# Chairman's Message

*Regulation brings in discipline, standards, commitment, growth, stability*

I warmly welcome you all to our Annual Report for the year 2012-13.

Guided by the new prescriptions of Reserve Bank of India, NBFCs in the sphere of Microfinance are steadily gearing themselves towards fulfilling the stipulations prescribed therein. Reserve Bank on its part, appreciating the constraints faced by the NBFCs has given them one more year to fulfill the conditions. This is more so in respect of Capital, interest margin, provisioning norms, minimum loan extended for Income Generation activities etc., I am pleased to inform you that your Company has been able to comply with most of the norms prescribed by RBI and has already initiated the process for obtaining fresh registration as NBFC-MFI from RBI.

The Government of India is also seriously addressing the issues faced by the Microfinance sector and in this regard has already introduced the Micro Finance Institutions Development and Regulation Bill, 2011. However the regulation seems to heavily favor larger institutions who can adapt to the changes more easily due to economies of scale, advanced MIS systems, and higher operational efficiencies. As a result, we may see smaller institutions failing or consolidating in the near term. We may also see more innovative companies and microfinance models that aim to circumvent the new regulatory structure, especially since an institution can continue to lend to microfinance clients as an NBFC. Regulation will respond to these innovations as well, either by endorsing them or disallowing them, depending on fairness and the success of implementation

The regulation of the sector has brought in the much required relief in the funding to the sector from Banks and other Financial Institutions, which supposedly, has risen by 40% in 2012-13 compared to the previous fiscal. Relaxation in the priority sector norms from 75% to 70% for loans extended for Income Generation activities by RBI is a broadly welcomed move. Private equity lending has also been on the rise. Quite a few NBFCs have been able to carry out considerable securitization transactions. All these go to indicate the turnaround happening in the sector.

Your Company has been able to ensure fund support to meet its business plans for the current year. It is in the process of finalizing working capital facilities from a few other banks. I thank State Bank of India, Karnataka Vikas Grameen Bank, NABARD, Corporation Bank and other Banks for their continued encouragement and support.

Towards building a more robust business model, your company, since June 2012, has modified the regular 'Self Help Group model' into 'Micro Self Help Group' model. Efforts are underway to ensure that the entire portfolio of the Company would be under the Micro SHG mode during the year.

**(Vivekanand N. Salimath)**
**Chairman**

# A Word from the Managing Director

> *"This is not charity. This is business: business with a social objective, which is to help people get out of poverty."*
> *- Muhammad Yunus*

Dear Shareholders,

I am pleased to present the Annual report for the year 2012-13 to all of you. The Company is steadily coming to terms with the challenges faced by it. Retaining its optimism, it has initiated various steps to address many of its concerns.

The regular Self Help Group (SHG) business model posed many challenges during the last couple of years. With the advent of a large number of MFIs following the Joint Liability Group(JLG) model, the present SHG model was found wanting in the changed context. Further, with the stipulations by Reserve Bank of India, wherein lending to members was to be monitored under multiple parameters, it was felt that some modifications were required in the present SHG model. Hence, the Company has come out with its Micro SHG model effective June 2012. Micro SHGs, having strength of five (5) members incorporates the best practices of SHG and JLG and is found to be a more compact group. Ensuring more effective participation of all the members, it also enables the Company to capture individual data of the members in its MIS. Monitoring of the repayments from the group is also more effective thereby ensuring a healthy portfolio. The Company is in the process of gradually shifting all its members from the existing SHG model to Micro SHG model. As at 31st March 2013 the Micro SHG stood at Rs.32.33 Crores which worked out to 59.36% of the total portfolio.

The strengthening of credit delivery methodology, upgrading the credit Officers' credit risk appraisal skills, repayment collection systems, real-time tracking of data, zero tolerance for delinquencies and strengthening the monitoring mechanism systems have been IDF FSPL's priorities in 2012-13. Towards this, the Company has ensured loan disbursements at the concerned offices of the Company, wherein all the members are to be present without fail. The repayments towards loans are collected compulsorily at the Clusters using the mobile technology. Route maps have been drawn up for the Credit Officers keeping the logistics in mind and thereby increasing efficiency. Step by step monitoring by a separate cell set up at the controlling office on a real time basis has ensured that there are no over dues. As a result of these efforts, the loan portfolio quality has improved significantly with PAR decreasing considerably. **In fact, I proudly announce that there has been near zero defaults under the Micro SHG model.**

To ensure better livelihood opportunities to the Community, the Federations are being strengthened. Various clusters like Food cluster, Kasuti cluster by Dharwad Federation, Readymade garment cluster by Haveri cluster are slowly making their presence felt.

The Company is seriously contemplating expanding into new geographies. To begin with, it is exploring the feasibility of commencing its operations in Maharashtra.

Special thanks to State Bank of India for extending working Capital funds. Support from Karnataka Vikas Grameen Bank, NABARD, ANANYA, Corporation Bank and other Banks & FIs who supported the Company in meeting the requirements of its clients.

Finally, I along with my fellow Board members would like to express our sincere thanks to the staff of IDF FSPL for their dedicated efforts which contributed to IDF FPSL's performance in 2013.. Because of their efforts, the Company continues to grow from strength to strength and from success to success in fulfilling its mission of economic empowerment of the underprivileged.

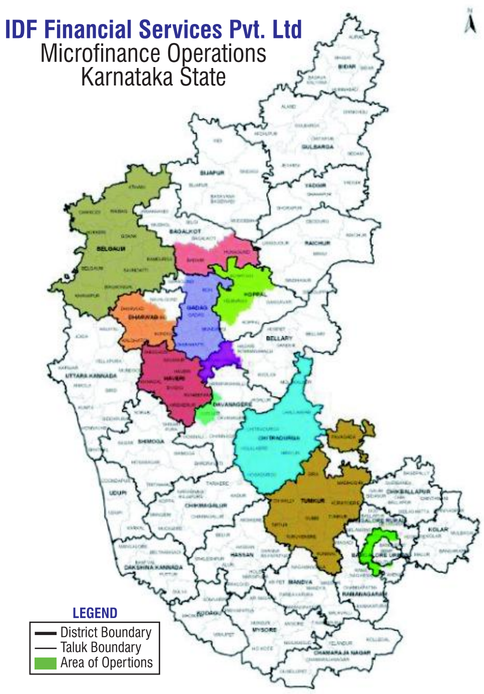
**(N.M. Patil)**
**Managing Director**

## Table of contents

## Section One

### About IDF FSPL- Brief Overview

IDF Financial Services Pvt Ltd is a Community owned Non-Banking Finance Company providing Micro finance and allied financial services to Self Help Groups (SHGs) formed and nurtured by it. Presently, it is operating in Eleven (11) districts, 44 taluks of Karnataka and as at 31st March 2013 comprises 8534 SHGs with 102690 members .




### Micro Self Help Groups

- Meet fortnightly
- Take loans from IDF FSPL
- Members save with their Federation

### Clusters

- Meet Fortnightly (All members of the mSHG to attend Compulsorily)
- Make repayments to IDF FSPL
- Deposit their savings with the Federation
- Recommend SHGs to IDF FSPL for loans

### Federation

- Are "for-profit trusts"
- Are run (on behalf of the SHG members) by a Board of Trustees
- Organize training and capacity building for members
- Invest members' savings
- Buy shares in IDF FSPL
- Carry out credit plus activities

### Community Ownership

Currently there are five federations in the structure. Between them, they own the majority of the IDF FSPL Business

### Empowering borrowers through client hierarchy

IDF FSPL has pioneered in extending microfinance services to rural and the urban poor in Karnataka. It offers a holistic range of products and services to cover a variety of its customers' needs.

The Company mainly focuses on organization of the poor at grassroots level through a process of social mobilization for poverty eradication. Social mobilization enables the poor build their own organizations. The Self-Help Groups (SHGs) have been organized into five (5) Federations, in which they participate fully and directly and take decisions on all issues concerning themselves. Simultaneously, SHGs have the advantage of the assistance, be it in terms of credit or technology or market guidance etc., reaching the poor faster and more effectively

Formation of SHG helps in training and skill improvement on a collective basis whilst breeding unity and a spirit of cooperation. The self-help groups are structured into collectives to give members maximum capacity, independence and self-governance, as illustrated alongside:

### Shareholding pattern of IDF FSPL

| Shareholders | No of Shares | % |
|---|---|---|
| Acquirers | 35,00,000 | 32 |
| IDF SHG FED Dharwad | 19,20,240 | 18 |
| IDF SHG FED Haveri | 8,78,360 | 8 |
| IDF SHG FED Tumkur | 24,71,630 | 23 |
| IDF SHG FED Gadag | 3,48,040 | 3 |
| IDF SHG FED Belgaum | 17,02,960 | 16 |
| **Total** | **1,08,21,230** | **100** |

## Who We Serve

IDF FSPL believes in equality of opportunities. There is no discrimination on the basis of caste, creed or religion. IDF FSPL believes in women empowerment and all the loans are disbursed to women.

The focus is mainly on customers who are poor, industrious, hard-working women currently living and working in the rural, semi urban and urban areas.

We assess our clients based on the following parameters:

- Socio-demographic characteristics
- Present activities undertaken by them and proposed activities
- Present income levels
- Group cohesiveness

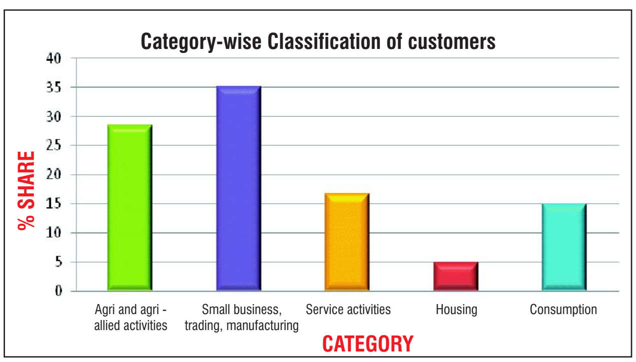
### Profile of SHG Members

| Characteristics | Description |
|---|---|
| **Income** | Annual family income – Up to Rs.60,000/- in rural areas<br>Up to Rs.1,20,000 in urban areas |
| **Education** | Illiterate or semi -literate |
| **Age** | Age group 18 to 55 (Average 30 to 40 years) |
| **Occupation** | **Rural Sector** – Farming, Animal Husbandry, Dairy, Farming, Share Croppers, and Agri related labour works.<br>**Urban Sector** – Petty Businesses, House Hold Works. |

The loans are mainly given for the following income generation/livelihood activities

- Agri and agri allied activities like purchase of agricultural inputs, purchase of animals etc,
- Small business and trading activities to set-up petty business, kirana shops etc
- Services activities like Sewing Machines, Embroidery, Beauty parlour, Motor winding, Catering Services, Agarbatti Rolling etc

### Activity-wise breakup of Customers




## Responsible lending: Our Loan products

The Company has an omnibus loan product which is designed to take care of the multiple needs of the clients, be it working capital for business or creation of assets for livelihood or agriculture or any other product service, apart from meeting consumption.

During the year the Company redesigned its lending process and introduced the "Micro SHG" model effective since June 2012.

Micro- SHGs (mSHGs) are small homogeneous group of members. The method is evolved based on the previous service offering of the Company. The SHGs previously formed by the Company consisting of 12-15 members are now divided into of mSHGs 5-members each

The Company's business process first starts by organizing poor women into groups of 5 each. 5 such groups will constitute a cluster which meets every fortnight.

All the Micro SHGs are federated at the district level. Federations are Registered Mutual Benefit Trusts aimed at socio-economic development of its members, in addition to representing the interests of SHG members as equity shareholders of the Company. Some Federations cover more than one districts.

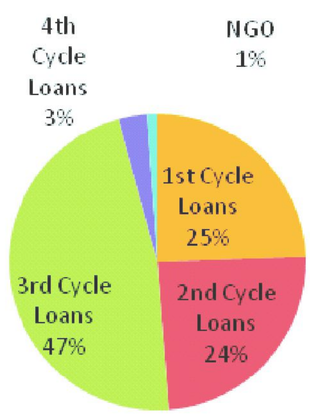
The Company sanctions the loans after conducting a thorough due diligence of the SHGs and also after looking into the recommendations from the Cluster. Loans are sanctioned to those SHGs, who are successful in the Group Recognition Test (GRT) and who have a satisfactory credit history as evidenced by the credit bureau's.

Loans are provided to SHGs mainly for livelihood activities. However based upon need, loans are also given for consumption purposes.

