,000
Base Rate + Spread	< 1 Year	8	250,142,466	
	1-2 Years	2		37,357,534
Base Rate +(3% - 4%)	< 1 Year	16	341,818,178	
	1-2 Years	16		341,818,185
	2-3 Years	7		117,301,972
Base Rate+(5% - 6%)	< 1 Year	7	130,478,629	
	1-2 Years	4		82,848,462
Repayable in Bullet				
Fixed	< 1 Year	1	120,000,000	
Total			**3,737,819,188**	**3,114,550,777**
Borrowings from Others				
Repayable in Monthly Instalments				
Coupon Rate	< 1 year	10	209,886,714	
Coupon Rate+ (4% - 5%)	< 1 year	5	19,335,515	
Floating Rate	< 1 year	12	144,688,510	
	1-2 Years	5		53,225,001
PLR-(0.5%-1%)	< 1 year	24	100,000,000	
	1-2 Years	10		41,666,666
Repayable in Quarterly Instalments				
Base Rate	< 1 year	4	33,333,332	
	1-2 Years	4		33,333,332
	2-3 Years	2		16,666,670
Repayable in Half-Yearly Instalments				
Mibor+(4 - 5%)	< 1 year	2	30,000,000	
Total			**537,244,071**	**144,891,669**
TOTAL			**4,275,063,259**	**3,259,442,446**

Note 7
Long - term provisions

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
(a) Provision for employee benefits		
(Refer Note 26r)		
Provision for compensated absence	12,300,625	7,453,005
(b) Provision on Portfolio (Refer Note 26.d)	50,074,196	10,515,224
Total	**62,374,821**	**17,968,229**

Note 8
Short - term borrowings

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
(a) Loans repayable on demand		
Secured		
From banks	226,822,689	92,088,223
Secured by: Loans availed are secured by exclusive charge on receivables arising out of loans disbursed and cash margin.		
(b) Loans and advances from related parties (unsecured)		
(Refer Note 26.j)		
Persons with significant influence	17,500,000	17,500,000
Relative of Persons with significant influence	21,500,000	21,500,000
Terms of repayment : Payable on demand (Rate of interest : 12%)		
Total	**265,822,689**	**131,088,223**

Note 9
Trade Payables

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Acceptances	-	-
Other than acceptances (Refer Note 26.n)	158,157,631	115,660,623
Total	**158,157,631**	**115,660,623**

Note 10
Other current liabilities

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
(a) Current maturities of long-term debt		
(Secured, Refer Note 5)		
Non-convertible debentures		
Nil (31 March 2013: 25 Nos) 14% Non Convertible Debentures of Rs. 5,000,000/- each	-	125,000,000
30 Nos, 14.50% (31 March 2013: Nil) Non Convertible Debentures of Rs. 10,000,000/- each redeemable at par during December 2016 or on exercise of Put Option at the exercise date (December, 2014) by the debenture trustee on behalf of debenture holders or on exercise of Call Option at the exercise date by the Company.	300,000,000	-
Term loans		
i) From banks	9,461,253,232	3,422,349,988
ii) From others	1,783,435,321	852,713,271
	11,544,688,553	**4,400,063,259**
Unsecured		
42,431,000 Nos (31 March 2013: Nil) Compulsorily Convertible Debentures of Rs. 10/- each (Convertible to 167,229 Class A Equity shares at the earlier of expiry of 18 months post completion (14 August 2013) or the occurrence of a liquidity event.	424,310,000	-
(b) Security margin	194,787	249,584
(c) Interest accrued but not due on borrowings	115,219,480	35,405,311
(d) Other payables		
Statutory remittances	17,470,085	11,928,438
Grant (Refer Note 26.p)	5,918,632	3,226,580
Amount payable to trust/investors in respect of collections from managed portfolio	162,733,737	111,569,626
Payable towards micro pension and insurance	70,025,534	27,220,544
Deferred Income on portfolio	-	6,812,351
Gratuity Payable (Refer Note 26.r)	1,975,592	747,475
Unamortised Gain on Securitisation (Refer Note 26a)	5,258,627	-
Others	2,980,551	3,477,306
TOTAL	**12,350,775,578**	**4,600,700,474**

Note 11
Short - term provisions

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
(a) Provision for employee benefits (Current portion of Employee Benefits) (Refer Note 26r)		
Compensated absences	6,240,697	3,697,264
(b) Provision on Portfolio (Refer Note 26.d)	158,036,997	47,786,087
(c) Others		
Provision for taxes (net of advance tax and TDS - Rs. 342,210,501/- (31 March 2013: Rs. 76,818,943/-)	18,586,056	7,277,614
Provision for proposed dividend	30,828,195	15,993,969
Provision for tax on proposed dividend	5,239,252	2,594,622
Total	**218,931,197**	**77,349,556**

