

Satisfying our shareholders,
without profiting from poverty

Annual Report

2015-16





Chairman's Message

Sustainable Development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance

- Ban Ki Moon

The year 2016 has been a year full of developments that propelled India's microfinance sector. The regulators, politicians and practitioners have gone over their books and transformed the microfinance sector in India. Today, financial inclusion ranks high on the priority list of India's government and Reserve Bank of India (RBI) and microfinance institutions are seen as a major vehicle for driving financial inclusion. The increased attention is reflected by the fact that Bandhan, a microfinance institution focused on the rural population, was awarded one of two general banking licenses. This year RBI granted licenses to 10 Small Finance Banks of which 8 are MFIs. This has created a transformational ground for the microfinance industry.

Hence the story of microfinance in India is neither finished nor free from challenges and uncertainties going forward. But the long-awaited political and regulatory backing has handed the sector a high-quality pen to write its next chapter.

IDF FSPL's journey too has mirrored the fortunes of the microfinance industry. The euphoria of 2010, the unremitting gloom of 2011 & 2012, the struggles between of 2013 & 2014, the feeling of hope in 2015, and finally, the success and smiles in 2016. Looking back, each of these years held a defining 'moment' for the Company.

The year 2015-16 has been a year of growth and geographical expansion for the Company. The organisation rapidly expanded its presence in

Maharashtra by adding 6 new branches. As at March 2016 your Company's outreach was spread across 2 states with a network of 29 branches across 13 districts reaching an all-time high portfolio of Rs. 77.10 crores.

Though it looks like quite good achievement, it's the right time for us to concentrate on a more process driven and systematic approach to attain sustained growth in the long run. In the evolving business environment, adaptability and responsiveness continue to remain important.

The Company has implemented a solid strategy so far. With the support of World Bank-IFC and funded by SIDBI, a comprehensive Risk Management process has been set up in the Company to address the various challenges. Yet it needs to be prepared for challenges thrown by further regulations, increased capital requirements and potential new entrants. Your organisation will strive to employ strategic initiatives that will serve to bulwark its performance against any external shocks.

The New Year carries with it a host of new challenges and team IDF FSPL and all geared up to meet the challenge.

I sincerely owe my heartfelt thanks to all the stakeholders for their consistent support, to our Board of Directors for their valuable time and wisdom, to our Bankers for providing fund support, to all our staff and clients for owning the organization and contributing towards attaining goals duly set by us.

(Vivekanand N. Salimath)
Chairman



Message from Managing Director

"Grow, then stabilize, then grow again"

It gives me immense pleasure to share with you all the new mile stone reached by the Company in its journey of growth during FY 15-16. The journey aligned to Company's vision, mission and key values has been exciting and encouraging all along.

Team IDFFSPL picked up the baton of FY 14-15 and moved on with more zeal and excitement to reach its maximum during FY 15-16. The Company's disbursements during 2015-16 were at an all-time high of Rs 84.20 crores with an outstanding portfolio of Rs. 77.10 Crores.

The company expanded its operations in Maharashtra both in terms of number of branches and outreach. It added 6 new branches across the state and summed up the year with a total disbursement of Rs. 21.76 crs and a portfolio of Rs.17.47 crs.

The total number of branches in the States of Karnataka & Maharashtra is 29.

I am happy to note that the portfolio quality did not suffer on account of the rapid growth and continues to be excellent with almost >99.50% repayment rate. The Par > 90 days is 0.69%

The Company achieved profit before tax of Rs. 2.70 crs for FY 15-16 up from Rs. 1.93 crs for the previous year. The Capital adequacy continues to be on a very sound footing at 34.82%. Your Company has done reasonably well on all financial parameters. The details

have been furnished in the Directors report. All these have been possible with the untiring efforts of team IDFFSPL.

In the ensuing financial year, the Company would continue to reach out to newer geographies in its current states with primary focus on expanding in Maharashtra. The Company is also keen on exploring opportunities for expanding into other states.

The outreach is envisaged to see more than 40 branches and crossing the target of Rs. 100 crores by close of FY 16-17. The Company has kick-started well on growth accelerator and would wish to keep the thrust live for further growth.

The technology plans for the year include implementation of web based platform coupled with android based mobile technology across all the branches. The Company has tied up with Force ten technologies for its product "BIJLI (Business Information Justified & Logically Integrated)". The new software can create dynamic reports and multiple data entry interfaces at any point in time. The software enables collection of information based on KYC (Know Your Customers) norms, credit bureau requirements and IDFFSPL's requirements that ensure the smooth transfer of financial assistance to clients.

The Company has finalised a robust Risk Management System with the support of IFC-World Bank. The operational manuals for the various

departments are being finalised and are going to be the guiding beacon during the course of this year. The audit department is being strengthened to ensure that the systems and procedures prescribed are fully adhered to by the various functionaries.

Growing ahead, the need is always to have adequate and highly motivated staff members with right skill set. Development of people, be it through internal trainings or external exposures and equipping them with right technology, will be the main agenda in the coming year. The Company has ensured that the compensation paid by the Company is at par with the best in the industry. The Company places on record the valuable contributions made by the employees, but for the support of whom, the Company would not have been able to achieve the new mile stone.

The Company is highly thankful to Syndicate Bank, Canara Bank, Karnataka Vikas Grameen Bank, State Bank of India, Bank of India, Corporation Bank, Union Bank of India, NABARD and SIDBI for their extensive support in sustaining our programmes at all times.

The Company is thankful to World Bank-IFC for the support with respect to the Risk Management systems being implemented in the Company.

The coming year would be quite eventful for the Company and I am sure that with your support, the Company would achieve greater strides.

(N.M. Patil)
Managing Director



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idf FSPL

Annual Report 2015-16

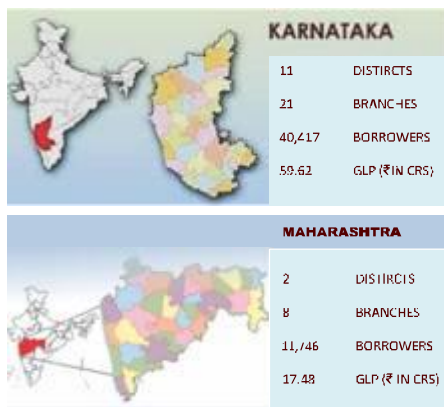


Section One

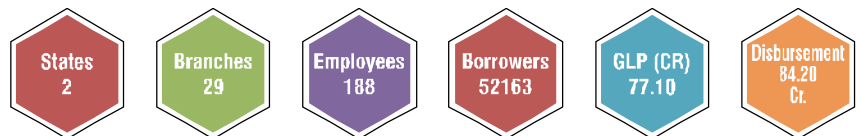


About IDF FSPL Brief Overview

IDF FSPL Overview



Our Spread



The Company has its registered office at Bangalore, and the administrative office at Dharwad. The operations are geographically aligned to cater to 13 districts across 2 States in India viz Karnataka and Maharashtra.

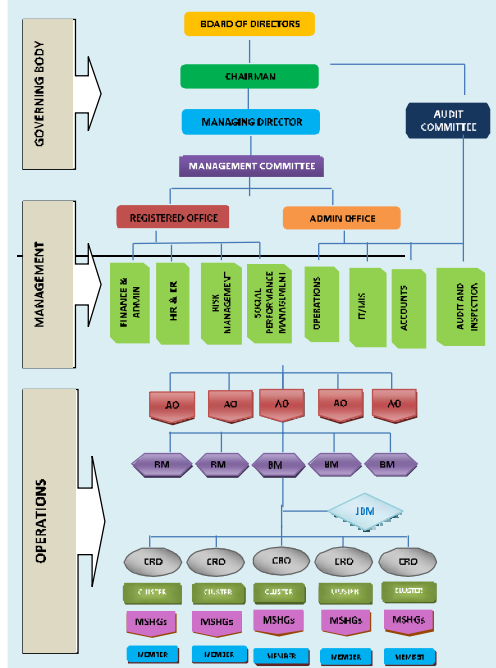
The field level operations are spread across Area Offices, which are geographically aligned to cater to 13 districts. Each area office consists of 5 branches. The area offices are headed by Area Managers, who are responsible for the overall business development in the area. The Branches are headed by the Branch Manager (BM), who is assisted by the Junior Branch Manager (JBM) 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 able to sanction loans in its jurisdictional area.

The Company has 29 branches and a Staff Strength of 188. The total no of borrowers as at 31st March 2016 is 52163 with GLP of Rs. 77.10 crores. The Company disbursed an amount of Rs. 84.20 crores during the year 2015-16.

IDF Financial Services Pvt Ltd (IDF FSPL) is a Community owned Non-Banking Micro Finance Company providing short term finance and allied non-financial services to micro Self Help Groups (mSHGs) that it forms and nurtures with a special focus on rural and semi urban segments. IDF FSPL believes in providing quality and sustainable financial services, exclusively to women clientele and strongly believes that an economically empowered woman is a greater asset to the country.

The Company mainly focuses on organization of the poor at grassroots level through a process of social mobilization for their livelihood. Social mobilization enables the poor build their own organizations. The micro Self-Help Groups (mSHGs) are organized into Federation, helping to reach the poor faster and more effectively. Federation participate fully and directly and take decisions on all issues that concern their members. And thus mSHGs have the advantage of credit, technology and market guidance assistance. The Company empowers the members through a training programme imparting financial literacy, social awareness.

Organisational Hierarchy



Who We Serve

IDF FSPL believes in equality of opportunities. The organization does not discriminate between its members on the basis of caste, creed or religion. IDF FSPL

believes in women empowerment and all the loans are disbursed to women.

The Company primarily serves low income households, both rural & urban

100% Women clients

Client-assessment includes:

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

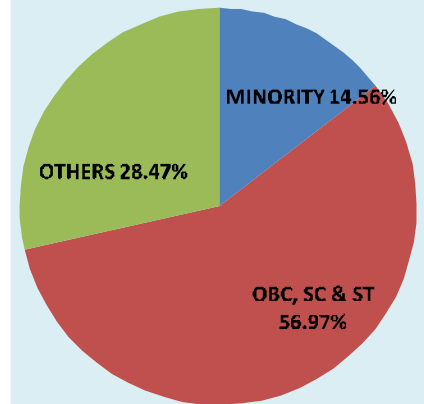
Profile of SHG Members

Characteristics	Description
Annual Income	Rural areas: Up to Rs. 1,00,000 Urban areas: Up to Rs. 1,60,000
Education	Illiterate or semi-literate
Age	Age group 15 to 55 years
Occupation	Rural Sector : Farming, animal husbandry, dairy, farming, share croppers, and agri -related labor works Urban Sector : Petty businesses and house hold works.

Services Offered:

- Microcredit
- Micro-insurance
- Financial education
- Livelihood service

Serving the Weakest Sections of the Society



Work Process

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.

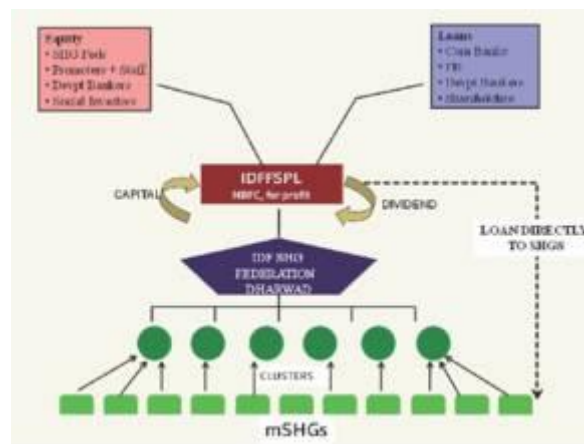
Micro-SHG (mSHGs) are a homogeneous group of 5 members living in close vicinity with similar economic background and a strong affinity for each other

The company's business process first starts by organizing poor women into groups of 5 members. 5 such groups will constitute a cluster, which meets every month.

All the mSHGs are federated at the district level. Federation is registered mutual benefit trusts aimed at socio-economic development of its members, in addition to representing the interests of mSHG members as equity shareholders of the Company. Federation is operative only in Karnataka.

The Company sanctions the loans after conducting a thorough due diligence of the mSHGs. Loans are sanctioned to those mSHGs, which are successful in the Group Recognition Test (GRT) and who have a satisfactory credit history as evidenced by the credit bureau.