### Currently, IDF FSPL is offering the following loan products:

| Loan Terms | mSHG Loans | | | Bulk NGO Loans |
|---|---|---|---|---|
| | I Cycle | II Cycle | III Cycle | |
| Max Loan Amount in Rs. | 12000-15000 per Member | 15000-20000 per Member | 20000-30000 per Member | 75,00,000 |
| Repayment Period in months | 12 | 12 | 24 | 12-24 |
| Rate of interest in Bangalore Metro | 26% | 26% | 26% | 20% |
| Rate of interest in other areas | 24% | 24% | 24% | |
| Service Charge | 1% | 1% | 1% | 1% |

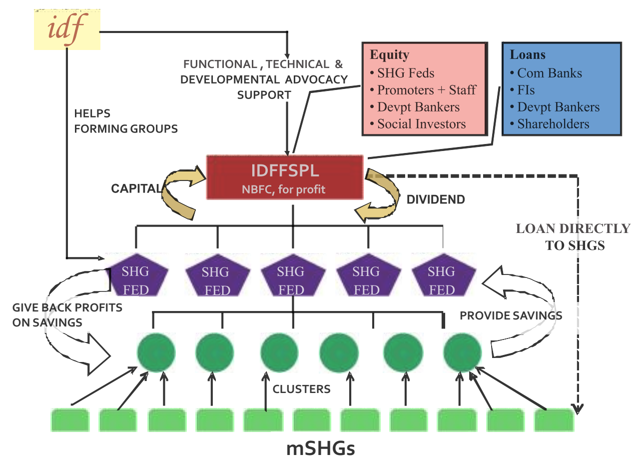
### Product-wise breakdown of portfolio



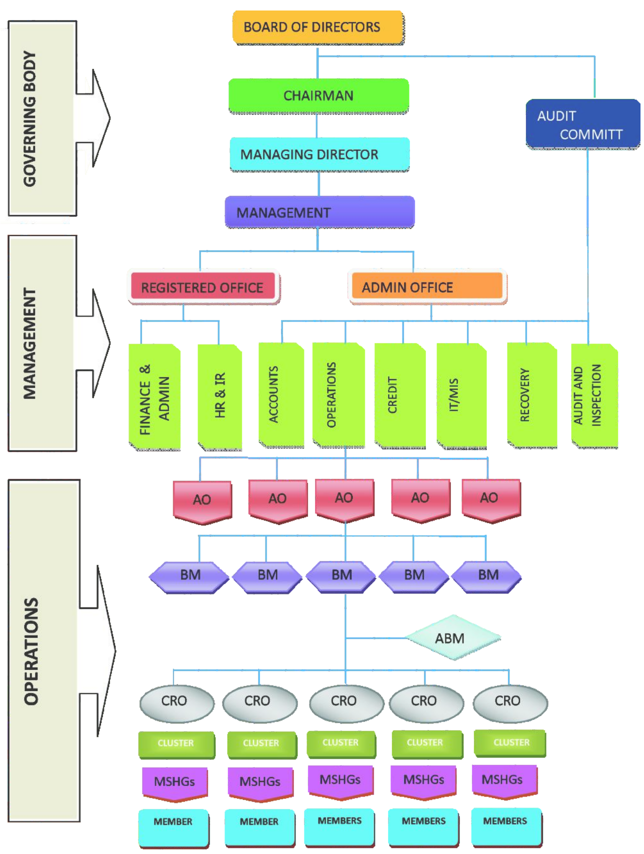

### Organisation structure & Heirarchy

The Company has its registered office at Bangalore and its administrative office at Dharwad. The field level operations hitherto had 5 Area Offices, which were geographically aligned to cater to 11 districts. With the change in its business process, Area offices are set up in specific geographies. Each area office consists of 5 branches. The area offices are headed by Area Managers, who would be responsible for the overall business development in the area. The Branches would be headed by the Branch Manager (BM) duly assisted by the Assistant Branch Manager (ABM) and 5 Credit Officers (CROs). Each branch is expected to handle 5000-6000 clients. More than one area Office could exist in a district depending upon the volume of Business. Each and every Area office is empowered to sanction loans in its jurisdictional area. The loans are sanctioned by a committee comprising the Area Manager, Branch Manager and the Assistant Branch Manager. Geographical areas are demarcated for branches and each and every Credit officer has a specific route map.

### Organisation Structure




### ORGANISATIONAL HIERARCHY



# Section Two

## Governance

> "Governance is holding the balance between economic and social goals and between individuals and communal goals. The Governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources."
>
> **- Sir Adrian Cadbury**

The welfare of the Community has been the underlying philosophy of the founding fathers of the Company. Towards this, the Company has ensured that the Board is comprised of well qualified & experienced professionals. Currently the Company has Six Directors on is board

- 2 Executive Directors
- 2 Representative Directors from Federation
- 2 Independent Directors

The Board believes in Corporate Governance, transparency and collective decision making. It mainly is responsible for giving direction to implement appropriate business plans, strategies, decision making and resource allocation so as to enhance stake holder's confidence,

The Company has a code of conduct for its directors and executives that promotes ethical and responsible decision making.

### Our Five Golden Rules of best corporate governance practices

**Ethics:** a clearly ethical basis to the business

**Align Business Goals:** appropriate goals, arrived at through the creation of a suitable stakeholder decision making model

**Strategic management:** an effective strategy process which incorporates stakeholder value

**Organisation:** an organization suitably structured to effect good corporate governance

**Reporting:** reporting systems structured to provide transparency and accountability

### The SHG Federations

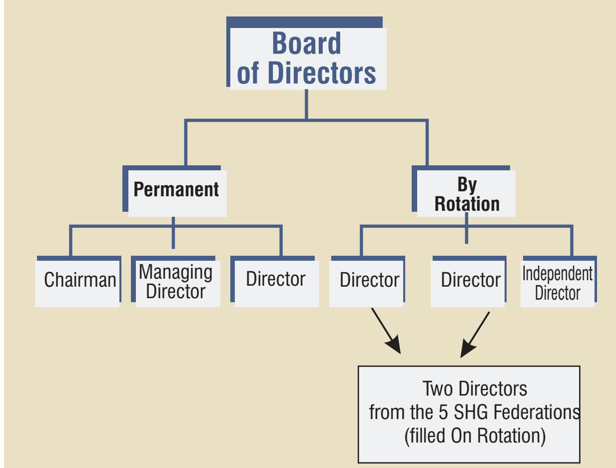
The key body in the governance structure of IDF FSPL is the SHG Federation, which is the main link between the SHGs and IDF FSPL. The Federation is a trust, owned by the SHG members. It has three roles:

1. Financial management of the members' savings and capital contributions from the members
2. Capacity building within the SHG's (Training in Marketing), Skill development of members etc.,
3. Providing or facilitating credit plus services (Healthcare, education, literacy awareness)

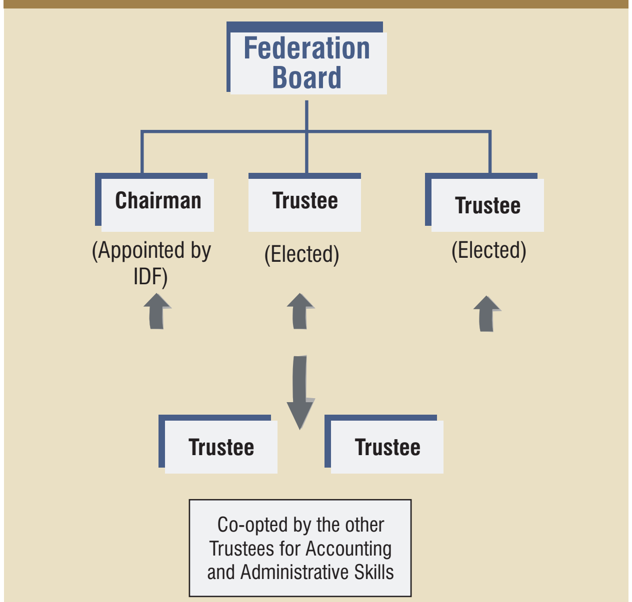
### Protecting the interests of the SHGs in Business decision-making

Two Directors on the Board of IDF FSPL represent the Federations consisting of the Self Help Group members. The Federations are represented on the IDF FSPL Board thereby giving an opportunity to participate in the policy and management decisions. They serve and protect the interest of the Community.

**IDF FSPL Board of Directors**




**SHG Federation Board**



# Leadership

## IDF FSPL Board of Directors

**Vivekanand N. Salimath,** Chairman of IDF FSPL is a native of rural Dharwad. He is a Post Graduate in Agricultural Science with specialization in Agronomy (Gold Medalist). He is also the founder Trustee of Initiatives for Development Foundation (IDF) and its Managing Trustee since inception.

His earlier work included building up the capacity of RUDSETIs (Rural Development and Self Employment Training Institute) and other organizations as Executive Director of RUDSETI, Ujjire, Karnataka. During his six-year tenure, RUDSETI achieved the distinction of training more than one lakh youth, with 65% of them starting their own enterprises. RUDSETI bagged an FICCI award for rural development during his tenure. He has served in Syndicate Bank for over two decades.

Vivekanand Salimath is a member of several prestigious committees including NABARD and RBI. He is presently the Chairman of AKMI (Association of Karnataka Microfinance Institutions). He is also a member in State Level Bankers Committee –SLBC and Agriculture Man and Ecology-AME.

**N.M.Patil,** Managing Director of IDF FSPL is a Post Graduate in Agriculture. Mr. Patil served in Syndicate Bank for over two decades and has comprehensive knowledge of rural borrowers.

Mr. Patil has also held important positions like Director of RUDSET Institute and Lead District Manager. Mr. Patil has gone through an incubation program on Micro Credit conducted by IIM Bangalore.

**T.V. Srikantha Shenoy,** Director –is a native of Thirthahalli, Shimoga. Mr. Shenoy is also a founder Trustee of Initiatives for Development Foundation (IDF).

Has served for nearly two decades in Syndicate Bank and amongst other functions, was a key member of development and policy planning at its corporate office

Mr. Shenoy is passionate and strong in NGO capacity building, team development, networking, media communication, and creativity. He has spread awareness on organic farming technology and sustainable agriculture through Future Farmers Clubs and Farm Information Exchange Clubs. Mr. Shenoy has been instrumental in visualizing and implementing the Sujeevan project in Kunigal taluk of Tumkur district where the Farmer Field Schools were started. He is representing India on International small producers agency related to Financial Inclusion, Microfinance and markets. He is also serving as the Director Of Agriculture Skill Council Of India (ASCI) since 2012.

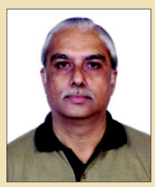
**Kasturi Dambala** She is the Representative Director appointed by the Company on behalf of SHG Federation, Haveri. She is an SHG member who has worked up to the level of Board of Directors. She has been an active member in the SHG community and has the field level expertize in organizing and leading the SHGs.

**Mrityunjaya S. Korimath,** is a post graduate in Agriculture with specialization in Soil and water conservation. He is also a diploma holder in aerial photo interpretation and remote sensing from ISRO. He has served in the Department of Agriculture, Govt. of Karnataka for 34years and retired as Asst. Director of Agri. He has vast experience in livelihoods and rural poverty alleviation. He has been with Initiatives for Development Foundation since 2006 as District in charge of all the projects in Haveri district including Micro finance since then. Presently he is the Chairperson of IDF SHG Federation, Haveri.

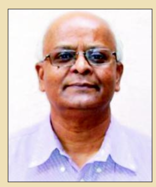
**Vijay V. Kulkarni,** A highly accomplished person, Mr. Kulkarni has a post graduate qualification in Social Sciences from the Tata Institute of Social Sciences, a post graduate diploma in Gandhian studies and a Management Education Programme from IIM-Ahmedabad. He was with Canara Bank, later as Director with RUDSETI. Subsequently he was with BASIX as Associate Vice President. Later he co-founded Development Resource Centre (DRC), promoting civil society Institutions. As a consultant, he has been associated with World Bank, UNDP, FAO, Adam Smith Institute, GTZ, SIDBI, NABARD, Govt of Karnataka. For nearly 5 years, he was the programme director with AKSHARA foundation actively involved in primary education. He has worked with some of the best known names in the field of Microfinance like Mr. Malcolm Marshall, Vijay Mahajan.

## IDF FSPL Management Team

### Administration



**Krishnanand. A.H.**
Head-HR



**S.R. Sharma**
Head-Finance

**N. A. Hoskatte**
Head-Accounts

**S G Kolkar**
Head-Audit

**Shambu C. Sangapur**
Head-IT

### Operations

**Raghavendra H.**
DGM-Credit

**Neelakantappa. M**
DGM-Recovery

**Sridharsing D. Hajeri**
DGM-Operations

## The year that was

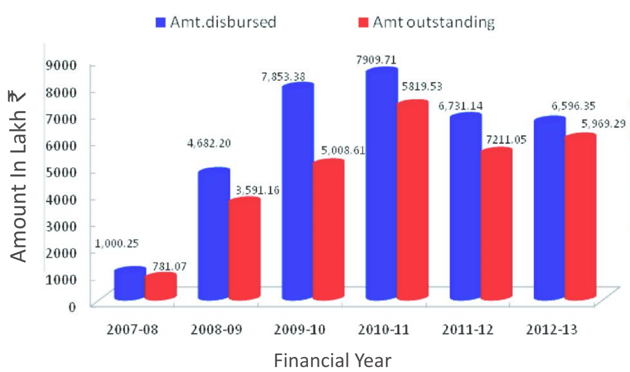
### IDF FSPL- Results and Performance

| No of Loans disbursed | Disbursements (Rs in Lakhs) | No of loans Outstanding | Out standings (Rs in Lakhs) |
|---|---|---|---|
| 24,702 | 6,596.35 | 25,715 | 5969.29 |

### Business Snapshot 2011-12

| Year | Amount (Rs in Lakhs) |
|---|---|
| Income | 1,177.12 |
| Expenditure | 1,077.04 |
| Profit after tax | 65.77 |

The following graph contrasts the loan portfolio of IDF FSPL and disbursements over the years of its microfinance operations:




### IDF FSPL Performance

The following table outlines IDF FSPL's performance during 2012-13:

| METRIC | IDF FSPL |
|---|---|
| **Growth** | |
| Growth in terms of outreach | -6.00% |
| Growth rate in terms of loan portfolio | 9.77% |
| **Portfolio Quality** | |
| PAR 90 (Based on size) | 2.67% |
| **Return on Investment** | |
| Yield on portfolio | 21.23% |
| ROA (Return on Assets) | 1.82% |
| **Operating expenses** | |
| Financial Expenses (as a portion of total expenses) | 48.78% |
| Personnel expenses (as a portion of total expenses | 24.26% |
| Other expenses (as a portion of total expenses) | 26.96% |
| **Distribution of assets** | |
| Loan Portfolio | 86.39% |
| Liquid | 9.02% |
| **Debt** | |
| Debt dependence | 75.47% |
| Debt to equity ratio | 3.07 |

## Wage Earner to Entrepreneur

Shantha, a native of Bangalore, working as a housemaid, realized that the wages she earned along with her husband's meager earnings was not sufficient to meet the growing needs of her family. More importantly her children were being deprived of a proper education, which was a major worry for her.