Note 12
Tangible assets

Particulars	Gross Block				Depreciation				Net Block	
	As on 1st april 2013 ₹	Additions ₹	Deletions ₹	As on 31 March 2014 ₹	As on 1st april 2013 ₹	For the year ₹	On Deletions ₹	Upto 31 March 2014 ₹	As on 31 March 2014 ₹	Upto 31 March 2013 ₹
Electrical installation	27,412,826	5,101,641	-	32,514,467	5,518,473	5,258,924	-	10,777,397	21,737,070	21,894,353
	(11,881,207)	(15,531,619)	-	(27,412,826)	(3,495,452)	(2,023,021)	-	(5,518,473)	(21,894,353)	
Computers	49,805,004	170,874,013	32,000	220,647,017	27,141,286	41,234,963	15,952	68,360,297	152,286,720	22,663,718
	(36,499,763)	(13,305,241)	-	(49,805,004)	(18,694,670)	(8,446,616)	-	(27,141,286)	(22,663,718)	
Furniture & fittings	17,173,859	13,664,648	-	30,838,507	8,204,603	4,509,001	-	12,713,604	18,124,903	8,969,256
	(15,433,469)	(1,826,451)	(86,061)	(17,173,859)	(6,036,911)	(2,207,713)	(40,021)	(8,204,603)	(8,969,256)	
Office equipments	20,124,945	29,549,101	1,266,800	48,407,245	5,895,081	3,972,633	358,757	9,508,957	38,898,288	14,229,864
	(16,949,523)	(3,175,422)	-	(20,124,945)	(3,883,941)	(2,061,140)	-	(5,895,081)	(14,229,864)	
Leasehold improvements	40,490,928	60,090,257	-	100,581,185	26,530,398	15,996,441	-	42,526,839	58,054,346	13,960,530
	(36,767,855)	(3,723,073)	-	(40,490,928)	(19,290,565)	(7,239,833)	-	(26,530,398)	(13,960,530)	
Total	**155,007,562**	**279,279,660**	**1,298,800**	**432,988,421**	**73,289,841**	**70,971,962**	**374,709**	**143,887,094**	**289,101,327**	**81,717,721**
Previous year	(117,531,817)	(37,561,806)	(86,061)	(155,007,562)	(51,351,539)	(21,978,323)	(40,021)	(73,289,841)	(81,717,721)	

Note: Figures in brackets represents previous years numbers.

Note 13
Intangible assets

Particulars	Gross Block			Amortisation			Net Block	
	As on 1st april 2013 ₹	Additions ₹	As on 31 March 2014 ₹	Upto 31 March 2013 ₹	For the year ₹	Upto 31 March 2014 ₹	As on 31 March 2014 ₹	Upto 31 March 2013 ₹
Internally Generated			11,150,000	11,150,000	-	11,150,000	-	-
Marketing and	11,150,000	-	(11,150,000)	(8,920,000)	(2,230,000)	(11,150,000)	-	
distribution network	(11,150,000)	-						
Others	21,956,013	17,206,709	39,162,722	11,929,603	5,949,590	17,879,193	21,283,529	10,026,410
Computer Software	(17,338,634)	(4,617,379)	(21,956,013)	(7,035,477)	(4,894,126)	(11,929,603)	(10,026,410)	
Total	33,106,013	17,206,709	50,312,722	23,079,603	5,949,590	29,029,193	21,283,529	10,026,410
Previous year	(28,488,634)	(4,617,379)	(33,106,013)	(15,955,477)	(7,124,126)	(23,079,603)	(10,026,410)	

Note: Figures in brackets represents previous years numbers.

Depreciation and amortisation:

Particulars	For the year ended 31 March, 2014 ₹	For the year ended 31 March, 2013 ₹
Depreciation and amortisation for the year as per Note 12 and 13	76,921,552	29,102,450

Note 14
Non-current investments

Non-trade investments valued at cost

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Non-current investments in other entities		
100,000 (31 March 2013: 100,000) Equity Shares of Rs 10 each fully paid-up in Alpha Micro Finance Consultants Pvt. Ltd.	1,000,000	1,000,000
Aggregate amount of unquoted investments	1,000,000	1,000,000

Note 15
Long-term loans and advances

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
a. Capital advances		
Unsecured, considered good	23,527,617	24,062,343
Sub-Total	**23,527,617**	**24,062,343**
b. Other loans and advances		
Loans for financial assistance (Refer Note 26.a,b,c,d,e and f)		
Secured considered good	68,023,821	63,697,926
Unsecured, considered good	4,449,219,515	1,690,529,571
Employee loans	6,719,605	4,120,812
Advance tax (net of provision for tax Rs. 986,500/-	4,338,302	4,406,971
(31 March 2013: Rs. 986,500/-))"	1,603,250	-
Prepaid expenses		
Deposits		
Deposits towards Rent	47,448,077	26,568,000
Others	2,020,000	334,670
Sub-Total	**4,579,372,570**	**1,789,657,950**
Total	**4,602,900,187**	**1,813,720,293**

Note 16
Other non-current assets

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Balances with banks		
In Deposit account (represents margin money (refer Note 5 and Note 8 (a))	806,166,252	431,277,762
Interest accrued on fixed deposits	28,124,410	10,529,948
Unamortised expenses (Refer Note 26.u)	58,214,693	30,750,151
Total	**892,505,355**	**472,557,861**

Note 17
Current investments
Non- trade investments valued at lower of cost and fair value

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Current investments in other entities		
Nil (31 March 2013: 100) PTCs - Series A2 - Investment in Trust	-	16,744,905
Total	-	**16,744,905**
Aggregate amount of unquoted investments	-	16,744,905

Note 18
Cash and cash equivalents

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
a) Cash on hand	168,808,664	131,377,841
b) Balances with banks		
In Current account	1,095,460,270	968,221,654
In Deposit account (represents margin money of Rs. 445,434,344/-* (31 March 2013: Rs. 178,984,213/-) refer Note 5 and Note 8 (a))	3,569,485,639	508,984,213
Total	**4,833,754,573**	**1,608,583,708**
Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements is	4,388,320,229	1,429,599,495

*Balances with banks include margin monies amounting to Rs. 370,434,344/- (As at 31 March, 2013: Rs. 123,330,665/-) which have an original maturity of more than 12 months.