Operational Structure

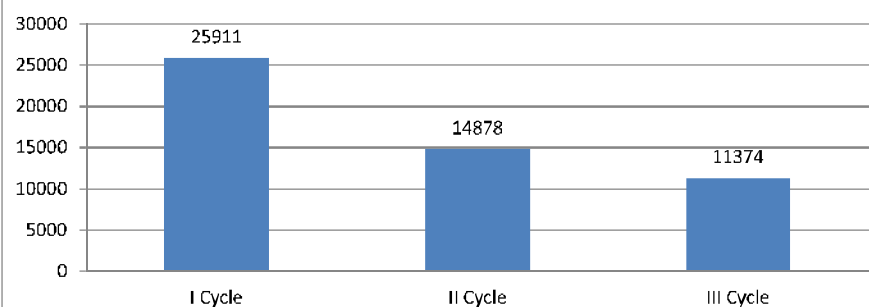


Products

Currently, IDF FSPL offers different loan cycles. Their details are outlined below:

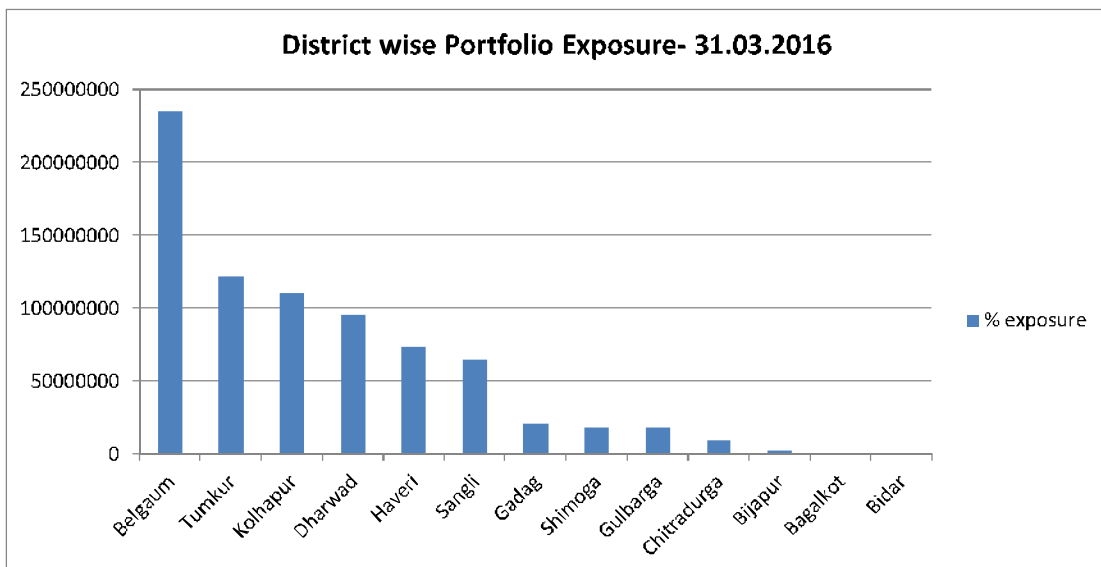
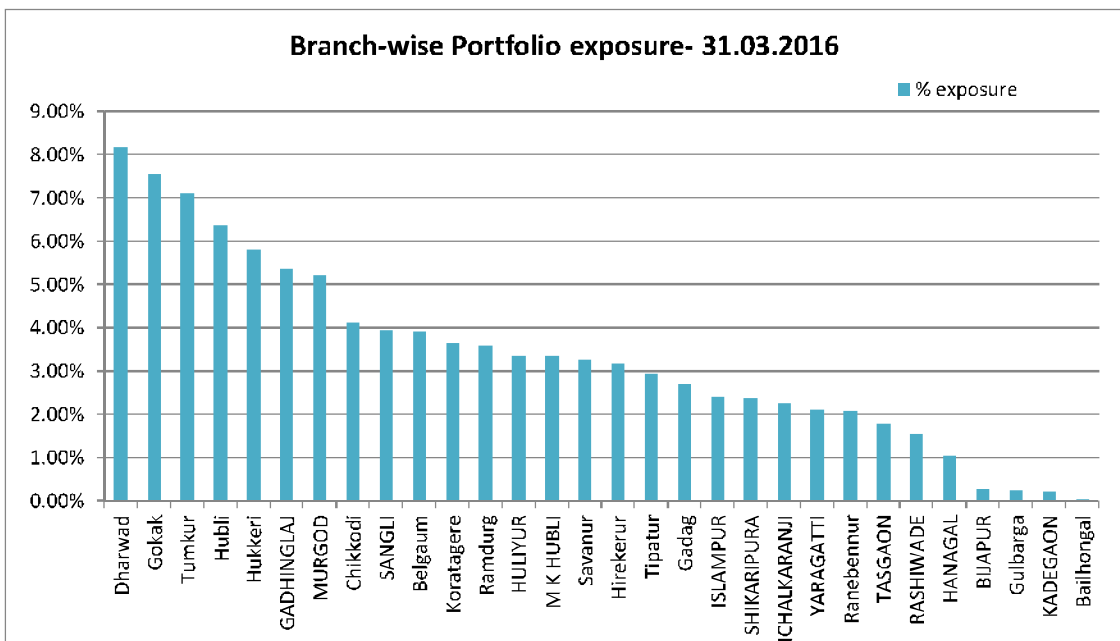
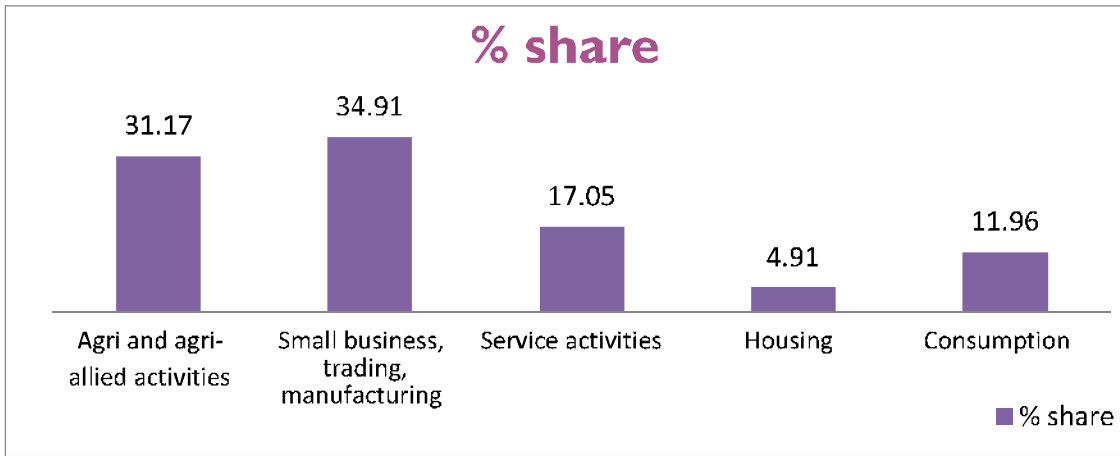
Loan Terms	mSHG Loans		
	Cycle I	Cycle II	Cycle III
Max Loan Amount in Rs.	15000-20000 Per Member	20000- 30000 Per Member	30000- 40000 Per Member
Repayment Period in months	12	24	24
Rate of interest in Karnataka	24%	24%	24%
Rate of interest in Maharashtra	26%	26%	26%
Service Charge	1%	1%	1%

Number of accounts by product



The loans are mainly given to 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
- Service activities like sewing, embroidery, beauty services, motor winding, catering services, agarbatti rolling etc.





IDF FSPL Board of Directors



Vivekanand N. Salimath
Chairman

- Has experience of 23 years in Syndicate Bank in various capacities. Served the Executive Director of RUDSETI, Ujire for 8 years,
- Founder/Managing Trustee of IDF, Promoter/Director of Gramya TS Pvt Ltd (Company for marketing SHG products),
- Chairman of IDFFSPL since inception from 01.04.2009
- Member-MFI Standing Committee of RBI, Bangalore,
- Ex-President, Association of Karnataka Microfinance Institutions (AKMI), Ex Board Member-NABARD-RECARD Member Ex Board of Directors Sa-Dhan. Treasurer
- Has considerable experience in rural enterprise development and Banking.



Naganagouda M. Patil
Managing Director

- Has experience of 20 years in Syndicate Bank as Rural Development Officer, Lead District Manager.
- Director, RUDSETI (5 years) on deputation.

- With IDF since 2004, has implemented Watershed Development and livelihood programmes
- In-charge of MF operations of IDF since its inception in 2005 and Managing Director of IDF FSPL since inception from 01.04.2009
- Has considerable experience in rural enterprise development and Banking.



T V Srikantha Shenoy
Director

- Has experience of 19 years in Syndicate Bank, including as Founder Secretary of Syndicate Institute of Rural Development (SIRD) for 1 year and as Director of RUDSETI for 5 years on deputation.
- Founder Trustee of IDF, Promoter/Director of Gramya TS Pvt Ltd (Company marketing SHG products).
- Has served as a Chief Mentor at Karnataka Farmers Resource Centre—an SLBC initiative.
- Director, Agricultural Skill Council of India, Delhi, a sector specific council for creating an end to end approach on skilling and linking all the stakeholders of Agriculture Value chain.
- Director, Synergy to Solutions
- Indian representative Member in the Knowledge Programme on Small Producers Agency with HIVOS- IIED, London
- Chief promoter of sustainable farm livelihood and green technologies.



Kasturi Dambal
Director

- She is the Representative Director appointed by the Company on behalf SHG Federation, Dharwad.
- 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 expertise in organizing and leading the SHGs



Gururaj M Deshpande
Director

- Has served in Syndicate bank for nearly 3 decades in various capacities.
- Founder Trustee of IDF
- Ex Director of Women self-employment counseling cell. (WSECC) sponsored by the Government of Karnataka, department of Women and Child welfare.
- Has conducted several programmes under Udyogini and other entrepreneurship activities.
- He is currently serving as the Chairperson of IDF SHG Federation Dharwad.



Muralidharan Thykat
Director

- He is currently the Director of Financial Access Services to Farmer Producer Organizations and MSMEs.
- Has more than 24 years of experience in Vijaya Bank as Senior Manager, mainly in Social Banking-Priority Sector Banking, Managing regional rural Bank, Rural Development Foundation, Self-Employment Training Institute etc,
- Worked with HIVOS as Programme Officer (Financial Services & Enterprise Development) working with special focus on microfinance, financial inclusion, value chain finance and business development services for the poor.
- Served as a Board Member, Navya Disha – a non-profit and an NGO works in the areas of education, environment, health and sanitation.
- Serving with VRUTTI as Advisory for building capacity of POs and MSMEs for credit readiness and linkages with financial institutions - both mainstream and specialized institutions



Sahadev Gangappa
Director

- He is on empanelment with RBI for Audit of Nationalized banks since more than 20 years. At present he is Statutory Auditor for Canara Bank Branches.
- Appointed as statutory auditors for Sri Sathya Sai Sadhana Trust, Puttaparthi, A.P & Handling Sathya Sai central trust etc.,
- Statutory Auditor for National Insurance Co., Ltd.,
- He has also served as internal auditor for many private sector undertakings and Co-operative Banks & Co-Operative Institutions
- Served on the Board many private Companies for more than 10 years.

Audit Committee

The Audit Committee consists of the following members of the Board:

- Mr. Sahadev Gangappa - Chairman
- Mr. TV Srikantha Shenoy - Member
- Mr. Muralidharan Thykat - Member
- Mr. Gururaj M Deshpande – Member

The Committee meets in each quarter to review the audited/un-audited financial statements, oversight of the Company's financial reporting process, reviewing of quarterly financial statements, reviewing the adequacy of internal audit function, reviewing the performance of statutory and internal auditors and adequacy of internal control systems.

This Committee is mandated to put a framework of financial accountability, control and corporate governance, which is commensurate with the size of organization and to ensure that the stipulated policy and process is followed in true letter and spirit.

The role of this Committee is to advise the Board on these matters, as well as to ensure compliance to relevant covenants. This Committee provides direction to the audit function and monitors the quality of concurrent, internal and statutory audit and monitors any other audits that have been commissioned either by the Company itself, or by other stakeholders (lenders, shareholders, regulators, government etc.) from time to time.

Risk Management Committee

The Risk Management Committee consists of the following members of the Board:

- Mr. Sahadev Gangappa - Chairman
- Mr. TV Srikantha Shenoy - Member
- Mr. Muralidharan Thykat - Member
- Mr. Gururaj M Deshpande – Member

Board Risk Management Committee (BRMC) is constituted to largely oversee the Risk Management mechanism. The committee, on behalf of the Board, is responsible for framing risk policies, monitoring and reviewing the status of risks. The committee is chaired by an independent director and has one nominee director of the

investors and two independent directors. BRMC meets quarterly to review, discuss and finalize risk mitigation mechanism.

General Risk Management Policy is approved by IDFFSPL's Board and stated in the sections below.

IDFFSPL recognizes the following categories of Risks

- Strategic and reputational risk
- Credit risk
- Liquidity risk
- Operational risk
- Market risk

It is also recognized that risks in different categories impact each other and a good risk management system takes a comprehensive view of the organization.

At the Management level a **Management Risk Committee (MRC)** of senior managers is introduced. The committee comprises of Chairman, MD and all department heads including heads of the following departments

- Field operations
- Finance, accounts and treasury
- Human Resources
- Administration
- Statutory and legal compliance
- IT and MIS
- Social Performance Management
- Internal Audit
- Risk Management

MRC is responsible for the daily management of risks within the framework defined by the General Risk Management Policy. MRC meets on periodic basis to discuss all the aspects of risk within the institution. The Chair of the MRC rotates among the Chairman, MD and Head Audit.