An excellent cook that she was, she always dreamt of setting up a fast food joint. Putting her culinary talents to work, with a meager capital, she started her catering business at home with the available utensils and sold them on the footpath to the local residents in her area. The food was tasty and the demand was excellent. However whatever she earned at the end of the day was just sufficient to buy materials for the next day. So to improve her business she started to borrow loans from the local money lenders to meet her working capital requirements. Paying the exorbitant rates of interest charged by them did not leave any surplus to Shantha.

Then Shantha found out about IDF FSPLs Microfinance program which supports micro-business. Soon she became a member of Annapoorneshwari IDF SHG. She availed a loan of Rs. 10000/- from IDF FSPL in the first cycle through which she bought the necessary vessels and other resources to upscale her business.

As she started making more variety of eatables her business grew and her earnings increased. Seeing the success of the business her husband left his job as a contract auto driver and joined her in conducting the business on a large scale. Excellent credit record enabled continued support from IDF FSPL. As a result, she could repay her other loans and improve her business. Today she is the proud owner of 'Shantha Fast-food'

Her two young children are now going to the local school. Shantha is trying to convert her dreams into reality by her hard work. Quality is the hall mark of her preparations.

## Surveys & Studies

One of the basic areas of interest to IDF FSPL is conducting surveys and studies towards understanding the market needs and various other aspects involved in Microfinance. In this regard, a few studies have been conducted & coordinated by the Company. In 2012-13 an impact survey was conducted by Research students from Gulbarga.

The impact of the borrowings from IDF FSPL on incomes and Social performance revealed interesting data. We are also glad to note that our business model and ways of working indicated that there was a definite increase in the income levels of the borrowers and that we are reaching poor people in a way that is suited to their needs.

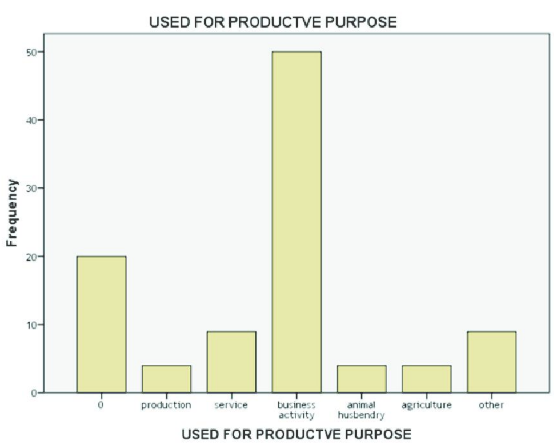
## Impact Survey

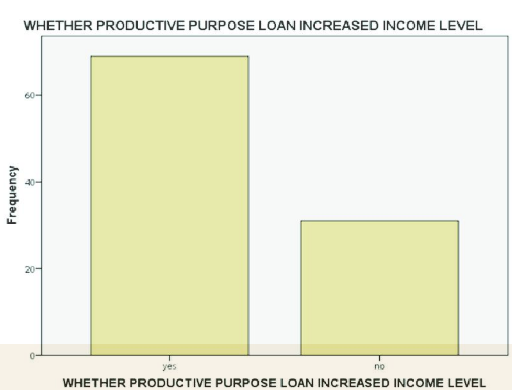
### "Increasing the income and living standards of poor communities"

*"69% of respondents expressed that their Income level's increased after availing of loan"*

IDF FSPL's responsibility to its clients does not end when the loan is disbursed. We offer a range of ongoing support in order to develop clients' financial literacy, business sense and money management ability. The following graph shows clearly that through IDF FSPL's services, people are able to improve their standard of living and have access to basic services that will improve their quality of life. It is gratifying to see that IDF FSPL's combination of credit and capacity building has translated into tangible differences in the borrowers' lives.

**Graph showing "Impact on Borrower Income after availing loan from IDF FSPL"**

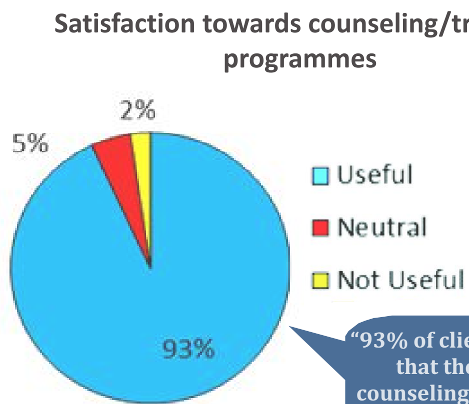



## Social Performance

One of the things IDF FSPL will do over the next year is to formalize the social performance indicators (SPI) that it uses. We plan to develop SPIs related to our services and integrate them into our operations. This is an important part of enabling us to meet both our social and commercial objectives.

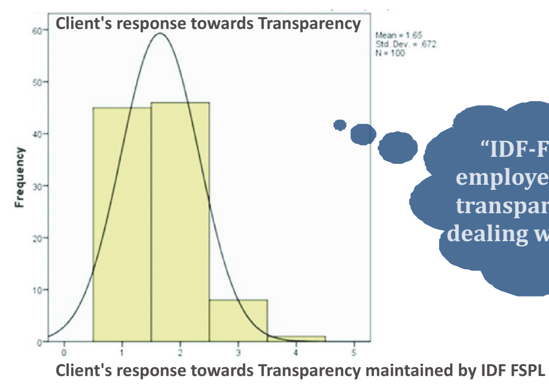
**Graph showing "Clients Satisfaction toward counseling/training programmes imparted by IDF FSPL"**




"93% of clients expressed that the financial counseling and trainings imparted by IDF FSPL was very useful"

IDF FSPL has been quite successful in inculcating among SHG members the concepts and discipline of SHGs. It has made significant progress in imparting financial literacy and inculcating savings habits among its clients.

With regard to quality of service and transparency, the sample SHG members expressed satisfaction with the process.




"IDF-FSPL employees are transparent in dealing with us"

As for social status, the majority of members reported that their say in the family Decision making process has improved, and their spouse respects them more. They are able to get more government benefits with the MFI's support. Their perceptions about their abilities, confidence and self-esteem have gone up considerably after joining and participating in the SHG process. They are happy to send their children to schools and colleges by taking loans from IDFFSPL."

## Progress out of Poverty Index

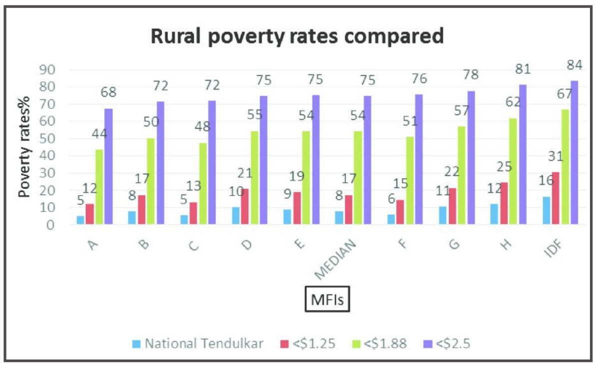
IDF FSPL participated in the study conducted by Grameen Foundation on Progress out of Poverty. The study was to examine the different aspects of poverty outreach of MFIs in Karnataka and related information using data gathered from microfinance institutions in the state of Karnataka using the Progress out of Poverty Index (PPI).

It considered three aspects of poverty outreach – concentration (percentage of clients that are poor), scale (number of poor clients) and penetration (percentage of poor households in an area that are reached).

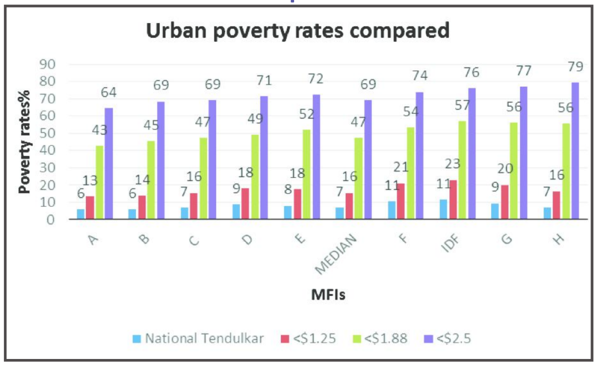
**Based on the findings of the study, IDF FSPLs outreach in Karnataka and its performance based on the above mentioned factors is provided here below:**

## Relative Poverty Outreach of Idf Microfinance

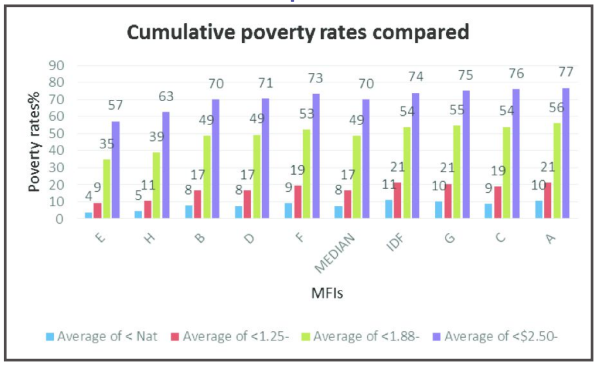
### Graph-1




### Graph-2




### Graph-3




In Graph 1 we can clearly see IDF FSPL's poverty rates exceed the median figures for rural poverty outreach. The 2nd graph shows poverty rates for participating organizations' in urban areas where IDF FSPL's performance is better than the median rates for the peer group taken together.

Graph 3, shows the poverty concentration for organizations cumulative for both urban and rural areas where IDF FSPL's performance is better than the median rates

## Weaving their lives success

Jayamma, Uma, Bhagyamma, Nagamma and Ratnamma are now proud to call themselves successful business women.

The 5 members of "Sri Lakshmi Venkateshwara IDF SHG" are engaged in the business of Bamboo basket weaving.

Belonging to the 'Medar' community of basket weavers, they had perfected the art of working with bamboo over a period of time for their livelihood. The changing pattern of demand for their products in urban Bangalore, brought them together. Joining hands together, becoming members of IDF FSPL and availing the required working capital, in the last two and a half years, they have created a joint enterprise of selling Bamboo baskets in the local streets of Banashankari- Bangalore.

They are in the process of setting up a permanent shop, wherein they can diversify into other bamboo products. Towards this they have now borrowed their third cycle loans of Rs. 25,000/- each. They truly believe in themselves and in their future.

# Organisational Development

## Human Resources Department

The Company appreciates the contribution of the Human resources to the overall growth and stability of the organization. To ensure that the best talents available in the sector are attracted towards it, the remuneration has been standardized as per the industry norms. Internal and External Trainings to upgrade their skills is a regular feature. To ensure higher productivity appropriate incentives commensurate with their performance is put in place. Health Care benefits, Bonus, gratuity have been provided as required by law.

| Internal Training Programme | No of Staff | External Training Programme | No of Staff |
|---|---|---|---|
| Management Information Systems Training | 35 | Financial Management & Corporate Governance in Microfinance Institutions hosted by BIRD, Lucknow | 2 |
| Induction Training sessions | 178 | Social Performance Management and Client Protection for MFIs organized by Ananya Finance for Inclusive Growth. | 2 |
| Workshops | 48 | Webinar on 'Windows 8 and Intel Architecture for Enterprise' hosted by Intel. | 1 |

### Profile of the Human resource

| Category | No. As on 31.03.13 | % | No. As on 31.03.12 | % |
|---|---|---|---|---|
| **Education wise Classification** | | | | |
| SSLC | 70 | 35 | 150 | 40 |
| PUC | 57 | 29 | 105 | 28 |
| Graduates | 41 | 20 | 68 | 18 |
| Post Graduates | 30 | 16 | 52 | 14 |
| **Total** | **198** | **100** | **375** | **100** |

| Category | No. As on 31/3/13 | % | No. As on 31/03/12 | % |
|---|---|---|---|---|
| **Gender Wise Classification** | | | | |
| Women | 88 | 44% | 206 | 55 |
| Men | 110 | 66% | 169 | 45 |
| **Total** | **198** | **100** | **375** | **100** |

| Category | No. As on 31.03.13 | % | No. As on 31.03.12 | % |
|---|---|---|---|---|
| **Cadre wise Classification** | | | | |
| Community Organizers | 69 | 35 | 211 | 56 |
| Credit Officers | 53 | 27 | 72 | 19 |
| Credit Managers | 20 | 10 | 20 | 05 |
| Riskmanagers | 1 | 0.5 | 03 | 01 |
| Dy. Area Managers | 2 | 1 | 03 | 01 |
| Area Managers | 3 | 1.5 | 05 | 01 |
| Computer Operators | 15 | 7 | 19 | 05 |
| Executives | 21 | 11 | 24 | 07 |
| Internal Auditors | 8 | 4 | 12 | 03 |
| Attenders / Drivers | 6 | 3 | 06 | 02 |
| **Total** | **198** | **100** | **375** | **100** |

## Shaping her life through designs.....

Uma was always fond of fashion designing from her school days; a profession hardly jelled with the identity of a girl who hailed from a small town in Tumkur district, Karnataka. Even her sister Rama was very talented. However their economic status did not permit them to venture further. Having heard the difficulties faced by others in borrowing from private persons, they were very reluctant to tread the same path. By providence, her close friend told her about IDF FSPL. Within a short while of becoming a member of Vidya Ganapathi IDF SHG, she was able to obtain a financial assistance of Rs. 10000 which helped in setting up S.N.V Boutique, a shop now endeared to residents at Tumkur. Her unique fashion designs have helped her to create visible differentiation in a crowded sector. Subsequent cycle of loans availed from IDF FSPL have helped to expand her business. With an increased income, she is now able to maintain a decent standard of living. She proudly acknowledges the financial support of IDF FSPL throughout her business.