Note 19
Short - term loans and advances

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
a. Loans and advances to related parties		
(Refer Note 26.j)		
Unsecured, considered good	21,900,000	37,811,066
Sub-Total	**21,900,000**	**37,811,066**
b. Others		
Employee loans	9,614,501	7,163,351
Prepaid expenses	24,199,157	27,604,131
Sub-Total	33,813,658	34,767,482
Total	**55,713,658**	**72,578,548**

Note 20
Other current assets

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Loans for financial assistance (Refer Note 26.a,b,c,d,e and f)		
Financial assistance to small groups, large groups, individuals and others (financial assistance instalment due: Rs. 60,793,210/-), (31 March 2013: Rs. 11,113,533/-)		
Secured considered good	6,748,883	25,053,510
Unsecured considered good (includes Rs. 38,328,313/-(31 March 2013: Rs. 73,324,541/-) towards collateral for assignment of receivables)	14,117,594,934	6,493,839,957
Considered doubtful	69,571,173	8,516,242
	14,193,914,990	**6,527,409,709**
Others		
Other Receivables Unsecured considered doubtful	2,341,581	4,264,018
Less : Provision for Doubtful Receivables	2,341,581	4,264,018
	-	-
Interest accrued on fixed deposits	40,773,957	11,114,684
Unamortised expenses (Refer Note 26.u)	86,129,623	27,097,659
Receivable from related party (Refer Note 26.j)	-	445,340
Deposits	602,282	368,308
Others	20,414,387	10,578,036
Sub-total	**147,920,249**	**49,604,027**
Total	**14,341,835,239**	**6,577,013,736**

Note 21
Revenue from operations

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
a) Interest income from financial assistance	3,564,978,187	1,464,139,271
b) Other financial services		
Processing charges	271,560,556	121,088,608
Registration charges	108,126	58,866
Smart card charges	239,041	1,862,155
Stamp paper charges	731,861	256,383
Total	**3,837,617,771**	**1,587,405,283**

Note 22
Other income

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Interest from banks	107,648,212	43,564,336
Dividend income from investments in mutual fund	63,421,628	11,815,397
Profit from sale of mutual funds	385,149	90,571
Other non operating income		
Interest received from related parties (Refer Note 26.j)	4,828,381	4,534,020
Fee based income	54,040,347	39,512,510
Rent income from operating leases (Refer Note 26.m)	2,218,622	1,482,776
Discount on Portfolio written back	6,812,351	-
Foreign Exchange Gain	8,934	-
Miscellaneous income	12,964,908	6,336,595
Total	**252,328,532**	**107,336,205**

Note 23
Employee benefit expenses

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Salaries and allowance	626,303,785	361,899,608
Contribution to provident fund and other funds	37,308,621	22,275,370
Staff welfare	12,601,364	5,644,406
Total	**676,213,770**	**389,819,384**

Note 24
Finance costs

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Interest expense on borrowings	1,558,400,772	633,669,591
Other borrowing costs	45,566,273	17,767,277
Total	**1,603,967,045**	**651,436,868**

Note 25
Other expenses

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Electricity and water charges	11,061,982	6,670,231
Rent (Refer Note 26.m)	70,702,898	32,721,152
Repairs and maintenance - Buildings	49,492,927	20,940,843
Rates & taxes	11,076,386	5,949,401
Postage, telephone & courier charges	46,851,160	20,192,107
Travelling and conveyance	97,167,786	42,739,561
Advertisement and business promotion expenses	735,912	364,827
Insurance	11,169,229	4,392,058
Printing and stationery	20,442,325	10,776,676
Technology expenses	96,604,212	66,173,610
Legal and professional fees (refer Note 1 below)	106,810,066	59,390,490
Maintenance Sub-Contracting Expense	86,052,496	-
Training expenses	43,291,651	10,694,261
Service tax expenses	42,293,042	12,109,192
Data Entry Charges	23,887,760	9,153,392
Agent commission	11,091,080	3,151,537
Brokerage	1,098,188	226,497
Staff recruitment expenses	3,992,257	2,288,511
Sitting fees	210,000	205,000
Security expenses	20,608,597	7,655,317
Cash management service charges	29,360,810	8,827,790
Incentive for micro pension	1,887,234	507,215
Loss on sale of fixed assets	800,443	22,040
Foreign exchange loss	-	96,764
Provision for non performing and other assets (Refer Note 26.e)	149,809,883	19,000,368
Loss assets written off (Refer Note 26.e)	21,100,195	37,080,685
Business correspondence & Financial advisory services expenses	24,367,000	-
Miscellaneous expenses	11,268,498	6,951,528
Total	**993,234,017**	**388,281,053**

Note 1:

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Payments to the auditors comprises (net of service tax input credit, where applicable):		
As auditors - statutory audit	1,800,000	1,200,000
For tax audit	100,000	100,000
For other services	325,000	975,000
Reimbursement of expenses	47,590	6,436
Total	**2,272,590**	**2,281,436**

26.a The company has entered into certain securitisation/bilateral assignments with Banks/NBFCs during the year.

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Total number of assets de-recognised during the year	125,053	164,290
Consideration received during the year	1,868,526,889	1,935,430,233
Book value of loan assets securitized during the year	1,847,683,649	1,935,430,233
Cash collaterals provided	98,698,247	210,478,313
Total gain on assignment	20,843,240	-
Gain on account of assignment to be amortized over the life of the	19,192,262	-
receivable	13,933,636	-
Non Current (Refer Note 6)	5,258,627	-
Current (Refer Note 10)	20,843,240	-
Upfront income on assignment of receivables	-	-
Unamortized income at the year end		

26.b As per the RBI guidelines on securitization of Standard Assets issued on August 21, 2012, the following disclosures have been given.