Key Risk Indicators for each department is discussed and finalized with upper or lower limit accordingly. A reporting structure for each department is established that captures key risk indicators and other current or futuristic risks in the best possible manner. The consolidated report is presented to BRMC for review on quarterly basis.

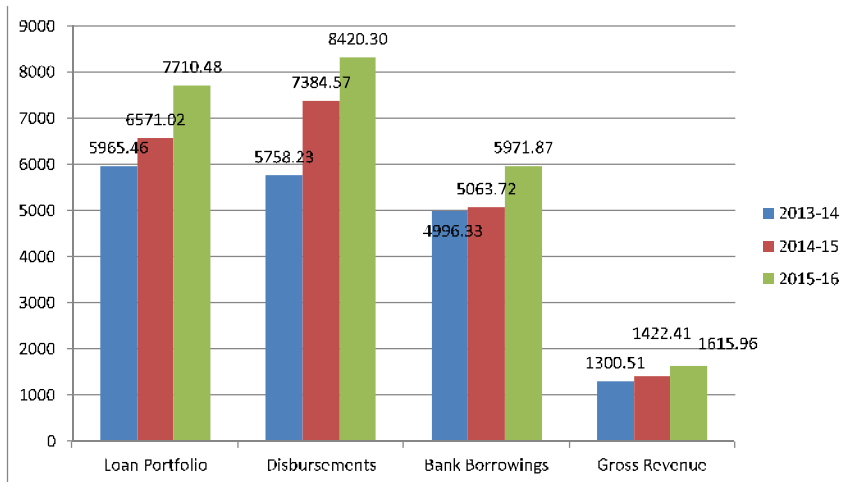
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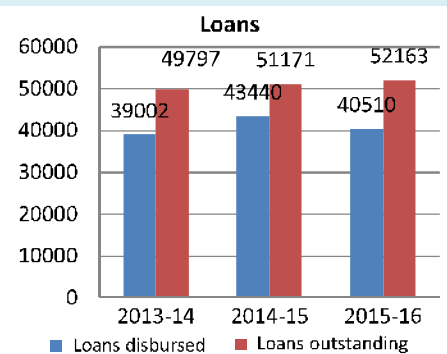
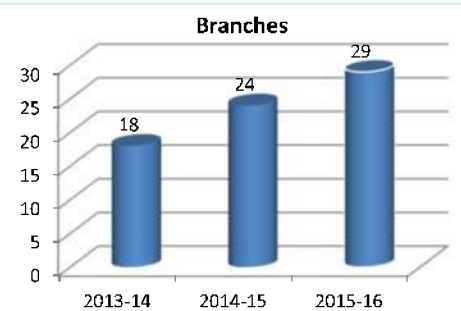
Accomplishments of Year 2015-16

No. of Loans disbursed	Disbursements (in Lakhs)	No. of loans Outstanding	Outstandings –in Lakhs)
40510	8420.30	52163	7710.48

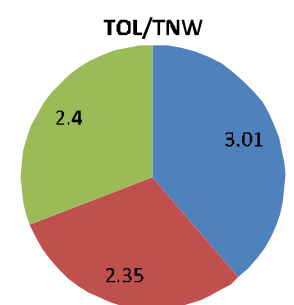
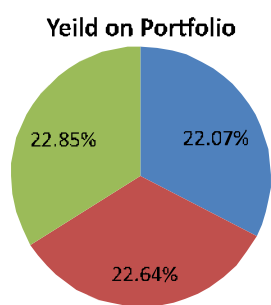
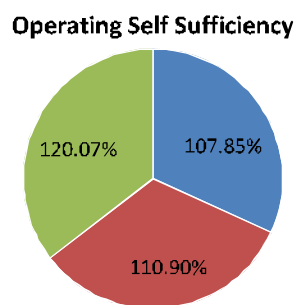
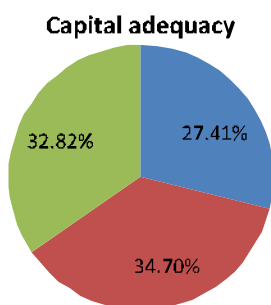
IDF FSPL- Results and Performance



Financial Performance

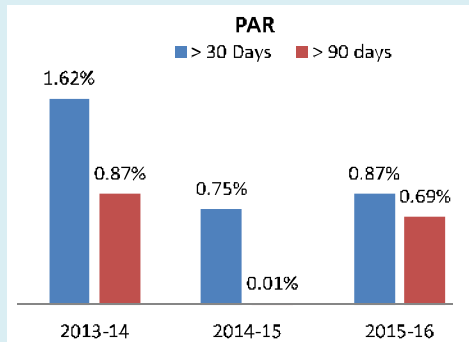


Financial Performance

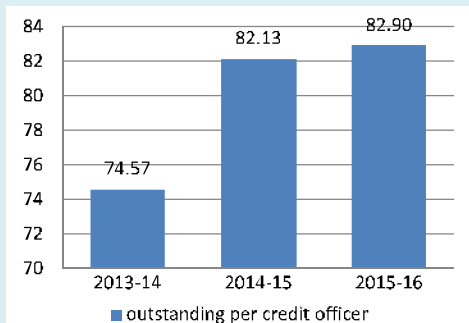


■ 2013-14 ■ 2014-15 ■ 2015-16

Productivity



Outstanding per credit officer



Industry Compliance Index 2015-16 - HY 1 IDF Financial Services

About Industry Compliance Index (ICIndex)

ICIndex aims to support the industry and individual NBFC-MFIs | their collective effort towards building a more responsible business and framework by evaluating responsible business principles and practices.

ICIndex is an exercise by Industry to collectively assess NBFC-MFIs to systematically measure, manage and integrate Responsible business practice

ICIndex comprehensively covers RBI Fair Practices Code and Industry Code of Conduct under

four broad areas of a) Disclosures to Clients, b) Client Engagement, c) institutional Processes and d) Transparency.

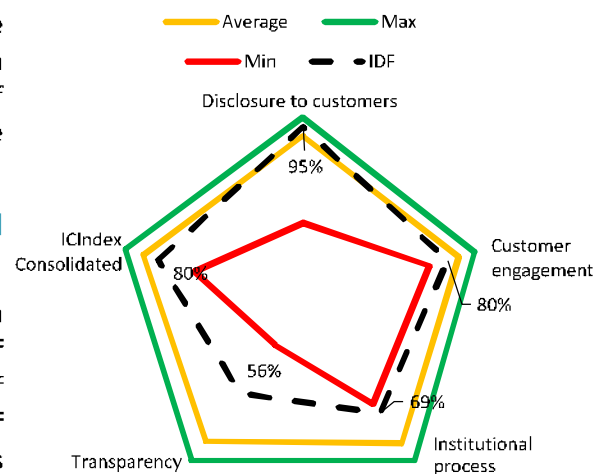
Four broad areas are further divided in 94 sub-parameters to form the maximum total score of 100. MFIs get scores based on the level and degree of performance on these parameter and sub-parameters.

ICIndex of IDF Financial Services Pvt Ltd

IDF Financial Services has a cumulative Score of 80.25 (out of 100). The average Score of industry, based on the inputs of 47 MFIs is 89 (out of 100). IDF has

scored 95% in disclosure to customers, 80% in customer engagement, 69% in Institutional processes and 56% in transparency.

IDF Vs Industry Trends



Pakawa Chennapa - Pragya SHG Dharwad Dharwad

Pakkawa Chennappa and her family of four were struggling to make ends meet. Along with her husband, she was toiling as a daily laborer to eke out a living. Even though she was keen to take up dairying, sourcing funds for purchase of a milch animal was proving very difficult. Bank loans were also not readily available.

It was during this time that she came to know that IDF Financial Services (IDF FSPL) was actively involved in formation of Self Help Groups of needy women and was supporting them in their livelihoods. With hopes of a better living, she became a member of 'Pragya IDF SHG'.

In the first round of the loan of Rs.15000/- availed from IDF FSPL, duly coupled with other resources she could mobilize, she purchased a buffalo. Along with her other work, she managed to take care of the buffalo and was able to sell the 4 litres of milk on a daily basis to the neighbours. Because of the demand for buffalo milk, she was able to get a good price also.

Over a period of time, she has retained all the 'She Calves' that were born and now seven years later, she has seven buffaloes. The latest loan of Rs.35000/- availed by her has helped to add another animal to her fold.

Taking care of the animals, milking them, cleaning and keeping the shed hygienic, marketing the milk has become a full time job for both her husband and herself. The earnings from her 'mini diary' has sustained her family and she has been able to take care of the education needs of her children

"Timely financial assistance by IDF FSPL has been really very helpful" she says with a lot of happiness on her face.



Human Resource Development

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.

As at the end of March 31, 2016, the number of employees in our Company stood at 188.

Compensation and Benefits

We confirm that our employees get Compensation which is consistent with their skills and experience our compensation structure also matches industry standard and our incentive structure has been considered to ensure that employees are motivated to achieve their targets without compromising on quality. All our employees are entitled to gratuity, provident fund and Bonus. We also provide life insurance cover for all our Employees under Employees State Insurance Scheme.

Training

Our company imparts induction and also continuous training to our staff so that they have a clear understanding of the processes followed and also gets the necessary skills to shoulder additional responsibilities which will help in their career progression containing the operational process in

detail which is used to impart induction training to the staff. Also the mandatory field staffs are placed under senior field staff and he / she accompanies the senior staff during field visits which will enable him/her to understand the process on the field under an able guidance.

Information Technology

In today's era of Information Technology, a company needs to have a strong technology platform in order to ensure smooth functioning. Given RBI imposed caps on Net Interest Margins, it becomes all the more essential to leverage the benefits of technology as a means of cost reduction.

Since beginning, our company had strongly trusted on technology for capturing borrower data and updating the collections have resulted in addressing the operational and reporting requirements in a better manner, reducing the man-hours of staff and productively utilizing the time of field staff.

The technology plans for the year include implementation of web based platform coupled with android based mobile technology across all the branches.

The company has tied up with Forceten Technologies for his product BIJLI (Business Information Justified and Logically integrated). The software support data basis such as Oracle and Microsoft. It easier to maintain and can be enhanced when ever required.

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 IDFFSPL'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.

Audit Department

The Company has a robust audit system in place. The audit department headed by a senior functionary, appraises 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.

Risk Management

The Company has come to an agreement with International Financial Corporation for taking the risk management practice to an advanced level to deal with the evolving risk

scenarios in the MFI industry. The program has enabled the Company in using sophisticated tools and techniques to robustly monitor and control its risks.

The Company has been undertaking a proactive approach to procedural, legal and regulatory compliance related to its products and processes, and has accepted best practices in risk management as an integral part of all policies and procedures that guide its activities. The risk management guidelines stipulate systematic identification, assessment, measurement and monitoring of the risk events, in the areas of – Strategic, Credit, Operational, Finance, Social performance and External Risks.

The Company has been keen in providing regular training to its middle and senior management team for inculcating a healthy risk management culture in all departments.

A Risk Management Committee was created as a platform for discussion towards formulating risk control strategies for the identified risk in all departments, and for monitoring the status.

The board level Risk Management Committee has been overseeing the progress in this regard and to address the issues, considering the importance of risk management.

SMILING HER WAY TO A BETTER LIFE



With a Warm smile, Gowamma welcomes us to her small shop stocked with day to day requirements. Having lost her husband quite a few years back, Gowamma is taking care of her family consisting of her aged mother and a daughter.

The future appeared too bleak when her husband who was looking after the family passed away suddenly. With the support and advice of her neighbours she approached IDF FSPL for financial assistance. With her paltry savings and a small loan of Rs.12000/- she started her shop and with the second dose of assistance of Rs.25000/- she has managed to consolidate her earnings. Along with other daily sale of fancy items, she has also taken up mobile currency recharge and other mobile related items. With this her daily business has gone upto Rs.1000/- per day and after all meeting all expenses she is able to earn around Rs.7000-8000/- PM.

She is able to take care of the medical needs of her mother and also her daughters education. "The timely and continuing support from IDF FSPL has given me a new lease of life" she says with confidence.

SPINNING HER LIVELIHOOD



Khuteja is in a special business. She buys raw cotton from Khadi and Gramodyog centre and weaves it into cotton threads and sells it back to them. Towards this she has two wooden yarn spindles.

For the past 15-20 years she is in the yarn business. Earlier she had manually operated yarn machines. Coupled with her savings and the loans availed from IDF FSPL she has been able to buy machines operated on electricity. Now, work is also fast and earnings have also increased.

Within the last five years, she has availed subsequent loans of Rs.15000/-, Rs. 20000/- and the latest being Rs.30000/-. The loan amounts have been utilized for purchase of machines and raw materials. She is able to earn around Rs.1500/- per week after meeting all expenses. Her husband is not keeping good health for the past 4- 5 years and she is required to maintain the family. Her two sons are studying in school.