Wanting to give back to the society that helped her grow, she is also associated as a faculty with IDF FSPL in its regular skill training & up gradation programme.

## I T Department

A significant technological leap-forward by the Company is the extensive use of mobile technology for many of its transactions. The Mobile Application has been enhanced to provide users with specific information based on their demands. This year up gradations have been made to the platform to improve operations

Furthermore, the new and improved business model adopted during the past fiscal year required better and robust systems to ensure smooth conduct of operations. IDF FSPL's Information Technology (IT) Department has been working exhaustively on the development of the new Management Information System (MIS);

A Centralized Web-Based Application is being developed using the ASP.NET platform. It will support databases such as Oracle and Microsoft's SQL Server. It will be easier to maintain and can be enhanced whenever required, this is due primarily to its new design.

Furthermore, the new system can create dynamic reports and data entry interfaces at any point in time. In relation to information collection, the new system will collect information based on KYC (Know Your Customers) norms, credit bureau requirements, and IDF FSPL's requirements that ensure the smooth transfer of financial assistance to clients.The new system is still under development; pilot testing will be implemented very shortly.

CROs (Credit Officers) will greatly benefit from the new system as their existing Mobile Application will be merged with the new system. The new system will lead to increased levels of productivity for CROs.

The training and documentation will ensure that the staff has the capacity to use the new system as per guidelines, and also has the capacity to use the system to their best advantage.

## Bagfull of Success

Gowramma never felt her disability as a detriment. It was not her reason to sit back without earning her own livelihood. Bearing four children and having the entire family's responsibility on her back, she still leads her life with utmost poise.

Her husband stopped providing for the family soon after the marriage. She had to learn to be financially independent so that she could raise her children. The family was originally living in a slum area of Bangalore. Back then, She ran a small grocery shop selling items of daily consumption to the residents of the area. Her daily sales were close to Rs. 2,000 and monthly income was about Rs. 3,000. She was hardly able to meet her household expenses with income from the business.Convinced that her grocery shop will not be able to provide sufficient income, she also started exploring other business ideas and finally zeroed in on the business of Bag making.She had learnt this skill long back at her mother's house and his brother was involved in selling these items in Bangalore. However seed capital for starting her business was a big problem.

Through her neighbours she came to know about the microfinance programme of IDF FSPL. She became a member of a group Aadi Parashakthi IDF SHG.

With Rs10,000 as her first loan from IDF FSPL, she bought materials for preparing paper bags. Looking at the quality of the bags, big Companies like Peter England, Fast track etc. started sourcing their requirements from her. With the profits from the business and loans from IDFFSPL, she continued to add to the stock of rawmaterials. Now her elder son takes care of the grocery shop and the other two are involved in her business. With income from both the businesses, Gowramma has been able to take care of the family requirements very well.

She credits finance from IDF FSPL, particularly in the initial phase of the business for her success. She is willing to tell her story to people and feels that institutions like IDF FSPL can bring transformation in the lives of many poor people.

### Audit Department

The Company has a robust audit system in place. The audit department headed by a senior functionary apprises the Audit Committee regularly about the systems in place. The audit department over a period of time has developed well defined reporting systems that addresses risk management and managements control over efficiency/effectiveness of operations (including safeguarding of assets), the compliance with laws and regulations by the various branches/offices of the Company.The Audit Department conducts internal audits of the operations of all the branches/offices and departments to contribute to optimal management and ensure the proper conduct of the branches/offices operations and the soundness of its assets. It is also involved in conducting proactive fraud audits to identify potentially fraudulent acts; participating in fraud investigations under the direction of fraud investigation professionals, and conducting post investigation fraud audits to identify control breakdowns and establish financial loss.

## The Crispness of "Madhu Khara"

Ask anybody in Vinayakanagar, Tumkur as to where you would get quality savouries like mixture, Bhoondhi, chakkali, kodbale and other mouth-watering delicacies at reasonable prices and the prompt answer would be "Madhu Khara". The person behind the counter is Gowri, who despite several odds has built "Madhu Khara" into what it is today. A localite of Tumkur, Gowri was an illiterate who did not even know how to put down a signature. Astonishingly, now she is running her own business, which has a regular shop & food license.

'Madhu Khara' had a humble beginning two years ago when IDF FSPL first facilitated credit to Gowri. As an active member of IDF FSPL's 'Gangabhavani' SHG, she has been a role model to a number of other entrepreneurial aspirants.

With successive doses of credit she has been able to build up her business.

Demands for her savouries are on the increase. Her products are slowly finding their way to the neighbouring taluks of Tumkur such as Pavagada, Sira, Koratgere, Tiptur.

# Director's Report

Your Directors have pleasure in presenting the 19thAnnual Report of the Company. Accompanying the report are both the Auditor's Report of your company and the Audited Statement of Accounts for the financial year ending 31st March, 2013.

## Financial Highlights

The Summarized financial results of the Company are as hereunder

| Particulars | 2012-13 | | 2011-12 | |
|---|---|---|---|---|
| | Amt Lakh ₹ | % ↑ se or ↓ se | Amt Lakh ₹ | % ↑ se or ↓ se |
| Operating income | 1113.75 | -17.80% | 1354.92 | 13.02% |
| Other income | 63.37 | 87.87% | 33.73 | 75.90% |
| **Total income** | **1177.12** | -15.23% | **1388.64** | **15.05%** |
| Personnel expenses | 261.32 | -24.66% | 346.87 | 89.36% |
| Administrative expenses | 100.10 | -28.52% | 140.04 | -42.42% |
| Finance charges | 525.40 | -15.76% | 623.69 | 2.46% |
| Depreciation | 51.83 | -3.39% | 53.65 | 9.98% |
| Provisions and write-offs | 138.3 | 0.06% | 138.22 | 87.54% |
| **Total Expenses** | **1077.04** | **-17.31%** | **1302.47** | **12.52%** |
| **Profit/(Loss) before tax** | **100.09** | **16.15%** | **86.17** | **74.61%** |
| Excess depreciation of earlier years | 10.40 | 0.00% | - | - |
| Profit/(Loss) for the period | 110.49 | 28.22% | 86.17 | 16.01% |
| Less: income tax | 50.26 | 131.19% | 21.74 | 109.04% |
| Less: deferred tax | -5.54 | -188.64% | 6.25 | 13.64% |
| **Profit after tax** | **65.77** | **13.05%** | **58.18** | **-0.34%** |

## Business Snapshot

| Particulars | 2012-13 | (%) ↑ se or ↓ se | 2011-12 | (%) ↑ or ↓ se |
|---|---|---|---|---|
| Customers (SHGs) | 8534 | **-6.00%** | 9079 | **-21.12%** |
| Disbursement (Lakh ₹) | 6596.35 | **-3.81%** | 6731.14 | **-20.12%** |
| Outstanding (Lakh ₹) | 5969.29 | **9.77%** | 5438.10 | **-24.56%** |
| Profit After Tax | 65.77 | **13.05%** | 58.18 | **-0.34%** |
| Employees | 198 | **-47.20%** | 375 | **-21.38%** |
| Branches | 12 | **140.00%** | 5 | **-16.67%** |
| Repayment rate | 97.23% | **-0.21%** | 97.43% | **-0.87%** |

The operation of the Company has improved during the year 2012-13. The outstanding loan portfolio has increased by almost 10%.The Company has revived and also been able to make decent profits for the current year. The Profit After tax has increased by 13.05% as compared to last year.

### Dividend

To conserve its resources the Board has not recommended any dividend during this year on equity shares. The Interim dividend at 6% paid on the Cumulative Convertible preference shares amounting to Rs. 43,39,491/- during March 2013 has been treated as the final dividend and no other dividend is payable.

### Corporate Governance

Clauses 49 of the Standard Listing Agreement and Corporate Governance Report under this clause are not applicable to the Company.

### Directors

During the financial year, Mrs. Tajbi Nadaf representing the federations retired after completing her term. Mrs Kasturi Dambala was appointed to the Board as a Non-Executive Director. Smt. Kasturi Dambala represents the IDF SHG Federation -Haveri.

The members of the Board met regularly as per table below:

| Directors | Eligible to attend 2012-13 | Attended 2012-13 |
|---|---|---|
| Vivekanand N Salimath | 5 | 5 |
| N M Patil | 5 | 5 |
| T V SrikanthaShenoy | 5 | 5 |
| M S Korimath | 5 | 4 |
| Vijay Kulkarni | 5 | 5 |
| TajbiNadaf | 4 | 3 |
| KasturiDambala | 1 | 1 |

## RBI Guidelines

IDF FSPL is a non-deposit taking NBFC (non-banking financial company) and has complied with all applicable regulations of the Reserve Bank of India. As per the Non-Banking Finance Companies RBI Directions, 1998, the Directors hereby confirm that the Company did not accept any public deposits during the year and did not have any public deposits outstanding at the end of the year.

The Reserve Bank has issued fresh directions to the NBFCs carrying on Microfinance operations to re-classify their registration as NBFC-MFIs. The Company is in compliance with the various directions and is also taking the necessary steps to apply for re-classification of its registration.

## Code of conduct, transparency and client protection

The company has fully implemented the Reserve Bank of India's Fair practice code and adopted Code of Conduct prescribed by Sa-Dhan (Association of Community Finance Institution) and Association of Karnataka Micro finance Institutions (AKMI).

## Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Board of Directors of the Company confirms that:

1. In preparation of the Annual Accounts, the applicable accounting standards have been followed.
2. The Directors had selected such Accounting Policies and applied them consistently and made judgements 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 or loss of the Company for that period.
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The Directors had prepared the Annual Accounts on a going concern basis.

## Disclosures under Section 217(1) (d) of the Companies Act, 1956

Except as disclosed elsewhere in this report, there have been no material changes and commitments which can affect the financial position of the Company occurred between the end of the financial year of the Company and date of this report.

## Transfer to Reserves in terms of Section 217(1)(b)of the Companies Act, 1956

For the financial year ended 31st March 2013, the Company has transferred a sum of Rs. 13,15,393/- to Statutory Reserves.

## Particulars of Employees

There is no employee in the Company whose particulars are required to be given under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

## Auditors

M/s R R Kulkarni, Chartered Accountants, having their office at Laxmi Apartment, Kalaghatagi Road, Saraswatpur, Dharwad 580002 will retire at the ensuing Annual General Meeting of the Company and are eligible to offer themselves for reappointment.

## Auditors' Report

The observations of the auditors in their report are self-explanatory and therefore, in the opinion of the Directors, do not call for further comments.

## Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars as required under the provisions of Section 217(1) (e) of the Companies Act, 1956 in respect of conservation of energy and technology absorption have not been furnished considering the nature of activities undertaken by the company during the year under review. Further during the year under review, the Company has neither earned nor used any foreign exchange.

## Acknowledgment

Your Directors place on record their gratitude for the continuing support of Shareholders, bankers and Business associates at all levels.

**For and on behalf of the Board**

**Vivekanand N Salimath**
Chairman

**Naganagouda M Patil**
Managing Director

IDF FINANCIAL SERVICES PRIVATE LIMITED BENGALURU

Date : May 21, 2013
Place: Bengaluru

## Management Discussion and Analysis

### 1.0 The Microfinance Landscape in 2012-13

Two years after the crisis, indisputably the worst in the history of microfinance, the ruins are being rebuilt. Not only has the situation returned to normal, but there have also been significant improvements. The sector is once again back on the path of growth, and is regulated by the RBI, India's central bank. The urgently needed credit bureaus work well, and MFIs have further optimized the process for granting loans. This means the outlook for 2013 is altogether positive.

Microfinance Bill is yet to catch the fancy of parliamentarians. The Bill, which is doing the rounds for quite some time now, is likely to get the consent from the Union Cabinet.

The finance ministry has prepared the cabinet note for the new bill as the old bill lapsed with the expiry of the 14th Lok Sabha. The content of the new bill remains more or less same.The Cabinet seeks to make NABARD the sector regulator. The objective of the bill is to ensure development and orderly growth of the micro-finance sector in rural and urban areas.

The NBFC-MFI's norms of the RBI continues to be favorable with the Bank easing the directions issued in respect of Margin Cap, Interest Cap, Qualifying assets, etc., Still, the role of a central bank in the context of financial inclusion should be to create a facilitating environment for the financial system and not to micro-manage the provision of financial services. While the revisions incorporated in the circular of 3 August 2012 are welcome in removing a restrictive element of the pricing cap as well as easing the fulfilment of the CAR norm in the context of the AP crisis, there are additional changes that could be made to improve the efficacy of the regulation from the perspective of financial inclusion.