Sl.	PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
1	No. of SPVs sponsored by the NBFC for securitisation transactions	-	-
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	-	-
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of Balance Sheet.	-	-
	a) Off-balance sheet exposures		
	* First Loss	-	-
	* Others	-	-
	b) On-balance sheet exposures		
	* First Loss	174,351,009	179,658,919
	* Others	68,997,210	73,324,541
4	Amount of exposures to securitised transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitisations		
	* First Loss		
	* Others	-	-
		-	-
	ii) Exposure to third party securitisations		
	* First Loss	-	-
	* Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	* First Loss	-	-
	* Others	-	16,744,905
	ii) Exposure to third party securitisations		
	* First Loss	-	-
	* Others	-	-

26.c	Ratio of Gold Loans to Total Assets-0.01% (31 March 2013: 0.25%)

26.d

The Company complies with the prudential norms of the Reserve Bank of India (RBI) with regard to income recognition, asset classification and provisioning. Accordingly, during the year, the Company in line with the guidelines laid down under DNBS.CC.PD.No.250/03.10.01/2011-12 dated 2 December 2011, DNBS.PD/CC.No. 263/03.10.038/2011-12 dated 20 March 2012, DNBS (PD) CC.No.300/03.10.038/2012-13 dated 3 August 2012 and DNBS.(PD).CC. No. 347 /03.10.38/2013-14 dated 1 July 2013 has provided Rs. 189,546,350 being higher of 1 % of the outstanding portfolio as at March 31, 2014 and 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more.

The Company upto March 31, 2013 was following the following provisioning norms.

Standard Assets - 0.5%
- Overdue for 90 days and more but less than 180 days - 25%
Non Performing Assets
- Overdue for 180 days and above - 100%
During the year 2013-14 the Company has changed the provisioning norms and has provided as per the guidelines as as laid down under in DNBS.CC.PD.No.250/03.10.01/2011-12 dated 2 December 2011, DNBS.PD/CC.No. 263/03.10.038/2011-12 dated 20 March 2012, DNBS (PD) CC.No.300/03.10.038/2012-13 dated 3 August 2012 and DNBS.(PD).CC. No. 347 /03.10.38/2013-14 dated 1 July 2013 being higher of 1 % of the outstanding portfolio as at March 31, 2014 or 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more.

Consequent to this change the profit for the year is lower by Rs. 67,885,266/-.

Particulars	Loans (31 March 2014)		Loans (31 March 2013)	
	Loans for Financial Assistance ₹	Provision* ₹	Loans for Financial Assistance ₹	Provision* ₹
Portfolio balance and related provisions	18,711,158,326	189,546,350	8,281,637,205	51,668,185

* Excludes Loss assets written off ₹ 21,100,195/- (31 March 2013: ₹38,691,441/-)

26.e Movement of Provisions for FY 13-14

Particulars	As at 1 April 2013 ₹	Additional Provision ₹	Utilisation / Reversal ₹	As at 31 March 2014 ₹
Movement of Provisions for FY 13-14	58,301,310	170,910,078	21,100,195	208,111,193

26.f Disclosures pursuant to Reserve Bank of India Notification DNBS.200 / CGM (PK) - 2008 dated August 1, 2008

A) Capital adequacy

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013 ₹
Tier I Capital	4,731,085,430	1,599,737,488
Tier II Capital	613,160,638	43,151,943
Total Capital	5,344,246,068	1,642,889,431
Total Risk Weighted Assets	18,957,178,077	8,457,297,496
Capital Ratios		
Tier I capital as % to total risk weighted assets	24.96%	18.92%
Tier II capital as % to total risk weighted assets	3.23%	0.51%
Total Capital as % to total risk weighted assets	28.19%	19.43%

B) Exposure to Real Estate

PARTICULARS	AS AT 31 MARCH 2014 ₹	AS AT 31 MARCH 2013
A) Direct Exposure		
(i) Residential Mortgage : Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	71,544,565	67,786,331
(ii) Commercial Real Estate: Lending secured by mortgages on commercial real estates	--	--
(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)	--	--

C) Asset and Liability Management
Maturity pattern of certain items of Assets and Liabilities as at 31 March 2014.

Particulars	Liabilities		Assets	
	Borrowing from Banks / Institutions ₹	Market Borrowings ₹	Advances ₹	Investments ₹
1 day up to 1 month	805,749,285	--	1,367,111,955	--
	(176,081,251)	(--)	(585,101,808)	(--)
Over 1 month up to 2 months	833,869,741	--	1,489,917,255	--
	(305,683,605)	(--)	(675,222,488)	(--)
Over 2 months up to 3 months	1,156,542,741	--	1,471,346,712	--
	(456,609,660)	(--)	(670,201,932)	(--)
Over 3 months up to 6 months	3,027,840,850	--	4,026,191,313	--
	(1,226,722,024)	(--)	(1,864,391,125)	(--)
Over 6 months up to 1 year	5,420,685,934	--	5,839,347,754	--
	(2,109,320,829)	(--)	(2,724,529,677)	(--)
Over 1 year up to 3 years	5,470,284,035	--	4,364,928,956	--
	(3,195,273,460)	(--)	(1,695,275,922)	(--)
Over 3 years up to 5 years	6,750,000	--	45,184,925	--
	(64,814,876)	(--)	(11,754,097)	(--)
Over 5 years	--	--	107,129,456	--
	(--)	(--)	(55,160,156)	(--)
Total	16,721,722,586	--	18,711,158,326	--
	(7,534,505,705)	(--)	(8,281,637,205)	(--)

Figures in brackets indicate 31 March 2013 numbers

26.g Margin Cap of the Company as on 31 March 2014 is 11.51% (31 March 2013: 11.33%). This has been computed as suggested by MFIN in their representation to The Reserve Bank of India dated August 29, 2012 (Subject reference : RBI/2012-13/161 ONBS (PO) CC.No.300 /03.10.038/2012-13. dated August 3, 2012)

26.h Disclosure of frauds reported during the year ended 31 March 2014 vide DNBS. PD. CC No. 256/03.10.142/2011-12 dated 2 March 2012.