When asked about the advantage of taking a loan from IDF FSPL, she replies "Easy to avail & repay, convenience at your door step, relatively lesser interest and no hassles"

COOL-COOL ALL THE WAY



Manjula husband was running a small juice shop in Dharwad. The earnings from the shop barely met the family expenses of five. Even though he wanted to increase his earnings, prohibitive interest rates and other hassles prevented him from doing so.

It was at this time Manjula decided to chip in. Through her neighbours she became a member of Kavya IDF SHG and through IDF FSPL she was able to get a loan of Rs.15000/-, which was invested in her husband's business. She also started working along with him in the juice shop. Promptly repaying the loan, she was able to get a second cycle loan of Rs.25000/- which she has invested in buying a Fridge for her shop and also other cool drinks. Now the earnings of the shop has also gone up and they look forward to take improve their business further. She has also managed to save a few thousands. Her three children go to school.

She is proud that all the members of her SHG have utilized their share of loan for some productive activity. Her advice to others is "SHG members should compulsorily utilize their money in some productive economic activity. Only then will they be able to service the loan and save something for themselves also".



Board of Director's Report

Your Directors have pleasure in presenting the 22nd Annual 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, 2016

Financial Highlights

The Summarized financial results of the Company are as hereunder

Particulars	2015- 16		2014-15	
	Amt Lakh ₹	% ↑se or ↓se	Amt Lakh ₹	% ↑se or ↓se
Operating income	15,59.71	14.20%	1365.82	7.72%
Other income	55.85	-1.31%	56.59	73.86%
Total income	1615.56	13.58%	1422.41	9.37%
Personnel expenses	298.03	12.12%	265.81	15.82%
Administrative expenses	105.55	-1.19%	106.82	8.46%
Finance charges	612.46	-4.31%	640.04	8.65%
Depreciation	62.81	47.03%	42.72	4.68%
Provisions and write-offs	266.64	53.21%	174.04	-19.62%
Total Expenses	1345.50	9.44%	1229.43	4.68%
Profit/(Loss) before tax	270.06	39.94%	192.98	53.07%
Less: income tax	-123.62	-242.91%	-36.05	15.95%
Less: deferred tax	-	-	-5.92	1276.74%
Profit after tax	146.44	-3.03%	151.02	59.73%

Business Snapshot

	Mar-2016	↑ % or ↓	Mar-2015	↑ % or ↓
Number of Branches	29	20.83%	24	33.33%
Customers (mSHGs)	12341	8.85%	11,338	-8.61%
Number of loans Disbursed	40510	-6.74%	43,440	11.38%
Number of Loans	52163	1.94%	51,171	-3.16%
Total Disbursements	8420.30	14.03%	7,384.57	26.10%
Total Amount of Outstandings	7710.48	17.34%	6,571.02	10.15%
Recovery Rate	99.65%	-0.15%	99.80%	-
Employees	188	16.05%	162	1.25%
PAR Above 90 days	0.69%	-	0.01%	-

This has been a year of growth and geographical expansion for the Company. Looking back to when we started our journey with a very small team covering three to four districts, it is great to see that we have reached out to 2 states with 29 branches across 13 districts benefiting to several women in a short span of time. Though it looks like a quite good achievement, but it's the right time to concentrate on a more process driven and systematic approach to attain sustained growth in the long run. The Company has focused on cost effective process implementation across the operational area, while keeping in mind its Social Objectives and adhering to the Client Protection Principles.

The year 2015-16 has been a good year for the Company on most parameters.

The Company has expanded its outreach by increasing the penetration of existing branches and by opening 8 new branches in 2 states to achieve its objective of Financial Inclusion.

The Company registered a remarkable growth of 17.14% in terms of Gross Loan Portfolio as compared to Rs.65.71 crs in FY 15.

The Company was able to disburse around Rs.84.20 Cr through its 29 branches in FY 16 as against Rs.73.84 Cr in FY 15, showing an improvement of 14% in disbursement.

It shows the company's enhanced maturity in handling the operations, and corresponds to deeper market penetration in given areas of operations. We are hopeful of achieving even better results in the coming financial year

Dividend

The Board of Directors recommended payment of dividend to its Preference Shareholders. Accordingly, dividend at 6% has to be paid on Cumulative Convertible Preference shares subscribed by IDF SHG Federation Dharwad which amounts to Rs. 43,39,491/- . Dividend at 9% amounting to Rs. 45,00,000/-has to be paid on Optionally Convertible Preference Shares of Rs. 5 crores subscribed by SIDBI.

Transfer of Unclaimed Dividend to Investor Education and Protection Fund

The provisions of Section 125(2) of the Companies Act, 2013 do not apply as there was no dividend declared and paid last year.

Material changes and commitment if any affecting the financial position of the company occurred between the end of the financial year to which this financial statements relate and the date of the report.

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which this financial statements relate on the date of this report.

Statement concerning Development and implementation of Risk Management policy of the Company.

IDF FSPL was one of the MFI's in India that was selected by IFC for a risk management project. On behalf of IFC, M2I, a renowned consultancy firm in the micro finance sector provided technical support to set up the risk management framework.

The development in the past year is summarized below:

Separate risk management department, risk management policies and also a separate risk management committee at board level has been introduced in FY 2015-16.

IDFFSPL's risk appetite has been defined under each category of risk and risk limits were issued so that each department works within those limits.

Details of policy developed and implemented by the Company on its Corporate Social Responsibility initiatives.

The Company has not developed and implemented any Corporate Social Responsibility initiatives as the said provisions are not applicable.

Particulars of loans, guarantees or investments made under section 186 of the Companies Act, 2013.

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the said provision is not applicable.

Particulars of Contracts or arrangements made with related parties.

There were no contract or arrangements made with related parties as defined under Section 188 of the Companies Act, 2013 during the year under review.

Explanation or comments on qualifications, reservations or adverse remarks or disclaimers made by the auditors and the practicing company secretary in their reports.

There are no qualifications, reservations or adverse remarks made by the Auditors in their report. The

provisions relating to submission of Secretarial Audit Report is not applicable to the Company.

Company's policy relating to Directors appointment, payment of remuneration and discharge of their duties.

The provisions of Section 178(1) relating to constitution of Nomination and Remuneration Committee are not applicable to the Company.

Annual Return.

The extracts of Annual Return pursuant to the provisions of Section 92 read with Rule 12 of the Companies (Management and Administration) Rules, 2014 is furnished in Annexure A and is attached to this Report.

Number of Board Meetings conducted during the year under review.

The Company has conducted five (5) Board meetings during the financial year under review.

Corporate Governance

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

Directors

During the financial year, Mr M.S. Korimath and Ms. Kasturi Dambal resigned from the Directorship of the Company with effect from 07-09-2015. Sri. Gururaj M. Deshpande was inducted on the Board and appointed as Representative Directors with effect from 07- 09- 2015. Ms Kasturi Dambal was re-appointed on the Board as an additional Director with effect from 24-02-2016.

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

Directors	Eligible to attend 2015-16	Attended 2015-16
Vivekanand N Salimath	5	5
N M Patil	5	5
T V Srikantha Shenoy	5	5
M.S. Korimath	3	3
Kasturi Dambal	3	2
Gururaj M. Deshpande	4	2
T Muralidharan	5	5
Sahadev Gangappa	5	5

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. Specific norms have been laid down by RBI vide its circular no DNBS.CC.PD.No. 250/03.10.01/ 2011-12 December 02, 2011 and subsequent amendments thereto. The Company is in compliance with the various directions laid down in the circular.

As per the Non-Banking Finance Companies – MFI RBI Directions, 2011, 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.

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 MFIN (Micro Finance Institution Network), Sa-Dhan (Association of Community Finance Institution) and Association of Karnataka Micro finance Institutions (AKMI).

Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013 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.

5. The Company being unlisted, sub clause (e) of section 134(3) of the Companies Act, 2013 pertaining to laying down internal financial controls is not applicable to the Company; and
6. The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Transfer to Reserves in terms of Section 134 (3) (j) of the Companies Act, 2013.

For the financial year ended 31st March 2016, the Company has transferred a sum of Rs. 29,28,795/- to Statutory Reserves.

Subsidiaries, Joint ventures and Associate Companies

The Company does not have any Subsidiary, Joint venture or Associate Company during the year under review.

Deposits

The Company has neither accepted nor renewed any deposits during the year under review.

Declaration of Independent Directors

The provisions of Section 149 for appointment of Independent Directors do not apply to the company.

Adequacy of internal financial controls with reference to financial statements.

The Company has in place adequate internal financial controls with reference to financial statements. During the year under review, such controls were tested and no reportable material weaknesses in the design or operation were observed.

Disclosure of composition of audit committee and providing Vigil Mechanism

The provisions of Section 177 of the Companies Act, 2013 read with Rule 6 and 7 of the Companies (Meetings of the Board and its Powers) Rules, 2013 is not applicable to the Company.

Shares

During the year under review, the company has undertaken following transactions:

Increase in share capital	Buy back of securities	Sweat equity	Bonus shares	employees stock option plan
nil	nil	nil	nil	nil

Details of significant and material orders passed by the Regulators, Courts and Tribunals.

No significant and material order has been passed by the regulators, courts, tribunals impacting the going concern status and Company's operations in future.

Auditors

M/s R R Kulkarni, Chartered Accountants, having their office at Laxmi Apartment, Kalaghatagi Road, Saraswathpur, Dharwad 580002 was appointed as Statutory Auditors of the company for a block of five financial years commencing from the conclusion of Annual General Meeting held on 07.09.2015 till the conclusion of the sixth Annual General Meeting i.e 2014-2019 at a remuneration to be fixed by the Board. His appointment is subject to ratification at every Annual General Meeting.

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 134 (3) (m) of the Companies Act, 2013 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.

Acknowledgement

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
DIN: 00253109


Naganagouda M Patil
Managing Director
DIN: 01674210

Date : May 11, 2016



Place: Bengaluru

Annexure-A

FORM No.MGT-9

EXTRACT OF ANNUAL RETURN
AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH 2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12 (1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i.	CIN	U67910KA1994PTC016476
ii.	Registration Date	-
iii.	Name of the Company	IDF FINANCIAL SERVICES PRIVATE LIMITED
iv.	Category/Sub-Category of the Company	PRIVATE LIMITED COMPANY, NON BANKING FINANCIAL COMPANY
v.	Address of the Registered office and contact details	Registered Office: No.49 (Old No 590), 21st main, 32nd Cross, Jayanagar 4th 'T' Block, Bangalore 560041 Phone: 080 26657714 E-mail idff.fin@gmail.com
vi.	Whether listed company	No
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	N/A

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the company
1	Financial Services	-	96.54%

PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name And Address Of The Company	CIN/GLN	Holding/ Subsidiary/Associate	% of shares held	Applicable Section
1.	NIL	-	-	-	-

III. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i. *Category-wise Share Holding*

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year			%Change during The year
	De mat	Physical	Total	% of Total Shares	Physical	Total	% of Total Shares	
A. Promoter								
<i>Indian</i>								
a) Individual/ HUF	-	2712500	2712500	25.07%	2712500	2712500	25.07%	-
b) Central Govt	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-
d) Bodies Corp	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-
f) Any Other		787500	787500	7.28%	787500	787500	7.28%	-
Sub-total(A)(1):-		3500000	3500000	32.34%	3500000	3500000	32.34%	
<i>Foreign</i>								
g) NRIs-Individuals	-	-	-	-	-	-	-	-
h) Other Individuals	-	-	-	-	-	-	-	-
i) Bodies Corp.	-	-	-	-	-	-	-	-
j) Banks / FI	-	-	-	-	-	-	-	-
k) Any Other....	-	-	-	-	-	-	-	-
Sub-total(A)(2):-	-	-	-	-	-	-	-	-
B. Public Shareholding								
<i>Institutions</i>	-	-	-	-	-	-	-	-
Mutual Funds	-	-	-	-	-	-	-	-
Banks / FI	-	-	-	-	-	-	-	-
Central Govt	-	-	-	-	-	-	-	-
State Govt(s)	-	-	-	-	-	-	-	-
Venture Capital Funds	-	-	-	-	-	-	-	-
Insurance Companies	-	-	-	-	-	-	-	-
FII's	-	-	-	-	-	-	-	-
Foreign Venture Capital Funds	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-
Sub-total(B)(1)	-	-	-	-	-	-	-	-
2. Non-Institutions								
Bodies Corp.								
(i) Indian	-	-	-	-	-	-	-	-
(ii) Overseas	-	-	-	-	-	-	-	-
Individuals								
(i) Individual shareholders holding nominal share capital up to Rs. 1 lakh	-	-	-	-	-	-	-	-
(ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	-	-	-	-	-	-	-