Renewed focus on social performance, consumer protection, and risk management is helping to ensure this reputation is built on a more solid foundation for the future. The promotion of credit bureaus, the strengthening of self-regulatory systems, and client-focused market research are all tangible examples of industry-led initiatives creating positive impacts.

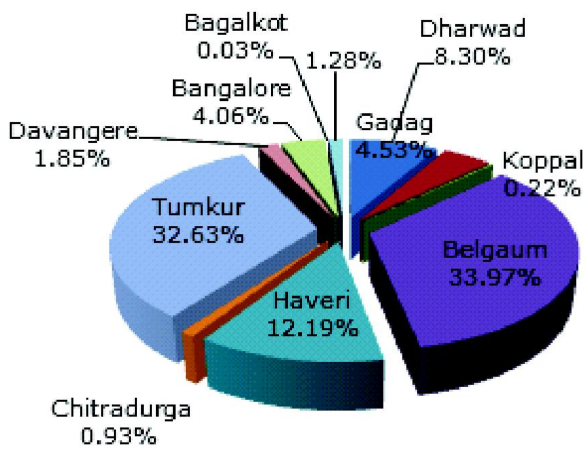
### 2.0 Financial performance

IDF FSPL had a fairly healthy financial performance in terms of growth compared to several other MFIs.

#### 2.1 Outreach

Your company has been continuously growing since its inception. After a slight setback during the year 2011-12, the performance of the Company has perked up. The following facts come into picture while comparing the Company's present performance as compared to previous year:

- Total value of loans portfolio has increased by 9.77%, from Rs. 5438.10 Lakhs to Rs. 5969.29 Lakhs
- The number of active loans given has increased by 194% from 9079 last year to 26715 this year.
- The total number of Active Borrowers has reduced by 31.45%, from 149710 last year to 102690 this year.




The highest share of your company's portfolio is in the districts of Belgaum (33.97%), Tumkur (32.63%) and Haveri (12.19%)

## 2.2 Portfolio

The following table provides an analysis of the portfolio of your company.

| Description | As on March 2013 | As on March 2012 |
|---|---|---|
| Total value of loans disbursed during period | 65,96.35 | 67,31.14 |
| Total number of loans disbursed to SHGs during period | 24 | 7,361 |
| Number of active borrowers (End of Period) | 1,02,690 | 1,49,810 |
| Average number of active borrowers | 89,430 | 1,43,470 |
| Value of loan outstanding (End of period) | 59,69.29 | 54,38.10 |
| Average outstanding balance of loans | 52,46.17 | 54,01.02 |
| Value of payments in arrears (End of Period) | 1,74.07 | 2,29.46 |
| Value of outstanding balance of loans in arrears (End of period) | 2,80.71 | 5,97.44 |
| Value loans written off during period | 1,38.39 | 1,38.22 |
| Average loan size per SHG | 0.16 | 0.16 |
| Average loan term (months) | 12 to 18 | 12 to 24 |
| Average number of loans officers during period | 40 | 72 |
| Value of loan outstanding for which repayment is yet to begin | 6,11.96 | 7,58.57 |

Your company operates in 11 districts of Karnataka and the district wise breakup of loan details as on 31st March 2013 is as follows:

| No. | Districts | Disbursed | | Amt Outstanding | |
|---|---|---|---|---|---|
| | | Amt in Lakh ₹ | % | Amt in Lakh ₹ | % |
| 1 | Dharwad | 370.81 | 5.62% | 495.48 | 8.30% |
| 2 | Gadag | 263.36 | 3.99% | 270.27 | 4.53% |
| 3 | Koppal | 0 | 0.00% | 13.3 | 0.22% |
| 4 | Belgaum | 2305.94 | 34.96% | 2027.74 | 33.97% |
| 5 | Haveri | 948.60 | 14.38% | 727.88 | 12.19% |
| 6 | Chitradurga | 69.70 | 1.06% | 55.56 | 0.93% |
| 7 | Tumkur | 2076.13 | 31.47% | 1947.85 | 32.63% |
| 8 | Davangere | 135.78 | 2.06% | 110.48 | 1.85% |
| 9 | Bangalore | 268.53 | 4.07% | 242.36 | 4.06% |
| 10 | Bagalkot | 0 | 0.00% | 1.98 | 0.03% |
| 11 | Gulbarga | 157.50 | 2.39% | 76.39 | 1.28% |
| | **TOTAL** | | **100.00%** | **5969.29** | **100.00** |

The portfolio is concentrated in Tumkur and Belgaum districts accounting for 32.63% and 33.97% respectively followed by Haveri district at 12.19%.

## 2.3 Product wise distribution

| Product | 2012-13 | | | 2011-12 | | |
|---|---|---|---|---|---|---|
| | Number of accounts | Amount in Lakh ₹ | % | Number of accounts | Amount in Lakh ₹ | % |
| I Cycle | 11794 | 1330.57 | 22.29% | 3204 | 1500.70 | 27.60 |
| II Cycle | 5650 | 1327.29 | 22.24% | 4540 | 2415.62 | 44.42 |
| III Cycle | 8687 | 2559.24 | 42.87% | 960 | 1298.74 | 23.88 |
| IV Cycle | 584 | 169.38 | 2.84% | 20 | 26.27 | 0.48 |
| NGO | 1 | 59.81 | 1.00% | 1 | 17.39 | 0.32 |
| Emergency Loan | 0 | 0 | 0.00% | 408 | 29.37 | 5.42 |
| Other Loans | 3 | 523.00 | 8.76% | 1 | 150.00 | 2.76 |
| Total | **26715** | **5969.29** | 100.00% | **9079** | **5438.10** | 100.00 |

## 2.4 Distribution of portfolio by purpose

The loans disbursed by your company are used for different purposes by the borrowers. The majority are invested in enterprise, as illustrated below.

| Sl. No | Category | 2012-13 | | | 2011-2012 | | |
|---|---|---|---|---|---|---|---|
| | | No of Borrowers | Loans outstanding in Lakh ₹ | % of Portfolio | No of Borrowers | Loans outstanding in Lakh ₹ | % of Portfolio |
| 1 | **Non-farm enterprises** | | | | | | |
| a | Manufacturing / Production | 3,343 | 223.25 | 3.74 | 5380 | 203.93 | 3.75 |
| b | Small Business / Services | 14,953 | 998.06 | 16.72 | 25753 | 976.14 | 17.95 |
| c | Trading (wholesale / Petty) | 28,036 | 1871.39 | 31.35 | 48479 | 1837.53 | 33.79 |
| 2 | **Farm based** | | | | | | |
| a | Agriculture | 7,603 | 512.16 | 8.58 | 9139 | 346.41 | 6.37 |
| b | Agri - allied | 6,511 | 434.56 | 7.28 | 7647 | 289.85 | 5.33 |
| c | Animal Husbandry / Poultry/Dairy / Sericulture etc., | 11,097 | 747.36 | 12.52 | 13414 | 508.46 | 9.35 |
| 3 | **Others** | | | | | | |
| a | Housing / Dwelling units / work heads -cum - tenements | 4,472 | 291.30 | 4.88 | 6958 | 263.75 | 4.85 |
| b | Consumption (e.g. education, marriage, illness etc.) | 13,415 | 891.21 | 14.93 | 26700 | 1012.03 | 18.61 |
| | | **89,430** | **59,69.26** | **100.00** | **1,43,470** | **54,38.10** | **100.00** |

80.19% of the loans are for livelihood activities while 19.81% of the loans are for consumption purposes. In view of RBI guidelines, the company has taken measures to sanction more loans to livelihood activities while reducing loans to consumption purposes.

### 2.5 Portfolio quality

The trend in PAR as compared to last year has increased. The company wrote off bad debts of the value of Rs. 138.39 Lakhs this year i.e.2.19% of the portfolio. The industry standard is 1.3%; the company has initiated steps to improve the quality of its portfolio.

| Sl. No | Type of Loans | 2012-13 | | | 2011-12 | | |
|---|---|---|---|---|---|---|---|
| | | No. of Borrowers | Value of Loans | % of Total Loan Out Standing | No. of Borrowers | Value of Loans | % of Total Loan Out Standing |
| 1 | Regular Loans | 25724 | 5688.58 | 95.30% | 7327 | 4840.65 | 89.01 |
| 2 | Less than 30 Days past due | 121 | 83.99 | 1.41% | 665 | 245.45 | 4.58 |
| 3 | Between 31-60 days past due | 57 | 23.41 | 0.39% | 310 | 101.99 | 1.90 |
| 4 | Between 61-90 days past due | 51 | 13.89 | 0.23% | 222 | 66.59 | 1.24 |
| 5 | Between 91-180 days past due | 143 | 24.68 | 0.41% | 338 | 120.57 | 2.25 |
| 6 | Between 181-365 days past due | 512 | 101.92 | 1.71% | 172 | 55.60 | 1.04 |
| 7 | >365 days past due | 110 | 32.84 | 0.55% | 45 | 7.25 | 0.14 |
| | **Total** | **26718** | **5969.29** | **100%** | **9079** | **5438.10** | **100.00** |

### 2.6 Portfolio yield, profitability and sustainability

The portfolio yield for the year 2012-13 was 21.23% alike as compared to 21.42% during 2011-12.

This year, operational cost reduced to 7.25% as compared 10.73% during 2011-12, The total cost also reduced to 18.88% from 23.95% last year. The main reason was the substantial reduction in manpower expenses.

Even after meeting the costs your company posted a sustainability ratio of 109.29% higher than that 106.62% during the previous year.

## 3.0 Resource mobilisation

The Company has been enjoying excellent rapport with the players in the Financial sector. It is in touch with various Banks and is in the process of finalising the funds arrangement for the ensuing years.

The Company did not face any problems during the year with respect to its liquid funds. The cost of funds for IDF FSPL in financial year 2012-13 was approximately 13.32% which has significantly increased as compared 11.12% during last year.

However, it is important to note that after transformation to NBFC, the interest rates are increasing. The costs of statutory compliances are high. Therefore keeping operational costs low will be challenging in the next year.

| Source of Debt Funds | | 2012-13 | | 2011-12 | |
|---|---|---|---|---|---|
| | | Amount in Lakh ₹ | | Amount in Lakh ₹ | |
| Banks | State Bank of India | 3951.10 | | 3365.42 | |
| | | | | | |
| | Indian Overseas Bank | 0 | | 61.49 | |
| | | | | | |
| | K V G | 145.05 | | 368.28 | |
| | | | | | |
| | Corporation Bank | 288.39 | 4384.54 | 0 | 3795.19 |
| Financial Institutions | SIDBI | 0 | | 218.01 | |
| | NABARD | 390.00 | | 500.00 | |
| | NAB Fin | 7.71 | | 53.20 | |
| | Ananya Finance | 88.89 | 486.60 | 55.56 | 826.77 |
| Others | | | | | |
| | IDF | 0 | | 26.45 | 26.45 |
| | | | | | |
| | **Total** | **4871.14** | | | **4648.41** |

Currently the debt funds sources comprise: Banks (90.01%), Financial Institutions (9.99%). Efforts will be made to diversify these funding sources. Your company is looking for Social Investors who can add value to the organisation, both in terms of capital and global best practices.

## 4.0 Ratings and evaluations

Your company was rated by CARE, an accredited credit rating agency during December 2012, India's leading ratings, research, risk, and policy advisory company, and received a grading of MFI 3+ (where MFI 1 is highest, and MFI 5 is lowest on an eight point scale). The rating is of the company's ability to conduct its operations in a scalable and sustainable manner.

The Company has received 'BB -ve' rating from CRISIL during December 2012 in respect of the Bank facilities it has availed and its proposed facilities to be availed in future.

## Capital Adequacy

The Capital Adequacy Ratio of the company was 28.63% as on 31st March 2013 which is slightly lower than 29.15% as on 31st March 2012.

## 5.0 Opportunities and risks in the coming year

### 5.1 Opportunities

As for demand, given that the current penetration of MFIs is still low in India, the potential for growth appears significant. 'Financial Inclusion' being the buzz word of the Government, the passage of the microfinance Bill has the potential to be a significant step forward to restore the credibility of the Indian microfinance sector and the government's commitment to achieving financial inclusion for India's 450 million "unbanked people."

IDF FSPL has opportunities for growth via introducing new products, increasing market penetration in existing operational areas and expanding our services to new markets. Expansion in the neighboring states of Maharashtra is being contemplated for 2013-14, subject to availability of debt funds.

Credit information sharing can help MFIs make better-informed decisions about the extension of credit to clients, but it requires coordination at the country level and can be a long and expensive process. The focus was on eliminating over-indebtedness or multiple borrowings, an activity that is seen as benefitting MFIs. Associations can play an important role in ensuring better products and services for clients by promoting and supporting some kind of credit sharing mechanism that helps MFIs identify good as well as bad clients.

### 5.2 Risks

In the year gone by the Company made considerable efforts to institutionalize robust quality control and risk management systems to ensure that the business risks remain within predefined acceptable metrics and the overall business is compliant with all the regulations.

#### 5.2.1 Credit Risks

Credit risk is the possibility of adverse condition in which the clients do not pay back the loan amount. The risk is of greater significance for a Microfinance Institution as it has to deal with large number of clients with limited literacy. Risk of overleveraging by borrowers due to the presence of more than 1 MFI in the same village /area; and absence of fool-proof methods to detect and prevent such overleveraging can be highly risky.

The Company has initiated several measures in order to bring about credit discipline in its lending process, the most significant being the mandatory credit check with the credit bureau before sanctioning loans to the members.