	Less Than Rs. 1 Lakh		Rs. 1 to Rs. 5 Lakh		> Rs. 5 Lakh	
	No. of Accounts	Value (₹)	No. of Accounts	Value (₹)	No. of Accounts	Value (₹)
A) Person Involved						
Staff	477	320,911	775	1,039,549	8,335	12,436,530
Customers	73	20,580	377	558,078	-	-
Staff and Customers	-		-	-	-	-
Total	**550**	**341,491**	**1,152**	**1,597,627**	**8,335**	**12,436,530**
B) Type of Fraud						
Misappropriation and Criminal Breach of Trust	249	284,711	514	685,399	315	850,000
"Fraudulent Encashment/ manipulation of books of accounts"	-	-	-	-		
Unauthorised Credit Facility	-	-	-	-		
extended	-	-	-	-		
Cheating and Forgery	-	-		-	256	536,530
Others	301	56,780	638	912,228	7,764	11,050,000
Total	**550**	**341,491**	**1,152**	**1,597,627**	**8,335**	**12,436,530**

The above summary is prepared based on the information available with the Company and relied upon by the auditors

Disclosure of frauds reported during the year ended 31 March 2013 vide DNBS. PD. CC No. 256/03.10.142/2011-12 dated 2 March 2012.

	Less Than Rs. 1 Lakh		Rs. 1 to Rs. 5 Lakh	
	No. of Accounts	Value (₹)	No. of Accounts	Value (₹)
A) Person Involved	106	43,254	95	165,750
Staff				
Customers				
Staff and Customers				
Total	**106**	**43,254**	**95**	**165,750**
B) Type of Fraud				
Misappropriation and Criminal Breach of Trust	106	43,254	95	165,750
"Fraudulent Encashment/ manipulation of books of accounts"				
Unauthorised Credit Facility extended				
Cheating and Forgery				
Total	**106**	**43,254**	**95**	**165,750**

The above summary is prepared based on the information available with the Company and relied upon by the auditors

26.i Disclosure as required in terms of Paragraph13 of Non Banking Financial (Non - Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction 2007

	Liabilities Side	Amount Outstanding As At 31-Mar-14 ₹	Amount Overdue As At 31-Mar-14 ₹	Amount Outstanding As At 31-Mar-13 ₹	Amount Overdue As At 31-Mar-13 ₹
1)	Loans and Advances Availed by the company inclusive of interest accrued thereon but not paid				
a	Debentures: Secured	1,720,000,000	-	695,000,000	-
	Unsecured	424,310,000		-	-
	(other than falling within the meaning of public deposits)				
b	Deferred Credits	-	-	-	-
c	Term Loans	16,721,722,586	-	7,534,505,705	-
d	Inter Corporate Loans and Borrowings	-	-	-	-
e	Commercial Papers	-	-	-	-
f	Other loans -Working Capital loans	226,822,689	-	92,088,223	-
	Loan from directors and members	39,000,000	-	39,000,000	-
	Assets Side				
2)	Break up of Loans and advances including bills receivable (other than those included in 4 below)				
a	Secured	-	-	-	-
i	Loans to Customers	74,772,704	-	88,751,435	-
b	Unsecured	-	-	-	-
i	Loans to Customers	18,636,385,622	69,571,173	8,192,885,770	8,516,242
ii	Rental and other deposits	50,070,359	-	27,270,978	-
iii	Advance Recoverable in Cash or kind or for value to be received	186,480,829	-	69,131,973	-
iv	Interest Accrued on term deposits and loans	68,898,367	-	21,644,632	-
v	Advance Tax including TDS	347,535,303	-	82,212,414	-
vi	Advance to Group company	21,900,000	-	37,811,066	-

		Amount Outstanding As At 31-Mar-14 ₹	Amount Overdue As At 31-Mar-14 ₹	Amount Outstanding As At 31-Mar-13 ₹	Amount Overdue As At 31-Mar-13 ₹
3	**Break up of leased Assets and Stock on hire and hypothecation loans counting towards EL / HP activities**				
i)	Leased Assets including lease rentals under Sundry debtors	-	-	-	-
	(a) Finance lease	-	-	-	-
	(b) Operating lease				
ii)	Stock on hire including hire charges under sundry debtors	-	-	-	-
	(a) assets on hire	-	-	-	-
	(b) Repossessed Assets				
iii)	Hypothecation loans counting towards EL / HP activities	-	-	-	-
	(a) Loans where assets have been repossessed	-	-	-	-
	(b) Loans other than (a) above				
4	Break up of Investments				
	Current Investments	-	-	-	-
	1. Quoted	-	-	-	-
	(i) Shares (a) Equity	-	-	-	-
	(b) Preference	-	-	-	-
	(ii) Debentures & Bonds	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-
	(iv) Government Securities				
	(v) Others				
	2. Unquoted				
	(i) Shares (a) Equity	-	-	-	-
	(b) Preference	-	-	-	-
	(ii) Debentures & Bonds	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-
	(iv) Government Securities	-	-	-	-
	(v) Others	-	-	-	-
	Long Term Investments				
	1. Quoted				
	(i) Shares (a) Equity	-	-	-	-
	(b) Preference	-	-	-	-
	(ii) Debentures & Bonds	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-
	(iv) Government Securities	-	-	-	-
	(v) Others	-	-	-	-
	2. Unquoted				
	(i) Shares (a) Equity	1,000,000	-	1,000,000	-
	(b) Preference	-	-	-	-
	(ii) Debentures & Bonds	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-
	(iv) Government Securities	-	-	-	-
	(v) Others	-	-	16,744,905	-