Others – Private Mutual Benefit Trust		7321230	7321230	67.66%	7321230	7321230	67.66%	-
Sub-total(B)(2)		7321230	7321230	67.66%	7321230	7321230	67.66%	-
Total Public Shareholding (B)=(B)(1)+ (B)(2)		-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs		-	-	-	-	-	-	-
Grand Total (A+B+C)		10821230	10821230	100%	10821230	10821230	100%	-

ii. Shareholding of Promoters

Sr. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	% change in shareholding during the year
1.	Vivekanand. N. Salimath	542,500	5.01%	0	542,500	5.01%	0	-
2.	Naganagouda M Patil	542,500	5.01%	0	542,500	5.01%	0	-
3.	T V Srikantha Shenoy	542,500	5.01%	0	542,500	5.01%	0	-
4.	Shrikant M Hebbal	542,500	5.01%	0	542,500	5.01%	0	-
5.	Gururaj M Deshpande	542,500	5.01%	0	542,500	5.01%	0	-
6.	IDF FSPL Balaga Welfare Trust	787,500	7.28%	0	787,500	7.28%	0	-
	Total	3500000	32.34%	0	3500000	32.34%	0	-

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

Sr. no		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	There is no change in Promoters Shareholding			
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	At the End of the year				

iv. *Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):*

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	For Each of the Top 10 Shareholders				
1	IDF SHG FEDERATION DHARWAD				
	At the beginning of the year	1193710	11.03%	1193710	11.03%
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc)	6127520	56.63%	6127520	56.63%
	At the End of the year (or on the date of separation, if separated during the year)	7321230	67.66 %	7321230	67.66 %

v. *Shareholding of Directors and Key Managerial Personnel*

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	VIVEKANAND N SALIMATH				
	At the beginning of the year	542500	5.01%	542500	5.01%
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	At the End of the year	542500	5.01%	542500	5.01%
2	NAGANAGOUDA M PATIL				
	At the beginning of the year	542500	5.01%	542500	5.01%
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	At the End of the year	542500	5.01%	542500	5.01%
3	T V SRIKANTHA SHENOY				
	At the beginning of the year	542500	5.01%	542500	5.01%
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	At the End of the year	542500	5.01%	542500	5.01%

IV. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year		-	-	
i) Principal Amount	50,63,72,389			50,63,72,389
ii) Interest due but not paid	-			
iii) Interest accrued but not paid	-			
Total (i+ii+iii)	50,63,72,389	-	-	50,63,72,389
Change in Indebtedness during the financial year				
- Addition	20,00,00,000			20,00,00,000
- Reduction	(12,91,44,397)			(12,91,44,397)
Net Change	7,08,75,603			7,08,75,603
Indebtedness at the end of the financial year	57,72,27,992	-	-	57,72,27,992
i) Principal Amount	-			
ii) Interest due but not paid	-			
iii) Interest accrued but not due	-			
Total (i+ii+iii)	57,72,27,992	-	-	57,72,27,992

V. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
1.	Gross salary	Vivekanand N Salimath	Naganagouda M Patil	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	15,39,672	15,39,672	30,79,344
	(b) Value of perquisites u/s 17(2) Income- tax Act, 1961	32,614	30,137	62,751
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
	- as % of profit	-	-	-
	- Others, specify...	-	-	-
5.	Others, please specify	-	-	-
6.	Total(A)	15,72,286	15,69,809	31,42,095
7.	Ceiling as per the Act			

B. Remuneration to other directors:

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
	<u>Independent Directors</u> • Fee for attending board committee meetings • Commission • Others, please specify	Kasturi Dambal 15000	Gangappa Sahadev 35000	Muralidharan Thykat 35000	85000
	Total(1)	15000	35000	35000	85000
	<u>Other Non-Executive Directors</u> • Fee for attending board committee meetings • Commission • Others, please specify	- - -	- - -	- - -	- - -
	Total(2)	15000	35000	35000	85000
	Total(B)=(1+2)	15000	35000	35000	85000
	Total Managerial Remuneration	-	-	-	-
	Overall Ceiling as per the Act				

VI. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the companies Act	Brief description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority[R D/NCLT/ Court]	Appeal made. If any(give details)
A. Company					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. Director					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. Other Officers In Default					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

**Shalambi Phoolwale
Akkamahadevi IDF Mahila SHG, Dharwar**

“Earlier I was saving Rs.40/- per week whereas now I am able to save Rs.100/- . Thanks to IDF FSPL, my monthly income has increased. It has empowered women like me to improve their lives”

These are the confident words of Shalambi Phoolwale of Dharwar a member of Akkamahadevi IDF Mahila SHG since 2009.

Utilising the loans she received from IDF FSPL, she has been able to set up and improve the small shop she has set up. The shop stocks bangles, women fancy items along with other daily needed articles.

If I had not received the loans from IDF FSPL, I would never have been able to set up this shop nor earn a proper and decent livelihood, my life has definitely improved after I became a member of the SHG and started earning, she says. She looks forward to be associated with the SHG and IDF FSPL for her future.





The Microfinance Landscape In 2015-16

Over the last six years, India's micro-finance sector has experienced a rollercoaster ride with remarkable results. Supportive regulatory and policy framework as well as an open-minded political environment have facilitated the growth of the industry.

The Reserve Bank of India (RBI) and Government of India (GoI) have announced a number of regulations and developments MFIs during the past 12-18 months.

The story of India's Microfinance industry highlights the importance of Sound regulation, working industry bodies as well as an open-minded political environment

While the continuation of priority sector status for on-lending to MFI continues, the overall permissible debt levels per borrower have been increased to Rs. 100,000 (from Rs. 50,000 earlier). Further, in principle approval by RBI for 10 entities to set up Small Finance Banks (SFBs) along with focus on furthering financial inclusion through Pradhan Mantri Jan Dhan

Yojana (PMJDY) is expected to improve financial literacy and bring a larger segment of population into the ambit of formal credit.

The Indian Microfinance Sector reported an overall growth of 44% (annualised) in FY16 (31% in FY15) with the overall market size nearing Rs 3.2 trillion as on March 31, 2016. This growth has been driven by an impressive expansion in client base, increase in ticket sizes and good availability of funds.

MFIs have been able to improve their profitability indicators mainly on account of moderation in operating expenses, improvement in employee productivity and stable credit costs.

However, while the growth prospects for MFIs are favourable, penetration levels vary across different states. Adequate MIS systems, recruitment, employee-training and employee-retention are likely to remain critical performance-determining factors as most MFIs are in a significant expansion drive.

Highlights

- Microfinance institutions gross loan portfolio grew at 85 per cent year-on-year to Rs 53,233 crore for the FY 2015-16.
- South India led the way with 35 per cent share in GLP followed by North and West which stand at 25 per cent and East contributing 15 per cent.
- Total loans disbursed by India's microfinance industry during 2015-16 grew 36 percent as compared to 2014-15
- The industry witnessed the year-on-year increase of 44 per cent in client base with MFIs providing micro-credit to 3.25 crore clients.
- The average loan amount disbursed for each beneficiary grew to Rs 17,805 in 2015-16 from Rs 14,731 in the previous year.
- With branch network of 9,669 and employee base of 87,402, MFIs now cover 30 states and Union Territories.

2.0 Financial Performance

IDFFSPL had a fairly healthy financial performance in terms of growth.

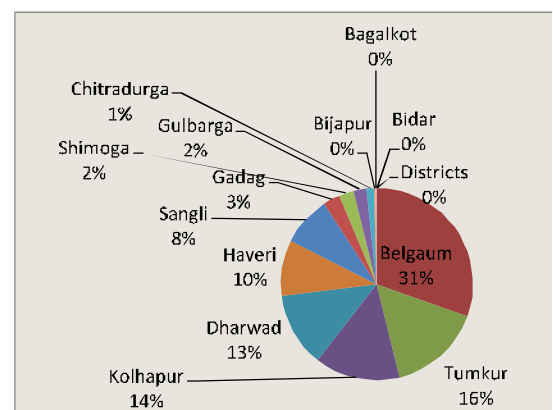
2.1 Outreach

The following facts come into picture while comparing the Company's present performance as compared to previous year:

- The Company disbursed an amount of Rs. 84.20 crs during the year 2015- 16. The disbursements increased by 14.7% as compared to the previous year i.e.2014- 15
- The number of branches increased to 29 as compared to 24 the previous year.

- The loan portfolio increased by 17.3% from Rs. 65.71 crs in the previous year to Rs. 77.10 crs during the year.
- Much improvement has been witnessed in recruiting new staff as the staff position has increased from 162 in the previous year 2014-15 to 188 during 2015-16.
- However PAR above 90 days has increased to 0.69% as on March 2016 as compared to 0.01% during March 2015.

District wise Portfolio Exposure as at 31st March 2016



The highest share of your company's portfolio is in the districts of Belgaum (31%), Tumkur (16%) and Kolhapur (14%).

2.2 Portfolio:

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

Description	Amt in Lakh	Amt in Lakh
	As on March 2016	As on March 2015
Total value of loans disbursed during period	8420.30	7384.57
Total number of loans disbursed to SHGs during period	40510	43440
Number of active borrowers	52163	51171
Average number of active borrowers	52826	53163
Value of loan outstanding	7710.48	6571.02
Average outstanding balance of loans	6806.08	6054.07
Value of payments in arrears	44.63	13.43
Value of outstanding balance of loans in arrears	52.51	0.58
Value loans written off during period	255.56	174.04
Average loan size per SHG	20,785	16,993
Average loan term (months)	12 TO 24	12 TO 24
Average number of loans officers during period	93	80

Your company operates in 13 districts of Karnataka and the district wise breakup of loan details as on 31st March 2016 is as follows:

No.	Districts	Disbursed		Amt Outstanding	
		Amt in Lakh ₹	%	Amt in Lakh ₹	%
1.	Bagalkot	10,25,000	0.12%	8,56,923	0.11%
2.	Belgaum	25,17,47,000	29.90%	23,47,84,041	30.45%
3.	Bidar	-	-	3,67,778	0.05%
4.	Bijapur	56,67,000	0.67%	21,96,359	0.28%
5.	Chitradurga	1,06,05,000	1.26%	96,15,416	1.25%
6.	Dharwad	8,13,00,000	9.66%	7,39,00,567	9.58%
7.	Gadag	2,31,42,000	2.75%	2,09,59,754	2.72%
8.	Gulbarga	1590000	0.19%	1,78,82,954	2.32%
9.	Haveri	8,47,71,000	10.07%	7,32,76,871	9.50%
10	Kolhapur	14,33,15,000	17.02%	11,04,30,029	14.32%
11.	Sangli	7,43,30,000	8.83%	6,43,36,355	8.34%
12	Shimoga	2,52,00,000	2.99%	1,85,67,701	2.41%
13.	Tumkur	12,43,38,000	14.77%	12,20,04,724	15.82%
14	Loan to others	1,50,00,000	1.78%	2,18,68,435	2.84%
	TOTAL	84,20,30,000	100%	77,10,47,907	100%

The portfolio is concentrated most in Belgaum district accounting for 29.90% and 17.02% in Kolhapur district followed by Tumkur district at 14.77%.

2.3 Product-wise distribution

Product	2015-16			2014-15		
	Number of accounts	Amount in Lakh ₹	%	Number of accounts	Amount in Lakh ₹	%
I Cycle	25910	3173.01	49.67%	20683	1713.47	26%
II Cycle	26251	4299.77	50.32%	19109	2317.91	35%
III Cycle	0	0	0.00%	11374	2228.48	34%
NGO	1	19.02	0.002%	1	14.16	0%
Other Loans	1	218.68	0.002%	4	297.00	5%
Total	52163	7710.48	100.00%	51171	6571.02	100%

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	Mar-16 %	Mar-15 %
1	Agri and agri-allied activities	31.17	30.12
2	Small business, trading, manufacturing, etc.	34.91	35.29
3	Service activities	17.05	16.89
4	Housing	4.91	5.01
5	Consumption	11.96	12.69
	Total	100.00	100.00

83.13% of the loans are for livelihood activities while 16.87% 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 efforts of the company in bringing in effective monitoring and control systems and stricter credit discipline are commendable. With this the Company has been able to achieve a near perfect portfolio quality at PAR > 90DAYS being 0.69%.

Sl. No	Type of Loans	Mar -2016			March 2015		
		No. of Borrowers	Value of Loans	% Loan Out Standing	No. of Borrowers	Value of Loans	% Loan Out Standing
1	Regular Loans	50836	7638.19	99.06%	50494	6504.00	98.98%
2	Less than 30 Days past due	68	5.94	0.08%	248	17.98	0.27%
3	Between 31-60 days past due	85	6.30	0.08%	167	13.70	0.21%
4	Between 61-90 days past due	83	7.09	0.09%	242	34.77	0.53%
5	Between 91-180 days past due	363	33.94	0.44%	20	0.57	0.01%
6	Between 181-365 days past due	728	19.02	0.25%	0	0	0
7	>365 days past due	0	0	0.00%	0	0	0
	Total	52163	7710.48	100.00%	51171	6571.02	100.00%

2.6 Portfolio yield, profitability and sustainability

The portfolio yield for the year 2015-16 was 22.85% which is slightly higher when compared to 22.64% during 2014-15

The Company's Operational sustainability ratio was at 122.09%, higher than that of 115.70% during the previous year.

There has been a sizeable profits earned even with slow growing portfolio. The net profit before taxes for FY 15-16 increased by 40% as compared to 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 for FY 15-16 was approximately 12.41%.