#### 5.2.2 Operational Risk

Operational risks are the vulnerabilities that emanate from a Company's daily operations, which can erode the institution's capital. The common risks arising out of operations are Frauds, theft, day to day cash management, high staff turnover etc.

The Company has adopted stringent system of checks and balances and a reporting system such as internal and external audit that can detect and control fraud. The audit system of the Company has been playing a proactive role in verifying the adherence of staff to systems and procedures laid down by the Company from time to time.

#### 5.2.3 Competition Risk

MFIs are becoming increasingly competitive, with new players, such as banks and consumer credit companies, entering the market. Competition risk can be exacerbated if MFIs do not have access to information about applicants' current and past credit performance with other institutions. Though competition between MFIs may lead to lower interest rates, better-designed products, and better customer service, it may also lead to overleveraging for the borrowers and hence put them under a higher debt burden.

In order to overcome severe competition from other MFIs particularly those following Joint Liability Group (JLG) models, where waiting period for loan disbursal is much lower; and increasing number of players scaling up operations in Karnataka, the Company has been pre-emptive and has been re-designing its product offering and service delivery mechanism.

#### 5.2.4 Funding risk

Given the nature of the microfinance business, regular flow of funds is crucial to maintain as well as grow the business operations. The liquidity crunch had been continuing for almost a year. Despite entreaties by the RBI and others, banks have been highly selective in providing loans to MFIs. It is time that investors and funders carried out realistic appraisals of MFIs, refuse to accept grand plans of fast paced expansion and super profitability.

The move by RBI in including lending to MFIs by the Banks as a priority sector advance is definitely bound to increase the flow of credit towards this sector.

#### 5.2.5 Industry risk

The microfinance industry is expected to face pressure on account of commercialization of the sector and consequent pressure from the politicians, bureaucrats and the media. However the intent by the Government to regulate the sector through the proposed Microfinance bill is a welcome move.

Your company is well geared to face and mitigate these risks by better internal control, capacity building of human resources, intense involvement with the community and industry level networking and advocacy.

M/s R R Kulkarni & Co.
CHARTERED ACCOUNTANTS

"LAXMI" APARTMENT
KALGHATAGI ROAD
SARASWATPUR
DHARWAD - 580 002
PH: 2442076/988053935

## Auditor's Report

1. We have audited the attached Balance Sheet of IDF FINANCIAL SERVICES PRIVATE LIMITED as at 31stMarch 2013, the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit proves reasonable basis for our opinion.

3. As required by the Companies' (Auditor's Report) Order, 2003 in terms of sub Section (4A) of section 227 of the Companies Act, 1956, and according to the Information and explanation given to us during the course of the audit and on the basis of such checks as we consider appropriate, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:
   - i. We have obtained all the information and explanations, which to the best ofour knowledge and belief were necessary for the purpose of our audit.
   - ii. In our opinion, the Company has kept proper books of accounts as required by law so far, as appears from our examination of those books.
   - iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.
   - iv. In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
   - v. On the basis of written representation received from the directors, as on 31st March 2013 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2013 from being appointing as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
   - vi. The board of directors has been changed and the directors newly appointed have taken their position as per the Form no.32.
   - vii. In our opinion, and to the best of our information and accounting to the explanation given to us, the said accounts give the information required by the companies Act 1956, 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 Balance Sheet, of the state of affairs of the Company as at 31stMarch 2013; and
     - (b) In the case of Profit and Loss Account, of the profit for the year ended on the date.

for **M/s. R R Kulkarni & Co.,**
Chartered Accountants
F R. No.: 010916S

M/s. R. R. KULKARNI & Co. CHARTERED ACCOUNTANTS M.No. 211616 DHARWAD

**(R R Kulkarni)**
Proprietor
M. No.: 211616

Date: May 21, 2013
Place: Dharwad

## Annexure to the Auditor's Report

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

(b) During the year, the company had carried out physical verification of assets. The company has a regular programme for verification of fixed assets. In our opinion, the frequency of verification is reasonable, having regard to the size and the nature of its business.

(c) In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concerns status of the Company is not affected.

ii. There is no stock of inventory. Hence this clause is not applicable.

iii. The company has not given/taken any loans, to/from any companies, firms or other parties listed in register maintained under section 301 of the Companies Act, 1956.

iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with size of the Company and the nature of its business for the purchase of inventory and assets and for the sale of goods. During the course of our audit we have not observed any continuing failure to correct major weakness in internal control.

v. (a) In our opinion and accordance to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements that needed to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and accordance to the information and explanations given to us, the transactions made in pursuance of contracts of arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding Rs. 5,00,000/- in respect of each party during the year have been made at prices which are reasonable having regard to the prevailing market price at the relevant time. This clause is not applicable to the company.

vi. The Company has not accepted any deposits from the public during the year. In terms paragraph 9(2) NBFC Public Deposit (RBI Directions)1998 the company has passed a resolution to the effect that the company has neither accepted deposit nor would accept any public deposit during the year.

vii. In our opinion, the internal audit system in the company during the year is adequate and commensurate to the size and the nature of the business of the Company.

viii. The Central Government has not prescribed maintenance of cost records under Section 209- (l)(a) of the Companies Act, 1956 for any product of the company.

ix. On the basis of records produced before us, the Company is generally regular in depositing undisputed statutory dues including Income Tax, Sales Tax, Customs Duty and Excise Duty. Accordance to the information and explanations given to us, there are no undisputed amounts payable in respects of Provident Fund, Income Tax, Sales Tax, Customs Duty and Excise Duty which are outstanding as on 31sr March 2012 for a period of more than six months from the date on which they become payable.

x. According to the information and explanation given to us and as per the records examined by us, there were no disputed amounts due in respect of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Excise Duty and Cess.

xi. The company has accumulated surplus in the previous year and has not incurred cash losses during the Current financial year.

xii. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions or banks.

xiii. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.

xiv. In our opinion, the Company is not a chit fund, nidhi/mutual benefit funds/society. Therefore, the provision of clause 4(xiii) of the Companies (Auditor's Report) Order 2003, are not applicable to the company.

xv. The Company does not deal or trade in shares, securities, debentures and other investments. Hence provision of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the company.

xvi. The company has not given any guarantee for the loans taken by others from banks or financial institutions.

xvii. According to the information and explanation given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term basis that have been for long term investment.

xviii. 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 during the year.

XIX. The company has not issued debentures during the financial year.

xx. The company has not raised any monies by public issue.

for **M/s. R R Kulkarni & Co.,**
Chartered Accountants
F R. No.: 010916S

M/s. R. R. KULKARNI & Co. M.No. 211616 DHARWAD CHARTERED ACCOUNTANTS

**(R R Kulkarni)**
Proprietor
M. No.: 211616

Date: May 21, 2013
Place: Dharwad

# IDF FSPL Audited Accounts 2012-13

## Balance Sheet as at March 31, 2013

| Particulars | Note no. | 31-Mar-13 | 31-Mar-12 |
|---|---|---|---|
| **I. Equity and Liabilities** | | | |
| **Shareholders' funds** | | | |
| (a) Share capital | 2.1 | 180,537,150 | 180,537,150 |
| (b) Reserves and surplus | 2.2 | 6,446,418 | 4,911,920 |
| | | **186,983,568** | **185,449,070** |
| **Non-Current liabilities** | | | |
| (a) Long-term borrowings | 2.3 | 487,113,534 | 464,841,443 |
| (b) Deferred tax liability (net) | 2.4 | 2,437,244 | 2,991,531 |
| | | **489,550,778** | **467,832,974** |
| **Current liabilities** | | | |
| (a) Trade payables | 2.5 | 915,651 | 1,381,333 |
| (b) Other current liabilities | 2.6 | 5,934,715 | 5,582,725 |
| (c) Short-term provisions | 2.7 | 2,275,371 | 3,863,514 |
| | | **9,125,737** | **10,827,572** |
| | | | |
| | | **685,660,083** | **664,109,616** |
| **II. Assets** | | | |
| **Non-current assets** | | | |
| (a) Fixed assets | 2.8 | | |
| (i) Tangible assets | | 1,748,165 | 2,539,236 |
| (ii) Intangible assets | | 22,200,000 | 25,900,000 |
| (b) Loans to groups | 2.9 | 393,521,678 | 365,450,602 |
| (c) Long-term loans and advances | 2.10 | 4,318,299 | 4,889,948 |
| | | **421,788,142** | **398,779,786** |
| **Current assets** | | | |
| (a) Current Investments | 2.11 | 1,000,000 | - |
| (a) Cash and cash equivalents | 2.12 | 61,854,190 | 84,064,947 |
| (b) Loans to groups | 2.9 | 146,376,211 | 160,216,490 |
| (c) Short-term loans and advances | 2.13 | 52,457,878 | 15,180,623 |
| (d) Other current assets | 2.14 | 2,183,662 | 5,867,770 |
| | | **263,871,941** | **265,329,830** |
| | | **685,660,083** | **664,109,616** |
| Significant accounting policies and notes on accounts | 1 & 2 | | |
| **The accompanying notes are an integral part of these financial statements** | | | |

As per our report of even date

for **M/s. R R Kulkarni & Co.,**
Chartered Accountants
F R. No.: 010916S

**(R R Kulkarni)**
Proprietor

M. No.: 211616

Date: May 21, 2013
Place: Bengaluru

for **IDF Financial Services Private Limited**

**(V N Salimath)**
Chairman

**(N M Patil)**
Managing Director

## IDF FINANCIAL SERVICES PRIVATE LIMITED

### Profit and Loss Account for the year ended March 31, 2013

| Particulars | Note no. | 31-Mar-13 | 31-Mar-12 |
|---|---|---|---|
| Income | | | |
| Revenue from operations | 2.15 | 111,375,366 | 135,491,711 |
| Other income | 2.16 | 6,336,959 | 3,372,597 |
| Total Revenue | | **117,712,325** | **138,864,308** |
| | | | |
| Expenses | | | |
| Employee benefits expense | 2.17 | 26,131,907 | 34,687,168 |
| Finance costs | 2.18 | 52,539,635 | 62,369,168 |
| Depreciation and amortization expenses | 2.8 | 5,182,976 | 5,364,820 |
| Provisions and write-offs | 2.19 | 13,839,028 | 13,821,737 |
| Other operating expenses | 2.20 | 10,010,279 | 14,004,025 |
| Total expenses | | **107,703,825** | **130,246,918** |
| | | | |
| Profit/(Loss) before tax | | **10,008,500** | **8,617,390** |
| | | | |
| Tax expense: | | | |
| - Current tax | | (2,415,824) | 2,200,000 |
| - Provision for Income tax 2012-13 | | (2,610,000) | |
| - Reversal of Income tax provision- prior years | | 1,040,000 | (26,177) |
| - Deferred tax | | 554,287 | 625,316 |
| Profit/(loss) for the year | | **6,576,963** | **5,818,251** |
| | | | |
| Earning per equity share (EPS) *[refer note 3.4]* | | | |
| - Basic | | 0.61 | 0.54 |
| - Diluted | | 0.36 | 0.32 |
| Number of shares considered for | | | |
| - Basic | | 10,821,230 | 10,821,230 |
| - Diluted | | 18,053,715 | 18,053,715 |
| | | | |
| Significant accounting policies and notes on accounts | **1 & 2** | | |
| The accompanying notes are an integral part of these financial statements | | | |

As per our report of even date

for **M/s. R R Kulkarni & Co.,**
Chartered Accountants
F R. No.: 010916S

**(R R Kulkarni)**
Proprietor

M. No.: 211616

Date: May 21, 2013
Place: Bengaluru

for **IDF Financial Services Private Limited**

**(V N Salimath)**
Chairman

**(N M Patil)**
Managing Director

# IDF FINANCIAL SERVICES PRIVATE LIMITED

**Cash Flow Statement for the year ended March 31, 2013**

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| Particulars | Note no. | 31-Mar-13 | 31-Mar-12 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| **Net Profit before taxation** | | **10,008,500** | **8,617,390** |
| *Adjustment for Non- cash (income) / expenditure:* | | | |
| Depreciation | | 5,182,976 | 5,364,820 |
| Provision for doubtful assets | | - | - |
| Baddebts written off | | 13,839,028 | 13,821,737 |
| Revolving fund | | 1,000 | 12,002 |
| Loss on sale of assets | | - | 55,733 |
| Provision for gratuity | | - | - |
| **Operating profit before changes in operating assets** | | **29,031,504** | **27,871,682** |
| | | | |
| *Adjustments for* | | | |
| (Increase)/ decrease in current assets | | (33,021,498) | 1,038,145 |
| (Decrease)/increase in current liabilities | | (1,701,835) | (16,361,468) |
| (Increase)/ decrease in loans to groups | | (28,069,824) | 163,607,266 |
| **Net cash generated from operating activities before tax** | | **(33,761,653)** | **176,155,625** |
| Income tax paid | | (3,985,824) | 152,149 |
| **Net cash generated from operating activities after tax** | **(A)** | **(37,747,477)** | **176,307,774** |
| | | | |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Purchase of fixed assets | | (691,906) | (608,886) |
| SBI Mutual Fund | | (1,000,000) | - |
| **Net cash flow from investing activities** | **(B)** | **(1,691,906)** | **(608,886)** |
| | | | |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of share capital [Incl premium] | | - | - |
| Secured borrowings [Net] | | 22,272,091 | (138,299,034) |
| Corporate dividend tax paid | | (703,974) | (703,974) |
| Dividend paid | | (4,339,491) | (4,339,491) |
| Unsecured borrowings [net] | | - | (53,949,410) |
| **Net cash generated from financing activities** | **(C)** | **17,228,626** | **(197,291,909)** |
| | | | |
| Net increase/(decrease) in cash and cash equivalents during the year (A)+(B)+( C) | | (22,210,757) | (21,593,021) |
| **Cash and cash equivalents at the beginning of the year** | | **84,064,947** | **105,657,968** |
| | | | |
| Cash and cash equivalents at the end of the year *[Refer note 2.11]* | | **61,854,190** | **84,064,947** |
| **Significant accounting policies and Notes on accounts** | **1 & 2** | | |

As per our report of even date

for **M/s. R R Kulkarni & Co.,**
Chartered Accountants
F R. No.: 010916S

**(R R Kulkarni)**
Proprietor
M. No.: 211616

for **IDF Financial Services Private Limited**

**(V N Salimath)**
Chairman

**(N M Patil)**
Managing Director

Date : May 21, 2013
Place: Bengaluru

**Company overview:**

IDF Financial Services Private Limited [herein after 'the company'] is engaged in micro finance activities directed to ultimate benefit of poor women [organized in the form of Self-help-groups] for enhancement of their livelihoods in a financially viable manner and provide financial support to these groups through Community based Self Help Group Federations.