5 Borrower Group wise classification of Assets financed as in (2) & (3) above

Category	Amount Net of Provisions Secured ₹	Unsecured ₹	Total ₹
31-Mar-14			
1. Related Parties			
a. Subsidiaries	-	-	-
b. Companies in the same group	-	21,900,000	21,900,000
c. Other related parties	-	-	-
2. Other than related parties	74,772,704	18,446,839,272	18,521,611,976
Total	**74,772,704**	**18,468,739,272**	**18,543,511,976**
31-Mar-13			
1. Related Parties			
a. Subsidiaries	-	-	-
b. Companies in the same group	-	38,256,406	38,256,406
c. Other related parties	-	-	-
2. Other than related parties	88,751,435	8,141,217,585	8,229,969,020
Total	**88,751,435**	**8,179,473,991**	**8,268,225,426**

6 Investor Group wise classification of all investments (current and long term) in shares and securities

Category	31-Mar-14 Market value / break up or fair value or NAV ₹	31-Mar-14 Book value (Net of Provisions) ₹	31-Mar-13 Market value / break up or fair value or NAV ₹	31-Mar-13 Book value (Net of Provisions) ₹
1. Related Parties				
a. Subsidiaries	-	-	-	-
b. Companies in the same group	-	-	-	-
c. Other related parties	-	-	-	-
2. Other than related parties	1,000,000	1,000,000	17,744,905	17,744,905
Total	**1,000,000**	**1,000,000**	**17,744,905**	**17,744,905**

7	Other Information	Amount (₹)		Amount (₹)	
1	Gross Non Performing Assets	-	-	-	-
a	Related Parties	-	-	-	-
b	Other than related parties	-	69,571,173	-	8,516,242
2	Net Non Performing Assets	-	-	-	-
a	Related Parties	-	-	-	-
b	Other than related parties	-	-	-	-
3	Assets acquired in satisfaction of debt	-	-	-	-

26.j Related party disclosures:

Related Party Relationships:

Person with Significant Influence
Mr. Ramesh Ramanathan – Chairman and Director

Enterprises significantly influenced by Person with Significant influence
Jana Urban Foundation (Formerly Janalakshmi Social Services)
Janaadhar (India) Private Limited (Formerly Janaadhar Constructions Private Limited)

Companies in which director can exercise significant influence
Cross Domain Solutions Private Limited

Relatives of Person with significant influence
Mrs. Radha Ramanathan
Mrs. Swathi Ramanathan

Key Managerial Personnel
Mr. R. Srinivasan – Vice Chairman
Mr. V.S. Radhakrishnan - MD and CEO

Nature and amount of transactions during the year:

Nature of transactions	31 March 2014 ₹	31 March 2013 ₹
Loans obtained/transferred during the year		
Mrs. Swathi Ramanathan	-	17,500,000
Loans repaid/transferred during the year		
Mr. Ramesh Ramanathan	-	17,500,000
Cross Domain Solutions Private Limited	-	50,000,000
Interest paid during the year		
Mr. Ramesh Ramanathan	2,100,000	3,152,874
Mrs. Radha Ramanathan	479,999	479,999
Mrs. Swathi Ramanathan	2,100,000	1,047,123
Cross Domain Solutions Private Limited	-	489,726
Interest received during the year		
Jana Urban Foundation (Formerly Janalakshmi Social Services)	4,445,523	4,534,020
Janaadhar (India) Private Limited (Formerly Janaadhar Constructions Pvt. Ltd.)	382,858	-
Remuneration for the year		
Mr. R. Srinivasan	3,540,000	2,400,000
Mr. V.S. Radhakrishnan	5,859,602	4,537,064
Income from rent and amenities		
Jana Urban Foundation (Formerly Janalakshmi Social Services)	2,026,821	236,076
Janaadhar (India) Private Limited (Formerly Janaadhar Constructions Pvt. Ltd.)	191,801	1,246,700
Paid towards amenities		
Janaadhar (India) Private Limited (Formerly Janaadhar Constructions Pvt. Ltd.)	1,500,660	-
Paid towards capital expenses of premises taken on rent		
Janaadhar (India) Private Limited (Formerly Janaadhar Constructions Pvt. Ltd.)	1,342,950	14,400,000
Paid towards services		
Jana Urban Foundation (Formerly Janalakshmi Social Services)	30,000,000	-
Cross Domain Solutions Private Limited	2,889,428	1,015,469
Issue of Shares		
Jana Urban Foundation (Formerly Janalakshmi Social Services)	3,703,940	1,585,610
Payments/debits made		
Janaadhar (India) Private Limited (Formerly Janaadhar Constructions Pvt. Ltd.)	6,330,739	-
Jana Urban Foundation (Formerly Janalakshmi Social Services)	28,909,997	37,642,531
Receipts/credits from		
Jana Urban Foundation (Formerly Janalakshmi Social Services)	49,266,586	35,510,179
Janaadhar (India) Private Limited (Formerly Janaadhar Constructions Pvt. Ltd.)	7,158,937	801,360

Loans and advances receivable from	As at 31 March 2014 ₹	As at 31 March 2013 ₹
Jana Urban Foundation (Formerly Janalakshmi Social Services)	21,900,000	37,811,066
Janaadhar (India) Private Limited (Formerly Janaadhar Constructions Pvt. Ltd.)	-	445,340
Outstanding borrowings from		
Mr. Ramesh Ramanathan	17,500,000	17,500,000
Mrs. Radha Ramanathan	4,000,000	4,000,000
Mrs. Swathi Ramanathan	17,500,000	17,500,000

1. Related Party relationship is as identified by the company and relied upon by the auditors.
2. No amount in respect of related parties have been writtem off /back during the current period.
3. Transactions with the related parties have been reported since the date they become related.
4. Re-imbursement of expenses has not been considered for the above disclosure.