Name of the bank/financial institution	Balance outstanding as at	
	31-Mar-16	31-Mar-15
1. Term Loans - Secured		
A. From Banks		
Karnataka Grameen Vikas Bank	-	13,080,573
Corporation Bank	-	16,664,000
Canara Bank	4,08,91,64	8,668,998
Syndicate Bank	1,16,16,795	21,052,656
Syndicate Bank	2,31,02,836	50,000,000
State Bank of India	23,09,48,574	264,105,927
Union Bank of India	4,30,55,560	-
Total	34,96,15,412	373,572,154
B. From Other Financial Institutions		
NABARD	60,00,000	12,000,000
NABARD	-	5,000,000
SIDBI	5,00,00,000	-
Total	5,60,00,000	17,000,000
2. CASH CREDIT FROM BANKS		
Karnataka Grameen Vikas Bank	2,45,51,011	24,542,454
Karnataka Grameen Vikas Bank	2,45,51,011	-
Karnataka Grameen Vikas Bank	4,82,94,900	45,176,434
Syndicate Bank	4,95,41,602	46,081,347
Total	17,16,12,580	115,800,235
GRAND TOTAL	57,72,27,992	50,63,72,389

Currently the debt funds sources comprise: Banks (90.30%), Financial Institutions (9.70%). 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.

6.0 Ratings and evaluations

Your company was rated by CARE, an accredited credit rating agency during March 2016, India's leading ratings, research, risk, and policy advisory company, and received a grading of BB+ stable (where MFI 1 is highest, and MFI 5 is lowest on an eight point scale). The rating is of the MFI's ability to conduct its operations in a scalable and sustainable manner.

The Company has received 'BB+ stable' rating from CARE 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 32.82% as on 31st March 2016 which is lower than 34.22% as on 31st March 2015.

Success Stories

Adversity brings out the best



Sajida, 45 years, is a resident of Tipatur. Saddled with the responsibility of taking care of her family of four, when her husband died in 2011, she was afraid of her uncertain future. Even though she thought of starting some small business, constraint of capital prevented her. High interest by local lenders deterred from taking further steps.

It was at this time, fellow residents informed her of IDF SHG. Along with other locals, she became a member of Kaveri IDF Mahila SHG and was able to raise a loan of Rs. 12000/- from IDF FSPL and started sale of readymade garments in her house. Maintaining a modest margin, she struggled to sell the dresses, by going from house to house in her and neighboring locality. Slowly the sales picked up and with the experience gained, she approached IDF FSPL for a second loan of Rs. 20000/-. Along with some more small borrowings from her relatives and neighbours, she started a small shop selling both garments and other daily needed items. Clever management and a subsequent third loan of Rs. 25000/- from IDF FSPL has helped her to consolidate further. Her hard work has paid off and today, she boasts of an income of Rs. 5000/- PM after meeting all expenses. She attends the meetings of the SHG regularly and is prompt in paying back her loan installments. She has also managed to save a few thousand rupees.

She recalls with gratitude the timely and unstinted support from IDF FSPL and her fellow SHG members.

Believe and you shall succeed



Geetha Yadravi has always believed in being economically independent. Supplementing her family income is the best way to lead a fulfilled life is her mantra. Exhibiting her entrepreneurial skills, she has been a role model to other women in her SHG as well as her cluster.

Geetha is into retail sale of sarees from her house. With the support of her SHG and IDF FSPL, through successive doses of loans, she has been able to build up her stocks. She procures sarees from Rabkavi, Mumbai and other places and sells it locally. Being friendly by nature, she has built up a social circle to which she caters regularly. She sells both on outright sale offering a discount as well as in instalments. The sarees are available at a discount to the local market, because there are no selling costs involved. This has helped her to have a regular clientele. Her business picks up during marriage and festival seasons. Since sales are only to known persons and through references, she has not lost a single rupee till date. Her customers are her biggest strength and offer her the right publicity.

“Loans availed through SHG should be compulsorily invested in income generation activities. This will help in prompt repayment of the loans and also give you surplus. You also command respect from your family and the society and can lead a better life” are her words of wisdom.

Stitching her way to economic success



Sophiya is an entrepreneur who has realized that despite there being a huge supply of readymade dresses in the market, there is always demand for customized designing and stitching.

Being a member of Durgaparameshwari IDF SHG, through successive loans from IDF FSPL, she has been able to achieve a decent standard of living through her earnings. Through the loans from IDF FSPL she has been able to upgrade her machines constantly, thereby being able to cater to the current fashions & designs in the market. Her daughters Parveena and Shabana also have learnt tailoring through her and assist her whenever their time permits.

Apart from the orders which she executes for her customers, Sophiya also purchases dress materials from the market and stitches it with the latest designs. This helps in supplementing her income to a great extent. Not only has she been prompt in repayment of all her loans, she is also a model for the other members of her cluster.

Section Six >>



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 accompanying financial statements of IDF FINANCIAL SERVICES PRIVATE LIMITED (the Company), which comprise the Balance Sheet as at 31st March 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility For The Financial Statements

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

3. Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;
- (b) In the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date

5. Report On Other Legal And Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

- c) The Balance Sheet, the Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of written representations received from the directors as on 31st March, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the other matters included in the Auditor's Report and to our best of our information and according to the explanations given to us :
 - I. The Company does not have any pending litigations which would impact its financial position.
 - ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

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



Date: 2nd May, 2016
Place: Bengaluru

IDF FSPL Audited Accounts 2015-16

Balance Sheet as at March 31, 2016

(₹)

Particulars	Note no.	31-Mar-16	31-Mar-15
I. Equity and Liabilities			
Shareholders' funds			
(a) Share capital	2.01	23,05,37,150	23,05,37,150
(b) Reserves and surplus	2.02	3,41,21,108	1,94,77,133
		26,46,58,258	25,00,14,283
Non-Current liabilities			
(a) Long-term borrowings	2.03	20,86,51,441	17,32,28,595
(b) Deferred tax liability (net)	2.04	30,72,685	30,72,685
		21,17,24,126	17,63,01,280
Current liabilities			
(a) Other current liabilities	2.05	3,16,75,088	1,24,34,780
(b) Short-term borrowings	2.03	36,85,76,551	33,31,43,794
(c) Short-term provisions		-	-
		40,02,51,639	34,55,78,574
		87,66,34,023	77,18,94,137
II. Assets			
Non-current assets			
(a) Fixed assets	2.07		
(i) Tangible assets		4,84,663	25,43,304
(ii) Intangible assets		1,11,00,000	1,48,00,000
(b) Loans to groups	2.06	20,84,43,032	14,47,37,766
(c) Long-term loans and advances	2.08	86,09,504	1,09,99,432
		22,86,37,199	17,30,80,502
Current assets			
(a) Cash and cash equivalents	2.09	8,83,53,689	9,01,03,672
(b) Loans to groups	2.06	55,48,94,397	47,60,61,819
(c) Short-term loans and advances	2.10	-	2,97,00,000
(d) Other current assets	2.11	47,48,738	29,48,144
		64,79,96,824	59,88,13,635
		87,66,34,023	77,18,94,137
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 02, 2016

Place: Bengaluru



for **IDF Financial Services Private Limited**



(V N Salimath)
Chairman
DIN: 0253109




(N M Patil)
Managing Director
DIN: 1674210

IDF FINANCIAL SERVICES PRIVATE LIMITED

Profit and Loss Account for the year ended March 31, 2016

(₹)

Particulars	Note no.	31-Mar-16	31-Mar-15
Income			
Revenue from operations	2.12	15,59,71,071	13,65,81,910
Other income	2.13	55,85,371	56,59,327
Total Revenue		16,15,56,442	14,22,41,237
Expenses			
Employee benefits expense	2.14	2,98,03,825	2,65,81,417
Finance costs	2.15	6,12,46,092	6,40,03,889
Depreciation and amortization expenses	2.07	62,81,399	42,72,430
Provisions and write-offs	2.16	2,66,64,082	1,74,03,518
Operating and other expenses	2.17	89,30,973	93,51,767
Auditor's Remuneration	2.18	16,24,015	13,30,360
Total expenses		13,45,50,388	12,29,43,381
Profit/(Loss) before tax		2,70,06,056	1,92,97,856
Tax expense:			
- Current tax		(1,23,50,081)	(14,500)
- Provision for Income tax		(98,12,000)	(62,00,000)
- Reversal of Income tax provision- prior years		98,00,000	26,10,000
- Deferred tax		-	(5,91,734)
Profit/(loss) for the year		1,46,43,975	1,51,01,622
Earning per equity share (EPS) [refer note 3.4]			
- Basic		1.35	1.40
- Diluted		0.64	0.66
Number of shares considered for			
- Basic		1,08,21,230	1,08,21,230
- Diluted		2,30,53,715	2,30,53,715
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 02, 2016

Place: Bengaluru



for **IDF Financial Services Private Limited**



(V N Salimath)
Chairman
DIN: 0253109




(N M Patil)
Managing Director
DIN: 1674210

IDF FINANCIAL SERVICES PRIVATE LIMITED

Cash Flow Statement For The Year Ended March 31, 2016

(₹)

Particulars	31-Mar-16	31-Mar-15
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation	2,70,06,056	1,92,97,855
<i>Adjustment for Non- cash (income) / expenditure:</i>		
Depreciation	62,81,399	42,72,431
Bad debts written off	-	1,62,26,529
Provision for bad debts	11,08,279	3,00,000
Loss on sale of assets	3,724	2,847
Operating profit before changes in operating assets	3,43,99,458	4,00,99,662
<i>Adjustments for</i>		
(Increase)/ decrease in current assets	(18,00,594)	18,23,807
(Decrease)/increase in current liabilities	5,46,73,065	(6,59,47,371)
(Increase)/ decrease in loans to groups	(11,15,56,195)	(8,21,34,712)
Net cash generated from operating activities before tax	(2,42,84,266)	(10,61,58,614)
Income tax paid	(1,23,62,081)	(36,04,500)
Net cash generated from operating activities after tax	(A) (3,66,46,347)	(10,97,63,114)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (adjusting buy back of assets)	(5,26,482)	(12,96,264)
Net cash flow from investing activities	(B) (5,26,482)	(12,96,264)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital [Incl premium]	-	5,00,00,000
Secured borrowings [Net]	3,54,22,846	7,55,11,972
Corporate dividend tax paid	-	(10,91,732)
Dividend paid	-	(53,62,779)
Unsecured borrowings [net]	-	-
Net cash generated from financing activities	(C) 3,54,22,846	11,90,57,461
Net increase/(decrease) in cash and cash equivalents during the year (A) + (B) + (C)	(17,49,983)	79,98,082
Cash and cash equivalents at the beginning of the year	9,01,03,672	8,21,05,590
Cash and cash equivalents at the end of the year [Refer note 2. 09]	8,83,53,689	9,01,03,672
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

Date: May 02, 2016
Place: Bengaluru



for **IDF Financial Services Private Limited**



(V N Salimath)
Chairman
DIN: 0253109




(N M Patil)
Managing Director
DIN: 1674210

IDF FINANCIAL SERVICES PRIVATE LIMITED

Significant Accounting Policies and Notes on Accounts

Company overview:

IDF Financial Services Private Limited [herein after 'the company'] is a private Limited Company domiciled in India and incorporated under the provisions of the Companies Act 1956 bearing CIN U67910KA1994PTC016476. 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 created through Community based Self Help Group Federations. The Company is registered with Reserve Bank of India as a Non Banking Financial Company Microfinance Institution (NBFC MFI) with Certificate of Registration No B- 02.00164 issued by RBI.

1) Significant accounting policies

1.01 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 Sec 211 (3C) of the Companies Act, 1956 which continue to be applicable in respect of Section 133 of the Companies Act 2013 in terms of general circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs and the relevant provisions of Act as applicable. The financial statements 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) to the extent applicable to the Company.

1.02 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.

1.03 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. In this financial statement revenue is recognised as per the AS 09 "Revenue Recognition" issued by ICAI as explained in 1.3.1.

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 Reserve Bank of India Directives applicable to Non Banking Finance Companies- Microfinance Institutions vide circular no: DNBS.PD.No.234 CGM(US)2011 dated December 02, 2011.

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

1.3.3 Service charges on loans is recognised on receipt basis.

1.04 Cash Flow Statement

The cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard 3. The Cash flow from operating, investing and financing activities of the Company are segregated based on available information.

Cash and cash equivalents (for the purpose of Cash flow statement)

Cash comprises of cash on hand and demand deposits with Banks. Cash equivalents are short term balances (with an obligation maturity of three month or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risks of changes in value.

1.05 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 Goodwill and other intellectual property rights in the field of micro finance has been accounted for as intangible assets at the purchase price. The total cost of Goodwill is ₹ 37,00,000.00 which is amortised over 10 years on Straight line method. The rate of amortisation is @ 10% p.a. Financial statement discloses Goodwill as per AS 01 'Disclosure of Accounting Policies' and the treatment of Goodwill is given as per the AS 26 'Intangible assets'.