## 1) Significant accounting policies

### 1.1 Basis of preparation of financial statements

The financial statements are prepared under historical cost convention, on accrual basis of accounting and in accordance with the provisions of Companies Act, 1956 and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) to the extent applicable, except otherwise stated and stipulated in the directions issued by Reserve Bank of India (RBI) for Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 from time to time.

### 1.2 Use of estimates

The preparation of financial statements in conformity with Indian Generally Accepted Accounting Policies requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenue and expenses during the reported period. Although such estimates are made on a reasonable and prudent basis taking into account all available information, actual results could differ from those estimates.

### 1.3 Revenue recognition

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

1.3.1 Interest income on loans disbursed is recognized on accrual basis as per effective interest rate method except in the case of Non-performing assets (NPA) where interest is recognized upon realisation, in accordance with the directives of the Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (as amended).

1.3.2 Income from service contracts is recognized on the basis of proportionate completion of the contract with reference to the stage of performance.

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

### 1.4 Fixed assets and intangible assets

All fixed assets have been stated at historical cost less accumulated depreciation and impairment loss, if any. Cost includes the purchase price and any attributable cost of bringing the assets to its working condition for its intended use.

Acquisition of trademarks in the form of right for use of brand name and other intellectual property rights in the field of micro finance has been accounted for as intangible assets at the purchase price.

### 1.5 Depreciation and amortisation

Depreciation is provided pro-rata on the Written down value method at the following stated rates specified under Schedule XIV of the Companies Act, 1956:

| Class of fixed assets | Rate of depreciation |
|---|---|
| Furniture & fixtures | 18.10% |
| Office equipment | 20.00% |
| Computers | 40.00% |
| Vehicle | 25.89% |

In view of the nature business and the enduring nature for exploitation of intangible assets, the same is written off over 10 years, with depreciation rate of 10%

**1.6 Asset classification**

These are classified as standard assets, sub-standard assets, doubtful assets and loss assets in terms of the Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007.

**1.7 Provision for loan losses**

Provision for doubtful loans and advances has been made as per the norms stated in the above Directions by Reserve Bank of India, 2007, which are stated below:

| Classification of Assets | Criteria for Classification | Provision % | |
|---|---|---|---|
| | | Manage ment estimate | As per the prudential norms of RBI |
| Standard Assets | The assets in respect of which, no default in repayment of principal or payment of interest is perceived | 0.25% | 0.25% |
| Sub-standard Assets | An asset which has been classified as non-performing asset (NPA) for a period not exceeding 18 months. | 35% | 10% of the loan outstanding. |
| Doubtful Assets | An assets which remained as substandard assets for a period of 18 months after becoming NPA | 100% | 100% of unsecured portion of the loan outstanding and an increasing % over a period of three years on secured portion. |
| Loss Assets | As identified by the management, auditors and RBI at any point of time. | 100% | To be written off or provided at 100%. |

Non performing assets (NPA) are assets in respect of which interest has remained overdue for a period of six months or more.

**1.8 Loans write-off policy**

Loans are written off when the management has exhausted all options for recovery of Principal and interest on the loan which are overdue.

**1.9 Employee benefits**

**1.9.1 Provident fund:** Contribution is accounted on actual liability basis and paid to the Government managed Employees' Provident Fund Organization.

**1.9.2 Leave encashment:** Liability arising for the year is provided and paid during the same year.

**1.9.3 Gratuity:** This is a defined benefit plan. Gratuity liability is provided based on actuarial valuation using Projected Unit Credit Method. Actuarial Gains and Losses comprising of experience adjustments and the effects of changes in actuarial assumptions, are recognised immediately in the Profit and Loss Account as income or expense.

**1.10 Accounting for taxes on income**

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws. Provision for deferred tax is made for all timing differences arising between the taxable income and accounting income at the tax rates enacted or substantively enacted by the balance sheet date. As a prudent policy, any deferred tax asset is not recognized.

**1.11 Earning per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**1.12 Provisions and contingent liabilities**

The Company creates a provision when there is a present obligation as a result of past event that probably requires an outflow of resources and reliable estimate can be made of the amount of obligation. A disclosure of contingent liability is made, when there is a possible obligation or a present obligation that will probably not require outflow of resources or where reliable estimate of the obligation cannot be made.

### 1.13 Segment information

The company operates in a single reportable segment i.e. lending activity, which has similar risks and returns for the purpose of reporting under AS-17 'Segment Reporting' issued by ICAI. The Company does not have any reportable geographical segment.

### 1.14 Share issue expenses

Expenditure incurred in relation to issue of equity shares is adjusted against the securities premium reserve, net of corresponding tax benefits, if any.

## 2) Notes on Accounts

### 2.1 Share Captial

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| **Authorized** | ₹ | ₹ |
| 15,000,000 [Previous year: 15,000,000] Equity shares of Rs. 10 each | 150,000,000 | 150,000,000 |
| 10,000,000 *[Previous year: 10,000,000]* Preference shares of Rs. 10 each | 100,000,000 | 100,000,000 |
| | **250,000,000** | **250,000,000** |
| **Issued, subscribed and paid-up** | | |
| **Equity** | | |
| 10,821,230 [Previous year: 10,821,230] Equity shares of ` 10 each fully paid -up | 108,212,300 | 108,212,300 |
| **Preference** | | |
| 7,232,485 [Previous year:7,232,485] 6% Cumulative Convertible Preference shares of ` 10 each fully paid-up | 72,324,850 | 72,324,850 |
| | **180,537,150** | **180,537,150** |

### 2.1.1 Reconciliation of shares

| | Number | Amount | Number | Amount |
|---|---|---|---|---|
| **a) Equity shares** | | | | |
| Balance at the beginning of the year | 10,821,230 | 108,212,300 | 10,821,230 | 108,212,300 |
| Add: issued during the year | - | - | - | - |
| **Balance at the end of the year** | **10,821,230** | **108,212,300** | **10,821,230** | **108,212,300** |
| **b) Preference shares** | | | | |
| Balance at the beginning of the year | 7,232,485 | 72,324,850 | 7,232,485 | 72,324,850 |
| Add: issued during the year | - | - | - | - |
| **Balance at the end of the year** | **7,232,485** | **72,324,850** | **7,232,485** | **72,324,850** |

**2.1.2. Of the above, 9,275,340 equity shares are allotted by way of bonus shares during the year 2010-11**

**2.1.3 Rights, preferences, restrictions of share capital**

a) Equity shares: The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity share is entitled to one vote per share.

b) Cumulative convertible Preference shares [CCPS]: CCPS are convertible into equity after completion of 5 years from the date of allotment and such conversion is to effect at fair value to be determined at the time of conversion. Preference share holders are not entitled to any voting rights except where the rights of the preference share holders are proposed to be affected. In such event, preference share holders will have the same right as the equity share holders in the meeting of the share holders for the agenda of the meeting affecting their rights only. Dividends are accumulatable until fully paid.

### 2.1.4. The details of shareholders as at March 31, 2013 is set out below:

| | 31-Mar-13 | | 31-Mar-12 | |
|---|---|---|---|---|
| | **No. of shares** | **%** | **No. of shares** | **%** |
| **Equity share capital** | | | | |
| IDF FSPL balaga welfare trust | 787,500 | 7% | 787,500 | 7% |
| IDF SHG Federation - Dharwad | 1,920,240 | 18% | 1,920,240 | 18% |
| IDF SHG Federation - Haveri | 878,360 | 8% | 878,360 | 8% |
| IDF SHG Federation - Tumkur | 2,471,630 | 23% | 2,471,630 | 23% |
| IDF SHG Federation - Gadag | 348,040 | 3% | 348,040 | 3% |
| IDF SHG Federation - Belgaum | 1,702,960 | 16% | 1,702,960 | 16% |
| Vivekanand. N. Salimath | 542,500 | 5% | 542,500 | 5% |
| Naganagouda M Patil | 542,500 | 5% | 542,500 | 5% |
| T V Srikantha Shenoy | 542,500 | 5% | 542,500 | 5% |
| Shrikant M Hebbal | 542,500 | 5% | 542,500 | 5% |
| Gururaj M Deshpande | 542,500 | 5% | 542,500 | 5% |
| **Total** | **10,821,230** | **100%** | **10,821,230** | **100%** |
| **Preference share capital** | | | | |
| IDF SHG Federation - Dharwad | 756,792 | 10% | 756,792 | 10% |
| IDF SHG Federation - Haveri | 325,210 | 4% | 325,210 | 4% |
| IDF SHG Federation - Tumkur | 3,845,838 | 53% | 3,845,838 | 53% |
| IDF SHG Federation - Gadag | 558,160 | 8% | 558,160 | 8% |
| IDF SHG Federation - Belgaum | 1,746,485 | 24% | 1,746,485 | 24% |
| **Total** | **7,232,485** | **100%** | **7,232,485** | **100%** |

### 2.2. Reserves and surplus

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| **Securities premium reserve** | | |
| Opening balance | 776,700 | 776,700 |
| Additions/adjustments during the year | - | - |
| | **776,700** | **776,700** |
| **Statutory reserve** | | |
| Opening balance | 2,467,044 | 1,303,394 |
| Additions during the year | 1,315,393 | 1,163,650 |
| | **3,782,437** | **2,467,044** |
| **Vehicle Revolving Fund** | | |
| Opening balance | 110,887 | 98,885 |
| Additions during the year | 1,000 | 12,002 |
| | **111,887** | **110,887** |
| **Surplus in the statement of Profit and Loss** | | |
| Opening balance | **1,557,289** | **1,946,152** |
| Add: Profit/(loss) for the year | 6,576,963 | 5,818,251 |
| Less: Transferred to statutory reserve | (1,315,393) | (1,163,650) |
| Less: Proposed dividend on preference shares | (4,339,491) | (4,339,491) |
| Less: Dividend distribution tax | (703,974) | (703,974) |
| | **1,775,394** | **1,557,289** |
| | | |
| | **6,446,418** | **4,911,920** |

### 2.3 Long-term borrowings

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| **a) Secured** ***[Refer note 3.3]*** | | |
| i) Term loans | | |
| - From banks | 43,343,741 | 42,976,767 |
| - From other parties | 48,659,938 | 82,677,001 |
| ii) Cash credit | 395,109,855 | 336,541,688 |
| | | |
| **b) Unsecured loans from related parties** ***[Refer note 3.3]*** | - | 2,645,987 |
| | **487,113,534** | **464,841,443** |

### 2.3.1 Details of security for each type of borrowings including terms of repayment

Term loans availed from banks and financial institutions are fully secured by way of hypothecation of book debts and by way of the pledge of fixed deposits in respect of certain loans as set out in Note 3.3. Term loans are repayable on monthly and quarterly basis depending on the respective loan arrangements as detailed in Note 3.3.

### 2.4 Deferred tax liability (net)

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| Opening balance | 2,991,531 | 2,366,215 |
| Additions during the year | (554,287) | 625,316 |
| | **2,437,244** | **2,991,531** |

### 2.4.1 Deferred tax liability arising out of differences in depreciation and amortisation in block of fixed assets and intangible assets as per tax books and financial books

### 2.5 Trade payables

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| Payable to staff | 885,950 | 1,360,383 |
| Sundries payable | 29,701 | 20,950 |
| | **915,651** | **1,381,333** |

There are no micro and small enterprises, to whom the Company owes dues as at reporting date.