26.k **Segment information**

The Company's business segment is micro finance services and the principal geographical segment is India. Accordingly, no separate disclosure is required to be made under Accounting Standard 17, Segment Reporting.

26.l Earnings per share
Basic & Diluted

Particulars	31 March 2014 ₹	31 March 2013 ₹
Basic		
Net Profit as per Statement of Profit and Loss	506,276,139	180,619,815
Less: Preference dividend on CCCPS	(605)	(419)
Net Profit attributable to equity shareholders	506,275,534	180,619,396
Weighted average number of equity shares	2,530,039	1,430,489
Basic earning per share	**200.11**	**126.26**
Diluted		
Net Profit as per Statement of Profit and Loss	506,276,139	180,619,815
Weighted Average Number of Equity Shares outstanding Basic (Face Value of Rs 10)	2,530,039	1,430,489
Weighted average no. of potential equity shares upon conversion of CCCPS	167,293	45,521
Total weighted average no. of potential equity shares	2,697,332	1,476,009
Diluted earning per share	**187.70**	**122.37**

26.m Operating lease

"The company has taken on operating lease, for a period ranging from 36 to 108 months on non -cancelable for the years as referred in the agreement.
Lease payments for the current financial year in respect of these recognized in the Statement of Profit and Loss amounts to Rs. 70,702,898/- (31 March 2013: Rs. 32,721,152/-)"

Total future lease payments under operating lease:

Future minimum lease payments	31 March 2014 ₹	31 March 2013 ₹
Not later than 1 year	86,853,188	34,405,194
Later than 1 year but not later than 5 years	152,912,660	57,029,884
Later than 5 years	-	-

There are no rents which are contingent in nature.

"The company has let out on operating lease, premises for a period of 36 months on non -cancelable basis for the years as referred in the agreement.

Total futuure lease receivable under operating lease:

Future minimum lease payments	31 March 2014 ₹	31 March 2013 ₹
Not later than 1 year	1,297,017	929,408
Later than 1 year but not later than 5 years	1,008,791	-
Later than 5 years	-	-

26.n Dues to micro and small enterprises

There are no Micro, Small and Medium Enterprises to whom the company owes dues, which are outstanding for more than 45 Days at the balance sheet date. The information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the Auditors.

26.o Derivative instruments

During the year the company has not entered into any derivative contract and therefore no disclosure pertaining to the same is applicable for the current year. There were no foreign currency exposures as at 31 March 2014 (31 March 2013: Nil).

26.p During the year the Company has received a revenue Grant of Rs. 6,190,332/- (31 March 2013: Rs. 5,458,777) and Rs. 3,498,280/- (31 March 2013: Rs. 3,060,165) has been utilised towards specific expenditure incurred and a balance Rs. 5,918,632/- (31 March 2013: Rs. 3,226,580/-) is pending utilisation.

Grant	As at 1 April 2013 ₹	Amount Received ₹	Amount Utilised ₹	As at 31 March 2014 ₹
International Finance Corporation	3,226,580	2,398,200	3,498,280	2,126,500
The Global Commercial Microfinance Consortium II	-	1,532,132	-	1,532,132
Small Industries Development Bank of India	-	2,260,000	-	2,260,000
Total	**3,226,580**	**6,190,332**	**3,498,280**	**5,918,632**

26.q Contingent liabilities and commitments

Particulars	As at 1 April 2013 ₹	As at 31 March 2014 ₹
Contingent Liabilities - Bank Guarantee	7,500,000	7,500,000
Estimated amount of contracts remaining to be executed on capital account and not provided for	24,309,179	8,145,492

26.r Details of Employee Benefits as Required by The Accounting Standard 15 (Revised) Employee Benefits are as under:

1) Details of benefit, cost and obligation – as per actuarial valuation as on 31st March 2014.

Gratuity	FY 13-14 (₹)	FY 12-13 (₹)
Components of employer expense		
Current Service cost	4,705,704	2,184,935
Interest cost	1,146,922	430,341
Expected return on plan assets	(638,986)	-
Curtailment cost/(credit)	-	-
Settlement cost/(credit)	-	-
Transitional Adjustment	-	-
Actuarial Losses/(Gains)	(2,296,598)	699,577
Total expense recognised in the Statement of Profit & Loss	**2,917,042**	**3,314,853**
Actual Contribution and Benefits Payments for year ended 31 March 2014		
Actual benefit payments	(771,405)	-
Actual Contributions	8,863,809	7,344,669
Net asset/(liability) recognised in balance sheet as at March 31, 2014		
Present value of Defined Benefit Obligation (DBO)	(10,839,401)	(8,092,144)
Fair value of plan assets	8,863,809	7,344,669
Funded status [Surplus/(Deficit)]	(1,975,592)	(747,475)
Unrecognised Past Service Costs		
Net asset/(liability) recognised in balance sheet	**(1,975,592)**	**(747,475)**
Change in Defined Benefit Obligations during the year ended 31 March, 2014		
Present Value of DBO at beginning of year	8,092,144	5,062,840
Current Service cost	4,705,704	2,184,935
Interest cost	1,146,922	430,341
Curtailment cost/(credit)	-	-
Settlement cost/(credit)	(3,925)	-
Plan amendments	-	-
Acquisitions	-	-
Actuarial (gains)/ losses	(2,330,039)	699,577
Benefits paid	(771,405)	(285,549)
Present Value of DBO at the end of year	**10,839,401**	**8,092,144**
Change in Fair Value of Assets during the year ended 31 March, 2014		
Plan assets at beginning of period	7,344,669	-
Acquisition Adjustment	-	-
Actual return on plan assets	638,986	-
Actual Company contributions	1,685,000	7,344,669
Benefits paid	(771,405)	-
Acturial Gains/(Losses) on Plan Assets	(33,441)	
Plan assets at the end of year	**8,863,809**	**7,344,669**
Actuarial Assumptions for Gratuity	31-Mar-14	31-Mar-13
Discount Rate	9.31%	8.00%
Expected Return on plan assets	8.70%	8.70%
Salary escalation	5%	5%
Mortality	Indian Assured Lives Mortality	Indian Assured Lives Mortality
Withdrawal rates	(2006-08) Ultimate	(2006-08) Ultimate