1.06 Depreciation and amortisation

Depreciation is provided pro-rata on the Written down value method at the following stated rates specified under as per Part "C" of Schedule II of The Companies Act 2013:

Class of Fixed Assets	Rate of Depreciation
Furniture & Fixtures	25.89%
Office equipment	45.07%
Computers	63.16%

In view of the nature business and the enduring nature for exploitation of intangible assets, the same is amortised over 10 years on Straight line method. Depreciation on fixed asset is charged as per the above rates and treatment of the depreciation is given as per the AS 06 'Depreciation Accounting' issued by ICAI.

1.07 Investments

Investments are classified into current investments and long term investments. Current investments are carried at lower of cost or fair value. Long term investments are carried at cost less provisions made to recognise any decline, other than temporary, in the value of such investments.

1.08 Asset classification

These are classified as standard assets and sub-standard assets in terms of Reserve Bank of India directions as laid down in circular no: DNBS.(PD)CC.No. 347 /03.10.38/2013-14 dated July 1, 2013.

1.09 Provision for Non-performing assets

Provision for non-performing assets has been made as per the norms stated in the Directions as laid down in circular no: DNBS.(PD)CC.No. 347 /03.10.38/2013-14 dated July 1, 2013 by Reserve Bank of India which are stated below:

Classification of Assets	Criteria for Classification	Provision %
		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	0.00%
Non performing Assets	The loan instalments which are over due for more than 90 days but not more than 180 days.	50%
Non performing Assets	The aggregate loan instalments which are over due for more than 180 days.	100%

As per the RBI Guidelines the provisioning for Non-performing assets should be either 1% of total loan portfolio or as per the above rates whichever is higher.

Asset Classification	
Standard Assets	76,57,97,098
Non Performing Assets:	
91 days - 180 days	51,98,804
> 180 days	52,006
Gross Loan Portfolio	77,10,47,908
Provisioning Norms:	
Provisioning of Higher of:	
a) 1% of the outstanding loan portfolio	77,10,479
b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more.	26,51,408
Actual Provisions already held	66,02,200
Additional Provision held during the current year	11,08,279
Total Provision at the end of the year ₹	77,10,479

1.10 Loans write-off policy

As per the loan 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.

1.11 Employee benefits

1.11.1 Provident fund: Provident Fund Contribution is accounted on actual liability basis and paid to the Government managed Employees' Provident Fund Organization. PF contribution from Employee and Employer is calculated on the basic salary of the Employee. The treatment for the Provident fund is given as per the Employees Provident Fund and Miscellaneous Provisions Act -1952.

1.11.2 Employees State Insurance : Employees State Insurance premium is paid as per the Act. ESI contribution from Employee and Employer is calculated on the basic salary of the Employee. The treatment for the ESI is given as per the Employees State Insurance Act -1961.

1.11.3 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.

Total Amount Details of PF, ESI for the Month April 2015 to March 2016

Month	PF Remittance		ESI Remittance	
	Employees Share	Employer's Share	Employees Share	Employer's Share
April	92,262	1,02,750	-	32,595
May	93,583	1,04,205	-	32,582
June	94,456	1,05,175	-	33,167
July	94,320	1,05,026	-	33,788
August	94,802	1,05,564	-	32,082
September	90,682	1,00,977	-	31,088
October	95,172	1,05,967	-	31,544
November	93,813	1,04,455	12,209	31,311
December	94,711	1,05,455	12,245	31,427
January	1,01,328	1,12,820	12,330	33,263
February	1,09,979	1,22,464	12,223	37,857
March	1,13,875	1,26,800	12,192	38,537
Total ₹	11,68,983	13,01,658	61,199	3,99,241

1.12 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.

1.13 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. earning per share point 3.4.

1.14 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. As the future is uncertain, the provision is made on the obligation based on past event as per the AS 29 'Provisions, Contingent liabilities, Contingent assets' issued by ICAI. point no details

1.15 Taxes

Provision for current year tax is made after taking into consideration benefits/ disallowances admissible under the provisions of the Income Tax Act, 1961. Current tax is determined as the amount of tax payable in respect of taxable income for the year determined in accordance with Income tax Act, 1961. Deferred tax is recognised, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

1.16 Operating Cycle

Based on the nature of activities of the Company and normal time between acquisition of assets their realisation of and cash equivalent, the Company has determined operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non current

1.17 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.

1.18 Share issue expenses

Nil

2) Notes on Accounts

2.01 Share Capital

	31-Mar-16	31-Mar-15
Authorized		
15,000,000 [Previous year: 15,000,000] Equity shares of ₹ 10/- each	15,00,00,000	15,00,00,000
10,000,000 [Previous year: 10,000,000] 6% Compulsory Convertible Preference shares of ₹ 10/- each	10,00,00,000	10,00,00,000
50,00,000 9% Optionally Convertible Preference Shares of ₹ 10/- each	5,00,00,000	5,00,00,000
	30,00,00,000	30,00,00,000
Issued, subscribed and paid-up		
Equity		
10,821,230 [Previous year: 10,821,230] Equity shares of ₹ 10/- each fully paid-up	10,82,12,300	10,82,12,300
Compulsory Convertible 6% Preference Shares		
7,232,485 [Previous year: 7,232,485] 6% Cumulative Convertible Preference shares of ₹ 10/- each fully paid-up	7,23,24,850	7,23,24,850
Optionally Convertible 9% Preference shares		
50,00,000 [Previous year: Nil] 9% Cumulative Convertible Preference shares of ₹ 10/- each fully paid-up	5,00,00,000	5,00,00,000
	23,05,37,150	23,05,37,150

2.01.1 Reconciliation of shares

	31-Mar-16	31-Mar-16	31-Mar-15	31-Mar-15
	Number	Amount	Number	Amount
a) Equity shares				
Balance at the beginning of the year	1,08,21,230	1,08,21,230	1,08,21,230	1,08,21,230
Add: issued during the year	-	-	-	-
Balance at the end of the year	1,08,21,230	1,08,21,230	1,08,21,230	1,08,21,230
b) Compulsory Convertible 6% Preference shares				
Balance at the beginning of the year	72,32,485	72,32,485	72,32,485	72,32,485
Add: issued during the year	-	-	-	-
Balance at the end of the year	72,32,485	72,32,485	72,32,485	72,32,485
c) Optionally Convertible 9% Preference shares				
Balance at the beginning of the year	50,00,000	50,00,000	-	-
Add: issued during the year	-	-	50,00,000	50,00,000
Balance at the end of the year	50,00,000	50,00,000	50,00,000	50,00,000

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

2.01.3 Rights, preferences, restrictions of share capital

- 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
- Cumulative convertible Preference shares [CCPS]:** CCPS are convertible into equity after completion of 7 years from the date of allotment and such conversion is to effect at fair value to be determined at the time of conversion. Preference shareholders are not entitled to any voting rights except where the rights of the preference shareholders are proposed to be affected. In such event, preference shareholders will have the same right as the equity shareholders in the meeting of the shareholders for the agenda of the meeting affecting their rights only. Dividends are accumulatable until fully paid.
- Optionally Convertible Preference Shares [OCPS]:** OCPS are convertible at the option of the investors.

2.01.4 The details of shareholders as at March 31, 2016 is set out below:

	31-Mar-16		31-Mar-15	
	No. of shares	%	No. of shares	%
Equity share capital				
IDF FSPL balaga welfare trust	7,87,500	7%	7,87,500	7%
IDF SHG Federation - Dharwad	73,21,230	68%	11,93,710	11%
IDF SHG Federation - Haveri	-	0%	8,78,360	8%
IDF SHG Federation - Tumkur	-	0%	24,71,630	23%
IDF SHG Federation - Gadag	-	0%	3,48,040	3%
IDF SHG Federation - Belgaum	-	0%	24,29,490	22%
Vivekanand. N. Salimath	5,42,500	5%	5,42,500	5%
Naganagouda M Patil	5,42,500	5%	5,42,500	5%
T V Srikantha Shenoy	5,42,500	5%	5,42,500	5%
Shrikant M Hebbal	5,42,500	5%	5,42,500	5%
Gururaj M Deshpande	5,42,500	5%	5,42,500	5%
Total	1,08,21,230	100%	1,08,21,230	100%
Compulsory Convertible 6% Preference share capital				
IDF SHG Federation - Dharwad	72,32,485	100%	7,56,792	10%
IDF SHG Federation - Haveri	-	0%	8,75,210	12%
IDF SHG Federation - Tumkur	-	0%	27,95,838	39%
IDF SHG Federation - Gadag	-	0%	5,58,160	8%
IDF SHG Federation - Belgaum	-	0%	22,46,485	31%
Total	72,32,485	100%	72,32,485	100%
IDF SHG Federations Haveri, IDF SHG Federation Tumkur, IDF SHG Federation Gadag, IDF SHG Federation Belgaum have merged with IDF SHG Federation Dharwad. Subsequently the shares held by the respective Federations have been transferred to the merged IDF SHG Federation Dharwad. Corresponding changes have been made in the Shareholders Register of the Company.				
Optionally Convertible 9% Preference share capital				
SIDBI	50,00,000	100%	50,00,000	100%
Total	50,00,000	100%	50,00,000	100%

2.02 Reserves and Surplus

	31-Mar-16	31-Mar-15
Securities premium reserve		
Opening balance	7,76,700	7,76,700
	7,76,700	7,76,700
Statutory reserve		
Opening balance	86,93,679	56,73,355
Additions during the year	29,28,795	30,20,324
	1,16,22,474	86,93,679
Vehicle Revolving Fund		
Opening balance	1,17,887	1,11,887
Additions during the year	-	6,000
	1,17,887	1,17,887
Surplus in the statement of Profit and Loss		
Opening balance	98,88,867	42,62,081
Add: Profit/(loss) for the year	1,46,43,975	1,51,01,621
Less: Transferred to statutory reserve	(29,28,795)	(30,20,324)
Less: Proposed dividend on preference shares	-	(53,62,779)
Less: Dividend distribution tax	-	(10,91,732)
	2,16,04,047	98,88,867
	3,41,21,108	1,94,77,133

2.03 Borrowings

	31-Mar-16	31-Mar-15
a) Secured [Refer note 3.3]		
i) Long Term loans		
- From banks	17,95,01,441	16,72,28,595
- From other Financial Institutions	2,91,50,000	60,00,000
ii) Short Term loans		
- From banks	17,01,13,971	20,63,43,559
- From other Financial Institutions	2,68,50,000	1,10,00,000
iii) Cash Credits		
- From banks	17,16,12,580	11,58,00,235
	57,72,27,992	50,63,72,389

2.03.1 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 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

2.04 Deferred tax liability (net)

	31-Mar-16	31-Mar-15
Opening balance	30,72,685	24,80,951
Additions during the year	-	5,91,734
	3,072,685	30,72,685

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

2.05 Other current liabilities

	31-Mar-16	31-Mar-15
Interest accrued but not due on borrowings	-	6,23,528
Statutory Liabilities	63,965	3,65,551
Other payables	82,953	10,42,658
Provision for Tax	98,12,000	98,00,000
Payable to staff	16,74,818	5,64,418
Sundries payable	82,077	38,625
Staff welfare fund payable	1,99,59,275	-
	3,16,75,088	1,24,34,780

2.06 Loans and Advances

	31-Mar-16	31-Mar-16	31-Mar-15	31-Mar-15
	Non-current	Current	Non- Current	Current
Standard Assets	20,84,43,032	55,73,54,066	15,13,30,553	47,60,13,707
Non-Performing Assets	52,006	51,98,804	9,413	48,112
	20,84,95,038	56,25,52,870	15,13,39,966	47,60,61,819
Less: Provision for Standard Assets	-	24,59,669	-	-
Less: Provision for Non-Performing Assets	52,006	51,98,804	66,02,200	-
	20,84,43,032	55,48,94,397	14,47,37,766	47,60,61,819

The provision for non-performing assets has been provided as per the RBI norms. The company is having excess provision than the required as per the RBI norms; hence no extra provision has been made for the current year.

The loss assets are the accounts where the staff had misappropriated loan repayment amount which was collected from the SHG members.