### 2.6 Other current liabilities

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| Interest accrued but not due on borrowings | 913,560 | 1,493,234 |
| Insurance claims payable | | 271,914 |
| Statutory liabilities | 198,786 | 85,375 |
| Other payables | 12,369 | 492,202 |
| Provision for Tax | 4,810,000 | 3,240,000 |
| | **5,934,715** | **5,582,725** |

### 2.7 Short-term provisions

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| Employee benefits (Gratuity) *[refer note 3.2 below]* | - | - |
| Proposed dividend on preference shares | | |
| Contingent provision against standard assets | 1,571,397 | 3,159,540 |
| Dividend distribution tax | 703,974 | 703,974 |
| | **2,275,371** | **3,863,514** |

## 2.8 Loans to groups

| | 31-Mar-13 | | 31-Mar-12 | |
|---|---|---|---|---|
| | **Non-current** | **Current** | **Non-current** | **Current** |
| Unsecured, considered good | 398,252,481 | 132,859,631 | 362,307,943 | 160,216,490 |
| Unsecured, considered doubtful | | 13,516,580 | 6,285,319 | - |
| | 398,252,481 | 146,376,211 | 368,593,262 | 160,216,490 |
| Less: Provision for doubtful assets | 4,730,803 | - | 3,142,660 | - |
| | **393,521,678** | **146,376,211** | **365,450,602** | **160,216,490** |

## 2.9 Long-term loans and advances

| | **31-Mar-13** | **31-Mar-12** |
|---|---|---|
| *Unsecured, considered good* | | |
| Security deposits | 555,000 | 612,500 |
| Prepaid taxes | 3,200,000 | 4,000,000 |
| TDS Receivables | 467,704 | 112,043 |
| Vehicle loans to staff | 95,595 | 165,405 |
| | **4,318,299** | **4,889,948** |

## 2.10 Current Investments

| | **31-Mar-13** | **31-Mar-12** |
|---|---|---|
| SBI Mutual Funds | 1,000,000 | - |
| | **1,000,000** | - |

## 2.11 Cash and cash equivalents

| | **31-Mar-13** | **31-Mar-12** |
|---|---|---|
| Balances with banks | | |
| - in current accounts | 9,585,652 | 16,701,305 |
| - in deposit account | 51,784,185 | 67,002,887 |
| Cash on hand | 484,353 | 360,755 |
| | **61,854,190** | **84,064,947** |

## 2.12 Short-term loans and advances

| | **31-Mar-13** | **31-Mar-12** |
|---|---|---|
| *Unsecured, considered good* | | |
| Loans to related parties *[Refer note 3.6.2]* | 52,300,000 | 15,000,000 |
| Vehicle loans to staff | 157,878 | 180,623 |
| | **52,457,878** | **15,180,623** |

## 2.13 Other current assets

| | **31-Mar-13** | **31-Mar-12** |
|---|---|---|
| Interest Receivable | 1,454,222 | 860,889 |
| IDF Trust -FD A/c | - | 5,006,881 |
| Receivables | 629,440 | - |
| Bajaj Allianj Insurance Co.Ltd. -Deposit | 100,000 | - |
| | **2,183,662** | **5,867,770** |

## 2.14 Revenue from operations

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| Interest Income | 105,245,513 | 128,867,911 |
| Service charges on loans | 6,129,853 | 6,623,800 |
| | **111,375,366** | **135,491,711** |

## 2.15 Other income

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| Interest on term deposits | 4,779,110 | 2,472,594 |
| Bad debts recovered | 1,090,503 | 299,858 |
| Other non-operating income | 467,346 | 600,145 |
| | **6,336,959** | **3,372,597** |

## 2.16 Employee benefit expense

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| Salaries, wages and bonus | 24,495,020 | 32,122,987 |
| Contributions to provident and other funds | 1,554,747 | 2,122,040 |
| Staff welfare and training expenses | 48,111 | 25,740 |
| Gratuity | 34,029 | 416,401 |
| | **26,131,907** | **34,687,168** |

## 2.17 Finance costs

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| Interest on borrowings | 49,430,346 | 60,519,305 |
| Loan processing fee on borrowings | 2,701,800 | 1,333,334 |
| Bank charges | 354,321 | 440,477 |
| Documentation and evaluation expenses | 53,168 | 76,052 |
| | **52,539,635** | **62,369,168** |

## 2.18 Provisions and write-offs

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| Bad debts written -off | 13,839,028 | 13,821,737 |
| | **13,839,028** | **13,821,737** |

## 2.19 Other operating expenses

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| Professional and consultancy charges | 595,628 | 1,403,958 |
| Travelling and conveyance | 3,140,478 | 5,085,206 |
| Communication expenses | 1,314,982 | 1,473,963 |
| Rent | 1,854,801 | 1,996,813 |
| Office maintenance | 535,144 | 882,199 |
| Printing & stationary | 621,333 | 630,212 |
| Insurance | 497,384 | 881,004 |
| Loss due to embezzlement | - | 711,740 |
| Auditor's remuneration | 471,912 | 455,815 |
| Repairs and maintenance | 331,667 | 259,810 |
| Loss on sale of assets | - | 55,733 |
| Meeting expenses | 57,754 | 33,792 |
| Subscription fees | 110,000 | 115,530 |
| Filing fee | - | 16,250 |
| Credit Burea Expenses | 304,885 | - |
| Donations | 28,350 | - |
| Miscellaneous expens es | 145,961 | 2,000 |
| | **10,010,279** | **14,004,025** |

## 3) Supplementary information

### 3.1 Contingent liabilities and commitments

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| Contingent liabilities | Nil | Nil |
| Commitments | Nil | Nil |

### 3.2 Additional disclosures pursuant to the Reserve Bank Directions vide circular no. RBI/2010-11/118, DNBS (PD).CC.No.178/03.02.001/2010-11, dated 1 July, 2010

#### 3.2.1 Capital to Risk-Assets Ratio [CRAR]

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| CRAR % | **28.63%** | **29.15%** |
| CRAR - Tier I Capital (%) | 27.58% | 29.15% |
| CRAR - Tier II Capital (%) | 1.05% | 0.00% |

#### 3.2.2 Loans classification as per RBI

The loan portfolio has been classified as per the norms prescribed for classification by the Reserve Bank of India through Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007. The necessary provisions as per RBI norms have been made. The details are shown below:

| Asset classification | Loan outstanding (without provisioning) | | | | Provision | | |
|---|---|---|---|---|---|---|---|
| | 31-Mar-13 | | 31-Mar-12 | | 31-Mar-13 | During the year | 31-Mar-12 |
| | No. of accounts | Amount | No. of accounts | Amount | Amount | Amount | Amount |
| Standard assets | 26,091 | 531,112,112 | 8,862 | 537,524,433 | 1,571,397 | - | 3,159,540 |
| Sub-standard assets | 624 | 13,516,580 | 217 | 6,285,319 | 4,730,803 | - | 3,142,660 |
| Doubtful assets | - | - | - | - | - | - | - |
| Loss assets | - | - | - | - | - | - | - |
| **Total** | **26,715** | **544,628,692** | **9,079** | **543,809,752** | **6,302,200** | **-** | **6,302,200** |

### 3.3. Loans classification as per RBI

| Name of the bank/financial institution | Balance outstanding as at | | Repayment period including moratorium | Type of security |
|---|---|---|---|---|
| | 31-Mar-13 | 31-Mar-12 | | |
| **1. TERM LOANS - SECURED** | | | | |
| **A. From banks** | | | | |
| Indian overseas bank - Bangalore | - | 6,113,444 | 60 monthly installments terminating on November, 2013 | |
| Indian overseas bank - Dharwad | - | 35,522 | Repayable in 36 monthl y installments with a moratorium period of 3 months terminating on April, 2012 | |
| KVG Bank - Dharwad | 14,504,762 | 25,952,358 | Repayable in 36 monthly installments with a moratorium period of 6 months terminating on May, 2013 | |
| KVG Bank - Dharwad | - | 10,875,443 | Repayable in 36 monthly installments with a moratorium period of 6 months terminating on January, 2014 | |
| Corporation Bank | 28,838,979 | | 36 months | |
| **Total** | **43,343,741** | **42,976,767** | | |

| | | | | |
|---|---|---|---|---|
| **B. From other Financial Institutions** | | | | |
| NABARD - Bangalore - I | 771,050 | 2,216,000 | Repayable in 1 0 quarterly installments terminating on November, 2012 | Hypothecation of book debts of the company |
| NABARD - Bangalore - II | 24,000,000 | 20,000,000 | Repayable in 10 half -yearly installments terminating on December, 2015 | |
| NABARD - Bangalore - III | 15,000,000 | 30,000,000 | Repayable in 5 yearly installments terminating on July, 2016 | |
| NABARD - Bangalore - IV | - | 3,104,450 | Repayable in 12 quarterly installments terminating on June, 2013 | |
| SIDBI - Bangalore - I | - | 7,501,000 | Repayable in 12 quarterly installments commencing from January 10, 2012. | |
| SIDBI - Bangalore - II | - | 14,300,000 | Repayable in 12 quarterly installments commencing from January 10, 2012. | |
| Ananya Finance for inclusive growth private limited. | 8,888,888 | 5,555,551 | 18 months | |
| **Total** | **48,659,938** | **82,677,001** | | |
| | | | | |
| **2. UNSECURED LOANS FROM RELATED PARTIES** | | | | |
| Initiative for Development Foundation - I | - | 2,645,987 | | |
| **Total** | **-** | **2,645,987** | | |
| **3. CASH CREDIT FROM BANKS** | | | | |
| State bank of India - Bangalore | 395,107,018 | 131,096,680 | | |
| State bank of India - Dharwad | - | 201,580,120 | | |
| State bank of India - Tumkur | 2,837 | 3,864,888 | | |
| **Total** | **395,109,855** | **336,541,688** | | |

### 3.4. Earnings per share

Reconciliation of basic and diluted shares used in computation of earnings per share

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| Net profit as per profit and loss account | 6,576,963 | 5,818,251 |
| Weighted average number of shares considered for computation of basic earnings per share | 10,821,230 | 10,821,230 |
| Add: Effect of convertible preference shares | 7,232,485 | 7,232,485 |
| Weighted average number of shares considered for computation of diluted earnings per share | 18,053,715 | 18,053,715 |
| Nominal value per share | 10 | 10 |

### 3.5. Gratuity

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

### 3.6 Profit and Loss Account

### 3.6.1 Names of related parties and nature of relationship

| Names | Nature of relationship |
|---|---|
| Initiative for Development Foundation | Entity in which key mana gement personnel have significant influence |
| IDF SHG Federation – Belgaum | |
| IDF SHG Federation – Haveri | |
| IDF SHG Federation - Tumkur | |
| IDF SHG Federation - Gadag | |
| IDF SHG Federation – Dharwad | |
| Mr. VivekanandSalimath<br>Mr. N M Patil | Key management Personne l |

### 3.6.2 Nature of transactions

| Name of related party | Nature of transaction | Type | 31-Mar-13 | 31-Mar-12 |
|---|---|---|---|---|
| IDF SHG Federation – Dharwad | Loans outstanding balance | Payment | 22,200,000 | 15,000,000 |
| | Interest paid | Payment | 447,528 | - |
| IDF SHG Federation – Tumkur | Loans outstanding balance | Payment | 24,600,000 | - |
| | Interest paid | Payment | 546,838 | - |
| IDF SHG Federation – Gadag | Loans outstanding balance | Payment | 5,500,000 | - |
| | Interest paid | Payment | 177,042 | - |

### 3.7. Earnings and expenditure in foreign currency

| | 31-Mar-13 | 31-Mar-12 |
|---|---|---|
| Earnings | Nil | Nil |
| Expenditure | Nil | Nil |

### 3.8 Other information required under para 5(viii) of Part II of Revised Schedule VI of the Companies Act- Nil/Not applicable.

### 3.9 Prior year comparatives

The previous year figures are regrouped /rearranged to conform to current year's presentation as per revised. Schedule VI of Companies Act, 1956.

As per our report of even date

for **M/s. R R Kulkarni & Co.,**
Chartered Accountants
F R. No.: 010916S

**(R R Kulkarni)**
Proprietor
M. No.: 211616

for **IDF Financial Services Private Limited**

**(V N Salimath)**
Chairman

**(N M Patil)**
Managing Director

Date : May 21, 2013
Place: Bengaluru

## IDF FINANCIAL SERVICES PRIVATE LIMITED

**Notes to the financial statements as at March 31, 2013**

**Note 2.8 : Fixed assets**

Rs.

| Particulars | Gross block | | | | Depreciation | | | | Net block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As on March 31, 2012 | Additions for the year | Deletions for the year | As on March 31, 2013 | Up to March 31, 2012 | Additions for the year | Deletions For the year | As on March 31, 2013 | As At March 31, 2013 | As at March 31, 2012 |
| **A. Tangible assets** | | | | | | | | | | |
| Computer and Accessories | 2,629,121 | 234,407 | | 2,863,528 | 2,074,180 | 789,347 | - | 2,863,527 | 1 | 554,941 |
| Furniture and Fixtures | 1,396,030 | - | - | 1,396,030 | 522,748 | 252,681 | - | 775,429 | 620,601 | 873,282 |
| Vehicle | 170,250 | - | - | 170,250 | 132,204 | 38,045 | - | 170,249 | 1 | 38,046 |
| Office equipment | 1,557,017 | 457,499 | - | 2,014,516 | 484,050 | 402,903 | - | 886,953 | 1,127,563 | 1,072,967 |
| Total [A] | **5,752,418** | **691,906** | **-** | **6,444,324** | **3,213,182** | **1,482,976** | **-** | **4,696,158** | **1,748,165** | **2,539,236** |
| **B. Intangible assets** | | | | | | | | | | |
| Acquisition of trademark for right to use brand name and other intellectual property rights | 37,000,000 | - | - | 37,000,000 | 11,100,000 | 3,700,000 | - | 14,800,000 | 22,200,000 | 25,900,000 |
| **Total [A+B]** | **42,752,418** | **691,906** | **-** | **43,444,324** | **14,313,182** | **5,182,976** | **-** | **19,496,158** | **23,948,165** | **28,439,236** |

Date : May 21, 2013
Place: Bengaluru

M/s. R. R. Kulkarni & Co. • M.No. 211816 • DHARWAD • Chartered Accountants

IDF Financial Services Private Limited • BENGALURU