Note: Details of fund assets, which are managed by an insurance company have not been disclosed since the details have not been provided by them.

2) Other Disclosure – Gratuity

Particulars	FY 13-14 ₹	FY 12-13 ₹	FY 11-12 ₹	FY 10-11 ₹	FY 09-10 ₹
Present value of defined benefit obligation	10,839,401	8,092,144	5,062,840	3,133,180	1,850,119
Fair Value of Plan Assets	8,863,809	7,344,669	-	-	-
Status (Surplus /(Deficit))	-	-	-	-	-
Experience Adjustment of plan assets (Gain / (Loss))	-	388,341	-	-	-
Experience Adjustment of obligation (Gain / (Loss))	(2,296,598)	(699,577)	1,016,443	(19,251)	161,714

3)

Acturial Assumptions for compensated balances	31-Mar-14 ₹	31-Mar-13 ₹
Retirement Age	58 Years	58 Years
Attrition rate	2.00% p.a	2.00% p.a
Future Salary Rise	5.00% p.a	5.00% p.a
Rate of Discounting	9.31% p.a	8.00% p.a
Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate

4) Net liability of compensated absenses recognised in balance sheet

Particulars	31-Mar-14 ₹	31-Mar-13 ₹
Non Current	12,300,625	7,453,005
Current	6,240,697	3,697,264
Total	**18,541,322**	**11,150,269**

5) The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

6) Provident Fund debited to Statement of Profit and Loss (Note 25) is Rs. 34,319,579/- (31.3.2013 : 19,121,240/-)

7) The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

26.s Deferred tax asset

In accordance with Accounting Standard 22 "Accounting for Taxes on Income", the Company has recognised Rs. 43,366,220/- (31 March 2013: Rs. 25,218,082/-) as deferred tax credit as detailed below.

Particulars	Deferred Tax Assets as on 1 April 2013 ₹	Current year credit/(charge) ₹	"Net Deferred Tax Assets / (Liability) as on 31 March 2014" ₹
Depreciation	2,165,716	(11,292,109)	(9,126,393)
Provision for non performing and other assets	18,915,860	51,821,135	70,736,995
Provision for Gratuity and Compensated absences	3,860,223	3,113,477	6,973,700
Others	276,283	(276,283)	-
Net Deferred Tax Asset	**25,218,082**	**43,366,220**	**68,584,302**

26.t Expenditure in foreign currency

Particulars	31-Mar-14 ₹	31-Mar-13 ₹
Technology expenses	13,657,036	95,639
Professional Charges	7,016,290	1,125
Subscription	54,443	-
Reimbursement of travel expenses	1,244,622	-
Meeting Expenses	40,522	-
Total	**22,012,913**	**96,764**

26.u Unamortised expenses represent ancillary costs incurred in connection with the arrangement of borrowings and is amortized on straight line basis over the tenure of respective borrowings.

26.v Previous year's figures have been regrouped/re-arranged wherever necessary to confirm to the current year's classification.

Signatures to Notes 1 to 26
For and on behalf of the Board of Directors

sd/-
Ramesh Ramanathan
Chairman

sd/-
V.S. Radhakrishnan
Managing Director & CEO

sd/-
Richa Saxena
Company Secretary

sd/-
S. Gopalakrishnan
Chief Financial Officer

Place: Bangalore
Date: 2-May-2014

PART IV OF SCHEDULE VI OF THE COMPANIES ACT. 1956
Balance Sheet Abstract and Company's General Business Profile

i. Registration Details

Registration Number :	U65923KA2006PTC040028
State Code :	08
Balance Sheet Date :	31/03/2014

ii. Capital Raised During the year (₹ in thousands)

Public Issue :	Nil	Public Issue :	2961
Bonus Issue :	Nil	Bonus Issue :	616494

iii. Position of the mobilisation and development of funds (₹ in thousands)

Total Liabilities	25106678	Total Assets	25106678
Sources of Funds			
Paid up Capital	635632	Reserves and Surplus	4504016
Secured Loans	18643545	Unsecured Loans	488310
Application of Funds			
Net Fixed Assets	310385	Investments	1000
Net Current Assets	18472438	Miscellaneous Expenditure	Nil
Accumalated Losses	Nil		

iv. Performance of the Company (₹ in thousands)

Turnover	4089946	Total Expenditure	3350336
Profit before Tax	739610	Profit After Tax	506276
Earnings per Share (₹)	200.11	Dividend Rae (%)	100

v. Generic Names of the three principal products of the Company

Item Code Number (ITC CODE NO.)	NIL
Description	MICROFINANCE

sd/-
Ramesh Ramanathan
Chairman

sd/-
V.S. Radhakrishnan
Managing Director & CEO

Place: Bangalore
Date : 2nd May 2014

sd/-
Richa Saxena
Company Secretary

sd/-
S. Gopalakrishnan
Chief Financial Officer