2.9 Cash and cash equivalents

	31-Mar-16		31-Mar-15		31-Mar-16	31-Mar-16
	Current	Non-current	Current	Non-current		
Balances with banks						
- in deposit account	6,13,91,121	-	3,38,34,666	1,63,27,967		
	6,13,91,121	-	3,38,34,666	1,63,27,967	6,13,91,121	5,01,62,633
- in current accounts					2,68,31,950	3,98,38,340
Cash on hand					1,30,618	1,02,099
					8,83,53,689	9,01,03,072

2.10 Other current assets

	31-Mar-16	31-Mar-15
Interest Receivable	19,97,687	22,60,148
Receivables	25,99,721	5,81,251
Stamp in Stock	1,330	6,745
Bajaj Allianz Insurance Co. Ltd.-Deposit	1,00,000	1,00,000
Max Life Insurance Co. Ltd. Deposit A/c	50,000	-
	47,48,738	29,48,144

2.12 Revenue from operations

	31-Mar-16	31-Mar-15
Interest Income	14,76,98,909	12,92,13,690
Service charges on loans	82,72,162	73,68,220
	15,59,71,071	13,65,81,910

2.13 Other income

	31-Mar-16	31-Mar-15
Interest on term deposits	48,22,627	41,53,797
Bad debts recovered	7,32,306	12,10,782
Other non-operating income	30,438	2,94,748
	55,85,371	56,59,327

2.14 Employee benefit expenses

	31-Mar-16	31-Mar-15
Salaries, wages and bonus	2,77,84,152	2,49,80,050
Contributions to provident and other funds	17,00,994	1,055,275
Staff welfare and training expenses	96,654	28,136
Gratuity	2,22,025	22,183
	2,98,03,825	2,65,81,417

2.15 Finance costs

	31-Mar-16	31-Mar-15
Interest on borrowings	5,76,28,525	5,93,07,346
Loan processing fee on borrowings	30,11,564	42,41,330
Bank charges	3,33,900	3,58,660
Documentation and evaluation expenses	2,72,103	96,554
	6,12,46,092	6,40,03,889

2.16 Provisions and write-offs

	31-Mar-16	31-Mar-15
Bad debts written-off	2,55,55,803	1,62,26,529
Additional provision on loan Assets	11,08,279	11,76,989
	2,66,64,082	1,74,03,518

2.17 Other operating expenses

	31-Mar-16	31-Mar-15
Travelling and conveyance	19,53,786	18,19,363
Communication expenses	11,26,912	12,07,923
Rent	23,21,414	18,66,165
Office maintenance	5,95,654	6,99,027
Printing & stationary	7,20,907	5,40,242
Insurance	5,41,843	3,11,644
Loss on sale of assets	3,724	2,847
Repairs and maintenance	2,61,872	4,34,970
Meeting expenses	1,97,524	1,03,343
Subscription fees	3,87,815	3,23,550
Credit Bureau Expenses	1,44,029	1,20,000
Donations	25,000	25,000
Miscellaneous expenses	2,01,696	2,26,882
Commission Paid	3,79,604	12,47,279
Legal Fees	39,675	8,250
Rates & Taxes	2,143	7,500
	89,03,598	89,43,986
2.17.1 Other Expenses		
R O C Filing fee	27,375	4,07,781
	27,375	4,07,781
	89,30,973	93,51,767

2.18 Auditor's Remunerations

	31-Mar-16	31-Mar-15
Audit Fees	5,60,352	5,39,328
Professional charges	10,63,663	7,91,032
	16,24,015	13,30,360

3) Supplementary information

3.01 Contingent liabilities and commitments

	31-Mar-16	31-Mar-15
Contingent liabilities	Nil	Nil
Commitments	Nil	Nil

3.02 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

Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006. There are no Micro and Small Enterprises, to whom the company owes dues, which are outstanding for more than 45 days at the Balance Sheet date. The above information regarding Micro Enterprises and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the Auditor.

3.02.1 Capital to Risk-Assets Ratio [CRAR]

	31-Mar-16	31-Mar-15
Tier I Capital	2,020	1,740
Tier II Capital	500	500
Total	2,520	2,240
Total Risk weighted assets		
(i) Adjusted value of funded risk assets i.e. on-balance sheet items	7,679	6,546
(ii) Adjusted value of non-funded and off-balance sheet items	-	-
Total risk weighted assets/ exposures	7,679	6,546
Capital to Risk-Assets Ratio [CRAR]		
Tier I Capital as a percentage of Total Risk weighted assets (%)	26.31%	26.59%
Tier II Capital as a percentage of total Risk weighted assets (%)	6.51%	7.64%
Total risk weighted assets/ exposures	7,679	6,546
CRAR (%)	32.82%	34.22%

These are classified as standard assets and sub-standard assets in terms of Reserve Bank of India directions as laid down in circular No: DNBS.(PD)CC.No. 347/03.10.38/2013-14 dated July 1, 2013

3.02.2 Loans classification as per RBI

The loan portfolio has been classified as per the norms prescribed for classification by Reserve Bank of India in circular No.: DNBS.(PD)CC.No. 347/03.10.38/2013-14 dated July 1, 2013. The necessary provisions as per RBI norms have been made. The details are shown below:

Asset classification	Loan outstanding (without provisioning)				Provision	
	31-Mar-16		31-Mar-15		As on 31 March 2016	As on 31-March 2015
	No. of accounts	Amount	No. of accounts	Amount	Amount	Amount
Standard assets	51,075	76,57,97,098	51,151	62,73,44,260	77,10,479	66,02,200
Non-Performing assets	1,088	52,50,810	20	57,525	-	-
Total	52,163	77,10,47,908	51,171	62,74,01,785	77,10,479	66,02,200

The Non-performing assets is 0.68% for the year ending 31st March 2016 as compared to 0.01% of total loan portfolio for the year ending 31st March 2015

3.02.3 Margin

Margin Cap of the Company as on 31st March 2016 is 10.44 %. This has been computed as per the norms prescribed by Reserve Bank of India in circular No. 161 DNBS (PO) CC. No. 300/03.10.038/2012-13 dated August 3, 2012.

3.02.4 Qualifying Assets

As of 31st March, 2016, 94.05% of total net assets of ` 77,71,80,333/- (excluding cash balance with Banks and financial institutions, Government Securities and Money Market Instruments) are in the nature of "Qualifying Assets" as defined in para 3 of RBI's circulars no: RBI/2010-11/505 RPCD.CO.Plan 66/04.09.01/2010-11, Dated May 3, 2011.

3.02.5 Pricing of Credit

The maximum interest on loan products offered by IDF Financial Services is 24% - 26% p.a. on reducing balance basis and the upfront fee not more than 1% of loan amount disbursed.

The company has charged is borrower only actual cost of insurance as per the extant of IRDA guideline. The company has not collected any administrative charges from borrowers.

3.0.3 Terms and conditions of Borrowing

Name of the bank/financial institution	Balance outstanding as at		Repayment period including moratorium
	31-Mar-16	31-Mar-15	
1. TERM LOANS - SECURED			
A. From Banks			
Karnataka Grameen Vikas Bank	-	1,30,80,573	Repayable in 36 instalments with a moratorium period of 2 months.
Corporation Bank	-	1,66,44,000	Repayable in 3 years in 12 quarterly instalments
Canara Bank	-	86,68,998	Repayable in 36 instalments with a moratorium period of 3 months
Canara Bank	4,08,91,647	-	Repayable in 36 instalments with a moratorium period of 3 months
Syndicate Bank	1,16,16,795	2,10,52,656	Repayable in 36 instalments
Syndicate Bank	2,31,02,836	5,00,00,000	Repayable in 36 instalments
State Bank of India	23,09,48,574	26,41,05,927	Repayable in 36 instalments with a moratorium period of 1 month
Union Bank	4,30,55,560	-	Repayable in 36 instalments with a moratorium of 2 months
Total	34,96,15,412	37,35,52,154	
B. From Other Financial Institutions			
NABARD	60,00,000	1,20,00,000	Repayable in 5 yearly instalments
NABARD	-	50,00,000	Repayable in 10 equal half- yearly instalments
SIDBI	5,00,00,000		Repayable in 24 Equated monthly instalments
Total	5,60,00,000	1,70,00,000	
2. CASH CREDIT FROM BANKS			
Karnataka Grameen Vikas Bank	2,45,51,011	2,45,42,454	Limits Valid upto 31.08.2016
Karnataka Grameen Vikas Bank	4,82,94,900	4,51,76,434	Limits Valid upto 28.02.2017
Karnataka Grameen Vikas Bank	4,92,25,067	-	Limits Valid upto 28.02.2017
Syndicate Bank	4,95,41,602	4,60,81,347	Limits Valid upto 31.08.2016
Total	17,16,12,580	11,58,00,235	

3.0.4 Earnings per share

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

	31-Mar-16	31-Mar-15
Net profit as per profit and loss account	1,46,43,975	1,51,01,621
Weighted average number of shares considered for computation of basic earnings per share	1,08,21,230	1,08,21,230
Add: Effect of compulsory convertible preference shares	72,32,485	72,32,485
Add: Effect of optionally convertible preference shares	50,00,000	50,00,000
Weighted average number of shares considered for computation of diluted earnings per share	2,30,53,715	2,30,53,715
Nominal value per share	10	10

3.05 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.

3.06 Related party disclosures

3.06.1 Names of related parties and nature of relationship

Names	Nature of relationship
Initiative for Development Foundation	Entity in which key management personnel have significant influence
IDF SHG Federation – Dharwad	
Mr. Vivekanand Salimath	Key management Personnel
Mr. N M Patil	

3.06.2 Nature of transactions

			₹	
Name of related party	Nature of transaction	Type	31-Mar-16	31-Mar-15
IDF SHG Federation – Dharwad	Loans outstanding balance	Payment	2,18,68,435	72,00,000
IDF SHG Federation – Tumkur	Loans outstanding balance	Payment		1,73,00,000
IDF SHG Federation – Gadag	Loans outstanding balance	Payment		35,00,000
IDF SHG Federation – Belgaum	Loans outstanding balance	Payment		17,00,000
Total			2,18,68,435	31,600,000

Note: The Board of Directors have passed the resolution as on 19th February 2015 to effect the merge of all 4 Federation with Dharwad SHG Federation, But necessary Loan papers for the same have to be executed.

3.07 Earnings and expenditure in foreign currency

	31-Mar-16	31-Mar-15
Earnings	Nil	Nil
Expenditure	Nil	Nil

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

3.09 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

Date: May 02, 2016
Place: Bengaluru



for **IDF Financial Services Private Limited**



(V N Salimath)
Chairman
DIN: 0253109




(N M Patil)
Managing Director
DIN: 1674210

IDF FINANCIAL SERVICES PRIVATE LIMITED

Notes to the financial statements as at March 31, 2016

Note 2.7 : Fixed assets

Particulars	Gross Block			Depreciation			Net Block		
	As on March 31, 2015	Additions for the year	Deletions for the year	As on March 31, 2016	Up to March 31, 2015	Additions for the year	Deletions For the year	As At March 31, 2016	As at March 31, 2015
A. Tangible assets									
Computer and Accessories	38,74,562	2,40,795	-	41,15,297	30,72,205	8,69,490	-	1,73,602	8,02,357
Furniture and Fixtures	14,86,230	1,99,233	-	16,85,463	10,01,811	5,01,450	-	1,82,202	4,84,419
Office equipment	26,21,494	92,514	20,500	26,93,508	13,64,966	12,10,459	10,776	1,28,859	12,56,528
Total [A]	79,82,286	5,32,482	20,500	84,94,268	54,38,982	25,81,399	10,776	4,84,663	25,43,304
B. Intangible assets									
Goodwill	3,70,00,000	-	-	3,70,00,000	2,22,00,000	37,00,000	-	1,11,00,000	1,48,00,000
Total [A+B]	4,49,82,286	5,32,482	20,500	4,54,94,268	2,76,38,982	62,81,399	10,776	1,15,84,663	1,73,43,304
Previous year	4,37,01,022	13,12,764	31,500	4,49,82,286	2,33,84,705	42,72,430	18,153	1,73,43,304	-

Date : May 02, 2016
Place: Bengaluru





IDF Financial Services Private Limited

Mission

Financial empowerment of the economically underprivileged through good quality and sustainable financial services

Core Values

Commitment, transparency, innovation, business ethics, exceptional teamwork

Objectives

Our aim is to “Build a banking model” with a social face that is commercially viable for the poor. These include:

- Assist organizing the poor into Self Help Groups (SHGs)
- Build the capacity of Self Help Groups through Training & Non training interventions
- Help organize the SHGs into Clusters & Federation
- Facilitate Federation of SHGs to organize trainings related to Livelihood, Health & Community Development
- Assist SHG Federation to mobilize thrift from the SHGs
- Assist SHG Federation to provide Credit plus services
- Provide Credit to SHGs
- Build the capacity of SHG Federation towards participation in Governance of the Federation as well as in IDF FSPL in which the federation are the share holders.

Our Bankers

Our aim is to “Build a banking model” with a social face that is commercially viable for the poor these include

- State Bank of India
- Karnataka GrameenaVikas Bank
- Canara Bank
- Corporation Bank
- Syndicate Bank
- Bank of India
- Small Industries Development Bank of India (SIDBI)
- NABARD

Statutory Auditors

M/s R. R. Kulkarni & Co, Chartered Accountants



IDF Financial Services Private Limited (IDF FSPL)

Regd. Office : # 49, (Old # 590), 1st Floor, 21st Main, 32nd Cross, Jayanagar, 4th 'T' Block, Bangalore - 560 041
Tel.: 080 26657714, email: idff.fin@gmail.com

Admn. Office : No. 81, Bhushan Nilaya, 3rd Main, 10th Cross, Manjunatha Colony, Shivagiri, Dharwad- 580 007
Phone: 0836 2772701, 2771804 | email: idff.ao@gmail.com

website: www.idf-finance.in